

**6. INFORMATION ON OUR GROUP (cont'd)**

**Pipe welding process in our factory**



1<sup>st</sup> picture: Coil input; 2<sup>nd</sup> picture: Flattening of coil; 3<sup>rd</sup> to 6<sup>th</sup> picture: Roll forming of pipes; 6<sup>th</sup> picture: Welding of pipes; 7<sup>th</sup>: Cooling in a bath of coolant; 8<sup>th</sup> picture: Cutting welded pipes to desired sizes

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**6. INFORMATION ON OUR GROUP (cont'd)**

**(b) Supply of scaffoldings**

We supply scaffoldings in loose form and our customers will assemble them on-site. Scaffoldings are temporary structures mainly used in construction for new as well as existing buildings, infrastructures and structures, especially for renovations and installation of structures and fittings. They are also used as temporary shoring of structures.

Our revenue streams from this segment are via the sales and rental of scaffoldings. Our scaffoldings are marketed and sold under our brand "BW". Commonly, we deliver the scaffoldings within a week from the receipt of purchase order. However, for purchase orders with specified delivery schedule we will deliver according to the delivery schedule.

Our scaffoldings are accredited with SIRIM product certification for the conformity to the MS 1462 series of standards and also accorded the certificate of standard compliance by CIDB.

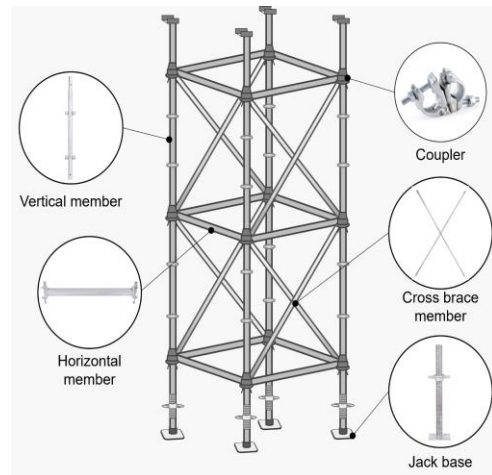
For FYE 2020, FYE 2021, FYE 2022 and FYE 2023, our revenue from our supply of scaffoldings amounted to RM26.1 million (20.0%), RM25.8 million (11.6%), RM40.4 million (17.1%) and RM61.2 million (24.9%) of our total revenue respectively.

Scaffoldings refer to temporary structures built to support workers, materials and equipment to enable construction, renovation, repair or demolition of buildings, facilities, amenities, infrastructures and other structures. It includes any working platform, gangway, skip, ladder or step-ladder which does not form part of such structure as well as other components including guard rail, toe boards or other safeguards.

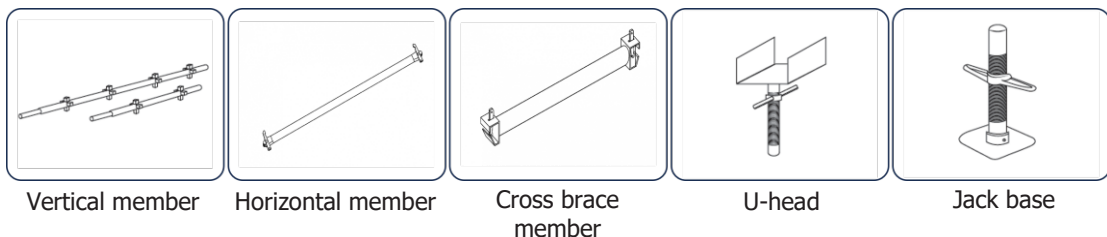
Scaffoldings also include falsework, also known as shoring scaffolds, which refers to temporary structures used to support permanent structures while it is not self-supporting, such as supporting the formwork until the concrete is set and the structure can support itself.

Generally, scaffoldings comprise various components that are assembled. This includes standards (vertical members), ledgers (horizontal members), bracings, frames, jack base, and u-heads as well as accessories such as joints and couplers. Scaffoldings are assembled on-site and can expand vertically and horizontally as the structure to be constructed such as a high-rise building is gradually built from the bottom up. The main part of the scaffolding is the steel pipes used as the vertical and horizontal members which is made of galvanised iron or painted steel.

**Components of scaffoldings**



**Some of our scaffoldings components for on-site assembly**



## 6. INFORMATION ON OUR GROUP (cont'd)

### Some of the accessories used in assembling scaffoldings



Swivel coupler

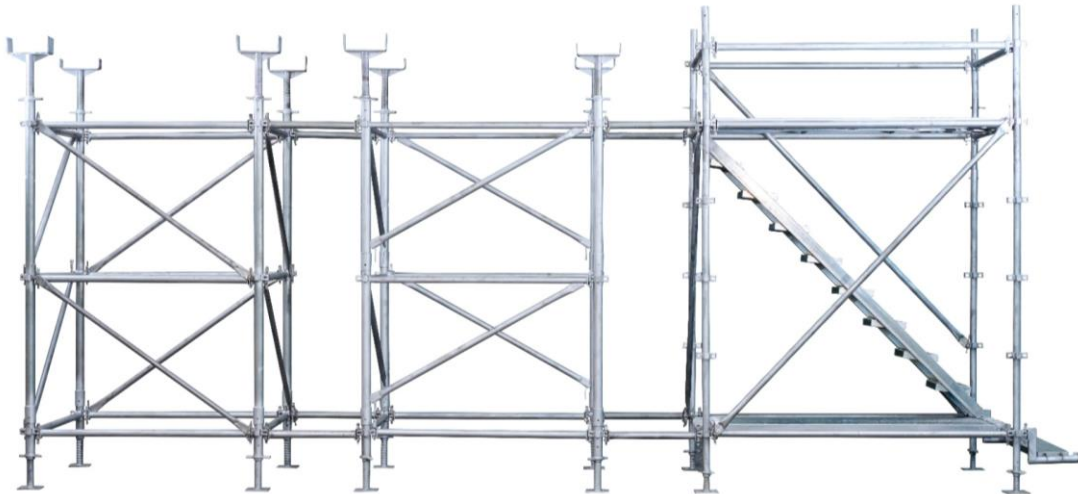
Right angle coupler

Put log coupler

Fixed beam clamp

Swivel clamp

### Assembled scaffoldings



Our scaffoldings comply with various standards as follows:

- MS 1462-2-1:2010 Metal Scaffolding – Part 2: Tubular (tube and coupler) scaffold – Section 1: Specification for steel tubes;
- MS 1462-2-3: 2011 Metal Scaffolding – Part 2: Tubular (tube and coupler) scaffold – Section 3: Specification for steel and aluminium couplers, fittings and accessories;
- MS 1462-1:2012 Metal Scaffolding – Part 1: Prefabricated scaffolds – Specifications for steel frame scaffolding;
- MS 1462-3-1:2011: Metal Scaffolding – Part 3: Prefabricated scaffolds – Section 1: Specification for steel and aluminium modular system scaffolding; and
- MS 1462-1:2021: Metal Scaffolding – Part 1: Prefabricated scaffolds – Specifications for steel frame scaffolding (Second revision).

## 6. INFORMATION ON OUR GROUP (cont'd)

We supply all components of scaffoldings, mainly made of galvanised high-tensile mild steel, required for the assembly at customers' sites. Scaffoldings comprise components that are fabricated in-house as well as sourced from third-party manufacturers or suppliers. The fabrication works are mainly carried out by our employees. In situations where we receive high quantity of orders simultaneously and are unable to meet all orders on time using only in-house resources, we may engage subcontracted labour to increase resources for the fabrication works at our manufacturing facility. Some of the main components of scaffoldings comprised the following:

- Steel frames in semi-finished form such as main frames, ladder frames and horizontal frames are sourced from third party manufacturers based on our specifications. Steel frame are one of the main components in scaffoldings;
- structural steel pipes used to fabricate steel frames such as main frames, ladder frames and horizontal frames, as well as cross brace members of scaffoldings. Structural steel pipes are manufactured in-house as well as sourced from third-party manufacturers. We source third-party structural steel pipes to complement our in-house manufactured structural steel pipes mainly to meet timely delivery to our scaffoldings customers where our in-house manufacturing does not have the capacity at that point in time.
- Other components include walking boards, step ladders, u-head and jack base. These components are fabricated in-house as well as sourced from third-party manufacturers.
- Other accessories such as couplings and hardware are purchased from third-party manufacturers or suppliers. This is mainly because there are many types of components and the processes required to manufacture them are varied and specialised, such as casting, as well as they use different types of steel materials to provide the required strengths and other technical specifications.

We will carry out fabrication including cutting, welding and finishing where necessary, of the steel frames, structural steel pipes as well as other components which will subsequently be assembled together with the accessories that we sourced from third-party manufacturers or suppliers to form the scaffoldings. For the FYE 2023, we fabricated a total of 5,193 tonnes of scaffoldings, where steel frames and structural steel pipes accounted for 88.5% of the total tonnage of scaffoldings, while the remaining 11.5% were other components and accessories. Of the total steel frames and structural steel pipes used for the scaffoldings, approximately 72.8% of them were sourced from third-party manufacturers or suppliers, while the remaining 27.2% of them were fabricated using our in-house manufactured welded pipes.

Our revenue derived from supply and rental of scaffoldings is segmented as follows:

| Supply of scaffoldings                     | FYE 2020       |               | FYE 2021       |               | FYE 2022       |               | FYE 2023       |               |
|--|----------------|---------------|----------------|---------------|----------------|---------------|----------------|---------------|
|  | RM'000         | %*            | RM'000         | %*            | RM'000         | %*            | RM'000         | %*            |
| Sales                                      | 18,988         | 14.5          | 14,927         | 6.7           | 29,117         | 12.3          | 40,295         | 16.4          |
| Rental                                     | 7,134          | 5.5           | 10,888         | 4.9           | 11,273         | 4.8           | 20,954         | 8.5           |
| <b>Revenue from supply of scaffoldings</b> | <b>26,122</b>  | <b>20.0</b>   | <b>25,815</b>  | <b>11.6</b>   | <b>40,390</b>  | <b>17.1</b>   | <b>61,249</b>  | <b>24.9</b>   |
| <b>Total revenue</b>                       | <b>130,864</b> | <b>100.00</b> | <b>222,435</b> | <b>100.00</b> | <b>236,231</b> | <b>100.00</b> | <b>246,078</b> | <b>100.00</b> |

\* As a percentage of total Group revenue

## 6. INFORMATION ON OUR GROUP (cont'd)

### (i) Sales of scaffoldings

We sell scaffoldings or individual scaffoldings components to our customers. We deliver the scaffoldings or scaffoldings components to customers' designated sites where the delivery fees are borne by the customers. We do not carry out the installation of scaffoldings, which is the responsibility of our customers.

### (ii) Rental of scaffoldings

Our scaffoldings business includes the rental of scaffoldings which provides us with recurrent revenue. We rent out whole scaffoldings or individual scaffoldings items. Our rental business is synergistic with our sales business as we already have a ready source of all the required components for scaffoldings.

Our rental business also includes the delivery of all scaffoldings components to customers' designated sites where the delivery fees are borne by the customers. Our customers are responsible for returning all rented components to our nearest warehouse and in some situations, we will collect the scaffoldings components from our customers upon request and the delivery fees will be charged to the customers.

Our rental business is based on rental agreement commonly with a minimum rental period of 3 months. The rental period may be extended upon expiry and there is no maximum rental period. We clean, maintain and refurbish the scaffoldings where required when scaffoldings are returned to us after each rental period.

We do not carry out the installation of scaffoldings, which is the responsibility of our customers. When our scaffoldings are fully rented out at any point in time, we will rent scaffoldings from third-party to fulfil our customers' orders.

### (c) Trading of steel materials and steel related products

During the Period Under Review, we also derived revenue from trading of steel materials namely steel coils, and steel related products including mainly cabins and metal frames for doors and windows. For FYE 2020, FYE 2021, FYE 2022 and FYE 2023, revenue from trading of steel materials and steel related products amounted to RM2.8 million (2.1%), RM12.2 million (5.5%), RM3.8 million (1.6%) and RM5.1 million (2.1%) of the total revenue respectively.

| Trading of steel materials and steel related products                     | FYE 2020       |               | FYE 2021       |               | FYE 2022       |               | FYE 2023       |              |
|---|----------------|---------------|----------------|---------------|----------------|---------------|----------------|--------------|
|   | RM'000         | %*            | RM'000         | %*            | RM'000         | %*            | RM'000         | %*           |
| Trading of steel coils  | 2,175          | 1.7           | 11,725         | 5.3           | 2,873          | 1.2           | 4,253          | 1.7          |
| Trading of steel related products <sup>(1)</sup>                          | 610            | 0.4           | 473            | 0.2           | 971            | 0.4           | 826            | 0.4          |
| <b>Revenue from trading of steel materials and steel related products</b> | <b>2,785</b>   | <b>2.1</b>    | <b>12,198</b>  | <b>5.5</b>    | <b>3,844</b>   | <b>1.6</b>    | <b>5,079</b>   | <b>2.1</b>   |
| <b>Total revenue</b>  | <b>130,864</b> | <b>100.00</b> | <b>222,435</b> | <b>100.00</b> | <b>236,231</b> | <b>100.00</b> | <b>246,078</b> | <b>100.0</b> |

\* As a percentage of total revenue

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## 6. INFORMATION ON OUR GROUP *(cont'd)*

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### Note:

(1) Including mainly cabins and metal frames for doors and windows.

During the Period Under Review, we offer the following products under trading of steel materials and steel related products:

### Types

#### Steel materials

##### Steel coils



### Description

- Mainly colour coated steel coils

#### Steel related products

##### Cabins



- Temporary metal cabins commonly used at construction site
- These cabins are foldable and supplied in flat pack, which require minimal installation on-site

##### Metal frames for doors and windows



- Commonly used for residential properties

## 6. INFORMATION ON OUR GROUP (cont'd)

### 6.5.1.3 Accreditations and certifications

All construction materials listed in the Fourth Schedule of Construction Industry Development Board Act 1994 are required to obtain CIDB's Certificate of Standards Compliance. The Fourth Schedule includes scaffoldings, which requires conformity to the MS 1462 series of standards. Compliance with MS 1462 thus allows our scaffolding products to be used as construction materials in the construction industry in Malaysia.

Our accreditations and certifications for our products are as follows:

| <b>Year first obtained</b> | <b>Subsidiary</b> | <b>Certifying party</b> | <b>Accreditations and certifications</b>   |
|----------------------------|-------------------|-------------------------|--|
| 2010                       | BWYS Steel        | SIRIM QAS               | <ul style="list-style-type: none"> <li>Received the first ISO 9001:2015 certification on 17 December 2010 for the following scope:                             <ul style="list-style-type: none"> <li>manufacture of metal roofing and accessories, multi truss, scaffolding, racking system, steel hollow section pipes, and clear and colour conduit pipes;</li> <li>trading of scaffolding accessories, galvanised iron and colour coils, and other building-related products; and manufacture of racking system.</li> </ul> </li> <li>The current certification is valid from 27 September 2022 to 30 September 2025.</li> </ul> |
| 2017                       | BW Scaffold       | SIRIM QAS               | <ul style="list-style-type: none"> <li>Received the first product certification licence for MS 1462-1:2012 prefabricated steel frame scaffolding on 4 August 2017.</li> <li>The current certification is valid from 25 September 2023 to 4 August 2024.</li> </ul>   |
| 2017                       | BW Scaffold       | CIDB                    | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance for MS 1462-1:2012 prefabricated steel frame scaffolding on 24 November 2017.</li> <li>The current certification is valid from 27 February 2024 to 26 February 2025.</li> </ul>   |
| 2017                       | BWYS Steel        | CREAM                   | <ul style="list-style-type: none"> <li>Received the first product certificate of conformity MS 1462-2-3:2011 steel coupler for tubular scaffolds on 8 August 2017, and was subsequently renewed with validity up to 7 August 2021.<sup>(1)</sup></li> </ul>  |
| 2017                       | BWYS Steel        | CIDB                    | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance for MS 1462-2-3:2011 steel coupler for tubular scaffold on 10 November 2017.<sup>(1)</sup></li> </ul>   |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>Year first obtained</b> | <b>Subsidiary</b> | <b>Certifying party</b> | <b>Accreditations and certifications</b>   |
|----------------------------|-------------------|-------------------------|--|
| 2018                       | BWYS Steel        | CIDB                    | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance MS 1462-1:2012 prefabricated steel frame scaffolding on 15 January 2018 which was valid up to 14 January 2019.<sup>(1)</sup></li> </ul>   |
| 2018                       | BWYS Steel        | CREAM                   | <ul style="list-style-type: none"> <li>Received its first product certificate of conformity MS 1462-2-1:2010 galvanised steel tube for tubular scaffolding on 23 February 2018, and was subsequently renewed with validity up to 22 February 2022.<sup>(1)</sup></li> </ul>                      |
| 2019                       | BWYS Steel        | CIDB                    | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance for MS 1462-2-1:2010 galvanised steel tube for tubular scaffolding on 9 January 2019.</li> <li>The current certification is valid from 3 February 2022 to 2 February 2023.<sup>(1)</sup></li> </ul> |
| 2019                       | YS Success        | SIRIM QAS               | <ul style="list-style-type: none"> <li>Received the first product certification licence for JIS G3444:2015 carbon steel tube for general structure on 12 April 2019.</li> <li>The current certification is valid from 18 March 2024 to 12 April 2025.</li> </ul>                                 |
| 2020                       | BW Scaffold       | SIRIM QAS               | <ul style="list-style-type: none"> <li>Received the first product certification licence for MS1462-3-1:2011 steel modular system scaffolding on 22 September 2020.</li> <li>The current certification is valid from 22 August 2023 to 22 September 2024.</li> </ul>                              |
| 2022                       | YS Success        | CIDB                    | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance for JIS G3444:2015 carbon steel tube for general structure on 30 July 2022.</li> <li>The current certificate is valid from 30 July 2023 to 29 July 2024.</li> </ul>                                 |
| 2022                       | BW Scaffold       | CIDB                    | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance for MS1462-3-1:2011 modular system scaffolding on 14 January 2022.</li> <li>The current certification is valid from 27 February 2024 to 26 February 2025.</li> </ul>                                |
| 2022                       | BW Scaffold       | CREAM                   | <ul style="list-style-type: none"> <li>Received the first product certificate of conformity MS 1462-2-3:2011 steel coupler for tubular scaffolds on 26 July 2022 and is valid until 25 July 2024.</li> </ul>   |



**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>Year first obtained</b> | <b>Subsidiary</b> | <b>Certifying party</b>                      | <b>Accreditations and certifications</b>  |
|----------------------------|-------------------|--|---|
| 2022                       | BW Scaffold       | CIDB   | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance MS 1462-2-3:2011 steel coupler for tubular scaffolds on 15 September 2022.</li> <li>The current certification is valid from 22 August 2023 to 21 August 2024.</li> </ul> |
| 2022                       | BW Scaffold       | Certibuild (M) Sdn Bhd                       | <ul style="list-style-type: none"> <li>Received the first certificate of conformity MS 1462-2-1:2010 steel tube for tubular scaffolding on 5 August 2022 and is valid until 4 August 2024.</li> </ul>   |
| 2022                       | BW Scaffold       | SIRIM QAS                                    | <ul style="list-style-type: none"> <li>Received the first certification for ISO 9001:2015 for the scope of manufacturing scaffolding products and accessories on 1 March 2022.</li> <li>The current certification is valid from 31 May 2022 to 2 May 2025.</li> </ul> |
| 2023                       | BW Scaffold       | CIDB   | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance MS 1462-2-1:2010 steel tube for tubular scaffolding on 7 February 2023.</li> <li>The current certification is valid from 26 March 2024 to 25 March 2025.</li> </ul>      |
| 2023                       | BW Scaffold       | Certibuild (M) Sdn Bhd                       | <ul style="list-style-type: none"> <li>Received the first certificate of conformity MS 1462-1:2021 prefabricated steel frame scaffolding component on 1 September 2023 and is valid until 31 August 2024.</li> </ul>  |
| 2023                       | BW Scaffold       | CIDB   | <ul style="list-style-type: none"> <li>Received the first certificate of standard compliance MS 1462-1:2021 prefabricated steel frame scaffolding component on 3 November 2023 and is valid until 2 November 2024.</li> </ul>   |
| 2023                       | YS Global         | Universal Quality Accreditation Services LLC | <ul style="list-style-type: none"> <li>Received the certificate of registration for Metech Pallet Racking Storage System in compliance to EN 15512:2021+A1:2022 on 30 November 2023 and is valid until 29 November 2024.</li> </ul>                                   |

**Note:**

- (1) These certificates of standard compliance were not renewed as these certificates were subsequently obtained by BW Scaffold, which is involved in the supply of scaffoldings.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

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### **6.5.2 Business process**

#### **6.5.2.1 Mode of operations**

##### **(a) Sheet metal products, sales of scaffoldings, trading of steel materials and steel related products**

###### **Purchase orders**

Our mode of operation for our manufacture of sheet metal products, sales of scaffoldings as well as trading of steel materials and steel related products are mainly based on confirmed purchase orders.

Our customers will issue purchase orders to us as and when they require them. The purchase order will specify the type of products, specifications, quantity, agreed price, payment term as well as other terms such as delivery address and schedule. We will issue an invoice to our customers upon delivery of the products. We mainly deliver the products to our customers' specified destinations, and the delivery fees are factored into our product pricing. In some situations, our customers will opt to pick up the products from our warehouse.

###### **Contract-based**

For roof trusses under projects, we will enter into a contractual agreement with some of our customers where our customer will issue a letter of award or work order to us for the supply and installation of roof trusses. The letter of award or work order will set out the scope of work, contract period, agreed price and payment terms. We will submit progressive claims and issue invoice to our customers upon the delivery of materials to the construction site based on the agreed terms, and the balance will be invoiced upon completion of work.

Typically, the contract period ranges from 6 months to 9 months. However, in some cases we have contracts for up to 2 years. In the event of any delays in the completion of the contract, we may be subjected to liquidated and ascertained damages (LAD) claim by our customer at an agreed fixed rate of damages per day which will be stipulated in the contract. Depending on the contractual agreement, we may be required to provide defect liability period for the rectification of any defects of up to 24 months from the acceptance date or date of certificate of practical completion by the customer. As at the LPD, we have not experienced any LAD claims from our customers.

###### **Warranty**

For the roof trusses that we design, supply and/or install, we provide a 10-year warranty based on the design of the roof trusses. During the warranty period, we will provide replacements or rectify any manufacturing or design defects at our costs or reimburse our customer the cost of replacement of the defective products.

For our manufactured industrial racking systems, we provide 5-year warranty for the "Metech" brand industrial racking systems. During the warranty period, we will provide replacements or make good any manufacturing defects at our cost. As at the LPD, we have not experienced any warranty claims from our customers.

We do not provide warranty for the other sheet metal products. However, as a gesture of goodwill towards our customers, we will provide replacements or allow our customers to return the defective or damaged products during transportation and transit of the products within 7 days upon the receipt of the products.

## 6. INFORMATION ON OUR GROUP (cont'd)

### (b) Rental of scaffoldings

For the rental of scaffoldings, we enter into agreements specifying the minimum rental period and rental rates for each type of components. Rates and conditions for any extension of the rental period are also included in the agreements.

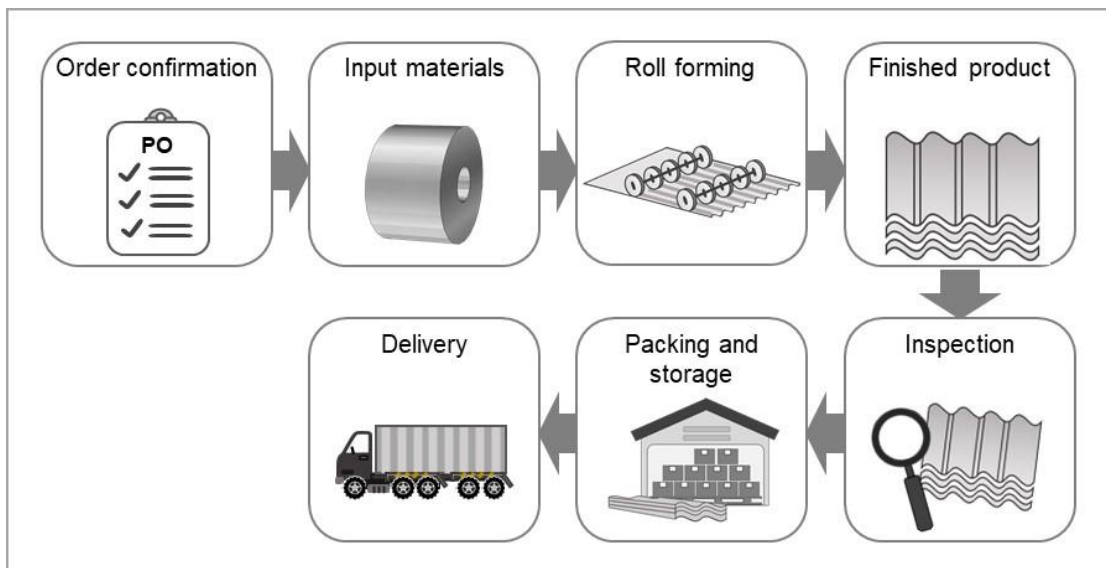
The transportation cost of the rented scaffoldings to the project site, as well as their return to our warehouse, is commonly borne by the customer. Invoices will be issued to our customers on a monthly basis. We will commonly require a 2 months deposit. In the event of any damaged or missing items upon return, we will charge back to our customers.

### 6.5.2.2 Process flow

#### (a) Manufacture of roofing sheets and trusses

##### (i) Manufacture of roofing sheets

Our process flow for the manufacture of roofing sheets is depicted in the diagram as follows:



- **Order confirmation**

The initial process typically begins with customer enquiries, where customers will choose the type of roofing sheets they intend to purchase along with specifications such as length, thickness and surface finishing.

Once a decision has been made, our customer will issue a purchase order with details such as product specification, quantity, pricing, delivery location, delivery date and payment terms. The receipt of purchase orders serves as a basis for us to confirm orders and schedule our production. Our purchase orders are mainly secured through proposals in response to requests for quotations from prospective customers.

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**6. INFORMATION ON OUR GROUP (cont'd)**

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- **Input materials**

We would normally have sufficient stocks of input materials in-house to meet most customers' purchase orders. As our input materials are sometimes purchased from foreign countries requiring 6 to 8 weeks lead time, we would normally plan our inventory of input materials to have sufficient buffer stocks to meet most purchase orders.

We use aluminium-zinc coated or colour coils in the manufacture of roofing sheets and these coated coils are available in various thicknesses, widths and grades.

- **Roll forming**

Based on our customer specifications, we will select coated coils of the appropriate length, grade and material coating. The coated coils are loaded onto a decoiler to unwind the sheet metal and fed into the roll-forming machine. As the uncoiled strip enters the roll-forming machine and passes through a series of rollers, the long continuous strip is bent and shaped into the desired profiles according to customer specifications. The profile is automatically cut to the pre-determined length and discharged onto the run-out table before being arranged for delivery or further processing.

- **Inspection**

We will inspect the quality and dimensions of the finished products to ensure they meet our customer specifications and adhere to the relevant standards, where required. Should there be any defects, the defective products including those which were manufactured based on customer specifications will be sold at a discount. For the Period Under Review, defective products accounted for between 0.1% to 0.3% of our total actual output per year.

- **Packing, storage, delivery and installation**

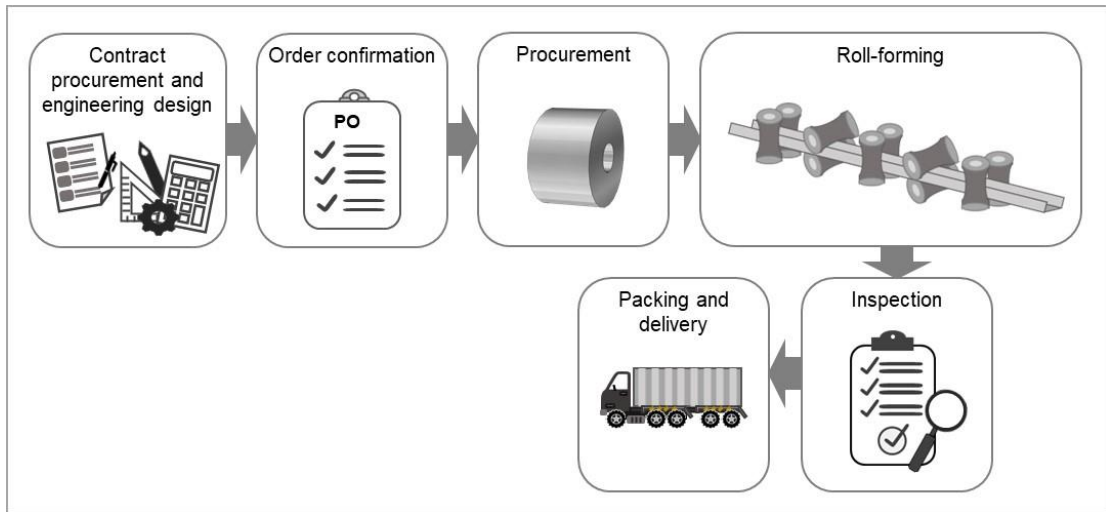
After inspection, we will pack the finished products into stacks for storage or delivery to our customers. We will deliver the finished product to the designated site at the specified date. We do not carry out the installation work.

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## 6. INFORMATION ON OUR GROUP (cont'd)

### (ii) Manufacture of roof trusses

Our process flow for the manufacture of roof trusses is depicted in the diagram as follows:



- **Contract procurement and engineering design**

The initial process begins with contract procurement, whereby the contracts for the manufacture of roof trusses are secured through tendering or quotation. This process is only applicable for roof trusses which require our design.

The tendering or quotation process begins when we receive an invitation to tender or quote from prospective customers. We will carry out a preliminary assessment based on the project requirements and background of the customer before deciding to participate in the tender or quotation. Once we have decided to bid or submit a quotation, we will commence the preparation of the tender or quotation documents which involve considerations including costing, pricing, timing and input material stocks in hand, as well as the preparation of the preliminary engineering design.

Based on the project requirements, we will design the trusses and prepare design drawings indicating the loads, assembly drawings, material specifications and types of joining. Some of the design considerations include load data such as dead load, impose load, wind load and other related loads, as well as the size, length and grade of steel to be used.

- **Order confirmation**

Upon receiving the letter of award or work order from the customer, we will then proceed to finalise the design of the trusses. The calculations and drawing details will be certified by an independent professional engineer. These drawings will need to be accepted by our customers.

For customers who do not require us to design, the customer will issue a purchase order with details including product specification, quantity, pricing, delivery location, delivery date and payment terms. The receipt of purchase orders serves as a basis for us to confirm orders and schedule our production. Our purchase orders are mainly secured through proposals in response to requests for quotations from prospective customers.

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**6. INFORMATION ON OUR GROUP (cont'd)**

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- **Procurement**

Upon receiving the letter of award, work orders or purchase orders, we will check our inventory of input materials. In the event of insufficient input materials to fulfil our customer orders, we will procure the necessary input materials from the suppliers. However, we would normally have sufficient stocks of input materials in-house to meet most customers' purchase orders. As our input materials are sometimes purchased from foreign countries requiring 6 to 8 weeks lead time, we would normally plan our inventory of input materials to have sufficient buffer stocks to meet most purchase orders.

Our input material consists of steel coils, which are available in various thicknesses, widths, grades and material coatings such as aluminium-zinc, galvanised iron and colour coated.

- **Roll forming**

Based on our customer specifications, we will select steel coils of the appropriate length, grade and material coating for slitting. The steel coils are slit into narrower coils based on the required widths while the off-cuts are sold as scrap. For the Period Under Review, scrap accounted for between 0.4% to 0.5% of our total actual output per year.

The slitted steel coils are loaded onto a decoiler to unwind the sheet metal and fed into the roll-forming machine. As the uncoiled strip enters the roll-forming machine and passes through a series of rollers, the long continuous strip is bent and shaped into the desired profiles according to customer specifications. The profile is automatically cut to the pre-determined length and discharged onto the run-out table before being arranged for delivery or further processing.

- **Inspection**

We will inspect the steel trusses to ensure they are manufactured based on the specifications and design per the agreed layout. Should there be any defects, the defective products will be sold at a discount. For the Period Under Review, there were no defective products in the manufacture of roof trusses.

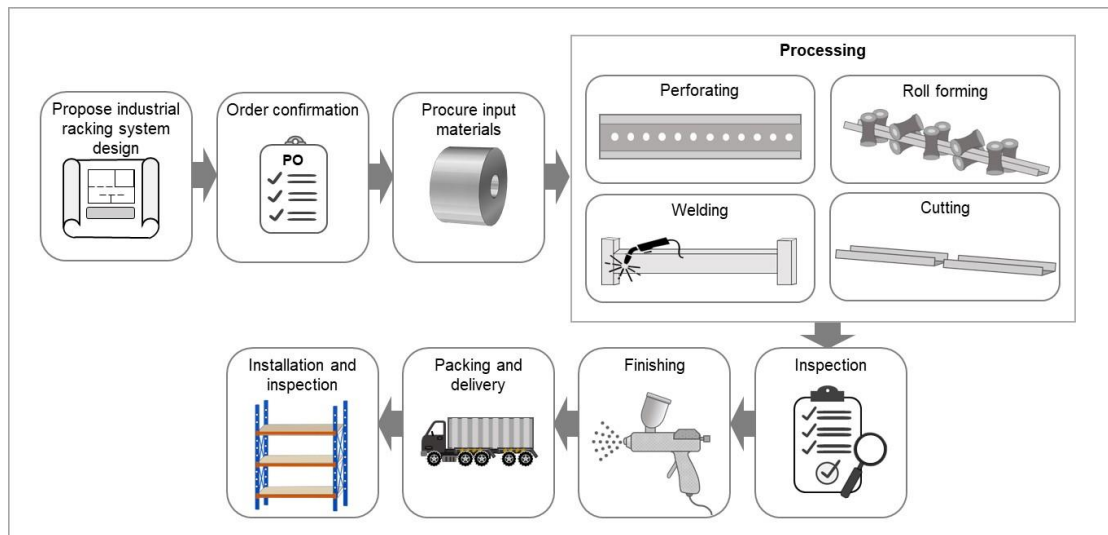
- **Packing, delivery and installation**

After inspection, we will pack the finished products into stacks for storage or delivery to our customers. The installation of roof trusses will either be undertaken by our Group or an external contractor depending on customer requirements. In the event that we do not complete the installation as specified in the contracts, we are subject to liquidated and ascertained damages (LAD). For the Period Under Review and as at the LPD, we have not experienced any LAD claims from our customers.

## 6. INFORMATION ON OUR GROUP (cont'd)

### (b) Manufacture of industrial racking systems

Our process flow for the manufacture of the industrial racking systems is depicted in the diagram as follows:



- **Propose industrial racking systems design**

The initial process begins with customer enquiries, in which we will assess the requirements and background of our prospective customers in terms of their budget, storage needs, type of goods stored, floor space and load bearing, and layout and vehicular flow within the storage area. Based on these considerations, we will design and propose a suitable industrial racking systems for our prospective customers by providing them with a racking layout and a quotation. The proposed racking layout includes information such as upright height, frame depth, beam length, number of beam levels per bay and number of bays.

- **Order confirmation**

Once a decision has been made, our customer will issue a purchase order with details such as the type and specifications of the industrial racking systems to be purchased as well as other terms such as delivery and installation site, delivery date and payment terms. The receipt of purchase orders serves as a basis for us to confirm orders and schedule our production. Our purchase orders are mainly secured through proposals in response to requests for quotations from prospective customers.

- **Procure input materials**

Upon receiving the purchase orders, we will check our inventory of input materials. In the event of insufficient input materials to fulfil our customer orders, we will procure the necessary input materials from suppliers. However, we would normally have sufficient stocks of input materials in-house to meet most customers' purchase orders. As our input materials are sometimes purchased from foreign countries requiring 6 to 8 weeks lead time, we would normally plan our inventory of input materials to have sufficient buffer stocks to meet most purchase orders.

We use galvanised steel coils and uncoated steel coils in the manufacture of industrial racking systems. Some of the components and hardware are also required to be purchased from third-party suppliers.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

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- **Processing**

Based on our customers' specifications, we will select steel coils of the appropriate length, grade and thickness for slitting. The steel coils are slit into narrower coils based on the required width while the off-cuts are sold as scrap. For the Period Under Review, scrap accounted for between 1.0% to 3.3% of our total actual output per year.

The following processes are carried out for the manufacture of various industrial racking components:

- Perforation: The strip of the slitted steel coil is perforated with holes of various sizes and shapes arranged in several patterns;
- Roll-forming: The perforated slit metal will be roll-formed into various profiles such as C-channels and angles;
- Cutting: The perforated and rolled formed metal is cut to length; and
- Welding: Where required, some components will need to undergo welding.

- **Inspection**

We will inspect the industrial racking components to ensure they are manufactured or procured based on the agreed specifications and design. Should there be any defects, the defective parts will be sold at a discount. For the Period Under Review, there were no defective products in the manufacture of industrial racking systems.

- **Finishing**

After inspection, the industrial racking components undergo surface pre-treatment, namely phosphate conversion coating where they are cleaned, chemically pre-treated, rinsed and dried in preparation for powder coating. During the chemical pre-treatment, the industrial racking components are immersed in an acidic bath to react with the solution. This creates a protective layer of iron phosphate crystals on the surface of the industrial racking components, thereby improving paint adhesion and corrosion resistance.

After undergoing surface pre-treatment, the industrial racking components are electrostatically sprayed with powder paint and placed in a curing oven. In the curing oven, a chemical reaction takes place which bonds the powder paint with the industrial racking components, thus leading to a permanent coating. We will then carry out inspection on the coated industrial racking components to ensure coating uniformity and are fully cured.

- **Packing, delivery, installation and inspection**

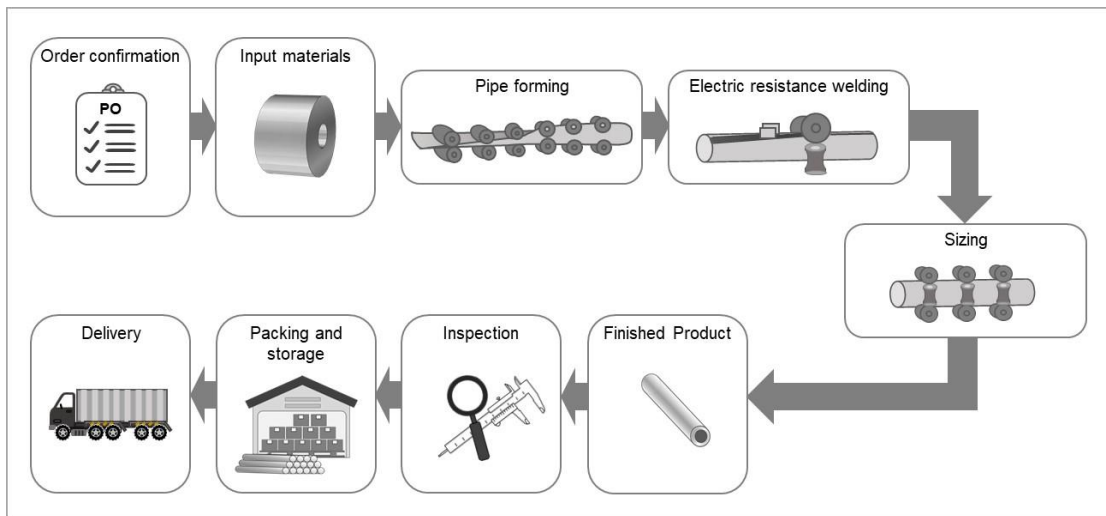
We will then pack the finished products and deliver them to our customer's site for installation. At our customer's site, we will install the industrial racking systems and thereafter inspect the industrial racking systems to ensure it is functional and safe for use.



## 6. INFORMATION ON OUR GROUP (cont'd)

### (c) Manufacture of welded pipes

Our process flow for the manufacture of welded pipes is depicted in the diagram as follows:



- **Order confirmation**

The initial process typically begins with customer enquiries, where customers will choose the type of welded pipes they intend to purchase along with specifications such as pipe dimension, length surface finishing as well as the required tensile and yield strength. We commonly manufacture welded pipes with standard dimensions to replenish our stocks, and fulfil customer orders based on their purchase orders.

Once a decision has been made, our customer will issue a purchase order with details such as product specification, quantity, pricing, delivery location, delivery date and payment terms. The receipt of purchase orders serves as a basis for us to confirm our orders and schedule our production. We will first consider our current level of inventory for finished goods. If the required items are insufficient or not in stock, we will schedule for production. Our purchase orders are mainly secured through proposals in response to requests for quotations from prospective customers.

- **Input materials**

We would normally have sufficient stocks of input materials in-house to meet customers' purchase orders. As our input materials are sometimes purchased from foreign countries requiring 6 to 8 weeks lead time, we would normally plan our inventory of input materials to have sufficient buffer stocks to meet most purchase orders. We use galvanised steel coils and uncoated steel coils in the manufacture of welded pipes.

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**6. INFORMATION ON OUR GROUP (cont'd)**

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- **Pipe forming and welding**

Based on our customers' specifications, we will select steel coils of the appropriate length, grade and thickness for slitting. The steel coils are slit into narrower coils based on the required width while the off-cuts are sold as scrap. The slitted steel coils are then loaded onto a decoiler to unwind the coils. For the Period Under Review, scrap accounted for between 0.5% to 1.0% of our total actual output per year.

As the uncoiled strip enters the pipe-forming machine and passes through a series of rollers, the longitudinal ends of the strip progressively curl up to form a tubular section. The size and shape of the tubular section may be in the form of cylindrical, rectangular or square shape. The tubular section then undergoes an automatic electric resistance welding (ERW) process by passing a high-frequency electric current through the sliding contacts on the surface of the tube, thus fusing the edges. This process involves metal inert gas (MIG) welding where a continuous consumable wire electrode is fed into the weld pool and uses carbon dioxide as a shielding gas to protect the arc and weld pool from the environment and contaminants. The welded seam of the pipe is then tightened through the high-pressure rollers.

- **Sizing**

As the welded pipe passes through the sizing section which comprises a series of rollers, the welded pipe is uniformly reduced to the desired diameter, shape and tolerance based on customer requirements. After sizing, the welded pipe is then cut to the required length by the automatic cutting machine.

- **Inspection**

We will then inspect the quality and dimensions of the finished products to ensure they meet our customer specifications and adhere to the relevant standards, where required. Should there be any defects, the defective products will be sold at a discount. For the Period Under Review, defective products accounted for between 2.4% to 3.6% of our total actual output per year.

- **Packing, storage and delivery**

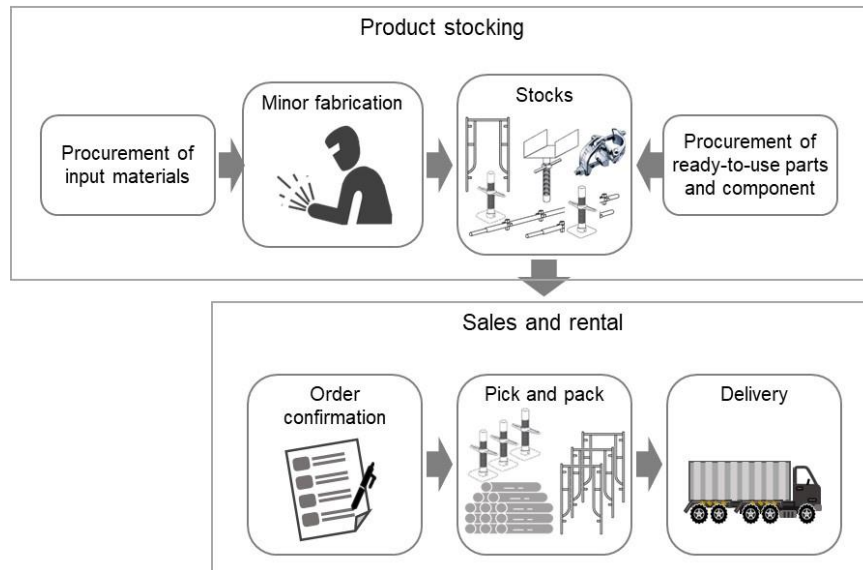
After inspection, we will pack the finished products for storage or delivery to our customers.

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## 6. INFORMATION ON OUR GROUP (cont'd)

### (d) Supply of scaffoldings

Our process flow for the supply of scaffoldings is depicted in the diagram below:



- **Product stocking**

Scaffoldings are assembled at the customer's project site and we have to stock all the relevant components comprising, among others, vertical and horizontal members (mainly structural pipes), cross brace members, and couplings.

The scaffoldings components comprised those that are fabricated in-house as well as sourced from third-party manufacturers or suppliers. We will then carry out some minor fabrication mainly comprising welding various metal parts together or metal parts to the pipes.

- **Order confirmation**

The initial process begins with customer enquiries, where customers will reach out to us with a list of scaffoldings components they intend to purchase or rent based on their scaffoldings drawings and other project requirements. Based on the customer's requirements, we will check the availability of our scaffoldings components.

For sales of scaffoldings, our customer will issue a purchase order with details such as the product required, quantity, pricing, delivery location, delivery date and payment terms. The receipt of purchase orders serves as a basis for us to confirm our orders and schedule our picking and packing process. Our purchase orders are mainly secured through proposals in response to requests for quotations from prospective customers.

For rental of scaffoldings, we will prepare a rental contract which include key terms such as the quantity and rental cost per unit of scaffoldings components, rental start date, expected rental period, delivery location, transportation method, payment amount and method as well as the repair and replacements costs for damaged or missing items. Our rental agreements are mainly secured through proposals in response to requests for quotations from prospective customers.

## 6. INFORMATION ON OUR GROUP (cont'd)

- **Pick and pack**

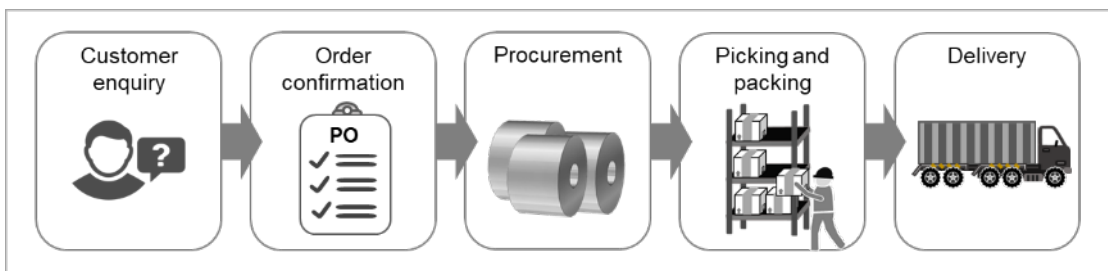
Once we have the purchase order or the rental agreement in hand, our warehouse staff will start picking and packing the required scaffoldings components. These are placed in a temporary storage area before they are loaded onto the lorry for delivery.

- **Delivery**

The scaffoldings components will be delivered to the project site at the specified location and date. At the project site, we will inspect the scaffoldings components for any defects or transport damage as well as the completeness based on a checklist. We will then issue a delivery note to our customer indicating the description and quantity of scaffoldings components delivered, which will be signed and stamped by our customer upon checking and confirming the receipt of the scaffoldings components. We are not responsible for the assembly and erection of the scaffoldings.

### (e) Trading of steel materials and steel related products

Our process flow for the trading of steel materials and steel related products is depicted in the diagram as follows:



- **Customer enquiry**

The initial phase typically begins with customer enquiries on the availability of the products they intend to purchase. Customers will specify the type and quantity of products as well as the dimensions and grades, where applicable. We will then check on the availability of stocks in our inventory and their respective prices.

- **Order confirmation**

After reviewing the quotation, our customer will issue purchase orders indicating the type, quantity, dimensions and grades of products. Based on customer's purchase orders, we will issue sales orders to customers confirming the sale of the products per the purchase orders, which would also include terms such as delivery address, delivery date and payment terms.

- **Procurement**

We will source for the products based on our customer's specifications and requirements. Our steel materials and steel related products are sourced from domestic and foreign suppliers. Upon the receipt of products at our warehouses, we will inspect the products in terms of quantity, quality, grades, dimensions and specifications to ensure they are as per the delivery note and delivered in good condition.

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**6. INFORMATION ON OUR GROUP (cont'd)**

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- **Picking and packing**

On the delivery date, a picking order will be generated and our warehouse personnel will pick the items from our inventory based on the picking order, inspect the products to ensure there are no defects and pack them into a package to be delivered.

- **Delivery**

Our customers can opt to collect the products from our warehouse or have the products delivered to their address for which a delivery fee will be charged.

Upon the receipt of goods, our customers are required to sign and stamp the delivery note as proof of delivery. The signed delivery note is then returned to us for documentation and record keeping purposes.

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## 6. INFORMATION ON OUR GROUP (cont'd)

### 6.5.3 Technologies used or to be used

We do not employ any special technology in our business operations. However, we rely on the manufacturing machinery and equipment to carry out our business operations.

#### 6.5.3.1 Major machinery and equipment

The major machinery and equipment used for our manufacturing operations include the following:

| <b>Major machinery and equipment</b> | <b>Number of machines</b> | <b>Brief description</b>   | <b>Net book value as at 31 December 2023<br/>RM'000</b> | <b>Average age as at 31 December 2023<br/>years</b> | <b>Year of purchase<br/>years</b> |
|--------------------------------------|---------------------------|--|---|---|-----------------------------------|
| <b>Penang 1571 Factory</b>           |                           |  |   |   |                                   |
| <b>Roll forming machines</b>         |                           |  |   |   |                                   |
| - Roofing sheets                     | 7                         | Used to roll-form steel sheets into various profiles such as long run, u-roll bond and crimp curve | 912   | 4   | 2015 - 2023                       |
| - Roof truss                         | 9                         | Used to roll-form C-purlins, C-sections and battens  | 548   | 4   | 2015 - 2023                       |
| - Industrial racking systems         | 16                        | Used to roll form steel strips into bracing, box beams, row spacers and u-shape                    | 1,735   | 4   | 2013 - 2023                       |
| - Welded pipes                       | 4                         | Used to roll-form steel strips into pipes of various outer diameters and shapes                    | 1,425   | 5   | 2017 - 2020                       |
| <b>Others</b>                        |                           |  |   |   |                                   |
| Powder coating line                  | 1                         | Used to provide surface finishing process comprising a multi-stage treatment process               | *   | 10  | 2013                              |
| Stamping machine                     | 9                         | Used to punch one or more holes in steel strips  | 207   | 5   | 2012 -2021                        |
| Welding machine                      | 5                         | Used to join two or more pieces of metal   | 295   | 2   | 2021 – 2022                       |
| Bending machine                      | 2                         | Used to bend steel sheets or strips to desired angles  | 148   | 3   | 2017 - 2023                       |
| Cutting machine                      | 3                         | Used to cut steel sheets or strips to the required length  | 10  | 9   | 2012 - 2017                       |
| Threading machine                    | 2                         | Used to create threats on pipes  | 13  | 6   | 2017                              |
| <b>Penang 1572 Factory</b>           |                           |  |   |   |                                   |
| <b>Roll forming machines</b>         |                           |  |   |   |                                   |
| Industrial racking systems           | 9                         | Used to roll form steel strips into bracing, box beams, row spacers and u-shape                    | 2,374   | 2   | 2020 - 2023                       |
| <b>Others</b>                        |                           |  |   |   |                                   |
| Stamping machine                     | 4                         | Used to punch one or more holes in steel strips  | 251   | 2   | 2021                              |
| Welding machine                      | 7                         | Used to join two or more pieces of metal   | 469   | 2   | 2020 - 2022                       |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>Major machinery and equipment</b>    | <b>Number of machines</b> | <b>Brief description</b>   | <b>Net book value as at 31 December 2023<br/>RM'000</b> | <b>Average age as at 31 December 2023<br/>years</b> | <b>Year of purchase<br/>years</b> |
|---|---------------------------|--|---|---|-----------------------------------|
| Bending machine                         | 1                         | Used to bend steel sheets or strips to desired angles  | 91  | 2   | 2021                              |
| Cutting machine                         | 4                         | Used to cut steel sheets or strips to the required length  | 144   | 2   | 2021                              |
| Shearing machine                        | 2                         | Used to cut length-wise steel sheets to the required width   | 94  | 2   | 2021                              |
| <b><u>Banting Factory</u></b>           |                           |  |   |   |                                   |
| <b>Roll forming machines</b>            |                           |  |   |   |                                   |
| - Roofing sheets                        | 5                         | Used to roll-form steel sheets into various profiles such as long run, u-roll bond and crimp curve | 132   | 6   | 2015 - 2017                       |
| - Roof truss                            | 5                         | Used to roll-form C-purlins, C-sections and battens  | 157   | 5   | 2015 - 2023                       |
| - Scaffoldings                          | 1                         | Used to roll-form walking boards for scaffoldings  | *   | 10  | 2013                              |
| <b>Others</b>                           |                           |  |   |   |                                   |
| Welding machine                         | 24                        | Used to weld tubes together or tubes with accessories  | 153   | 3   | 2011 - 2023                       |
| Stamping machine                        | 12                        | Used to punch one or more holes in steel strips  | 78  | 10  | 2012 - 2021                       |
| Cutting machine                         | 9                         | Used to cut pipes to the required length   | *   | 11  | 2012                              |
| Automated cutting and stamping machine  | 3                         | Used to cut pipes and punch holes to form cross brace members for scaffoldings                     | *   | 11  | 2012                              |
| Bending machine                         | 2                         | Used to bend tubes into desired shapes   | *   | 11  | 2012                              |
| Grinding machine                        | 1                         | Used to remove the sharp edges or burrs  | 7   | 4   | 2019                              |
| Threading machine                       | 1                         | Used to create threats on pipes for scaffoldings   | *   | 11  | 2012                              |
| Notching machine                        | 1                         | Used to cut tubes at precise angles in preparation for welding works                               | *   | 11  | 2012                              |
| Automated threading and cutting machine | 1                         | Used to create threats and cut pipes to the required length  | *   | 11  | 2012                              |
| <b><u>Kota Bharu Factory</u></b>        |                           |  |   |   |                                   |
| <b>Roll forming machines</b>            |                           |  |   |   |                                   |
| - Roofing sheets                        | 4                         | Used to roll-form steel sheets into various profiles such as long run, u-roll bond and crimp curve | 24  | 10  | 2013 – 2015                       |
| - Roof truss                            | 2                         | Used to roll-form C-purlins, C-sections and battens  | 75  | 7   | 2016                              |

\* Fully depreciated.

## 6. INFORMATION ON OUR GROUP (cont'd)

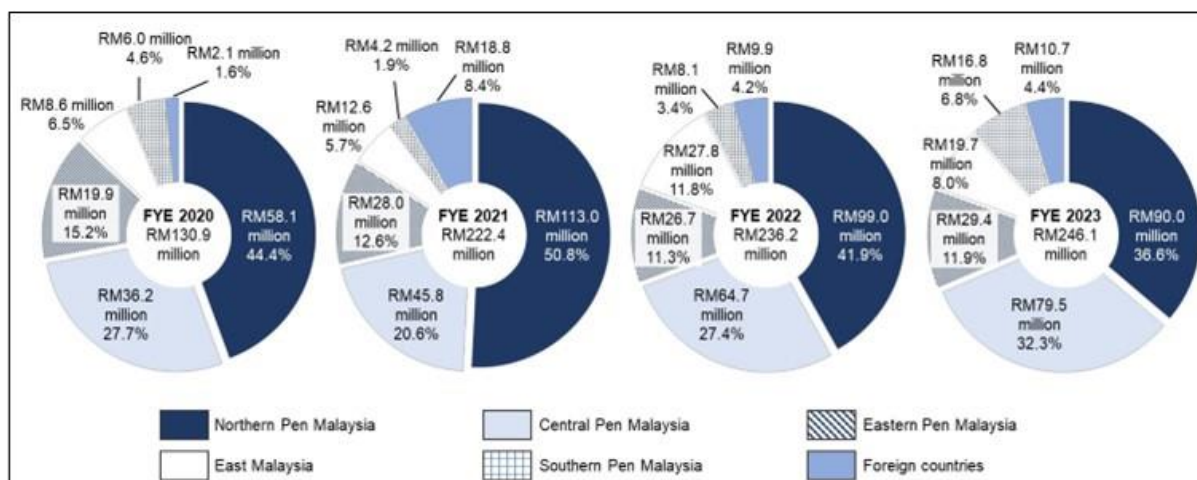
### 6.5.4 Principal markets

#### 6.5.4.1 Geographical markets and operations

We principally operate in Malaysia where our head office is in Penang. Our operational facilities are located as follows:

| Facility                           | City/town and State  | Main operations                           |
|------------------------------------|----------------------|---|
| Penang 1571 Factory                | Sungai Bakap, Penang | Head office, warehouse and manufacturing  |
| Penang 1572 Factory                | Sungai Bakap, Penang | Office, warehouse and manufacturing       |
| Banting Factory                    | Banting, Selangor    | Sales office, warehouse and manufacturing |
| Johor warehouse and office         | Johor Bahru, Johor   | Sales office and warehouse                |
| Kota Bharu Factory                 | Kota Bharu, Kelantan | Sales office, warehouse and manufacturing |
| Kuching warehouse and office       | Kuching, Sarawak     | Sales office and warehouse                |
| Bintulu warehouse and office       | Bintulu, Sarawak     | Sales office and warehouse                |
| Kota Kinabalu warehouse and office | Kota Kinabalu, Sabah | Sales office and warehouse                |

Our revenue segmentation by geographical markets during the Period Under Review is as follows:



#### Notes:

Northern Pen Malaysia = Penang, Perak, Kedah and Perlis; Central Pen Malaysia = Selangor, Kuala Lumpur, Negri Sembilan; Eastern Pen Malaysia = Kelantan, Pahang, Terengganu; East Malaysia = Sarawak, Sabah; Southern Pen Malaysia = Johor Malacca; Foreign countries = mainly US and others which include Singapore, Indonesia, Australia, Bangladesh, the Philippines, UAE, Brunei and Kuwait.



## 6. INFORMATION ON OUR GROUP (cont'd)

### 6.5.4.2 Operational facilities

The following diagram sets out our operational facilities in Malaysia as at the LPD:



The location of our operational facility is as follows:

| <b>Companies within the Group</b>  | <b>Main functions</b>  | <b>Owned/leased</b> | <b>Address</b>  |
|------------------------------------|--|---------------------|---|
| BWYS;<br>BWYS Steel;<br>YS Success | Head office, warehouse and manufacturing facility                          | Owned               | 1571, Jalan Serunai<br>Kawasan Perindustrian Valdor<br>14200 Sungai Jawi<br>Seberang Perai Selatan<br>Penang                          |
| YS Global                          | Office and warehouse, manufacturing of industrial racking systems facility | Owned               | No. 1572 Jalan Besar Valdor<br>Mukim 12<br>14200 Sungai Bakap<br>Seberang Perai Selatan<br>Pulau Pinang                               |
| BW Scaffold;<br>BWYS Steel         | Sales office, warehouse and manufacturing facility                         | Owned               | No. 112, Jalan 8<br>Kawasan Perindustrian<br>Olak Lempit<br>42700 Banting<br>Selangor   |
| BWYS Timur                         | Sales office, warehouse and manufacturing facility                         | Owned               | Lot PT 5196<br>Kawasan Perindustrian<br>Pengkalan Chepa<br>Mukim Panchor Seksyen 23<br>Daerah Kemumin<br>16100 Kota Bharu<br>Kelantan |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>Companies within the Group</b>         | <b>Main functions</b>         | <b>Owned/leased</b> | <b>Address</b>   |
|---|-------------------------------|---------------------|--|
| BW Scaffold;<br>BWYSSB                    | Sales office and<br>warehouse | Rented              | No. 6, Jalan Perniagaan 1/8<br>Taman Perniagaan Setia<br>(Setia Business Park II)<br>81100 Johor Bahru<br>Johor                              |
| BWYS Steel;<br>BW Scaffold;<br>YS Success | Sales office and<br>warehouse | Rented              | Lot 823, Block 7<br>Muara Tebas Land District<br>Sejingkat Industrial Park<br>90350 Kuching<br>Sarawak                                       |
| BWYS Steel;<br>BW Scaffold;<br>YS Success | Sales office and<br>warehouse | Rented              | Lot 2656 Block 20<br>Kemena Land District Bintulu<br>(Kidurong Gateway Industrial<br>Park)<br>Jalan Tg. Kidurong<br>97000 Bintulu<br>Sarawak |
| BWYS Steel;<br>BW Scaffold;<br>YS Success | Sales office and<br>warehouse | Rented              | Lot 5B, Industrial Zone 7<br>Lorong Timur 2B<br>Kota Kinabalu Industrial Park<br>88460 Kota Kinabalu<br>Sabah                                |

**6.5.5 Significant products/services introduced**

Other than our business activities as stated in Section 6.5.1 above, we have not introduced any other significant products/services as at the LPD.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

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### **6.5.6 Competitive Strengths**

**(a) We have an established track record in the sheet metal product industry since 1999 to serve as a platform to sustain and grow our business**

We have an established track record of approximately 25 years in the sheet metal product industry since the commencement of operations in 1999. We commenced the trading of steel products in 1999, supply of scaffoldings in 2006, and manufacture of roofing sheets in 2011 and welded pipes in 2014 where our products are mainly used in the construction industry. In addition, we have acquired a manufacturing of industrial racking systems business in 2012 and the industrial racking systems are mainly used in the warehousing and storage industry. We have since developed a customer base of approximately 1,039, 1,151, 1,614 and 1,686 active customers for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

Our established track record in the manufacture of sheet metal products and supply of scaffoldings provide confidence to our customers in our products. This would help build our brand and corporate awareness among operators in the construction, and warehousing and storage industry to serve as a platform to secure new customers to sustain and grow our business.

**(b) We have operational facilities in various locations to provide market coverage across Malaysia to grow our business**

As at the LPD, we have 8 operational facilities in Malaysia. Our head office, main warehouse and manufacturing facility is located in Penang, while our other operational facilities are located in Penang, Selangor, Johor, Kelantan, Sarawak and Sabah respectively. Our operational facilities enable us to access wide geographic markets in Peninsular and East Malaysia to grow our business. While our manufacturing activities are carried out in our manufacturing facility in Penang, Selangor and Kelantan, we can store our manufactured products in our various operational facilities to provide prompt delivery to our customers in the respective regions in Malaysia. These are mainly for popular and fast-moving products for respective regions in Malaysia. This serves as a key advantage for many of our customers who are resellers as they can minimise their stock holding and rely on our prompt delivery from our nearest warehouse across Malaysia.

Our operational facilities located in various locations also enable us to carry out marketing, sales and customer support activities for existing customers as well as to secure new customers to expand our business base. These operational facilities provide us with a key advantage of being closer to our customers and be more effective in serving them as opposed to only having one operational facility to service the whole of Malaysia.

**(c) We have a range of sheet metal products and scaffoldings to provide us with several areas of business diversity and growth opportunities as well as provide convenience to our customers**

We manufacture a range of sheet metal products comprising roofing sheets and trusses, industrial racking systems and welded pipes. In addition, we also supply scaffoldings. Each of these categories of products will provide us with their respective revenue streams to sustain and grow our business.

Our portfolio of products also enables us to serve two main industries, namely building construction as well as warehousing and storage industries. In addition, this provides convenience to our customers as they can source multiple products from us, and at the same time, we aim to maximise sales from each of our customers.

## 6. INFORMATION ON OUR GROUP (cont'd)

The main user industry of our manufactured roofing sheets and trusses, and welded pipes is the construction industry, where our customers are mainly resellers and construction companies. Resellers who purchase these products from us will subsequently resell the products to their network of customers, while construction companies mainly purchase these products from us for use in their construction projects. The sales of our manufactured metal products to reseller enables us to widen our geographical reach where they may cover the areas where we do not have operational facilities or where we are underrepresented. Within the building construction industry, we serve the new-build and existing building sectors for commercial, industrial and residential applications.

For industrial racking systems, our customers are mainly storage system providers who purchase industrial racking systems from us and subsequently supply them to their customers. In addition, our customer base for industrial racking systems also includes manufacturers and logistic companies who purchase the industrial racking systems for their use in their factories or warehouse.

As for the supply of scaffoldings, besides construction companies who purchase or rent scaffoldings from us for use in their construction projects, we also serve rental service providers of machinery and equipment who purchase or rent our scaffoldings from us and subsequently resell or rent them to their customers.

Our range of products and user industries will provide us with the platform to sustain and grow our business. Our ability to serve different groups of customers is evidenced by our customer base of 1,686 customers in FYE 2023, and this also provides us with a customer base to expand and grow our business.

### (d) **Our product branding will serve as the platform to increase market awareness of our products to grow our business**

We brand and market our metal products as follows:

- "BW" for our roofing sheets, sections and battens and scaffoldings;
- "Metech" for our industrial racking systems;
- "YS Tube" for our conduit pipes;
- "YS" for our welded pipes<sup>(1)</sup>; and
- "Vtruss" for our roof trusses under projects.

#### **Note:**

(1) Our Group has not filed and/or registered the "YS" trademark as Malaysia adopts the first-to-use trademark system. Hence, it is not a mandatory legal requirement to file a trademark application in order to obtain the exclusive right over the use of a mark and that our Group may rely on common law right to assert the trademark rights.

The revenue from our brands of products accounted for RM121.7 million (93.0%), RM181.4 million (81.5%), RM211.2 million (89.4%) and RM209.9 million (85.3%) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

Having our brands provide us with product visibility through brand awareness, allows us to create product differentiation and a positive product image, and build customer loyalty to encourage return customers and referrals. These include the "Metech" brand of industrial racking systems sold directly to end-users including manufacturers and logistics companies as well as "Vtruss" brand of roof truss which are mainly sold directly to construction companies.

## **6. INFORMATION ON OUR GROUP (cont'd)**

In addition, as we adopt mostly an indirect distribution channel where we sell our products to resellers such as the "BW" brand of roofing sheets and trusses, "YS Tube" brand of conduit pipes and "YS" brand of welded pipes, we do not come into contact with the ultimate end-users. As such, our branding is important to provide a means for end-users to specify our brands when purchasing products that we manufacture or supply.

One of our business strategies and plans is to expand our sales in foreign markets including several countries in Southeast Asia, Middle East and South America. As such, branding would be important to build market awareness to gradually increase demand for our products in foreign countries.

### **(e) We have economies of scale for the purchases of sheet coils as input materials for our manufactured products**

We mostly use steel coils for our manufactured products. As such we purchase a range of similar input materials used for our manufactured sheet metal products including roofing sheets and trusses, industrial racking systems and welded pipes.

Buying materials in bulk will enable us to obtain better pricing, payment terms and service from our suppliers. For the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, the purchases of steel coils accounted for 88.2% (RM75.2 million), 87.7% (RM163.7 million), 84.5% (RM141.9 million) and 74.9% (RM131.4 million) of our total purchases of input materials and services respectively. Our purchases of steel coils from our top 2 suppliers were RM35.1 million, RM72.1 million, RM93.2 million and RM87.1 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

For FYE 2020, FYE 2021, FYE 2022 and FYE 2023, our revenue derived from the manufacture of sheet metal products accounted for RM102.0 million (77.9%), RM184.4 million (82.9%), RM192.0 million (81.3%) and RM179.8 million (73.0%) of our total revenue respectively.

### **(f) We have experienced Directors and key senior management to grow our business**

We have experienced Directors and key senior management team to grow our business. Our Managing Director, KBH who has more than 30 years of experience in the sheet metal products industry, is responsible for the business strategies, corporate directions and business development of our Group.

Our Managing Director is supported by experienced key senior management as follows:

- Kang Yi Ki, our Executive Director, who brings with her 5 years of experience in sheet metal products industry;
- Lau Ken Wah, our Chief Operating Officer, who brings with him 25 years of experience in operation, information technology, sales and marketing;
- Sim Kay Wah, our Chief Financial Officer, who brings with him 25 years of experience in accounting and finance related functions; and
- Larry Lim Eng Sooi, our Head of Corporate Governance, Affairs and Compliance, who brings with him 32 years of experience in credit administration, corporate governance and compliance.

Please refer to Section 5 of this Prospectus for further details on the profiles of our Directors and key senior management team.

#### **6.5.7 Seasonal or cyclical effects**

During the Period Under Review and up to the LPD, we did not experience any material seasonality or cyclical effects in our business.

**6. INFORMATION ON OUR GROUP (cont'd)****6.5.8 Types, sources and availability of raw materials**

For the Period Under Review, the input materials and services that we purchased and engaged for our manufacturing business operations are as follows:

| Input materials and services                | FYE 2020      |              | FYE 2021       |              | FYE 2022       |              | FYE 2023       |              |
|---|---------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
|   | RM'000        | %            | RM'000         | %            | RM'000         | %            | RM'000         | %            |
| Steel coils <sup>(1)</sup>                  | 75,195        | 88.2         | 163,712        | 87.7         | 141,904        | 84.5         | 131,353        | 74.9         |
| Other steel products <sup>(2)</sup>         | 3,502         | 4.1          | 12,752         | 6.8          | 20,670         | 12.4         | 14,357         | 8.2          |
| Scaffoldings and related accessories        | 3,259         | 3.8          | 6,343          | 3.4          | 2,631          | 1.6          | 22,832         | 13.0         |
| Coating and painting materials              | 1,071         | 1.3          | 1,775          | 1.0          | 511            | 0.3          | 986            | 0.6          |
| Others <sup>(3)</sup>                       | 1,896         | 2.2          | 1,884          | 1.0          | 1,585          | 0.9          | 5,319          | 3.0          |
| <b>Input materials</b>                      | <b>84,923</b> | <b>99.6</b>  | <b>186,466</b> | <b>99.9</b>  | <b>167,301</b> | <b>99.7</b>  | <b>174,847</b> | <b>99.7</b>  |
| <b>Subcontracted services<sup>(4)</sup></b> | <b>359</b>    | <b>0.4</b>   | <b>224</b>     | <b>0.1</b>   | <b>533</b>     | <b>0.3</b>   | <b>549</b>     | <b>0.3</b>   |
| <b>Total input materials and services</b>   | <b>85,282</b> | <b>100.0</b> | <b>186,690</b> | <b>100.0</b> | <b>167,834</b> | <b>100.0</b> | <b>175,396</b> | <b>100.0</b> |

**Notes:**

- (1) Including coated cold-rolled steel coils and hot rolled steel coils.
- (2) Including steel pipes, bars and plates.
- (3) Including metal frames for doors and windows, cabins, roofing sheets, wire mesh deckings, bolt and nuts, formwork and plywood.
- (4) Including mainly threading, metal stamping, hot dip galvanising and roll-forming of barrel capping.

For the Period Under Review, our main purchases comprised steel coils which accounted for 88.2%, 87.7%, 84.5% and 74.9% of our total input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Steel coils are imported materials and during the Period Under Review, 83.4%, 90.9%, 70.4% and 98.7% of the purchases of steel coils for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively were mainly sourced from suppliers in foreign countries including China, Korea, Singapore, Taiwan and Japan, while 16.6%, 9.1%, 29.6% and 1.3% of the purchases of steel coils in FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively were sourced from stockists who import steel coils in Malaysia. For the Period Under Review, these steel coils purchased were used for the manufacture of sheet metal products including roofing sheets and trusses, industrial racking systems and welded pipes.

In addition, we purchased other steel products which are mainly used for the manufacturing of industrial racking systems and fabrication of scaffoldings. The purchase of other steel products accounted for 4.1%, 6.8%, 12.4% and 8.2% of our total input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Of this, 30.8%, 12.6%, 98.0% and 61.3% of the purchases of other steel products for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively were sourced from suppliers in Malaysia, while the remaining 69.2%, 87.4%, 2.0% and 38.7% of the purchases of other steel products for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively were sourced from suppliers in foreign countries mainly China and Vietnam.

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**6. INFORMATION ON OUR GROUP (cont'd)**

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We also purchased scaffoldings and related accessories such as joints and couplers, which accounted for 3.8%, 3.4%, 1.6% and 13.0% of our total input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

We also purchased coating and painting materials mainly used for the surface finishing of our products. These materials accounted for 1.3%, 1.0%, 0.3% and 0.6% of our total input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. The other materials mainly comprised metal frames for doors and windows, cabins, roofing sheets, wire mesh deckings, bolt and nuts, formwork and plywood used for our manufacturing operations accounted for 2.2%, 1.0%, 0.9% and 3.0% of our total input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

We also engage subcontracted services mainly for threading, metal stamping, hot dip galvanising and roll-forming of barrel capping. The subcontracted services accounted for 0.4%, 0.1%, 0.3% and 0.3% of our total input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

The prices of our key material which is steel materials including metal coils is a commodity and are therefore subject to price fluctuations as a result of demand and supply conditions. Please refer to Section 8 of this Prospectus for further details on the risks of fluctuations in the prices of steel materials.

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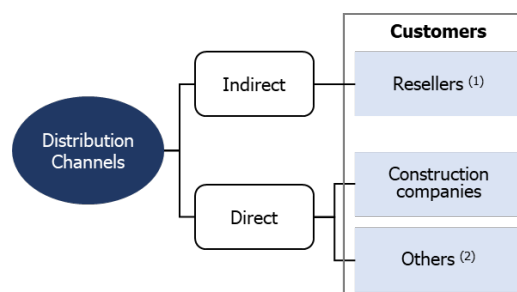
## 6. INFORMATION ON OUR GROUP (cont'd)

### 6.5.9 Sales and marketing

#### 6.5.9.1 Distribution channels and customer base

We mainly use indirect distribution channels to market and sell our products.

**Indirect distribution channel** is where we sell our products to resellers who would subsequently resell them without transformation to end-users or other resellers. Our indirect distribution is mainly sales made to hardware wholesalers and retailers. These resellers mainly serve the trades market involved in new-build or renovation markets in building construction, and warehousing and storage industries.



Through our indirect distribution channel strategy, we can reach a wider end-user market without significant financial investments in sales and support infrastructure and human resources. It also facilitates our products to reach geographical areas domestically and in foreign countries where we do not have operational facilities or are underrepresented.

#### Notes:

- (1) Mainly hardware wholesalers and retailers.
- (2) Others include manufacturers, property developers, logistics companies, rental service providers of machinery and equipment, restaurants and workshops.

**Direct distribution channel** is where our customers, mainly construction companies who purchase our manufactured sheet metal, scaffoldings and other products or rent our scaffoldings for use in their construction projects, as well as manufacturers and logistic companies who purchase mainly industrial racking systems for their use in their factories or warehouses.

The revenue contribution by distribution channels and customer types for the Period Under Review is as follows:

| Distribution Channel     | FYE 2020       |              | FYE 2021       |              | FYE 2022       |              | FYE 2023       |              |
|--------------------------|----------------|--------------|----------------|--------------|----------------|--------------|----------------|--------------|
|                          | RM'000         | %            | RM'000         | %            | RM'000         | %            | RM'000         | %            |
| <b>Indirect</b>          | <b>109,371</b> | <b>83.6</b>  | <b>191,149</b> | <b>85.9</b>  | <b>189,515</b> | <b>80.2</b>  | <b>179,301</b> | <b>72.9</b>  |
| Resellers <sup>(1)</sup> | 109,371        | 83.6         | 191,149        | 85.9         | 189,515        | 80.2         | 179,301        | 72.9         |
| <b>Direct</b>            | <b>21,493</b>  | <b>16.4</b>  | <b>31,286</b>  | <b>14.1</b>  | <b>46,716</b>  | <b>19.8</b>  | <b>66,777</b>  | <b>27.1</b>  |
| Construction companies   | 17,834         | 13.6         | 23,259         | 10.5         | 31,342         | 13.3         | 59,059         | 23.2         |
| Others <sup>(2)</sup>    | 3,659          | 2.8          | 8,027          | 3.6          | 15,374         | 6.5          | 9,718          | 3.9          |
| <b>Total revenue</b>     | <b>130,864</b> | <b>100.0</b> | <b>222,435</b> | <b>100.0</b> | <b>236,231</b> | <b>100.0</b> | <b>246,078</b> | <b>100.0</b> |

#### Notes:

- (1) Mainly hardware wholesalers and retailers.
- (2) Others include manufacturers, property developers, logistics companies, rental service providers of rental of machinery and equipment, restaurants and workshops.



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## **6. INFORMATION ON OUR GROUP (cont'd)**

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### **6.5.9.2 Marketing strategies and activities**

Our marketing strategies and activities are focused on building our customer base to sustain and grow our business. We are mainly targeted at the building construction industry focusing on resellers such as building material wholesalers and retailers, and industrial users such as building construction contractors, and property developers and owners.

We adopt proactive sales and marketing approach to address business opportunities where we maintain business relationships with existing customers as well as proactively follow up on customer referrals from business partners, suppliers and customers. As of the LPD, we have a total of 81 personnel led by Lau Ken Wah who are involved in sales and marketing activities.

Our marketing positioning and strategies are focused on the following:

- We position ourselves as a manufacturer of sheet metal products supported by our manufacturing and supply capabilities offering a range of products comprising roofing sheets and trusses, industrial racking systems, welded pipes and scaffoldings. Our diversified product portfolio provides convenience to our customers where they can source multiple products from us, and at the same time, we aim to maximise sales from each of our customers.
- We provide flexibility to our customers where we extended our supply of scaffoldings to include rental services. Rental of scaffoldings is an attractive option as construction works are mainly project-based and the use of scaffoldings may be irregular. Rental of scaffoldings would eliminate the need for capital expenses in owning scaffoldings and operating expenses in maintaining and storing scaffoldings between projects. In addition, the number of scaffolds required would depend on the size of the project as well as the number of concurrent projects. Thus, our rental services could serve as a cost-effective solution for construction companies to complement their scaffolds.
- We utilise the networks of resellers, who are our customers, to reach a wider geographical market. Our network of resellers includes hardware wholesalers and retailers who would then resell our products to their respective customers or end-users. In this manner, our products would reach a wider user base without significant investment in resources and facilities.
- We have our own brands of products. Branding provides us with visibility through brand awareness in a market where many products are either not branded or brands that have limited awareness. Branding provides us with the platform to develop customer loyalty, create a positive product image and differentiate our products from the others in the market.

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**6. INFORMATION ON OUR GROUP (cont'd)**

**6.5.10 Major approvals and licenses**

As at the LPD, save as disclosed below, there are no other major approvals, licences and permits issued to our Group in order to carry out our operations:

**(i) Manufacturing licenses issued by MITI**

| <b>No.</b> | <b>Company</b> | <b>Description</b>  | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b>                | <b>Major conditions imposed</b>  | <b>Status of compliance</b> |
|------------|----------------|---|------------------|------------------------------------|---|--|-----------------------------|
| 1.         | BWYS Steel     | Manufacturing license for "scaffolding, scaffolding tubes, metal roofing, roof truss, purlin and lipped channel" at Penang 1571 Factory | MITI             | A020948                            | 22 June 2017 (effective from 6 March 2017) / None | (a) MITI and MIDA shall be notified of any sale of shares in BWYS Steel.<br><br>(b) BWYS Steel shall train its Malaysian employees to ensure that technology and expertise may be transferred to all job levels in BWYS Steel. | Complied                    |
|            |                |   |                  |                                    |   | (c) BWYS Steel shall ensure that its capital investment per employee is at least RM140,000.00 by the year 2020.  | Complied                    |
|            |                |   |                  |                                    |   | (d) The total full-time workforce of BWYS Steel shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.   | Waived <sup>(1)</sup>       |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company    | Description   | Authority | License no. /<br>Reference<br>no. | Issuance<br>date / Expiry<br>date                               | Major conditions imposed  | Status of<br>compliance   |
|-----|------------|---|-----------|-----------------------------------|---|---|---|
| 2.  | YS Success | Manufacturing<br>license<br>welded pipes and<br>lipped channel" at<br>Penang<br>Factory | MITI      | A019959                           | 18 April 2017<br>(effective from<br>20 December<br>2016) / None | <p>(e) BWYS Steel shall implement its projects as approved subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.</p> <p>(a) MITI and MIDA shall be notified of any sale of shares in YS Success.</p> <p>(b) YS Success shall train its Malaysian employees to ensure that technology and expertise may be transferred to all job levels in YS Success.</p> <p>(c) YS Success shall ensure that its capital investment per employee is at least RM140,000.00.</p> <p>(d) The total full-time workforce of YS Success shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(e) YS Success shall implement its projects as approved subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.</p> | <p>Noted</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Waived<sup>(1)</sup></p> <p>Noted</p> |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company     | Description  | Authority | License no. / Reference no. | Issuance date / Expiry date                      | Major conditions imposed  | Status of compliance   |
|-----|-------------|--|-----------|-----------------------------|--|---|--|
| 3.  | BW Scaffold | Manufacturing license for "scaffolding and metal roofing" at Banting Factory | MITI      | A024521                     | 20 July 2022 (effective from 19 May 2022) / None | <p>(a) MITI and MIDA shall be notified of any sale of shares in BW Scaffold.</p> <p>(b) BW Scaffold shall train its Malaysian employees to ensure that technology and expertise may be transferred to all job levels in BW Scaffold.</p> <p>(c) BW Scaffold shall ensure that its capital investment per employee is at least RM140,000.00.</p> <p>(d) The total full-time workforce of BW Scaffold shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(e) BW Scaffold shall implement its projects as approved subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p> |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Company</b> | <b>Description</b>  | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b>                  | <b>Major conditions imposed</b>   | <b>Status of compliance</b>  |
|------------|----------------|---|------------------|------------------------------------|---|---|--|
| 4.         | BWYS Timur     | Manufacturing license for "metal roofing and accessories" at Kota Bharu Factory | MITI             | A024635                            | 7 October 2022 (effective from 21 June 2022) / None | <p>(a) MITI and MIDA shall be notified of any sale of shares in BWYS Timur.</p> <p>(b) BWYS Timur shall train its Malaysian employees to ensure that technology and expertise may be transferred to all job levels in BWYS Timur.</p> <p>(c) BWYS Timur shall ensure that its capital investment per employee is at least RM140,000.00.</p> <p>(d) The total full-time workforce of BWYS Timur shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(e) BWYS Timur shall implement its projects as approved subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p> |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Company</b> | <b>Description</b>  | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b>                   | <b>Major conditions imposed</b>   | <b>Status of compliance</b>  |
|------------|----------------|---|------------------|------------------------------------|--|---|--|
| 5.         | YS Global      | Manufacturing license for "racking, shelving, steel structural, fencing systems and pipes" at Penang 1572 Factory | MITI             | A024841                            | 26 January 2023 (effective from 21 July 2022) / None | <p>(a) MITI and MIDA shall be notified of any sale of shares in YS Global.</p> <p>(b) YS Global shall train its Malaysian employees to ensure that technology and expertise may be transferred to all job levels in YS Global.</p> <p>(c) YS Global shall ensure that its capital investment per employee is at least RM140,000.00.</p> <p>(d) The total full-time workforce of YS Global shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(e) YS Global shall implement its projects as approved subject to the conditions of this license and in accordance with other laws and regulations in Malaysia.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p> |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Company</b> | <b>Description</b>  | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b>                   | <b>Major conditions imposed</b>   | <b>Status of compliance</b>  |
|------------|----------------|---|------------------|------------------------------------|--|---|--|
| 6.         | BWYS Steel     | Manufacturing license for "Metal Roofing and Roof Truss" at Banting Factory | MITI             | A025070                            | 28 June 2023 (effective from 12 January 2023) / None | <p>(a) MITI and MIDA shall be notified of any sale of shares in BWYS Steel.</p> <p>(b) BWYS Steel shall train its Malaysian employees to ensure that technology and expertise may be transferred to all job levels in BWYS Steel.</p> <p>(c) BWYS Steel shall ensure that its capital investment per employee is at least RM140,000.00.</p> <p>(d) The total full-time workforce of BWYS Steel shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to current policies.</p> <p>(e) BWYS Steel shall submit information on investment performance and project implementation under the Industrial Co-ordination Act 1975 and MIDA Act when required by MIDA.</p> | <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Waived<sup>(1)</sup></p> <p>Noted</p> |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company | Description | Authority | License no. /<br>Reference<br>no. | Issuance<br>date / Expiry<br>date | Major conditions imposed   | Status of<br>compliance |
|-----|---------|-------------|-----------|-----------------------------------|-----------------------------------|--|-------------------------|
|     |         |             |           |                                   |                                   | (f) BWYS Steel shall implement its projects as approved subject to the conditions of this licence and in accordance with other laws and regulations in Malaysia. | Noted                   |

**Note:**

- (1) Pursuant to the announcement made by MITI dated 18 July 2022 in which MITI has decided to defer this condition to 31 December 2024, BWYS Steel and YS Success had written to MIDA to seek waiver from having comply with such condition. Accordingly, MIDA has by way of its letters dated 31 May 2023 (BWYS Steel) and 15 June 2023 (YS Success) approved the request for such deferment.

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**6. INFORMATION ON OUR GROUP (cont'd)**

**(ii) Registration with / Certificate issued by CIDB**

| <b>No.</b> | <b>Company</b> | <b>Description</b>                                | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b> | <b>Major conditions imposed</b>  | <b>Status of compliance</b> |
|------------|----------------|---|------------------|------------------------------------|------------------------------------|--|-----------------------------|
| 1.         | BWYS Steel     | CIDB Contractor Registration                      | CIDB             | 0120180329-PP010843                | 20 July 2023 / 25 August 2025      | (a) The contractor cannot undertake to build any construction project that exceeds the value of the construction work specified under the registration grade and cannot carry out any construction project outside of its registration category. | Complied                    |
|            |                | (a) Grade G6, Category B, Specialisation B02, B04 |                  |                                    |                                    | (b) The contractor must submit information on any construction work or contract within a period of 14 days after being awarded or before commencement of work or whichever is earlier.   | Complied                    |
|            |                | (b) Grade G6, Category CE, Specialisation CE21    |                  |                                    |                                    | (c) The contractor shall appoint skilled construction workers and site supervisors that are accredited and certified by CIDB.  | Complied                    |
|            |                | (c) Grade G6, Category ME, Specialisation M15     |                  |                                    |                                    |  |                             |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company    | Description                                    | Authority | License no. / Reference no. | Issuance date / Expiry date       | Major conditions imposed   | Status of compliance |
|-----|------------|--|-----------|-----------------------------|-----------------------------------|--|----------------------|
| 2.  | YS Success | CIDB Contractor Registration                   | CIDB      | 0120160803-PP177566         | 11 October 2022 / 10 October 2024 | (a) The contractor cannot undertake to build any construction project that exceeds the value of the construction work specified under the registration grade and cannot carry out any construction project outside of its registration category. | Complied             |
|     |            | (a) Grade G3, Category B, Specialisation B04   |           |                             |                                   | (b) The contractor must submit information on any construction work or contract within a period of 14 days after being awarded or before commencement of work or whichever is earlier.   | Complied             |
|     |            | (b) Grade G3, Category CE, Specialisation CE21 |           |                             |                                   | (c) The contractor shall appoint skilled construction workers and site supervisors that are accredited and certified by CIDB.  | Complied             |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Company</b> | <b>Description</b>   | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b>  | <b>Major conditions imposed</b>  | <b>Status of compliance</b> |
|------------|----------------|--|------------------|------------------------------------|-------------------------------------|--|-----------------------------|
| 3.         | BW Scaffold    | CIDB Certificate of Standards Compliance ("PPS") for iron and steel products | CIDB             | 1210114SL0562                      | 27 February 2024 / 26 February 2025 | <p>(a) Understand and comply with the provisions of the CIDB Act 1994 (Amendment 2011), the regulations made thereunder and any terms, conditions or restrictions imposed by CIDB from time to time.</p> <p>(b) Must not deal or undertake to deal, either directly or indirectly, with the construction materials specified in the Fourth Schedule, unless the construction materials have been certified and a valid PPS (not expired) has been obtained.</p> <p>(c) Ensure that the Product Certification / Full Type Test Report issued by a recognised certification body for the construction materials certified in this certificate is always valid.</p> <p>(d) Submit a copy of this PPS certificate to the buyer during supply, marketing, transfer and sale matters as proof that these building materials have been certified by CIDB.</p> | Complied                    |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Company</b> | <b>Description</b> | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b> | <b>Major conditions imposed</b>   | <b>Status of compliance</b> |
|------------|----------------|--------------------|------------------|------------------------------------|------------------------------------|---|-----------------------------|
|            |                |                    |                  |                                    |                                    | (e) Always cooperate in submitting any information required by CIDB from time to time.  | Noted                       |
|            |                |                    |                  |                                    |                                    | (f) Notify CIDB if BW Scaffold intends to terminate, transfer or any change related to its operations and location.   | Complied                    |
|            |                |                    |                  |                                    |                                    | (g) Understand and be responsible for products that require continuous compliance with standards (renewal), especially those involving the quality and safety of construction works, workers and the public (Example: scaffolding, ready-mix concrete or other related products). | Noted                       |

**6. INFORMATION ON OUR GROUP (cont'd)**

**(iii) Licensed Manufacturing Warehouse (LMW) issued by Royal Malaysian Customs Department**

| <b>No.</b> | <b>Company</b> | <b>Description</b>  | <b>Authority</b>                   | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b>                                    | <b>Major conditions imposed</b>  | <b>Status of compliance</b> |
|------------|----------------|---|------------------------------------|------------------------------------|---|--|-----------------------------|
| 1.         | YS Global      | LMW for racking, shelving and fencing systems" at Penang 1572 Factory | Royal Malaysian Customs Department | P78G6 2019 00000 022               | 28 September 2022 (effective from 1 October 2022) / 30 September 2024 | <p>(a) No dutiable goods other than raw materials / components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the LMW.</p> <p>(b) Changes to the structure of buildings and equipment in the licensed premises are not permitted except with the written approval of the State Director of Customs.</p> <p>(c) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the domestic market as approved. Products sold in the domestic market are subject to any prevailing duties / tax at the time.</p> <p>(d) Disposal of waste including manufacturing waste is subject to the approval of the State Director of Customs.</p> <p>(e) Only one entity is allowed to operate within the premises of LMW. Any partnership with another entity within the same area is not allowed.</p> | Complied                    |

**6. INFORMATION ON OUR GROUP (cont'd)**

**(iv) Business premises and/or trading license issued by the relevant local authorities**

| <b>No.</b> | <b>Company</b> | <b>Description</b>   | <b>Authority</b>            | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b>  | <b>Major conditions imposed</b> | <b>Status of compliance</b> |
|------------|----------------|--|-----------------------------|------------------------------------|-------------------------------------|---------------------------------|-----------------------------|
| 1.         | BWYS Steel     | Business premise license at Penang 1571 Factory  | Seberang Perai City Council | PRI/02/202212 28/6939              | 19 December 2023 / 31 December 2024 | Nil.                            | Not applicable              |
| 2.         | BWYS Steel     | Business license for "manufacture of metal roofing, roof truss, cabin and steel hardwares and supply of coils" at Kota Kinabalu warehouse and office | Sabah State Government      | 772284                             | 12 December 2023 / 31 December 2024 | Nil.                            | Not applicable              |
| 3.         | BWYS Steel     | Trading license for "manufacturing metal iron roofs, steel scaffolding, roof trusses and related steel" at Kuching warehouse and office              | Sarawak State Government    | 1208791                            | 26 March 2024 / 21 May 2025         | Nil.                            | Not applicable              |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company    | Description   | Authority                      | License no. / Reference no. | Issuance date / Expiry date         | Major conditions imposed | Status of compliance |
|-----|------------|---|--------------------------------|-----------------------------|-------------------------------------|--------------------------|----------------------|
| 4.  | BWYS Steel | Trading license for "manufacturing and trading of all kinds of metal sheets and scaffoldings inclusive of all steel related products" at Bintulu warehouse and office | Sarawak State Government       | 027784                      | 12 September 2023 / 13 October 2024 | Nil                      | Not applicable       |
| 5.  | BWYS Steel | Business premise license for "manufacturing, processing, selling and provide services" at Banting Factory   | Kuala Langat Municipal Council | MPKL/JPL/L68 27(BTG)        | 1 January 2024 / 31 December 2024   | Nil                      | Not applicable       |
| 6.  | YS Success | Business premise license at Penang 1571 Factory   | Seberang Perai City Council    | PRI/02/202212 28/5573       | 19 December 2023 / 31 December 2024 | Nil.                     | Not applicable       |
| 7.  | YS Success | Trading license for "supply of cabin scaffolding, building hardware" at Kota Kinabalu warehouse and office  | Sabah State Government         | 772285                      | 12 December 2023 / 31 December 2024 | Nil.                     | Not applicable       |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company     | Description   | Authority                        | License no. / Reference no. | Issuance date / Expiry date         | Major conditions imposed | Status of compliance |
|-----|-------------|---|----------------------------------|-----------------------------|-------------------------------------|--------------------------|----------------------|
| 8.  | YS Success  | Trading license for "hardware supply" at Kuching warehouse and office   | Sarawak State Government         | 1208793                     | 26 March 2024 / 20 May 2025         | Nil.                     | Not applicable       |
| 9.  | YS Success  | Trading license for "sale of metal roof sheets and other building related product, and transport agent" at Bintulu warehouse and office | Sarawak State Government         | 027783                      | 12 September 2023 / 13 October 2024 | Nil                      | Not applicable       |
| 10. | BWYS Timur  | Business premise license at Kota Bharu Factory  | Kota Bharu Municipal Council     | 01029422                    | 17 January 2024 / 16 January 2025   | Nil.                     | Not applicable       |
| 11. | YS Global   | Business premise license at Penang 1572 Factory   | Seberang Perai Municipal Council | PRI/02/20220 704/1447       | 8 December 2023 / 31 December 2024  | Nil.                     | Not applicable       |
| 12. | BW Scaffold | Business premise license at Johor warehouse and office  | Johor Bahru City Council         | L2023L103535                | 16 November 2023 / 31 December 2024 | Nil.                     | Not applicable       |



**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company     | Description  | Authority                | License no. / Reference no. | Issuance date / Expiry date         | Major conditions imposed | Status of compliance |
|-----|-------------|--|--------------------------|-----------------------------|-------------------------------------|--------------------------|----------------------|
| 13. | BW Scaffold | Trading license for "supply of scaffolding and building materials" at Kota Kinabalu warehouse and office | Sabah State Government   | 772286                      | 12 December 2023 / 31 December 2024 | Nil.                     | Not applicable       |
| 14. | BW Scaffold | Trading license for "as a transportation agent" at Bintulu warehouse and office                          | Sarawak State Government | A032231                     | 4 January 2024 / 9 January 2025     | Nil                      | Not applicable       |
| 15. | BW Scaffold | Trading license for "scaffolding" at Bintulu warehouse and office  | Sarawak State Government | A032230                     | 4 January 2024 / 9 January 2025     | Nil                      | Not applicable       |
| 16. | BW Scaffold | Trading license for "trading in scaffolding product" at Kuching warehouse and office                     | Sarawak State Government | 1208792                     | 26 March 2024 / 8 May 2025          | Nil                      | Not applicable       |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Company     | Description   | Authority                      | License no. / Reference no. | Issuance date / Expiry date       | Major conditions imposed | Status of compliance |
|-----|-------------|---|--------------------------------|-----------------------------|-----------------------------------|--------------------------|----------------------|
| 17. | BW Scaffold | Business premise license for "factory manufacturing, processing, selling and services; research lab; trading office and warehouse" at Banting Factory | Kuala Langat Municipal Council | MPKL/JPL/L64 17(BTG)        | 1 January 2024 / 31 December 2024 | Nil.                     | Not applicable       |

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**6. INFORMATION ON OUR GROUP (cont'd)**

**(v) Certificate of Fitness issued by DOSH**

| No. | Company     | Description  | Authority | License no. / Reference no. | Issuance date / Expiry date      | Major conditions imposed | Status of compliance |
|-----|-------------|--|-----------|-----------------------------|----------------------------------|--------------------------|----------------------|
| 1.  | BW Scaffold | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-SL/23 391900            | 22 December 2023 / 20 March 2025 | Nil                      | Not applicable       |
| 2.  | BW Scaffold | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-SL/23 391903            | 22 December 2023 / 20 March 2025 | Nil                      | Not applicable       |
| 3.  | BW Scaffold | Certificate of Fitness for Unfired Pressure Vessel | DOSH      | PMT-SL/23 391899            | 22 December 2023 / 20 March 2025 | Nil                      | Not applicable       |
| 4.  | BWYS Timur  | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-KN/23 17362             | 3 August 2023 / 1 November 2024  | Nil                      | Not applicable       |
| 5.  | BWYS Timur  | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-KN/23 17363             | 3 August 2023 / 1 November 2024  | Nil                      | Not applicable       |
| 6.  | BWYS Timur  | Certificate of Fitness for Unfired Pressure Vessel | DOSH      | PMT-KN/23 17364             | 3 August 2023 / 1 November 2024  | Nil                      | Not applicable       |
| 7.  | BWYS Timur  | Certificate of Fitness for Unfired Pressure Vessel | DOSH      | PMT-KN/23 17365             | 3 August 2023 / 1 November 2024  | Nil                      | Not applicable       |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Company</b> | <b>Description</b>                                 | <b>Authority</b> | <b>License no. / Reference no.</b> | <b>Issuance date / Expiry date</b> | <b>Major conditions imposed</b> | <b>Status of compliance</b> |
|------------|----------------|--|------------------|------------------------------------|------------------------------------|---------------------------------|-----------------------------|
| 8.         | YS Global      | Certificate of Fitness for Unfired Pressure Vessel | DOSH             | PMT-PP/23<br>121030                | 5 May 2023 /<br>2 August 2024      | Nil                             | Not applicable              |
| 9.         | YS Success     | Certificate of Fitness for Hoisting Machine        | DOSH             | PMA-PP/24<br>148211                | 31 May 2024/<br>28 August 2025     | Nil                             | Not applicable              |
| 10.        | YS Success     | Certificate of Fitness for Hoisting Machine        | DOSH             | PMA-PP/24<br>148212                | 31 May 2024 /<br>28 August 2025    | Nil                             | Not applicable              |
| 11.        | YS Success     | Certificate of Fitness for Hoisting Machine        | DOSH             | PMA-PP/24<br>148205                | 31 May 2024 /<br>28 August 2025    | Nil                             | Not applicable              |
| 12.        | YS Success     | Certificate of Fitness for Hoisting Machine        | DOSH             | PMA-PP/24<br>148210                | 31 May 2024 /<br>28 August 2025    | Nil                             | Not applicable              |
| 13.        | YS Success     | Certificate of Fitness for Hoisting Machine        | DOSH             | PMA-PP/24<br>148213                | 31 May 2024 /<br>28 August 2025    | Nil                             | Not applicable              |
| 14.        | YS Success     | Certificate of Fitness for Hoisting Machine        | DOSH             | PMA-PP/24<br>148214                | 31 May 2024 /<br>28 August 2025    | Nil                             | Not applicable              |

**6. INFORMATION ON OUR GROUP (cont'd)**


| No. | Company    | Description  | Authority | License no. / Reference no. | Issuance date / Expiry date            | Major conditions imposed | Status of compliance |
|-----|------------|--|-----------|-----------------------------|--|--------------------------|----------------------|
| 15. | YS Success | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-PP/23<br>127201         | 10 July 2023 /<br>9 October 2024       | Nil                      | Not applicable       |
| 16. | YS Success | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-PP/24<br>142764         | 7 March 2024 /<br>4 June 2025          | Nil                      | Not applicable       |
| 17. | YS Success | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-PP/23<br>136185         | 24 November 2023 /<br>20 February 2025 | Nil                      | Not applicable       |
| 18. | YS Success | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-PP/23<br>125311         | 11 July 2023 /<br>9 October 2024       | Nil                      | Not applicable       |
| 19. | YS Success | Certificate of Fitness for Hoisting Machine        | DOSH      | PMA-PP/23<br>126431         | 25 July 2023 /<br>9 October 2024       | Nil                      | Not applicable       |
| 20. | YS Success | Certificate of Fitness for Unfired Pressure Vessel | DOSH      | PMT-PP/24<br>148191         | 31 May 2024 /<br>28 August 2025        | Nil                      | Not applicable       |
| 21. | YS Success | Certificate of Fitness for Unfired Pressure Vessel | DOSH      | PMT-PP/24<br>148190         | 31 May 2024 /<br>28 August 2025        | Nil                      | Not applicable       |

**6. INFORMATION ON OUR GROUP (cont'd)**




| No. | Company    | Description  | Authority | License no. / Reference no. | Issuance date / Expiry date        | Major conditions imposed | Status of compliance |
|-----|------------|--|-----------|-----------------------------|------------------------------------|--------------------------|----------------------|
| 22. | YS Success | Certificate of Fitness for Unfired Pressure Vessel | DOSH      | PMT-PP/24<br>148192         | 31 May 2024 /<br>28 August<br>2025 | Nil                      | Not applicable       |
| 23. | YS Success | Certificate of Fitness for Unfired Pressure Vessel | DOSH      | PMT-PP/23<br>148194         | 31 May 2024 /<br>28 August<br>2025 | Nil                      | Not applicable       |

**6.5.11 Intellectual Property Rights**




As at the LPD, save as disclosed below, our Group has not filed for registration and/or registered any brand names, patents, trademarks or other intellectual property rights:

| No. | Registered owner | Type of intellectual property Right | Illustration  | Application / Registration no. | Issuing authority                             | Status  |
|-----|------------------|-------------------------------------|---|--------------------------------|---|---|
| 1.  | BWYS Steel       | Trademark                           |  | 2010050337                     | Intellectual Property Corporation of Malaysia | This trademark was registered in BW Steel's name for a period of 10 years from 29 April 2010 to 29 April 2020.<br><br>This trademark has been renewed for a further 10 years from 29 April 2020 to 29 April 2030. |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Registered owner</b> | <b>Type of intellectual property Right</b> | <b>Illustration</b>   | <b>Application / Registration no.</b> | <b>Issuing authority</b>                      | <b>Status</b>   |
|------------|-------------------------|--|---|---------------------------------------|---|---|
| 2.         | YS Success              | Trademark                                  |    | 2016071445 <sup>(4)</sup>             | Intellectual Property Corporation of Malaysia | This trademark was registered in YS Success' name for a period of 10 years from 14 November 2016 to 14 November 2026.   |
| 3.         | YS Success              | Trademark                                  |    | 2011023220                            | Intellectual Property Corporation of Malaysia | This trademark was registered in YS Success's name for a period of 10 years from 21 December 2011 to 21 December 2021.<br><br>This trademark has been renewed for a further 10 years from 21 December 2021 to 21 December 2031. |
| 4.         | BW Scaffold             | Trademark                                  |  | 2018055403 <sup>(5)</sup>             | Intellectual Property Corporation of Malaysia | This trademark was registered in BW Scaffold's name for a period of 10 years from 14 March 2018 to 14 March 2028.   |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Registered owner | Type of intellectual property Right | Illustration  | Application / Registration no. | Issuing authority                             | Status   |
|-----|------------------|-------------------------------------|---|--------------------------------|---|--|
| 5.  | BWYS Steel       | Trademark                           |  | TM2023021696                   | Intellectual Property Corporation of Malaysia | This trademark was registered in BW Steel's name for a period of 10 years from 26 July 2023 to 26 July 2033. |
| 6.  | YS Success       | Trademark                           |  | TM2023023161                   | Intellectual Property Corporation of Malaysia | Pending <sup>(1)</sup>   |
| 7.  | BWYS Steel       | Trademark                           |  | 2014059844                     | Intellectual Property Corporation of Malaysia | Registered <sup>(2)</sup>  |

**Notes:**

- (1) YS Success has filed the trademark application on 7 August 2023. On 28 December 2023, the Intellectual Property Corporation of Malaysia has issued a provisional refusal notice objecting the trademark application on the grounds that the mark is devoid of distinctive character and consist of signs or indications that can be used in trade to show the type, quality, quantity, specific use, value, geographical origin, or other characteristics of goods/services or the time of production or service delivery. On 23 February 2024, a written submission has been filed with the Intellectual Property Corporation of Malaysia to waive the provisional refusal.



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## **6. INFORMATION ON OUR GROUP (cont'd)**

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- (2) Notwithstanding that the trademark has been registered in the name of Visage Industries on 7 July 2014, the trademark has been assigned by Visage Industries to BWYS Steel pursuant to a Deed of Assignment dated 16 August 2023, whereby Visage Industries assigned the rights, title and interest of the trademark to BWYS Steel for a cash consideration of RM10.00. The trademark was assigned together with goodwill of the business connected with and symbolised by the trademark on 16 August 2023.
- BWYS Steel, being the assignor of the trademark, has filed the assignment and application to the Intellectual Property Corporation of Malaysia to register the title of the trademark to its name on 21 August 2023. The assignment application has been approved by the Intellectual Property Corporation of Malaysia on 13 December 2023 and the trademark is now registered in the name of BWYS Steel.
- (3) The "YSGP" trademark was previously used on carbon steel welded pipes by YS Global (then known as YS Global Pipes Sdn Bhd) when it commenced business operations in 2015 as a manufacturer of carbon steel welded pipes. As at the LPD, our Group does not use "YSGP" for our products.
- (4) The "PIE" trademark was previously used on scaffolding products by Bekalan PIE Sdn Bhd before the change of its name to BW Scaffold. As at the LPD, our Group does not use "PIE" for our products.

### **6.5.12 Dependency on contracts, intellectual property rights, licenses or processes**

Save for the major licenses and approvals as set out in Section 6.5.10 of this Prospectus, our Group's business or profitability is not materially dependent on any contracts, intellectual property rights, licenses or processes.

### **6.5.13 Research and development**

For the Period Under Review and up to the LPD, we have not undertaken any research and development activity as this is not relevant to the nature of our business activities.

## 6. INFORMATION ON OUR GROUP (cont'd)

### 6.5.14 Regulatory requirements and environmental issues

The relevant laws, regulations, rules or requirements governing the conduct of our Group's business which may materially affect our Group's business or operations are summarised below. The following does not purport to be an exhaustive description of all relevant laws and regulations to which our business is subject to.

#### (i) ICA

Pursuant to the ICA, no person shall engage in any manufacturing activity unless he is issued a license in respect of such manufacturing activity. The ICA defines "manufacturing activity" as the "making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade". Manufacturing companies with shareholders' funds of RM2.50 million and above or that employ 75 or more full-time paid employees are required to apply for a manufacturing license, which are otherwise exempted from having to obtain a manufacturing license pursuant to the Industrial Co-ordination (Exemption) Order 1976 ("**ICA Exemption Order**").

Failure to comply with the aforesaid requirement is an offence under the ICA and, on conviction, the offender is liable to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding six (6) months and a further fine not exceeding RM1,000.00 for every day during which such default continues.

As at LPD, our Group holds manufacturing licenses issued by MITI at our manufacturing facilities as follows:

| <b>Manufacturing facilities</b> | <b>Companies within our Group which holds manufacturing licenses</b> |
|---------------------------------|--|
| Banting Factory                 | BW Scaffold, BWYS Steel  |
| Kota Bharu Factory              | BWYS Timur   |
| Penang 1571 Factory             | BWYS Steel, YS Success   |
| Penang 1572 Factory             | YS Global  |

These manufacturing licenses are valid until its respective expiry dates and will subsequently be renewed. The ICA provides that, if there is a breach of any condition imposed in a manufacturing license, the relevant licensing officer may, at his discretion, revoke said manufacturing license.

BWYS Steel commenced its manufacturing activities at the Banting Factory without a manufacturing license on 31 January 2020. BWYS Steel was under the wrong impression that "fewer than 75 employees" qualification under the ICA Exemption Order is determined based on the number of employees located at the manufacturing sites (rather than total employees of BWYS Steel as a whole). BWYS Steel has obtained the manufacturing license on 5 May 2023.

## **6. INFORMATION ON OUR GROUP (cont'd)**

On the other hand, BWYS Timur commenced its manufacturing activities at the Kota Bharu Factory on 25 June 2011. At the commencement of its manufacturing activities, the shareholders' funds of BWYS Timur were below RM2.5 million and it has less than 75 employees. As such, BWYS Timur was not required to have a manufacturing license at that time. In 2014, BWYS Timur's shareholders' funds exceeded RM2.5 million and accordingly, BWYS Timur no longer qualifies for the exemption from the manufacturing license under the ICA Exemption Order. BWYS Timur had failed to keep track of the requirement under the ICA Exemption Order due to oversight by the Company. That said, BWYS Timur has obtained the manufacturing license on 21 June 2022.

As at the LPD, neither BWYS Steel nor BWYS Timur have been fined or issued with any notice of non-compliances from MITI for these past non-compliances. Our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low given that MIDA has provided verbal confirmation that no investigation or action will be and/or have been taken.

### **(ii) Factories and Machinery Act 1967 ("FMA")**

The FMA and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970, provide for the control of factories with respect to matters relating to the safety, health and welfare of persons in the factories, the registration and inspection of machinery and other matters connected therewith.

In addition, no person shall operate or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. In the case of any contravention, an Inspector of Factories and Machinery (as defined under FMA) shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time a valid certificate of fitness is issued. Further, no person shall install or cause to be installed any machinery in any factory except with the written approval of the Inspector of Factories and Machinery. Pursuant to the FMA, any person who contravenes this rule shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000.00 or to imprisonment for a term not exceeding two (2) years or to both.

For the purposes of the FMA:

- (a) the term "machinery" includes steam boilers, unfired pressure vessels, fired pressure vessels, pipelines, prime movers, gas cylinders, gas holders, hoisting machines and tackle, transmission machinery, driven machinery, materials handling equipment, amusement device or any other similar machinery and any equipment for the casting, cutting, welding or electro-deposition of materials and for the spraying by means of compressed gas or air of materials or other materials, but does not include:
  - (i) any machinery used for the propulsion of vehicles other than steam boilers or steam engines;
  - (ii) any machinery driven by manual power other than hoisting machines;
  - (iii) any machinery used solely for private and domestic purposes; or
  - (iv) office machines; and

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**6. INFORMATION ON OUR GROUP (cont'd)**

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- (b) the term "materials handling equipment" includes any power driven equipment for handling materials, and includes forklift, conveyor, stacker, excavator, tractor, dumper or bulldozer but does not include hoisting machine.

BW Scaffold has commenced operating the machinery which required CF for its manufacturing activities at the Banting Factory without the required CF from 1 June 2022 until 13 November 2022. On the other hand, YS Global has commenced operating the machinery which required CF for its manufacturing activities at the Penang 1572 Factory without the required CF from 1 June 2022 until 5 May 2023. BW Scaffold and YS Global had obtained the required CF on 13 November 2022 and 5 May 2023 respectively.

As at the LPD, neither BW Scaffold nor YS Global have been fined or issued with any notice of non-compliances from DOSH for these past non-compliances. Our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low given that DOSH Selangor and DOSH Penang have provided verbal confirmation that no investigation or action will be and/or have been taken.

Save as disclosed above, since the commencement of operations of our Group and as at the LPD, there has been no non-compliance by our Group in relation to the FMA.

That said, the Factories and Machinery (Repeal) Act 2022 ("**FMA Repeal Act**") received Royal Assent on 4 March 2022 and had been gazetted on 16 March 2022. However, the date on which the FMA Repeal Act comes into operation has yet to be appointed and gazetted. The FMA Repeal Act shall repeal the FMA. Any registration made, or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued under the FMA shall, on the coming into operation of the FMA Repeal Act, be dealt with under the Occupational Safety and Health Act 1994 and its subsidiary legislations, which shall be the law of reference for all matters related to safety and welfare of persons at work.

**(iii) Occupational Safety and Health Act 1994 ("OSHA")**

The OSHA makes provisions for securing the safety, health and welfare of persons at work, for protecting others against risks to safety or health in connection with the activities of persons at work, and to promote an occupational environment for persons at work which is adapted to their physiological and psychological needs.

Pursuant to OSHA, it shall be the duty of every employer to conduct his undertaking (including provision and maintenance of systems of work) in such a manner as to ensure, so far as is practicable, that he and other persons, not being his employees, who may be affected thereby are not exposed to risks to their safety or health. Every employer who provides, maintains or imports any machinery, equipment or appliance for use at work shall ensure that the same (and the installation thereof) is safe and without risks to health when properly used, carry out testing and examination as may be necessary, and ensure that the results of such tests are available.

It shall be the duty of every employer to prepare a general policy with respect to the safety and health at work of his employees and the organisation and arrangements for the time being in force for carrying out that policy. Such safety and health policy shall be revised as often as it may be appropriate and shall be brought to the notice of all employees.

The OSHA also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning or occupational disease which has occurred or is likely to occur at the place of work.

## 6. INFORMATION ON OUR GROUP (*cont'd*)

Similar to the FMA Repeal Act, the Occupational Safety and Health (Amendment) Act 2022 ("**OSH Amendment Act**") had received the Royal Assent on 4 March 2022 and had been gazetted on 16 March 2022. However, the date on which the OSH Amendment Act comes into operation has yet to be appointed and gazetted. The OSH Amendment Act shall provide for, amongst others, the following:

- (a) a right to an employee to remove himself from the danger or the work if he has reasonable justification to believe that there exists an imminent danger at his place of work, and the employer has failed to take any action to remove the danger;
- (b) the obligation of an employer to conduct a risk assessment in respect of the safety and health risk posed to any person who may be affected by his undertaking at the place of work and the implementation of risk control to eliminate or reduce said safety and health risk; and
- (c) provisions relating to notification of occupation of place of work, and installation and inspection of plants, including the prescription of any plant for which a certificate of fitness is required.

Since the commencement of operations of our Group and as at LPD, there has been no non-compliance by our Group in relation to the OSHA 1994. Our Group has formulated and put in place a set of documented standard operating policies and procedure on occupational safety, health and environmental plan. We have established a Safety and Health committees and a certified safety and health officer has been appointed to monitor the safety and health related matter of our Group.

### (iv) **Street, Drainage and Building Act 1974 ("SDBA")**

The SDBA is enforced by the local authorities of Peninsular Malaysia and provides for the requirement of having CCC for the occupation of any building or any part thereof.

Pursuant to the SDBA, a person who occupies a premise without a CCC is subject to a fine of up to RM250,000.00, imprisonment for a term of up to 10 years, or both.

A CCC had been granted to DNC Asiatic Holdings Sdn Bhd ("**DNC**"), the previous owner of the Banting Factory. Thereafter, BW Scaffold acquired the Banting Factory from DNC on 31 January 2019. Subsequent to the completion of the purchase of the Banting Factory, BW Scaffold has made certain alterations and/or modifications (changes to the interior and facades of the building) to the Banting Factory ("**Modified Site**") which required a new CCC for the Modified Site ("**New CCC**"). BW Scaffold has obtained the New CCC on 31 July 2023.

As at the LPD, BW Scaffold has not been fined or issued with any notice of non-compliances from Kuala Langat Municipal Council for this past non-compliance. Our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low given that KLMC has provided verbal confirmation that no investigation or action have been and/or will be taken.

Save as disclosed above, since the commencement of operations of our Group and as at the LPD, there has been no non-compliance by our Group in relation to the SDBA.

### (v) **Local Government Act 1976 ("LGA")**

Pursuant to Section 102(s) of the LGA, the relevant local authorities may control and supervise, by registration, licensing or otherwise, a trade, business or industry. Pursuant to Section 104 of the LGA, any person who breaches any by-law commits an offence and shall, on conviction, be liable to a fine not exceeding RM2,000.00 or imprisonment for a term of not more than one (1) year or both and a fine of RM200.00 every day during which such offence is continued after conviction.

## 6. INFORMATION ON OUR GROUP (cont'd)

Previously, BW Scaffold and BWYS Steel held temporary business licenses for the operation of their business at the Banting Factory. The temporary business licenses were issued by the Kuala Lumpur Municipal Council to BW Scaffold and BWYS Steel as the issuance of the permanent licences requires the letter of support from the Fire and Rescue Department of Malaysia and Department of Environment, and subsequently the New CCC (as defined in paragraph (iv) above), which were pending. The temporary business license of BW Scaffold had expired on 22 June 2023 whereas the temporary business license of BWYS Steel had expired on 13 May 2023.

The representatives of the Group had submitted applications to renew the temporary business licenses for BW Scaffold on 2 June 2023 and BWYS Steel on 20 April 2023 respectively but the Kuala Langat Municipal Council would only issue the permanent business licenses which application can only be submitted by the Group after receipt of the New CCC (as defined in paragraph (iv) above). The permanent business licenses have been obtained on 18 August 2023.

As at the LPD, neither BW Scaffold nor BWYS Steel have been fined or issued with any notice of non-compliances from the Kuala Langat Municipal Council for these past non-compliances. Our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low given that Kuala Langat Municipal Council has provided verbal confirmation that no investigation or action will be and/or have been taken.

As at LPD, our Group holds valid business licenses issued by relevant local authorities. These business licenses are valid until its respective expiry dates and will subsequently be renewed.

Save as disclosed above, since the commencement of operations of our Group and as at the LPD, there has been no non-compliance by our Group in relation to the LGA.

### (vi) Environmental Quality Act 1974 ("EQA")

The EQA and the regulations made thereunder provide for the prevention, abatement, control of pollution and enhancement of the environment, and for the purposes connected therewith. Amongst others, the Environmental Quality Act 1974 regulates the discharge of certain categories of waste as set out in the Environmental Quality (Scheduled Wastes) Regulations 2005 ("**Scheduled Wastes Regulations**"), as well as the emission of air pollutants as set out in the Environmental Quality (Clean Air) Regulations 2014 ("**Clean Air Regulations**") which is applicable to industrial plants.

Pursuant to the Scheduled Wastes Regulations, every generator of scheduled wastes shall, within 30 days from the date of generation of scheduled wastes, notify the Director General of Environmental Quality of the new categories and quantities of scheduled wastes which are generated. Further, a generator of scheduled wastes shall keep accurate and up-to-date inventory of the categories and quantities of scheduled wastes being generated, treated and disposed of and of materials or product recovered from such scheduled wastes for a period of up to three (3) years from the date the scheduled wastes were generated.

Pursuant to the Clean Air Regulations, an owner or occupier of a premise shall not, without giving prior written notification to the Director General of Environmental Quality, amongst others, carry out any work on any premises that may result in a source of emission. The written notification shall be submitted to the Director General of Environmental Quality not less than 30 days before the commencement of such work. Further, every premises shall be equipped with an air pollution control system in accordance with the specifications as determined by the Director General of Environmental Quality. The owner or occupier of the premises and the professional engineer shall, within 30 days after the commencement of operations at the premises, submit a written declaration to the Director General of Environmental Quality certifying that the design and construction of the air pollution control system have complied with the required specifications.

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## 6. INFORMATION ON OUR GROUP (cont'd)

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On 5 November 2020, YS Success received a compound of RM100,000 from the Department of Environment for failing to notify the Director General of Environmental Quality of the new categories and quantities of scheduled wastes which are generated within 30 days from the date of generation of scheduled wastes. YS Success has fully settled the claimed sum on 10 November 2020 and hence our Directors are of the view this matter will not materially disrupt the business operations or financial condition of the Group.

Save as disclosed above, since the commencement of operations of our Group and as at the LPD, there has been no non-compliance by our Group in relation to the EQA.

### (vii) **Employees' Minimum Standards of Housing, Accommodations and Amenities Act 1990 ("EMSHAAA 1990")**

The EMSHAAA 1990 and the regulations made thereunder require employers and centralised accommodation providers to comply with the minimum statutory requirements relating to centralised accommodation provided to employees. The EMSHAAA 1990 defines a "centralised accommodation provider" as any person who provides and manages any building used for the housing of employees employed by one or more employers and supervises the services provided in such building for one or more employers but does not include an employer who provides accommodation for his own employees.

The EMSHAAA 1990 was amended by the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 which provides that, effective from 1 June 2020, employers must abide by enhanced minimum standards of accommodation for employees, including obtaining a Certificate of Accommodation ("**COA**") from the Department of Labour Peninsular Malaysia. Further, an employer shall within 30 days from the date an accommodation is occupied by his employee, inform the Director General of Labour of such occupation.

Pursuant to Section 24D(3) of the EMSHAA 1990, an employer who contravenes Section 24D(1) commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000.00.

The existing building at the Banting Factory was used by BW Scaffold as workers accommodation for its foreign workers from 2 March 2020 to 31 March 2023, without a COA. Following the transfer of foreign workers as disclosed in paragraph (xiii) below, the foreign workers have been staying at the existing building at the Banting Factory, without a COA from December 2022 to March 2023. In light that the Workers' Minimum Standards of Housing and Amenities (Amendment) Act 2019 only came into force on 1 June 2020, the period in which BW Scaffold was not in compliance with the amended act was from 1 June 2020 to 31 March 2023 while BWYS Steel and YS Success were not in compliance with the amended act from December 2022 to 31 March 2023.

To accommodate its foreign workers at the Banting Factory, BW Scaffold has entered into a tenancy agreement dated 1 April 2023 with MJB Resources Sdn Bhd for the rental of a centralised accommodation which possesses a valid COA for a tenancy period commencing from 1 April 2023 until 30 September 2023 and subsequently renewed for a further term to 30 June 2024. As at the LPD, our Group is in compliance with the EMSHAAA 1990.

As at the LPD, BW Scaffold, BWYS Steel and YS Success have not been fined or issued with any notice of non-compliances from the Department of Labour for this past non-compliance. Our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low given that the foreign workers have been relocated to the third-party accommodation provider which possesses a valid COA and that the Department of Labour, Klang, Selangor has provided its verbal confirmation that no investigation or action will be and/or have been taken.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

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### **(viii) Fire Services Act 1988 ("FSA")**

The FSA provides for the effective and efficient functioning of Fire and Rescue Department of Malaysia, for the protection of persons and property from fire risks or emergencies. The FSA provides, amongst others, that a fire certificate be issued only after the designated premises (for example, shops and factories) have been inspected and the department is satisfied that there are adequate fire-fighting equipment or fire safety installation in relation to the use of the designated premises.

Where there is no fire certificate in force in respect of a designated premises, the owner of such premises may be liable to a fine of up to RM50,000.00 or imprisonment of up to five (5) years (or both). Fire and Rescue Department also has a general authority to order or direct the owner or occupier of any premises to cease any activities if Fire and Rescue Department is satisfied that, amongst others, any continued activity would constitute an immediate danger of fire prejudicial to the safety of life or property.

In addition, pursuant to the FSA, the owner or occupier of a designated premises shall establish a fire safety organisation.

Since the commencement of operations of our Group and as at the LPD, our Group is in compliance with the relevant laws, rules and regulations under FSA and requirements governing the conduct of our Group's business and environmental issues which may materially affect our Group's business or operations, and where applicable, has complied with the conditions imposed thereunder.

### **(ix) Customs (Prohibition of Import) Order 2023 ("Order")**

The Order sets out that the requirements to be complied by importers in relation to importation of certain goods to Malaysia. Based on the Order, importation into Malaysia of certain goods originating from certain countries is prohibited, except in a specific manner, i.e. "accompanied by a certificate of approval or a letter of exemption issued by or on behalf of the Chief Executive of the Construction Industry Development Board for the construction sector or SIRIM Berhad for non-construction sector." That said, such requirement does not apply to free commercial zones.

Since the commencement of operations of our Group and as at the LPD, our Group is in compliance with the Order.

### **(x) Construction Industry Development Board Act 1994 ("CIDBA")**

The CIDBA was implemented to offer CIDB expertise in the construction industry in Malaysia. All construction materials listed in the Fourth Schedule of CIDBA are required to obtain CIDB's Certificate of Standards Compliance. The Fourth Schedule includes scaffoldings, which requires conformity to the MS 1462 series of standards.

Since the commencement of operations of our Group and as at the LPD, our Group complies with CIDBA and has obtained the relevant certificates from CIDBA. Please refer to Section 6.5.10(ii) of this Prospectus for further details.

### **(xi) Customs Act 1967 ("CA 1967")**

Pursuant to the CA 1967, whenever through inadvertence, error, or for any other reason, misconstruction on the part of any officer of customs, or through unintentional misstatement as to value, quantity or description by any person, or for any other reason, the whole or any part of any customs duty, surcharge, penalty, fee or other money payable under CA 1967 have not been paid, the Director General of RMCD may allow the amount to be paid by instalments, subject to such conditions, in such amounts and on such dates as he may determine.



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**6. INFORMATION ON OUR GROUP (cont'd)**

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By way of a letter dated 23 March 2021 issued by the RMCD to YS Success, YS Success is found to have underpaid import duty and goods and services tax ("**GST**") for the taxable period from July 2017 to June 2020. YS Success failed to comply with the conditions for import duty exemption on raw materials / components to produce finished products that are not subject to import duty. Pursuant to Section 17(1) of the CA 1967 and the letter dated 23 March 2021 issued by the RMCD to YS Success, YS Success is required to pay the shortfall in import duty amounting to RM4,898,432.23 pertaining to transactions that occurred in FYE 2018 and FYE 2019. By way of a letter dated 5 September 2022 issued by the Ministry of Finance to YS Success, the Ministry of Finance approved YS Success' application for remission on the excess import duty and GST amounting to RM4,898,432.23, and required YS Success to pay 20% of the value of raw materials used for export amounting to RM97,968.64 instead. By way of a letter dated 6 October 2022 issued by the RMCD to YS Success, RMCD acknowledged that YS Success has settled the claim sum of RM97,968.64 (import duty) and RM76,937.77 (GST) on 5 October 2022, of which RM59,879.32 (import duty) and RM76,937.77 (GST) relates to FYE 2018 and RM38,089.32 (import duty) relates to FYE 2019.

YS Success has fully settled the claimed sum and hence our Directors are of the view that this matter will not materially disrupt the business operations or financial condition of the Group.

Save as disclosed above, since the commencement of operations of our Group and as at the LPD, there has been no non-compliance by our Group in relation to the CA 1967.

**(xii) Employment (Restriction) Act 1968 ("ERA")**

ERA expressly prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit. Failure to obtain the said employment permit is an offence which upon conviction, is punishable by a fine not exceeding RM 5,000 or imprisonment for a term not exceeding one (1) year or both.

Since the commencement of operations of our Group and as at the LPD, our Group is in compliance with ERA.

**(xiii) Immigration Act 1959 ("IA")**

The employment of foreign workers in Malaysia shall also be subject to the IA that regulates the immigration matters in Malaysia. The IA provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit, his name is endorsed upon the said valid entry permit and he is in the company of the holder of the said permit or he is in possession of a valid pass lawfully issued to him to enter Malaysia or exemption is granted to him pursuant to the IA.

Pursuant to Section 55E(1) of the IA, no occupier shall permit any illegal immigrant to enter or remain at any of its premises. As such, a company has an obligation to ensure that the employees that are present at its premises hold valid work permits and have the corresponding right to legitimately be present at the premises to render their services. Pursuant to Section 55E(2) of the IA, an occupier who contravenes Section 55E(1) shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM5,000.00 and not more than RM30,000.00 or to imprisonment for a term not exceeding 12 months or to both for each illegal immigrant found at the premises.

As at December 2022, BWYS Steel and YS Success have collectively employed 32 foreign workers to work at the Penang 1571 Factory. Subsequent thereto, notwithstanding the location that is stipulated in their respective work permits:

## 6. INFORMATION ON OUR GROUP (cont'd)

- The foreign workers of BWYS Steel were transferred from the Penang 1571 Factory to work at Banting Factory; and
- The foreign workers of YS Success were transferred to BW Scaffold to work at the Banting Factory.

All the foreign workers of BWYS Steel and YS Success had been transferred back from the Banting Factory to the Penang 1571 Factory as per their work permits in July 2023.

As at the LPD, neither BWYS Steel nor YS Success have been fined or issued with any notice of non-compliances from the Department of Immigration for this past non-compliance. Our Directors are of the view that the risk of being charged, convicted, penalised and/or compounded retrospectively is low given that the foreign workers have been transferred back to the location as per their work permit and the Department of Immigration has provided verbal confirmation that no investigation or action will be and/or have been taken.

Save as disclosed above, there are no non-compliances with the aforesaid laws, regulations, rules and requirements since the commencement of operations of our Group and as at the LPD and there are no other regulatory requirements and/or environmental issues which may materially affect our Group's operations arising from the utilisation of our assets.

### 6.5.15 Interruptions to our business and operations

Save for the temporary disruptions to our operations arising from the COVID-19 and interruptions in industrial racking systems finishing processing operations as disclosed below, we did not experience any material interruptions to our business and operations during the Period Under Review up to the LPD.

#### (a) Effects of COVID-19 on our business operations in Malaysia

The World Health Organisation declared COVID-19 a pandemic on 11 March 2020. Commencing from 18 March 2020, the Government of Malaysia implemented measures to reduce COVID-19 transmission in the country, which included, among others, controls on the movement of people within Malaysia, controls on international travel, and restrictions on business, government, educational, cultural, recreational and other activities. Our business operations in Malaysia were temporarily interrupted by these measures.

The first MCO period was from 18 March 2020 to 3 May 2020, and the control measures implemented included, among others, the closure of all businesses except for those classified as essential services or that have received written approval from the MITI to operate, restrictions on the movement of people in Malaysia, and restrictions on international travel into and out of Malaysia.

We closed our operational facilities on 18 March 2020 pursuant to the first MCO. Our staff who performed executive, administrative and sales and marketing functions worked from home, whenever possible, while our trading operations at our warehouses and manufacturing activities at our operational facilities were temporarily halted. Subsequently, we resumed operations on the 20 April 2020 upon receiving the written approvals from MITI to operate while following the relevant standard operating procedures ("**SOP**") and guidelines.

From 4 May 2020 up to June 2021, the MCO went through various phases in Malaysia including Conditional MCO ("**CMCO**"), Recovery MCO ("**RMCO**") and Enhanced MCO ("**EMCO**") where restrictions were relaxed or tightened for specific states, districts and/or locations, based on the number of daily and active COVID-19 cases in the respective areas. On 15 June 2021, the Government of Malaysia announced the National Recovery Plan ("**NRP**"), a phased exit strategy from the COVID-19 pandemic consisting of four phases where restrictions were gradually eased in each phase. Subsequently, on 1 April 2022, the Government of Malaysia announced that

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**6. INFORMATION ON OUR GROUP (cont'd)**

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Malaysia was in the "Transition to Endemic" phase where all economic sectors are allowed to operate, and interstate and international travel are allowed, subject to adherence to the relevant SOP and guidelines.

During the various phases of the MCO including CMCO, RMCO and EMCO, the NRP and the Transition to Endemic Phase, we continued to operate according to the specified guidelines and SOP including specified workforce capacity during the respective periods.

**(b) Effects of COVID-19 on our supply chain**

We manage our supply chain to ensure that we will have sufficient stocks of input materials to meet our manufacturing and processing schedules, as well as sufficient finished products for our trading operations, in order to fulfil the delivery obligations as per our purchase orders.

From 18 March 2020 and up to the LPD, we did not face any material disruptions to our supply chain that were related to COVID-19 due to our inventory forecasting and planning. In addition, our inventory levels were sufficient for normal trading, manufacturing and processing operations and able to meet all customers' orders without undue delays. As at the LPD, we have not experienced any material disruptions in fulfilling our orders.

**(c) Effects of COVID-19 on our financial performance**

During the various phases of the MCO, our Group incurred COVID-19 related expenses amounting to approximately RM0.2 million for the purchase of personal protective equipment, COVID-19 Antigen Rapid Self-Test kits, body temperature measurement devices, COVID-19 vaccination, COVID-19 tests for our employees, accommodation and transportation for infected employees as well as cleaning agents and sanitisation services for our offices and manufacturing facilities.

We did not experience any material negative impact on our financial performance from the various disruptions on our manufacturing and business activities due to the COVID-19, as demonstrated by our increase in revenue in our sales from RM130.9 million in FYE 2020 to RM 246.1 million in FYE 2023.

Our Group had also received subsidies from the Malaysian government's Wages Subsidy program amounting to approximately RM0.8 million in FYE2020 and RM0.1 million in FYE2021 respectively.

**(d) Interruptions in industrial racking systems finishing processing operations due to the breakdown of our automated powder coating line**

In February 2022, we experienced interruptions in industrial racking systems finishing processing operations due to the gearbox breakdown of our automated powder coating line at our Penang 1571 Factory. The automated powder coating line is to carry out final surface finishing process as part of our industrial racking systems manufacturing.

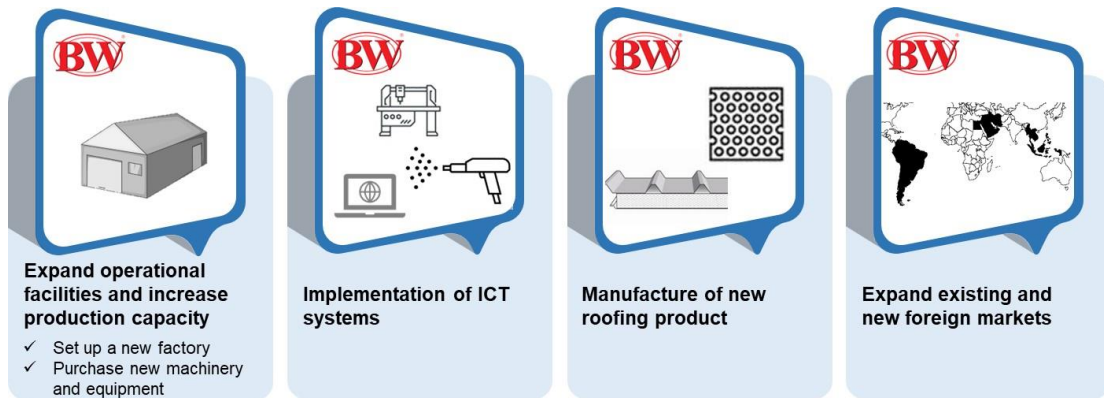
The automated powder coating line was suspended for approximately 2 weeks and this has consequently impacted our delivery of products to our customers. We engaged with our customers and deferred the delivery of confirmed purchase orders to a later date. The total deferred purchase orders were RM0.45 million, and these deferred purchase orders were subsequently fulfilled in the following month. We were not subjected to any penalty and/or losses as a result of the breakdown of our automated powder coating line. In order to catch up with our delivery schedules including those which have been deferred, we operated 2 shifts for approximately 2 weeks to fulfil the delivery of the deferred purchase orders. The total costs incurred for the repair and replacement of the gearbox for the automated powder coating line was approximately RM43,550.

## 6. INFORMATION ON OUR GROUP (cont'd)

### 6.6 BUSINESS STRATEGIES AND PLANS

Moving forward, we will continue our existing business in the manufacturing of sheet metal product and supply of scaffoldings operations. We also have put in place strategies and plans to sustain and grow our business as follows:

#### Our business strategies and plans



#### 6.6.1 Expand operational facilities and increase production capacity

##### 6.6.1.1 Set up a new factory

As at the LPD, we have 4 manufacturing with warehousing facilities, and another 4 warehousing facilities in Malaysia. In 2021, we acquired Lot 1215 Land with a total land area of approximately 12 acres comprising 1 factory building on a 4-acre land, namely Penang 1572 Factory, and the remaining 8-acre vacant land.

Part of our strategies is to expand our sheet metal product manufacturing facilities by constructing a new factory, namely New Penang Factory, on the said 4.5-acre of the remaining vacant land, which will be adjacent to our existing Penang 1572 Factory, while the remaining 3.5-acre land will comprise the car park area, access road, guard house and electric supply substation. The New Penang Factory will have a total built-up area of approximately 197,153 sq ft, which consist of 1 block single storey factory with double storey office ("**Block 1**"), as well as 1 block single storey factory and office.

We expect to house our new continuous PU foam sandwich panel production line in Block 1. We also expect to relocate our existing machinery and equipment for our industrial racking systems manufacturing operations in Penang 1572 Factory and our roofing sheets and trusses manufacturing operations in Penang 1571 Factory to Block 1 within 12 months after the completion of the construction of our New Penang Factory. Following the relocation of the roofing sheets and trusses manufacturing operations from Penang 1571 Factory to the New Penang Factory, the Penang 1571 Factory will house the industrial racking systems and welded pipes manufacturing operations.

The increase in warehouse space is partly due to the freeing of space in Penang 1571 Factory following the relocation of existing machinery and equipment to the New Penang Factory. Subsequently, the total warehouse space in Penang 1571 Factory will amount to 57,040 sq ft which will be used as storage facilities for our raw materials as well as finished goods for our sheet metal product manufacturing mainly welded pipes.

## 6. INFORMATION ON OUR GROUP (cont'd)

In addition, the New Penang Factory will require warehouse space to accommodate the relocated manufacturing activities from the Penang 1571 Factory and Penang 1572 Factory as well as the newly installed production line. The total warehouse space in the New Penang Factory will amount to 93,191 sq ft. The additional warehouse space will allow us to accommodate a higher level of inventories following the increase in production capacity.

The total cost for the above setting up of New Penang Factory including construction and renovation is estimated at RM43.0 million (based on quotations obtained from respective contractors and suppliers for the construction and renovation work) which will be partially funded via RM22.8 million from our IPO proceeds while the remaining via bank borrowings.

Please refer to Section 4.9.1(1)(a) for further details on the construction of the New Penang Factory.

### 6.6.1.2 Purchase new machinery and equipment

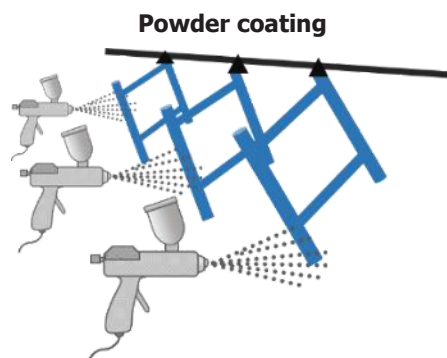
#### (i) New automated powder coating line

As at the LPD, we have one automated powder coating line which is installed at our Penang 1571 Factory used for our industrial racking systems. Our powder coating system provides decorative finishes as well as resistance to corrosion and abrasion.

Part of our facility expansion plans is to purchase and install a new automated powder coating line at our New Penang Factory to cater for expected business expansion for our industrial racking systems.

The new automated powder coating lines will use a conveyor system to transport the metal parts from one station to the next station as follows:

- preparation station including loading area for the metal parts to be coated;
- pre-treatment station using vertical spray shower type;
- drying oven before coating using hot air circulation method to eliminate residual moisture and prepare the parts for powder coating;
- powder spray booth using compressed air powder guns;
- curing oven; and
- unloading area of coated metal parts.



The total cost for the purchase of new automated powder coating lines is estimated at RM4.8 million (based on vendor's quotation) which will be fully funded from our IPO proceeds.

#### (ii) New roll forming machines and related equipment

For the Period Under Review, our revenue contribution from the manufacture of roof trusses accounted for RM11.4 million (8.7%), RM47.8 million (21.5%), RM49.9 million (21.1%) and RM15.3 million (6.2%) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively, while the revenue from the manufacture of industrial racking systems amounted to RM18.0 million (13.8%), RM40.6 million (18.3%), RM48.9 million (20.7%) and RM37.7 million (15.3%) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

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**6. INFORMATION ON OUR GROUP (cont'd)**

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Part of our strategy is to continue leveraging on our competency to expand and grow our business. In this respect, we intend to purchase new machines mainly roll forming machines to replace our existing machines for the manufacture of roof trusses in the Banting Factory and retire some of our existing machines in the Penang 1571 Factory, as well as new related equipment for the manufacture of roof trusses and industrial racking systems. The new roll forming machines that we intend to purchase will replace both of our existing roll forming machines for the manufacture of roof trusses at the Banting Factory and this will increase our annual capacity for the manufacture of roof truss at the Banting Factory from 10,332 tonnes to 13,532 tonnes. As for the new roll forming machines for the manufacture of industrial racking systems at the Penang 1571 Factory, these are to retire 2 of our existing roll forming machines with average age of 9 years.

The total cost for the purchase of new roll forming machines and related equipment is estimated at RM2.9 million (based on vendor's quotation) which will be funded fully from our IPO proceeds.

Please refer to Section 4.9.1(1)(b) for further details on the purchase of new machinery and equipment.

**6.6.2 Implementation of ICT systems**

Part of our strategies is to integrate our business processes as well as to digitalise our production and inventory management where the existing administrative processes are primarily manual. In this respect, we intend to invest in ICT systems including new ERP system as well as the implementation of production and inventory management systems to facilitate tracking and tracing of incoming raw materials and finished products to improve our production workflow where we can trace and identify all movements and processes carried out at our manufacturing facility.

With the implementation of the new systems, we will be able to monitor every stage of the manufacturing process, beginning from the incoming raw materials till the delivery of the finished goods to our customers. The implementation of the systems will create a network to link our manufacturing facility including the manufacturing execution system and inventory management system, which will enable us to monitor and trace the entire manufacturing process in real-time as well as movement of our inventories.

The total cost for new ERP system and implementation of the production and inventory management systems is estimated at RM10.8 million (based on vendor's quotation) which will be funded fully from our IPO proceeds.

Please refer to Section 4.9.1(1)(c) for further details on the implementation of new ERP system, production and inventory management systems.

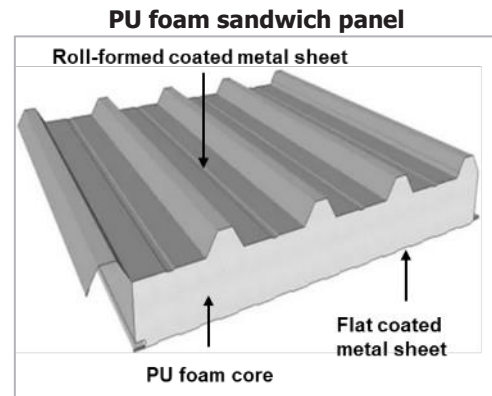
**6.6.3 Manufacture of new roofing products**

For the Period Under Review, roofing sheets were our major revenue contributors which accounted for RM50.5 million (38.6%), RM74.1 million (33.3%), RM65.4 million (27.7%) and RM101.6 million (41.3%) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

Part of our strategies is to expand our range of roofing products by venturing into the manufacture of PU sandwich panels. Our target customers for this new range of PU foam sandwich panels are existing and new customers who will mainly be resellers such as hardware wholesalers and retailers. This will enable us to sell our products through our resellers' network to gain geographic reach for our products.

## 6. INFORMATION ON OUR GROUP (cont'd)

Our new PU foam sandwich panels refers to a rigid core made of PU foam which are sandwiched between either two metal sheets or a metal sheet and a polyvinyl chloride (PVC) sheet to provide insulation from heat and noise. Commonly one side of the metal sheet has a profile while the other side is flat. They are commonly used for roofing. Heat insulation in roofing is a major advantage in reducing heat emanating from the roof. Sound insulation for the roof is also a major advantage as it absorbs some of the noise when rain falls on the metal roof. When used as walls, it mainly provides noise insulation as well as physical partitioning.



We intend to install two integrated PU foam sandwich panel production lines and the new PU foam sandwich panels be manufactured at the Banting Factory and New Penang Factory in Penang with an estimated production capacity of 1,700 tonnes per year for each production line. We intend to purchase and install integrated automated machine with roll-forming, integrated production and application of PU foam for the core, and subsequently sandwiching the PU foam core with a flat metal sheet or PVC sheet.

The production line consists of the following machinery and equipment to perform various processes:

- (i) two decoilers to feed one continuous metal sheet into the roll-forming machine to form the bottom profiled metal sheet and the other to a series of rollers to become the top flat metal sheet;
- (ii) roll forming machine to form the bottom metal sheet into the desired profile;
- (iii) preheating of the rolled-formed metal sheet;
- (iv) PU foaming machine to manufacture and dispense the PU foam onto the underside of the roll-formed metal sheet;
- (v) flat metal sheet is placed on top of the cured PU foam;
- (vi) presser to compress the PU foam between the flat metal sheet or PVC sheet and rolled-formed metal sheets, and side plates to prevent the PU foam from expanding sideways; and
- (vi) completed PU foam panel is cut to length and cooled for subsequent storage.

The total cost for the purchase and installation of the two integrated PU foam sandwich panel production lines is estimated at RM3.0 million (based on vendor's quotation) which will be funded using our internally generated fund. As at the LPD, we have placed order for one production line which is expected to commence installation at the Banting Factory by end-June 2024 and complete by fourth quarter of 2024. As for the other production line at the New Penang Factory, the installation is expected to commence in the first quarter of 2026 and complete by third quarter of 2026.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

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### **6.6.4 Expand existing and new foreign market**

For the Period Under Review, we mainly serve customers in Malaysia where our domestic revenue contribution accounted for RM128.8 million (98.4%), RM203.7 million (91.6%), RM226.3 million (95.8%) and RM235.4 million (95.6%) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

In addition to our domestic revenue, we also generated export earnings which accounted for RM2.1 million (1.6%), RM18.8 million (8.4%), RM9.9 million (4.2%) and RM10.7 million (4.4%) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Our export sales were mainly derived from sales of industrial racking systems to the United States in FYE 2021, FYE 2022 and FYE 2023, and welded pipes to Singapore in FYE 2020.

Part of our strategies is to expand our reach into foreign countries to grow our business in various regions including Southeast Asia (SEA), the Middle East and South America. Our strategies are to sell our products to resellers including existing and new customers to utilise their networks to gain access without our need to invest in resources and facilities in foreign countries.

We have already started to gain some access to countries including Indonesia, Singapore, the Philippines and Brunei within the SEA region, as well as the UAE and Saudi Arabia within the Middle East region where we had derived a small proportion of our revenues for the Period Under Review. We will continue to target these countries through our existing customers who are mainly resellers, as well as expanding our customer base through proactive sales and marketing as well as participation in exhibitions or trade shows. Please refer to Section 6.5.4.1 of this Prospectus for further details on revenue by geographical markets.

Expansion of our existing and new foreign markets are continuous where we sell our products through our existing customers and at the same time continue our marketing efforts to secure new customers. The estimated cost for foreign market expansion (mainly participation in exhibitions or trade shows) is minimal and we intend to utilise internally generated funds for our foreign market expansion. However, the estimated costs and its breakdown cannot be determined at this juncture and will depend on the requirement of our Group at the relevant time.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

### **6.7 MATERIAL CONTRACTS**

Save as disclosed below, there were no contracts which are or may be material (not being contracts entered into in the ordinary course of business) which have been entered into by our Group for the Period Under Review and up to the LPD:

- (a) Sale and purchase agreement dated 1 July 2021 entered into between Amanah Raya Berhad (as vendor) and BWYS Steel (as purchaser) for the purchase of Lot 1215 Land, a three storey detached factory cum office building annexed single storey warehouse and ancillary buildings held under freehold land Geran 74361, Lot 1215, Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang bearing postal address No. 1572 Jalan Besar Valdor, Mukim 12, 14200 Sungai Bakap, Seberang Perai Selatan, Pulau Pinang measuring approximately 12 acres for a total consideration of RM35,000,000. The purchase consideration had been paid and the sale and purchase had been completed on 1 October 2021.
- (b) Deed of assignment between Visage Industries and BWYS Steel dated 16 August 2023, in which Visage Industries assigned the rights, title and interest, together with the goodwill of the business connected with the "Vtruss" trademark (Registration No: 2014059844) to BWYS Steel for a cash consideration of RM10.00.
- (c) Conditional SSA dated 21 August 2023 entered into between our Company, KBH and KBT for the acquisition of the entire equity interest in BW Scaffold for a total purchase consideration of RM27,226,400. The acquisition was completed on 2 April 2024.
- (d) Conditional SSA dated 21 August 2023 entered into between our Company, KBH and KBT for the acquisition of entire equity interest in BWYSSB for a total purchase consideration of RM26,408,100. The acquisition was completed on 2 April 2024.
- (e) Conditional SSA dated 21 August 2023 entered into between our Company, KBH and KMH for the acquisition of entire equity interest in BWYS Steel for a total purchase consideration of RM42,190,478. The acquisition was completed on 2 April 2024.
- (f) Conditional SSA dated 21 August 2023 entered into between our Company, KBH and KBT for the acquisition of entire equity interest in BWYS Timur for a total purchase consideration of RM19,700,000. The acquisition was completed on 2 April 2024.
- (g) Conditional SSA dated 21 August 2023 entered into between our Company, KBH and KBT for the acquisition of entire equity interest in YS Success a total purchase consideration of RM30,568,400. The acquisition was completed on 2 April 2024.
- (h) Underwriting agreement dated 17 May 2024 entered into between our Company and M&A Securities for the underwriting of 112,773,600 Issue Shares for an underwriting commission of up to 2.5% of the IPO Price multiplied by the number of Issue Shares underwritten. Please refer to Section 4.11 of this Prospectus for the salient terms of the underwriting agreement.

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**6. INFORMATION ON OUR GROUP (cont'd)**

**6.8 PROPERTY, PLANT AND EQUIPMENT**

**6.8.1 Material Properties**

**(a) Properties owned by our Group**

The summary of the information on the material land and buildings owned by our Group as at the LPD is set out below:

| No. | Title / Postal address   | Registered owner / Beneficial owner | Description / Existing use | Category of land use / Tenure | Restrictions in interests / Encumbrances   | Land area / Approximate built-up area sq ft | Date of issuance of CFO / CCC | NBV as at 31 December 2023 RM'000 |
|-----|--|-------------------------------------|----------------------------|-------------------------------|--|---|-------------------------------|-----------------------------------|
|     |  |                                     |                            |                               |  |   |                               |                                   |
| 1.  | (a) Geran 22732, Lot 111 Seksyen 1, Bandar Butterworth, Daerah Seberang Perai Utama, Negeri Pulau Pinang / Nil. ("Property 1") | BWYS Steel                          | Vacant / Unoccupied        | Nil. / Freehold               | Restrictions in interests Nil.   | 78,974 / Nil. (Property 1)                  | Not applicable <sup>(a)</sup> | 8,456                             |
|     | (b) Geran 22737, Lot 117 Seksyen 1, Bandar Butterworth, Daerah Seberang Perai Utama, Negeri Pulau Pinang / Nil. ("Property 2") |                                     |                            |                               | Encumbrances Both Property 1 and Property 2 are charged to AmBank Islamic Berhad | 14,985 / Nil. (Property 2)                  |                               |                                   |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Title / Postal address  | Registered owner / Beneficial owner | Description / Existing use   | Category of land use / Tenure | Restrictions in interests / Encumbrances  | Land area / Approximate built-up area sq ft | Date of issuance of CFO / CCC | NBV as at 31  |
|-----|---|-------------------------------------|--|-------------------------------|---|---|-------------------------------|---------------|
|     |   |                                     |  |                               |   |   |                               | December 2023 |
|     |   |                                     |  |                               |   |   |                               | RM'000        |
| 2.  | Geran 74361, Lot 1215, Mukim 12, Daerah Seberang Perai Selatan, Negeri Pulau Pinang / No. 1572 Jalan Besar Valdor, Mukim 12, 14200 Sungai Bakap, Seberang Perai Selatan, Pulau Pinang<br><br>(Lot 1215 Land on which the Penang 1572 Factory is located on) | BWYS Steel                          | A three-storey detached factory cum office building annexed single storey warehouse and ancillary buildings together with a piece of vacant land (which will be used to construct our New Penang Factory) / Office and warehouse, manufacturing of racking systems | Industrial / Freehold         | Restrictions in interests Nil.<br><br>Encumbrances Charged to AmBank Islamic Berhad | 522,373 / 175,428 <sup>(b)</sup>            | 7 March 2008                  | 35,200        |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Title / Postal address   | Registered owner / Beneficial owner | Description / Existing use   | Category of land use / Tenure                                      | Restrictions in interests / Encumbrances  | Land area / Approximate built-up area sq ft | Date of issuance of CFO / CCC | NBV as at 31 December 2023 RM'000 |
|-----|--|-------------------------------------|--|--|---|---|-------------------------------|-----------------------------------|
|     |  |                                     |  |  |   |   |                               |                                   |
| 3.  | Geran Mukim No. 533, Lot No. 1746, Mukim 12, Tempat Valdor, Daerah Seberang Perai Selatan, Negeri Pulau Pinang   | YS Success                          | A single-storey factory annexed with a three-storey office building erected thereon /Our head office, warehouse and manufacturing  | Nil. / Freehold  | <u>Restrictions in interests</u> Nil.<br><u>Encumbrances</u> Private caveat by and charged to AmBank (M) Berhad   | 340,785 / 262,560                           | 16 June 2022                  | 24,164                            |
| 4.  | H.S.(M) 20681, PT 404 Seksyen 2 in Pekan Bukit Changgang, Olak Lempit, Daerah Kuala Langat, Negeri Selangor Darul Ehsan / No. 112, Jalan 8, Kawasan Perindustrian Olak Lempit, 42700 Banting, Selangor (Banting Factory) | BW Scaffold                         | A plot of leasehold industrial land erected upon with 3 blocks of four storey office building, 3 blocks of single storey detached factory and ancillary building / Sales office, warehouse and manufacturing | Industrial / Leasehold of 99 years (expiring on 26 September 2087) | <u>Restrictions in interest</u> The land granted cannot be sold, leased, or transferred in any way, without the permission of the state authority.<br><u>Encumbrances</u> Private caveat by and charged to Malayan Banking Berhad | 339,386 / 241,566                           | 3 October 2014 / 13 July 2023 | 28,583                            |

**6. INFORMATION ON OUR GROUP (cont'd)**

| <b>No.</b> | <b>Title / Postal address</b>   | <b>Registered owner / Beneficial owner</b> | <b>Description / Existing use</b>   | <b>Category of land use / Tenure</b>                         | <b>Restrictions in interests / Encumbrances</b>   | <b>Land area / Approximate built-up area sq ft</b> | <b>Date of issuance of CFO / CCC</b> | <b>NBV as at 31 December 2023 RM'000</b> |
|------------|---|--|---|--|---|--|--------------------------------------|--|
| 5.         | PN 6387, Lot 5196, Mukim Panchor, Daerah Jajahan Kota Bharu, Negeri Kelantan / Lot PT 5196, Kawasan Perindustrian Pengkalan Chepa, Mukim Panchor Seksyen 23, Daerah Kemumin, 16100 Kota Bharu, Kelantan | BWYS Timur                                 | A parcel of industrial and built-upon with a single storey detached factory with a double storey office annex / Sales office, warehouse and manufacturing | Industrial / Leasehold of 66 years (expiring on 22 May 2065) | Restrictions in interests (a) The land held with this title cannot be transferred, charged, leased or have any arrangement made without the prior written consent of the state authority. | 44,250 / 24,984                                    | 14 April 2016                        | 2,493                                    |

(Kota Bharu Factory)

- (b) The land held with this title cannot be demarcated, subdivided or merged without the prior written consent of the state authority.

- (c) Restriction (a) is excluded for the purpose of charge of this land to banks or to Financial Institutions listed in Schedule D of the Kelantan

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**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Title / Postal address | Registered owner / Beneficial owner | Description / Existing use | Category of land use / Tenure | Restrictions in interests / Encumbrances  | Land area / Approximate built-up area sq ft | Date of issuance of CFO / CCC | NBV as at 31  |
|-----|------------------------|-------------------------------------|----------------------------|-------------------------------|---|---|-------------------------------|---------------|
|     |                        |                                     |                            |                               |   |   |                               | December 2023 |
|     |                        |                                     |                            |                               |   |   |                               | RM'000        |
|     |                        |                                     |                            |                               | Malay Reserve Land Enactment 1930 and Schedule 26A of the Kelantan Land Enactment 1938 in order to enable the landlord to obtain a personal loan. |   |                               |               |
|     |                        |                                     |                            |                               | Encumbrances Charged to AmBank (M) Berhad   |   |                               |               |

**Notes:**

- (a) Property 1 and Property 2 are unoccupied and vacant as at the LPD. Therefore, a Certificate of Completion and Compliance is not required as at the LPD.
- (b) The total built-up area of the Lot 1215 Land is approximately 175,428 sq ft. As at the LPD, the Penang 1572 Factory has occupied 35,601 sq ft of the Lot 1215 Land, and the remaining 139,827 sq ft is currently vacant.

As at the LPD, the above properties owned by our Group is not in breach of any other land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations.

**6. INFORMATION ON OUR GROUP (cont'd)**

**(b) Properties rented by our Group**

The details of material properties rented by us as at LPD are set out below:

| <b>No.</b> | <b>Tenant</b>                        | <b>Landlord</b>             | <b>Existing use</b>  | <b>Postal address</b>   | <b>Description</b>  | <b>Period of tenancy</b>           | <b>Approximate built-up area sq ft</b> | <b>Date of issuance of CCC</b> | <b>Rental per month RM</b> |
|------------|--------------------------------------|-----------------------------|----------------------|---|---|------------------------------------|--|--------------------------------|----------------------------|
| 1.         | BWYS Steel, BW Scaffold, YS Success  | YHTJ Sabah                  | Office and warehouse | Lot 5B, Industrial Zone 7, Lorong Timur 2B, Kota Kinabalu Industrial Park, 88460 Kota Kinabalu, Sabah                             | A plot of industrial land erected thereon with a one storey open-sided factory annexed with a two-storey office building, a water pump house and a guard house (Kota Kinabalu warehouse and office) | 1 January 2024 to 31 December 2025 | 58,205                                 | 14 July 2016                   | 58,847                     |
| 2.         | BWYS Steel, BW Scaffold, YS Success  | YHTJ Sarawak                | Office and warehouse | Lot 2656, Block 20 Kemena Land District, Bintulu (Kindurong Gateway Industrial Park), Jalan Tg. Kindurong, 97000 Bintulu, Sarawak | One unit of double-storeyed detached industrial building consisting of two levels of office and warehouse (Bintulu warehouse and office)  | 1 January 2024 to 31 December 2025 | 35,601                                 | 16 May 2017                    | 30,000                     |
| 3.         | BWYS Steel, BW Scaffold ; YS Success | Chai Chiang Company Sdn Bhd | Office and warehouse | Lot 823, Block 7 Muara Tebas Land District, Sejingkat Industrial Park, 90350 Kuching, Sarawak                                     | One unit of single-storey warehouse building cum office (Kuching warehouse and office)  | 1 March 2024 to 28 February 2027   | 14,434                                 | 3 July 2003                    | 11,000                     |

**6. INFORMATION ON OUR GROUP (cont'd)**

| No. | Tenant      | Landlord                      | Existing use                  | Postal address   | Description   | Period of tenancy                           | Approximate built-up area sq ft | Date of issuance of CCC | Rental per month |
|-----|-------------|-------------------------------|-------------------------------|--|---|---|---------------------------------|-------------------------|------------------|
|     |             |                               |                               |  |   |   |                                 |                         | RM               |
| 4.  | BW Scaffold | Chop Hong Lee Trading Sdn Bhd | Warehouse and sales office    | No. 6, Jalan Perniagaan Setia Taman 1/8, Perniagaan Setia (Setia Business Park II), 81100 Bahru, Johor | One unit of single-storey warehouse and double-storey office (Johor warehouse and office) | 1 February 2023 to 31 January 2025          | 13,155                          | 7 July 2015             | 18,000           |
| 5.  | YS Success  | Icon Trans Sdn Bhd            | Foreign workers accommodation | PMT 1596, Jalan Perusahaan Kawasan Perindustrian Valdor, 14200 Sungai Jawi, Pulau Pinang               | 17 units of lodging   | 1 May 2021 to 31 August 2024 <sup>(1)</sup> | 327 / unit                      | 11 May 2021             | 32,800           |
| 6.  | BW Scaffold | MBJ Resources Sdn Bhd         | Foreign workers accommodation | Persiaran Kolej Bbn, Bandar Baru Nilai, 71800 Bandar Baru Nilai, Negeri Sembilan                       | 8 rooms in a 15 floors residential block  | 1 April 2023 to 30 June 2024 <sup>(1)</sup> | 217 / 251 / 259 per room        | 13 March 2012           | 7,040            |

**Note:**

(1) As at LPD, we are in the midst of negotiations with the respective landlords for the renewal of the tenancy.

As at the LPD, the above properties rented by our Group is not in breach of any other land use conditions and/or are in non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations.



**6. INFORMATION ON OUR GROUP (cont'd)****6.8.2 Operating capacities and output****(i) Manufacture of roofing sheets**

We manufacture roofing sheets at the following operational facilities in Penang, Selangor and Kelantan:

- (a) Penang 1571 Factory;
- (b) Banting Factory; and
- (c) Kota Bharu Factory.

The methodologies used to calculate the annual capacity and utilisation rates are as follows:

- annual capacity is calculated based on 20 hours per day for 6 days a week less gazetted public holiday (15 days). However, we normally operate one 8 hour-shift with 2-hours of overtime per working day.
- utilisation rate is calculated by dividing the actual output by the annual capacity.

Actual output is the quantity of roofing sheets that we manufacture during the respective Period Under Review.

|                        | <b>Number of<br/>roll forming<br/>machines</b> | <b>Annual capacity<br/>Tonnes</b> | <b>Actual output<br/>Tonnes</b> | <b>Utilisation<br/>rate<br/>%</b> |
|------------------------|--|-----------------------------------|---------------------------------|-----------------------------------|
| <b><u>FYE 2020</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | 6  | 19,950                            | 2,778                           | 14                                |
| Banting Factory        | 5  | 15,158                            | 454                             | 3                                 |
| Kota Bharu Factory     | 4  | 15,158                            | 2,545                           | 17                                |
| <b>Total</b>           | <b>15</b>                                      | <b>50,266</b>                     | <b>5,777</b>                    | <b>11</b>                         |
| <b><u>FYE 2021</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | 6  | 19,950                            | 3,930                           | 20                                |
| Banting Factory        | 5  | 15,158                            | 1,071                           | 7                                 |
| Kota Bharu Factory     | 4  | 15,158                            | 2,578                           | 17                                |
| <b>Total</b>           | <b>15</b>                                      | <b>50,266</b>                     | <b>7,579</b>                    | <b>15</b>                         |
| <b><u>FYE 2022</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | 6  | 19,950                            | 4,367                           | 22                                |
| Banting Factory        | 5  | 15,158                            | 2,097                           | 14                                |
| Kota Bharu Factory     | 4  | 15,158                            | 2,564                           | 17                                |
| <b>Total</b>           | <b>15</b>                                      | <b>50,266</b>                     | <b>9,028</b>                    | <b>18</b>                         |
| <b><u>FYE 2023</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | 7  | <sup>(1)</sup> 21,616             | 5,908                           | 27                                |
| Banting Factory        | 5  | 15,158                            | 2,544                           | 17                                |
| Kota Bharu Factory     | 4  | 15,158                            | 2,598                           | 17                                |
| <b>Total</b>           | <b>16</b>                                      | <b>52,932</b>                     | <b>11,050</b>                   | <b>21</b>                         |

**Note:**

- (1) For FYE 2023, the capacity for the manufacture of roofing sheets at the Penang 1571 Factory included the pro-rated capacity of the addition of 1 new roll forming machine which commenced production in March 2023.

**6. INFORMATION ON OUR GROUP (cont'd)****(ii) Manufacture of roof trusses**

We manufacture roof trusses at the following operational facilities in Penang, Selangor and Kelantan:

- (a) Penang 1571 Factory;
- (b) Banting Factory; and
- (c) Kota Bharu Factory.

The methodologies used to calculate the annual capacity and utilisation rates are as follows:

- annual capacity is calculated based on 20 hours per day for 6 days a week less gazetted public holiday (15 days). We operate two 8 hour-shift with 2-hours of overtime per working day at Penang 1571 Factory and Banting Factory, and one 8 hour-shift with 2-hours of overtime per working day at Kota Bharu Factory.
- utilisation rate is calculated by dividing the actual output by the annual capacity.

Actual output is the quantity of roof truss that we manufacture during the respective Period Under Review.

|                        | <b>Number of<br/>roll forming<br/>machines</b> | <b>Annual capacity<br/>Tonnes</b> | <b>Actual output<br/>Tonnes</b> | <b>Utilisation<br/>rate<br/>%</b> |
|------------------------|--|-----------------------------------|---------------------------------|-----------------------------------|
| <b><u>FYE 2020</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | 9  | 6,830                             | 1,475                           | 22                                |
| Banting Factory        | 2  | 6,444                             | -                               | -                                 |
| Kota Bharu Factory     | 2  | 6,444                             | 916                             | 14                                |
| <b>Total</b>           | <b>13</b>                                      | <b>19,718</b>                     | <b>2,391</b>                    | <b>12</b>                         |
| <b><u>FYE 2021</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | 9  | 6,830                             | 3,227                           | 47                                |
| Banting Factory        | 2  | 6,444                             | -                               | -                                 |
| Kota Bharu Factory     | 2  | 6,444                             | 1,165                           | 18                                |
| <b>Total</b>           | <b>13</b>                                      | <b>19,718</b>                     | <b>4,392</b>                    | <b>22</b>                         |
| <b><u>FYE 2022</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | 9  | 6,830                             | 5,257                           | (1)77                             |
| Banting Factory        | 2  | 6,444                             | 2,280                           | 35                                |
| Kota Bharu Factory     | 2  | 6,444                             | 960                             | 15                                |
| <b>Total</b>           | <b>13</b>                                      | <b>19,718</b>                     | <b>8,497</b>                    | <b>43</b>                         |
| <b><u>FYE 2023</u></b> |  |                                   |                                 |                                   |
| Penang 1571 Factory    | (2)9   | (2)11,148                         | 8,257                           | 74                                |
| Banting Factory        | (3)4   | (3)9,684                          | 2,914                           | 30                                |
| Kota Bharu Factory     | 2  | 6,444                             | 1,250                           | 19                                |
| <b>Total</b>           | <b>15</b>                                      | <b>27,276</b>                     | <b>12,421</b>                   | <b>46</b>                         |

**Notes:**

- (1) For FYE 2022, the high utilisation rate was mainly attributed to the increase in production output to cater to higher customer orders.
- (2) For FYE 2023, the capacity for the manufacture of roof truss at Penang 1571 Factory included the pro-rated capacity of the addition of 2 new roll forming machines which commenced production in March 2023 and at the same time 2 of the existing roll forming machines were relocated to the Banting Factory in March 2023. The 2 new roll forming machine have higher capacity compared to the 2 relocated roll forming machine resulting in increased in overall capacity.

## 6. INFORMATION ON OUR GROUP (cont'd)

(3) For FYE 2023, the capacity for the manufacture of roof truss at Banting Factory included the pro-rated capacity of 1 additional new roll forming machine, as well as the 1 roll forming machine relocated from the Penang 1571 Factory which commenced production in March 2023. The other roll forming machine which was relocated from the Penang 1571 Factory is not in use.

### (iii) Manufacture of welded pipes

We manufacture welded pipes at our operational facility in Penang 1571 Factory. The methodologies used to calculate the annual capacity and utilisation rates are as follows:

- annual capacity is calculated based on 20 hours per day for 6 days a week less gazetted public holiday (15 days). However, we normally operate one 8 hour-shift with 2-hours of overtime per working day.
- utilisation rate is calculated by dividing the actual output by the annual capacity.

Actual output is the quantity of welded pipes that we manufacture during the respective Period Under Review.

|          | <b>Annual capacity</b> | <b>Actual output</b> | <b>Utilisation rate</b> |
|----------|------------------------|----------------------|-------------------------|
|          | <b>Tonnes</b>          | <b>Tonnes</b>        | <b>%</b>                |
| FYE 2020 | 21,622                 | 10,091               | 47                      |
| FYE 2021 | 21,622                 | 6,575                | 30                      |
| FYE 2022 | 21,622                 | 7,473                | 35                      |
| FYE 2023 | (1)33,056              | 7,494                | 23                      |

#### Note:

(1) For FYE 2023, the capacity for the manufacture of welded pipes included the pro-rated capacity of the addition of 1 new roll forming machine which commenced production in February 2023.

### (iv) Manufacture of industrial racking systems

We manufacture industrial racking systems in-house at our operational facilities at Penang 1571 Factory and Penang 1572 Factory. The methodologies used to calculate the annual capacity and utilisation rates are as follows:

- annual capacity is calculated based on 20 hours per day for 6 days a week less gazetted public holiday (15 days). However, we normally operate one 8 hour-shift with 2-hours of overtime per working day.
- utilisation rate is calculated by dividing the actual output by the annual capacity.

Actual output is the quantity of metal frames for industrial racking systems that we manufacture during the respective Period Under Review.

|                     | <b>Annual capacity</b> | <b>Actual output</b> | <b>Utilisation rate</b> |
|---------------------|------------------------|----------------------|-------------------------|
|                     | <b>Tonnes</b>          | <b>Tonnes</b>        | <b>%</b>                |
| <b>FYE 2020</b>     |                        |                      |                         |
| Penang 1571 Factory | 5,863                  | 1,016                | 17                      |
| Penang 1572 Factory | 1,500                  | 830                  | (1)55                   |
| <b>Total</b>        | <b>7,363</b>           | <b>1,846</b>         | <b>25</b>               |
| <b>FYE 2021</b>     |                        |                      |                         |
| Penang 1571 Factory | 5,863                  | 1,062                | 18                      |
| Penang 1572 Factory | 1,500                  | 354                  | 24                      |
| <b>Total</b>        | <b>7,363</b>           | <b>1,416</b>         | <b>19</b>               |

**6. INFORMATION ON OUR GROUP (cont'd)**

|                        | <b>Annual capacity</b> | <b>Actual output</b> | <b>Utilisation rate</b> |
|------------------------|------------------------|----------------------|-------------------------|
|                        | <b>Tonnes</b>          | <b>Tonnes</b>        | <b>%</b>                |
| <b><u>FYE 2022</u></b> |                        |                      |                         |
| Penang 1571 Factory    | 5,863                  | 3,110                | (2)53                   |
| Penang 1572 Factory    | 1,500                  | 1,036                | (2)69                   |
| <b>Total</b>           | <b>7,363</b>           | <b>4,146</b>         | <b>56</b>               |
| <b><u>FYE 2023</u></b> |                        |                      |                         |
| Penang 1571 Factory    | (3)7,757               | 2,266                | 29                      |
| Penang 1572 Factory    | (4)4,390               | 1,651                | 38                      |
| <b>Total</b>           | <b>12,147</b>          | <b>3,917</b>         | <b>32</b>               |

**Notes:**

- (1) For FYE 2020, the high utilisation rate was mainly attributed to the increase in production output for subsequent delivery in FYE 2021.
- (2) For FYE 2022, the high utilisation rate was mainly attributed to the increase in production output to cater to higher customer orders.
- (3) For FYE 2023, the capacity for the manufacture of industrial racking systems at Penang 1571 Factory included the pro-rated capacity of the addition of 1 new roll forming machine which commenced production in September 2023.
- (4) For FYE 2023, the capacity for the manufacture of industrial racking systems at Penang 1572 Factory included the pro-rated capacity of the addition of 2 new roll forming machines which commenced production in March 2023.

**(v) Supply of scaffoldings**

Annual capacity and utilisation rate do not apply to our supply of scaffoldings as the main operation is cutting, welding and finishing of various parts, components and products, which are manual processes using tools and equipment.

**6.8.3 Material plans to construct, expand and improve our facilities**

Save as disclosed in Section 4.9 and 6.6.1 of this Prospectus, our Group has no other immediate plans to construct, expand or improve our facilities as at LPD.

## 6. INFORMATION ON OUR GROUP (cont'd)

### 6.9 EMPLOYEES

As at LPD, our Group has a total workforce of 510 employees of which 303 are permanent employees and 207 are contractual workers; which are made up of 312 local employees and 198 foreign workers. As at LPD, all of our foreign workers have valid working permits and are not in breach of any immigration laws. We have an average number of 164 contractual employees during FYE 2023. We have an average number of 165 contractual employees during FYE 2023.

None of these employees belong to any labour union. Since incorporation and up to the LPD, there has been no industrial dispute pertaining to our employees nor has there been any incidence of work stoppage or labour disputes that have materially affected our operations.

A summary of our Group's total workforce according to job functions as at 31 December 2023 and LPD is as below:

| Departments            | As at 31 December 2023 |          |                       |            |                       |               | Total number of employees |
|------------------------|------------------------|----------|-----------------------|------------|-----------------------|---------------|---------------------------|
|                        | Permanent employees    |          | Contractual employees |            | Geographical Location |               |                           |
|                        | Local                  | Foreign  | Local                 | Foreign    | West Malaysia         | East Malaysia |                           |
| Management             | 11                     | -        | 5                     | -          | 14                    | 2             | 16                        |
| Finance                | 19                     | -        | 1                     | -          | 17                    | 3             | 20                        |
| Human resources        | 17                     | -        | -                     | -          | 14                    | 3             | 17                        |
| Information technology | 4                      | -        | -                     | -          | 4                     | -             | 4                         |
| Procurement            | 5                      | -        | -                     | -          | 5                     | -             | 5                         |
| Production             | 142                    | -        | 2                     | 158        | 286                   | 16            | 302                       |
| Sales and marketing    | 78                     | -        | 1                     | -          | 73                    | 6             | 79                        |
| Logistics              | 38                     | -        | -                     | 15         | 52                    | 1             | 53                        |
| <b>Total</b>           | <b>314</b>             | <b>-</b> | <b>9</b>              | <b>173</b> | <b>465</b>            | <b>31</b>     | <b>496</b>                |

| Departments            | As at LPD           |          |                       |            |                       |               | Total number of employees |
|------------------------|---------------------|----------|-----------------------|------------|-----------------------|---------------|---------------------------|
|                        | Permanent employees |          | Contractual employees |            | Geographical Location |               |                           |
|                        | Local               | Foreign  | Local                 | Foreign    | West Malaysia         | East Malaysia |                           |
| Management             | 11                  | -        | 5                     | -          | 14                    | 2             | 16                        |
| Finance                | 20                  | -        | -                     | -          | 17                    | 3             | 20                        |
| Human resources        | 16                  | -        | -                     | -          | 13                    | 3             | 16                        |
| Information technology | 3                   | -        | -                     | -          | 3                     | -             | 3                         |
| Procurement            | 4                   | -        | 1                     | -          | 5                     | -             | 5                         |
| Production             | 133                 | -        | 3                     | 185        | 305                   | 16            | 321                       |
| Sales and marketing    | 81                  | -        | -                     | -          | 75                    | 6             | 81                        |
| Logistics              | 35                  | -        | -                     | 13         | 47                    | 1             | 48                        |
| <b>Total</b>           | <b>303</b>          | <b>-</b> | <b>9</b>              | <b>198</b> | <b>479</b>            | <b>31</b>     | <b>510</b>                |

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**6. INFORMATION ON OUR GROUP (cont'd)**

**6.10 MAJOR CUSTOMERS**

Our Group top 5 major customers for the Period Under Review are as follows:

**FYE 2020**

| No.          | Customers                | Country  | Type of products                            | <sup>(1)</sup> Length of relationship<br>Years | Revenue contribution |             |
|--------------|--------------------------|----------|---|--|----------------------|-------------|
|              |                          |          |   |  | RM'000               | (2)%        |
| (1)          | Silver Maxlink Sdn Bhd   | Malaysia | Industrial racking systems and welded pipes | 1  | 5,862                | 4.5         |
| (2)          | Yes Group <sup>(3)</sup> | Malaysia | Industrial racking systems                  | 6  | 4,231                | 3.2         |
| (3)          | Winzu Hardware Sdn Bhd   | Malaysia | Welded pipes                                | 6  | 3,245                | 2.5         |
| (4)          | Hung Tat Trading         | Malaysia | Welded pipes                                | 6  | 3,235                | 2.5         |
| (5)          | CL Hardware Sdn Bhd      | Malaysia | Welded pipes                                | 3  | 2,849                | 2.2         |
| <b>Total</b> |                          |          |   |  | <b>19,422</b>        | <b>14.9</b> |

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**6. INFORMATION ON OUR GROUP (cont'd)**

**FYE 2021**

| No.          | Customers                     | Country  | Type of products                             | <sup>(1)</sup> Length of relationship<br>Years | Revenue contribution |                     |
|--------------|-------------------------------|----------|--|--|----------------------|---------------------|
|              |                               |          |  |  | RM'000               | ( <sup>(2)</sup> )% |
| (1)          | United Material Handling Inc. | USA      | Industrial racking systems                   | 1  | 17,975               | 8.1                 |
| (2)          | Silver Maxlink Sdn Bhd        | Malaysia | Industrial racking systems and steel coils   | 2  | 7,154                | 3.2                 |
| (3)          | Top Megaview Sdn Bhd          | Malaysia | Steel coils, roofing sheets and welded pipes | 9  | 4,583                | 2.1                 |
| (4)          | Yes Group <sup>(3)</sup>      | Malaysia | Industrial racking systems                   | 7  | 4,350                | 2.0                 |
| (5)          | Kim Company Sdn Bhd           | Malaysia | Welded pipes                                 | 7  | 3,641                | 1.6                 |
| <b>Total</b> |                               |          |  |  | <b>37,703</b>        | <b>17.0</b>         |

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**6. INFORMATION ON OUR GROUP (cont'd)**

**FYE 2022**

| No.          | Customers                          | Country  | Type of products           | <sup>(1)</sup> Length of relationship<br>Years | Revenue contribution |                   |
|--------------|------------------------------------|----------|----------------------------|--|----------------------|-------------------|
|              |                                    |          |                            |  | RM'000               | ( <sup>2</sup> )% |
| (1)          | Inspec Engineering Systems Sdn Bhd | Malaysia | Industrial racking systems | 7  | 13,233               | 5.6               |
| (2)          | United Material Handling Inc       | USA      | Industrial racking systems | 2  | 9,908                | 4.2               |
| (3)          | Silver Maxlink Sdn Bhd             | Malaysia | Industrial racking systems | 3  | 7,288                | 3.1               |
| (4)          | Yes Group <sup>(3)</sup>           | Malaysia | Industrial racking systems | 8  | 5,255                | 2.2               |
| (5)          | Winzu Hardware Sdn Bhd             | Malaysia | Welded pipes               | 8  | 3,616                | 1.5               |
| <b>Total</b> |                                    |          |                            |  | <b>39,300</b>        | <b>16.6</b>       |



**6. INFORMATION ON OUR GROUP (cont'd)**

**FYE 2023**

| No.          | Customers                                       | Country  | Type of products           | <sup>(1)</sup> Length of relationship<br>Years | Revenue contribution |                     |
|--------------|---|----------|----------------------------|--|----------------------|---------------------|
|              |   |          |                            |  | RM'000               | ( <sup>(2)</sup> )% |
| (1)          | Inspec Engineering Systems Sdn Bhd              | Malaysia | Industrial racking systems | 8  | 11,523               | 4.7                 |
| (2)          | United Material Handling Inc                    | USA      | Industrial racking systems | 3  | 10,136               | 4.1                 |
| (3)          | Yes Group <sup>(3)</sup>                        | Malaysia | Industrial racking systems | 9  | 4,703                | 1.9                 |
| (4)          | SKS Builders Trading Sdn Bhd                    | Malaysia | Scaffoldings               | 6  | 4,120                | 1.7                 |
| (5)          | China Communication Construction (ECRL) Sdn Bhd | Malaysia | Scaffoldings               | 2  | 3,665                | 1.5                 |
| <b>Total</b> |   |          |                            |  | <b>34,147</b>        | <b>13.9</b>         |

**Notes:**

- (1) Length of relationship is determined as at the respective FYE 2020, FYE 2021, FYE 2022 and FYE 2023.
- (2) Our Group's total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 are RM130.9 million, RM222.4 million, RM236.2 million and RM246.1 million respectively.

**6. INFORMATION ON OUR GROUP (cont'd)**

- (3) Refers to revenue from Yes Metal System Sdn Bhd and Yes Storage System (M) Sdn Bhd, which have common shareholders and directors. For the Period Under Review, the revenue from Yes Group comprised the following:

| Yes Group                      | FYE 2020     |                    | FYE 2021     |                    | FYE 2022     |                    | FYE 2023     |                    |
|--------------------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|--------------|--------------------|
|                                | RM'000       | % of total revenue | RM'000       | % of total revenue | RM'000       | % of total revenue | RM'000       | % of total revenue |
| Yes Metal System Sdn Bhd       | 3,506        | 2.7                | 3,550        | 1.6                | 2,881        | 1.2                | 2,975        | 1.2                |
| Yes Storage System (M) Sdn Bhd | 725          | 0.5                | 800          | 0.4                | 2,374        | 1.0                | 1,727        | 0.7                |
| <b>Total</b>                   | <b>4,231</b> | <b>3.2</b>         | <b>4,350</b> | <b>2.0</b>         | <b>5,255</b> | <b>2.2</b>         | <b>4,703</b> | <b>1.9</b>         |

Our business is not dependent on any of our major customers as none of the top 5 customers contributed more than 10% of our total revenue for each of the Period Under Review. In addition, our Group has a diverse customer base and we served between 1,000 and 1,700 customers during the Period Under Review. As at LPD, our Group has 1,180 active customers.

Save as disclosed in Section 11.3.5 of this Prospectus, there has been no dispute with our customers which has materially affected our operations or financial performance.

We believe that our track record, capabilities and good working relationships with all our customers will continue to grow as we expand our capabilities to service their needs. As at the LPD, none of our Directors, Promoter and/or substantial shareholder has any interest, direct or indirect, in any of our major customers.

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**6. INFORMATION ON OUR GROUP (cont'd)**

**6.11 MAJOR SUPPLIERS**

Our Group top 5 major suppliers for the Period Under Review are as follows:

**FYE 2020**

| No.          | Suppliers                                      | Country   | Main raw materials sourced     | <sup>(1)</sup> Length of relationship<br>Years | Total purchases |             |
|--------------|--|-----------|--------------------------------|--|-----------------|-------------|
|              |  |           |                                |  | RM'000          | (2)%        |
| (1)          | Shanghai Hui Yi International Trading Co., Ltd | China     | Coated cold-rolled steel coils | 1  | 18,070          | 21.2        |
| (2)          | Samsung C & T Corporation <sup>(3)</sup>       | Korea     | Hot rolled steel coils         | 3  | 17,041          | 20.0        |
| (3)          | Silver Maxlink Sdn Bhd <sup>(4)</sup>          | Malaysia  | Coated cold-rolled steel coils | 4  | 7,261           | 8.5         |
| (4)          | Changzhou Lingdi International Trading Co Ltd  | China     | Coated cold-rolled steel coils | 3  | 5,882           | 6.9         |
| (5)          | Mareso Pte Ltd                                 | Singapore | Coated cold-rolled steel coils | 1  | 5,791           | 6.8         |
| <b>Total</b> |  |           |                                |  | <b>54,045</b>   | <b>63.4</b> |

**6. INFORMATION ON OUR GROUP (cont'd)**

**FYE 2021**

| No.          | Suppliers  | Country   | Main raw materials sourced     | <sup>(1)</sup> Length of relationship<br>Years | Total purchases |                  |
|--------------|--|-----------|--------------------------------|--|-----------------|------------------|
|              |  |           |                                |  | RM'000          | <sup>(2)</sup> % |
| (1)          | Art Rising (HK) Co, Limited                              | Hong Kong | Coated cold-rolled steel coils | 1  | 41,559          | 22.3             |
| (2)          | Samsung C & T Corporation <sup>(3)</sup>                 | Korea     | Hot rolled steel coils         | 4  | 30,499          | 16.3             |
| (3)          | Boxing Tonghe International Supply Chain Finance Co. Ltd | China     | Coated cold-rolled steel coils | 1  | 14,978          | 8.0              |
| (4)          | Top Megaview Sdn Bhd                                     | Malaysia  | Coated cold-rolled steel coils | 9  | 13,095          | 7.0              |
| (5)          | LS Shanghai International Trading Co. Ltd                | China     | Coated cold-rolled steel coils | 1  | 11,914          | 6.4              |
| <b>Total</b> |  |           |                                |  | <b>112,045</b>  | <b>60.0</b>      |

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**6. INFORMATION ON OUR GROUP (cont'd)**

**FYE 2022**

| No.          | Suppliers   | Country  | Main raw materials sourced  | <sup>(1)</sup> Length of relationship<br>Years | Total purchases |             |
|--------------|---|----------|---|--|-----------------|-------------|
|              |   |          |   |  | RM'000          | (2)%        |
| (1)          | Top Megaview Sdn Bhd  | Malaysia | Coated cold-rolled steel coils, scaffoldings components and accessories | 10   | 52,791          | 31.5        |
| (2)          | Liyang Shui De Trade Co. Ltd                                | China    | Coated cold-rolled steel coils  | Less than 1                                    | 40,449          | 24.1        |
| (3)          | Hebei Ever-Shine Building Materials Import & Export Co. Ltd | China    | Coated cold-rolled steel coils  | 2  | 15,081          | 9.0         |
| (4)          | Samsung C & T Corporation <sup>(3)</sup>                    | Korea    | Hot rolled steel coils  | 5  | 14,950          | 8.9         |
| (5)          | Posco International Corporation <sup>(3)</sup>              | Korea    | Hot rolled steel coils  | Less than 1                                    | 5,125           | 3.1         |
| <b>Total</b> |   |          |   |  | <b>128,396</b>  | <b>76.6</b> |

**6. INFORMATION ON OUR GROUP (cont'd)**

**FYE 2023**

|     | No. | Suppliers                                | Country   | Main raw materials sourced              | <sup>(1)</sup> Length of relationship<br>Years | Total purchases |                  |
|-----|-----|--|-----------|---|--|-----------------|------------------|
|     |     |  |           |   |  | RM'000          | <sup>(2)</sup> % |
| (1) |     | Liuyang Shui De Trade Co. Ltd            | China     | Coated cold-rolled steel coils          | 1  | 74,289          | 42.4             |
| (2) |     | Silver Maxlink Sdn Bhd <sup>(4)</sup>    | Malaysia  | Scaffoldings components and accessories | 7  | 22,232          | 12.7             |
| (3) |     | Rizhao Steel Holding Group Co. Ltd       | China     | Hot rolled steel coils                  | Less than 1                                    | 12,883          | 7.3              |
| (4) |     | Lianfeng International Pte Ltd           | Singapore | Hot rolled steel coils                  | 2  | 7,651           | 4.4              |
| (5) |     | Marubeni-Itochu Steel Inc <sup>(5)</sup> | Japan     | Hot rolled steel coils                  | 2  | 7,339           | 4.2              |
|     |     |  |           |   | <b>Total</b>                                   | <b>124,394</b>  | <b>70.9</b>      |

**Notes:**

- (1) Length of relationship is determined as at the respective FYE 2020, FYE 2021, FYE 2022 and FYE 2023.
- (2) Our Group's total purchases for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 are RM85.3 million, RM186.7 million, RM167.8 million and RM175.4 million respectively.
- (3) A company listed on the Korea Exchange. Samsung C & T Corporation is primarily involved in tourist facilities, golf course services, construction, civil engineering, plant building, housing, development business, technology services, landscaping, energy conservation, environment development, fashion, retail business of various merchandise and project organising businesses in global market, while Posco International Corporation is involved in various business activities including providing international trade, export agency services, intermediary trading, manufacturing, distribution, natural resource development and lease service.
- (4) Silver Maxlink Sdn Bhd is principally involved in the trading of all kinds of steel products. During the Period Under Review, our Group purchased coated cold-rolled steel coils from them for our manufacturing of sheet metal products. Silver Maxlink Sdn Bhd is also one of our major customers for the Period Under Review and they mainly purchased our industrial racking systems for their export market's customers.
- (5) A subsidiary of Marubeni Corporation which is a company listed on the Tokyo Stock Exchange.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

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While our purchases from several suppliers are in excess of 10.0% of our total purchases of input materials and subcontracted services for the Period Under Review, we are not dependent on any one of them as our purchases are commodities, namely steel coils. Steel materials are purchased based on specifications and are easily available domestically as well as several foreign countries such as China and Korea. However, we are still exposed to risks associated with supply chain disruptions as we mainly purchased imported steel coils including those steel coils imported directly from suppliers in foreign countries as well as purchased domestically from stockists in Malaysia who buy the imported steel coils.

In addition, we are able to purchase from alternative suppliers at costs that are not expected to materially impact total purchases and financial profitability. One of the reasons that we buy large quantities from some suppliers are mainly due to commercial reasons such as favourable commercial terms and to build strong customer-supplier relationships.

We have major suppliers of hot rolled steel coils and coated cold-rolled steel coils with a shorter length of relationship of 1 year or less. The reason for the change in our suppliers was mainly due to commercial reasons where we were able to obtain more favourable prices for our steel materials from another supplier. As our main input materials are mainly steel coils which are commodities and easily available, we were able to source our steel materials from an alternative supplier which offers better commercial terms. As such, we do not foresee any issues arising on the continuity of our suppliers. Save as disclosed in Section 11.2.2 of this Prospectus, there were no other incidences of quality issues with our major suppliers which had affected us during Period Under Review.

Save for Samsung C & T Corporation and Posco International Corporation which are involved in various business activities as disclosed in Note 3 above, our major suppliers of coated cold-rolled steel coils and hot rolled steel coils during the Period Under Review are trading companies.

As at LPD, there has been no dispute with our suppliers which has materially affected our operations or financial performance. As at the LPD, none of our Directors, Promoter and/or substantial shareholder has any interest, direct or indirect, in any of our major suppliers.

### **6.12 EXCHANGE CONTROLS**

Our Group has not established any other place of business outside of Malaysia and is not subject to governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital or remittance of profits by or to our Group.

### **6.13 ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG")**

Our Board takes cognizance of the sustainability governance as set out in the Listing Requirements in Relation to Sustainability Reporting Framework, Bursa Securities' Sustainability Reporting Guide (3<sup>rd</sup> Edition) and Malaysian Code on Corporate Governance 2021.

Our Group has adopted some ESG practices in ensuring environmentally responsible operations, conducting business responsibly and providing conducive workplaces for employees.

Our Board oversees the governance of our Group's sustainability matters while management is responsible for overseeing the implementation of sustainability-related initiatives within the purview of their respective departments. The management is responsible for executing, monitoring and reporting sustainability-related initiatives which assist senior management in making informed decisions to achieve the Group's sustainability goals.

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## **6. INFORMATION ON OUR GROUP (cont'd)**

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We are committed to setting up an overall Sustainability Framework for our Group based on the following guidelines and standards;

- Listing Requirements in Relation to Sustainability Reporting Framework;
- Bursa Securities' Sustainability Reporting Guide (3rd Edition); and
- Malaysian Code on Corporate Governance 2021.

In terms of implementing and managing sustainability matters, we are and will focus on the following:

### Economics Practices:

- **Technological Advancements:** continuously looking into enhancing and developing innovative manufacturing processes that reduce environmental impact.
- **Product Innovation:** continuously enhancing product designs such as pipes with improved durability, reduced material use and easy installation and dismantling for reusing.
- **Material Sourcing:** Encouraging our suppliers to adhere to ESG principles ensuring that the entire supply chain contributes to sustainability goals.

### Environmental Practices:

- **Energy Efficiency:** Implementing energy-efficient manufacturing processes and equipment to reduce energy consumption.
- **Waste Reduction:** Implementing strategies to waste reduction and recycling during production processes.
- **Recycling Programs:** Developing recycling initiatives for end-of-life solar panels and other components.
- **Water Conservation:** Implementing water-saving measures to minimise water usage in our operation.

### Social Practices:

- **Employee Health and Safety:** Prioritise worker safety through comprehensive safety and health training programs, safety protocols and equipment upgrades.
- **Diversity and Inclusion:** Fostering a diverse and inclusive workplace that values individuals from different backgrounds regardless of gender, race or other factors.
- **Labour Standards:** Adhere to labour laws including providing the conducive working environment, reasonable working hours and employee benefits.

### Governance Practices:

- **Board Diversity:** Ensuring a diverse board of directors to bring varied perspectives and promoting a range of experience, knowledge and skills.
- **Stakeholder Engagement:** Engaging with stakeholders (e.g., shareholders, customers, employees) to address concerns and incorporate feedback.
- **Ethical Business Practices:** Maintain a strong code of ethics and anti-bribery and anti-corruption policies to ensure integrity in business operations.

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## 7. IMR REPORT



**VITAL FACTOR CONSULTING**  
Creating Winning Business Solutions

28 May 2024

The Board of Directors  
BWYS Group Berhad  
1571, Jalan Serunai  
Kawasan Perindustrian Valdor  
Mukim 12, 14200 Sungai Bakap  
Seberang Perai Selatan, Penang

Dear Sirs and Madams

**Vital Factor Consulting Sdn Bhd**

Company No.: 199301012059 (266797-T)

V Square @ PJ City Centre (VSQ)

Block 6 Level 6, Jalan Utara

46200 Petaling Jaya

Selangor Darul Ehsan, Malaysia

Tel: (603) 7931-3188

Fax: (603) 7931-2188

Website: [www.vitalfactor.com](http://www.vitalfactor.com)

### **Independent Assessment of the Sheet Metal Product Industry in Malaysia**

We are an independent business consulting and market research company based in Malaysia. We commenced our business in 1993 and, among others, our services include the provision of business plans, business opportunity evaluations, commercial due diligence, feasibility studies, financial and industry assessments, and market studies. We have also assisted in corporate exercises since 1996, having been involved in initial public offerings, takeovers, mergers and acquisitions, and business regularisations for public listed companies on the Bursa Malaysia Securities Berhad (Bursa Securities) where we acted as the independent business and market research consultants. Our services for corporate exercises include business overviews, independent industry assessments, management discussion and analysis, and business and industry risk assessments.

We have been engaged to provide an independent assessment of the above industry for inclusion in the prospectus of BWYS Group Berhad for the listing of its shares on the ACE Market of Bursa Securities. We have prepared this report independently and objectively and had taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, the availability of timely information and analyses based on secondary and primary market research as at the date of this report. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibility for the decisions, actions or inactions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the securities of any company.

Our report may include information, assessments, opinions and forward-looking statements, which are subject to uncertainties and contingencies. Note that such statements are made based on, among others, secondary information and primary market research, and after careful analysis of data and information, the industry is subject to various known and unforeseen forces, actions and inactions that may render some of these statements to differ materially from actual events and future results.

Yours sincerely

Wooi Tan  
Managing Director

Wooi Tan has a degree in Bachelor of Science from the University of New South Wales, Australia and a degree in Master of Business Administration from the New South Wales Institute of Technology (now known as the University of Technology, Sydney), Australia. He is a Fellow of the Australian Marketing Institute and the Institute of Managers and Leaders. He has more than 20 years of experience in business consulting and market research, as well as assisting companies in their initial public offerings and listing of their shares on Bursa Malaysia Securities Berhad

**7. IMR REPORT (cont'd)**

**VITAL FACTOR CONSULTING**  
Creating Winning Business Solutions

Date of Report: 28 May 2024

**INDEPENDENT ASSESSMENT OF THE SHEET METAL PRODUCT INDUSTRY IN MALAYSIA**

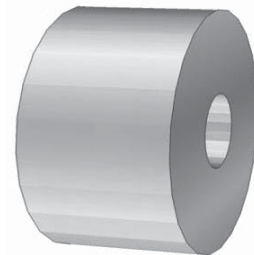
**1. INTRODUCTION**

- BWYS Group Berhad together with its subsidiaries, (herein referred to as BWYS Group) is mainly involved in the manufacture of sheet metal products and the supply of scaffoldings, including sales and rental. BWYS Group is also involved in the trading of steel materials and steel related products. The focus of this report will be on sheet metal products in Malaysia.
- In this report, gross domestic product (GDP) refers to nominal GDP and all information and data refer to Malaysia, unless stated otherwise. Metal in this report refers to carbon steel taken to mean non-stainless steel. This report primarily discusses the 3-year compound annual growth rate (CAGR) data as it represents a more recent industry performance compared to the 5-year CAGR. Nevertheless, 3-year and 5-year CAGR data are provided.

**2. SHEET METAL PRODUCT INDUSTRY**

- Sheet metal products are flat products that are manufactured from metal sheets and coils. Metal sheets are in large rectangular format while coils are long rectangular sheets rolled into a coil. The main processes carried out in the manufacturing of sheet metal products include the following:
  - **Forming**, which refers to changing the shape of sheet metal without adding or removing materials from it, includes roll forming, bending and deep drawing;
  - **Cutting**, which refers to the removal or separation of materials from the main workpiece, is performed using various methods including shearing, blanking, piercing and notching;
  - **Assembly and joining**, which involves combining metal parts mainly through welding, soldering, brazing and riveting into a single, larger piece of metal work; and
  - **Finishing**, which refers to surface preparations such as deburring, blasting and coating to improve surface protection, corrosion resistance and appearance, includes anodising, galvanising, electroplating, powder coating and painting.
- Metal plates and metal sheets are similar except that metal plates are thicker. They are often used for structural applications where strength and support are essential. Metal plates are commonly used as base plates, load-bearing components and equipment subjected to high heat, pressure or wear and tear, and in applications where rigidity and durability are required. This report does not cover metal plates or metal plate products.

**Steel coil**



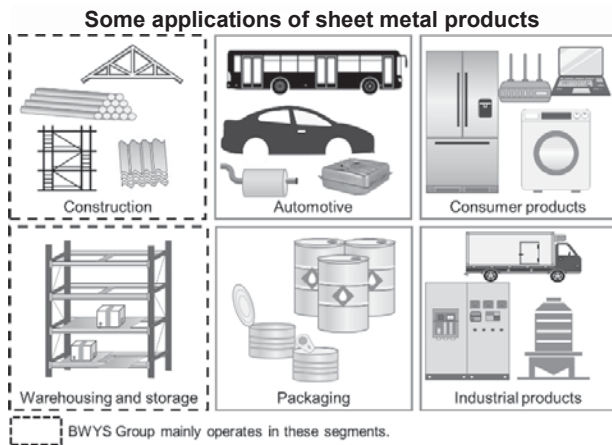
**2.1 Applications of sheet metal products**

- The formability and ductility of sheet metal enable it to be manufactured into various parts and products, where some of their areas of application include the following:

**7. IMR REPORT (cont'd)**



- **Construction**, where sheet metal products are used as building materials and support structures. They include, among others, roofing and wall cladding sheets, floor decking, trusses, building frames, scaffoldings, pipes and tubes for plumbing, electrical conduit and gas supply, ducting for air-conditioning and ventilation systems, and cable trays;



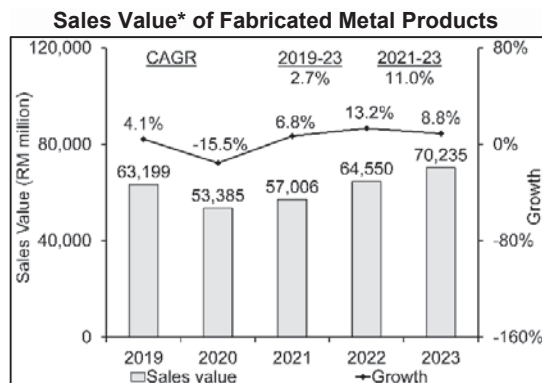
- **Warehousing and storage**, including, among others, racking systems and containers used for storage of goods;
- **Automotive**, including, among others, car, bus and truck bodies, parts and components;
- **Packaging**, including, among others, primary packaging for food and beverages, drums and other metal containers;
- **Consumer products**, including, among others, furniture, utensils, cutleries, household appliances, and electronic equipment and devices; and
- **Industrial products**, including, among others, enclosures of equipment, machines, apparatus and devices, equipment and machine body frames, and hoppers.

- BWYS Group is involved in the manufacture of sheet metal products comprising roofing sheets and trusses, and welded pipes for construction applications, as well as industrial racking systems for warehousing and storage applications. In addition, BWYS Group is also involved in the supply of scaffoldings used in among others, the construction industry.

**3. PERFORMANCE OF SHEET METAL PRODUCTS IN MALAYSIA**

**3.1 Performance of fabricated metal products**

- BWYS Group is involved in the manufacture of sheet metal products including roofing sheets and trusses, industrial racking systems and scaffoldings, which are part of the overall fabricated metal product industry.
- Between 2021 and 2023, the sales value of the manufacture of fabricated metal products grew at a CAGR of 11.0% to RM70.2 billion in 2023, which corresponded with the increase in capacity utilisation of the sector during this period (Sources: DOSM and Vital Factor analysis). In the first quarter (Q1) of 2024, the sales value of the manufacture of fabricated metal products grew by 12.7% compared to Q1 2023 (Source: DOSM).



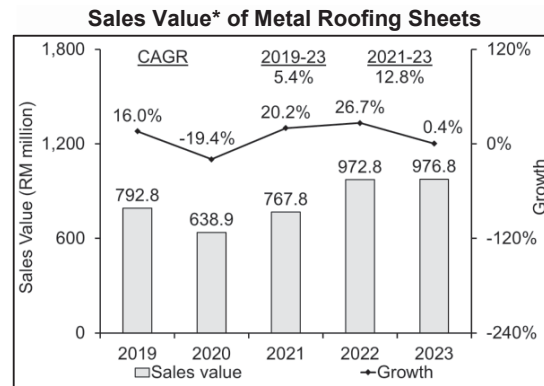
\* Refers to domestic production. (Source: Department of Statistics Malaysia (DOSM))

**7. IMR REPORT (cont'd)**



**3.1.1 Metal roofing sheets**

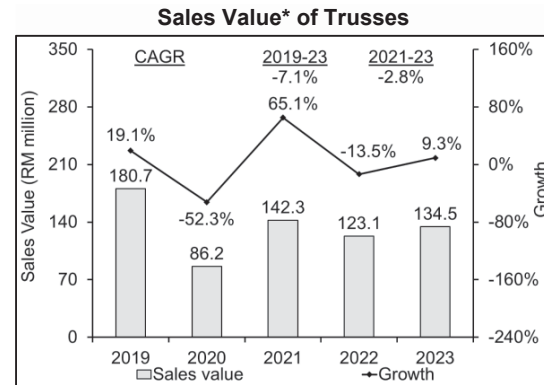
- Metal roofing sheets are used in building construction for residential, commercial, institutional and industrial buildings.
- Between 2021 and 2023, the sales value of the manufacture of metal roofing sheets experienced a CAGR of 12.8%. This was reflected in the non-residential building construction segment, where the value of construction work completed grew at a CAGR of 10.6% over the same period (Source: DOSM).



\* Refers to domestic production. A subsector of fabricated metal products. (Source: DOSM)

**3.1.2 Trusses**

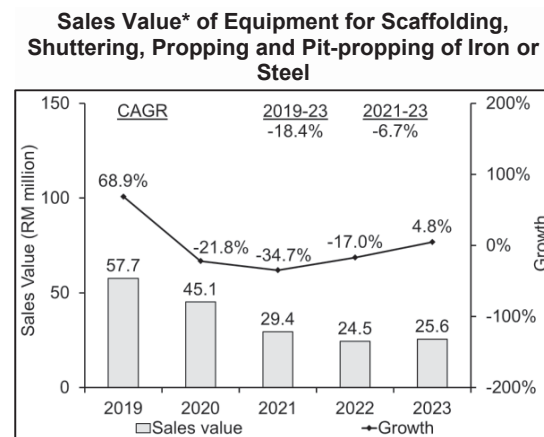
- Trusses are commonly used in the construction industry to provide support for various types of structures such as roofs.
- In 2023, the sales value of the manufacture of trusses recovered to grow by 9.3%, following a decline of 13.5% in 2022.



\* Refers to domestic production. A subsector of fabricated metal products. (Source: DOSM)

**3.1.3 Equipment for scaffolding, shuttering, propping and pit-propping of iron or steel**

- Equipment for scaffolding, shuttering, propping and pit-propping of iron or steel is commonly used in the construction industry to support and facilitate various construction activities. Construction companies and contractors may purchase or rent such equipment. Rental is common as storage and maintenance of such equipment in between projects incur costs. Additionally, the quantity usage of such equipment will depend on the size of the projects. BWYS Group is involved in the sales and rental of scaffoldings.
- In 2023, the sales value of equipment for scaffolding, shuttering, propping and pit-propping of iron or steel grew by 4.8% following declines in the previous years, indicating a slight recovery although the sales value has not reached pre-COVID-19 levels.



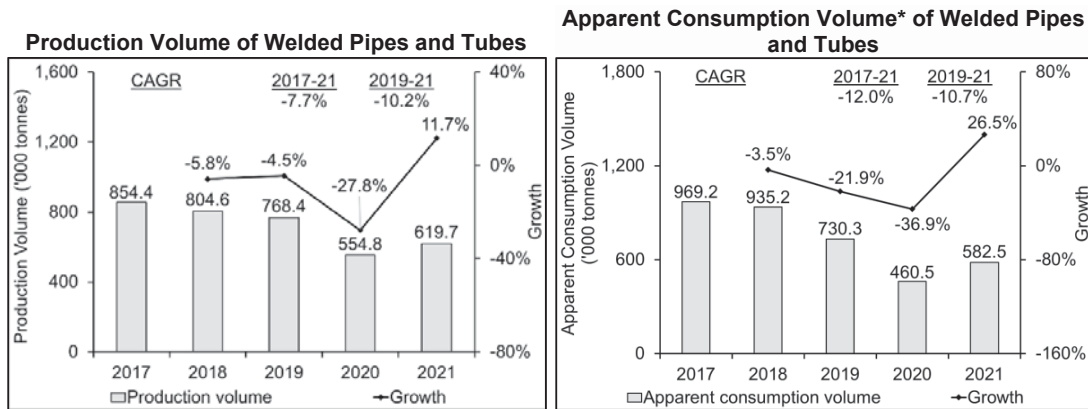
\* Refers to domestic production. A subsector of fabricated metal products. (Source: DOSM)

**7. IMR REPORT (cont'd)**



**3.2 Performance of welded pipes and tubes**

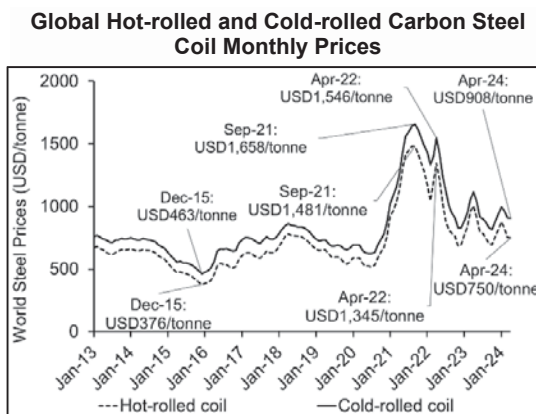
- BWYS Group is involved in the manufacture of welded pipes that are mainly used for the protection and routing of electrical wiring in a building or structure in the construction industry, as well as structural welded pipes used for scaffoldings and other structural applications.
- Between 2019 and 2021, being the latest available statistics, the production and apparent consumption volume of welded pipes and tubes (structural and non-structural) declined at an average annual rate of 10.2% and 10.7% respectively, mainly attributed to the impact of the COVID-19 pandemic. Nevertheless, growth of 11.7% and 26.5% in the production and apparent consumption volume in 2021 indicated signs of recovery albeit not reaching the pre-COVID-19 levels in 2019.



Latest available information. \* Apparent consumption volume = Production volume + Import volume – Export volume (Source: Vital Factor analysis)

**4 SUPPLY DEPENDENCIES**

**4.1 Global steel price**



(Source: Vital Factor analysis)

**Global Hot-rolled and Cold-rolled Carbon Steel Coil Prices**

| As at  | USD/tonne |       | Average for the year | USD/tonne |       |
|--------|-----------|-------|----------------------|-----------|-------|
|        | HR        | CR    |                      | HR        | CR    |
| Jan-13 | 669       | 759   | 2013                 | 648       | 740   |
| Jan-14 | 662       | 750   | 2014                 | 633       | 721   |
| Jan-15 | 548       | 632   | 2015                 | 460       | 547   |
| Jan-16 | 385       | 475   | 2016                 | 493       | 609   |
| Jan-17 | 608       | 735   | 2017                 | 619       | 738   |
| Jan-18 | 677       | 782   | 2018                 | 739       | 824   |
| Jan-19 | 659       | 740   | 2019                 | 605       | 697   |
| Jan-20 | 591       | 695   | 2020                 | 589       | 694   |
| Jan-21 | 924       | 1,022 | 2021                 | 1,269     | 1,422 |
| Jan-22 | 1,176     | 1,435 | 2022                 | 970       | 1,170 |
| Jan-23 | 773       | 885   | 2023                 | 816       | 934   |
| Jan-24 | 876       | 994   |                      |           |       |

HR= Hot-rolled; CR= Cold-rolled. (Source: Vital Factor analysis)

## 7. IMR REPORT (cont'd)



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- Steel sheets and coils are commonly used as input materials for various sheet metal products. Generally, in an integrated mill, molten steel is first formed into slabs, which are then rolled into plates, sheets and coils before being cooled to ambient temperature. These are known as hot-rolled products. Hot-rolled products can be further rolled at ambient temperature to become cold-rolled products to obtain various desired sheet thicknesses, and at the same time provide lower thickness variances across the entire length of the sheet or coil. Increases in global hot-rolled and/or cold-rolled carbon steel prices will result in an increase in input material prices for manufacturers of sheet metal products.
- In 2021, global hot-rolled and cold-rolled carbon steel coil prices have been trending upwards, reaching USD1,481/tonne and USD1,658/tonne respectively in September 2021 before tapering in the fourth quarter of 2021. The increase in 2021 was mainly due to higher demand resulting from the global economic recovery and increasing raw material prices such as iron ore and coal.
- In 2022, global hot-rolled and cold-rolled carbon steel coil prices increased to USD1,345/tonne and USD1,546/tonne respectively in April 2022 amid supply concerns resulting from geopolitical tensions. Subsequently, the prices declined mainly due to weaker global demand contributed by, among others, China's lockdown and a slowdown in its property sector, as well as expectations of a global economic downturn.
- In 2023, global hot-rolled and cold-rolled carbon steel coil prices fluctuated amid economic uncertainties such as growing inflationary pressures and the tightening of financial conditions. Subsequently, global hot-rolled and cold-rolled carbon steel coil prices declined to USD750/tonne and USD908/tonne respectively in April 2024 due to subdued global demand amid the continued weakness in China's property sector and elevated interest rates.
- BWYS Group uses hot-rolled coil for their welded pipes and industrial racking systems, and coated cold-rolled coils for their roofing sheets and trusses, as well as industrial racking systems.

### 4.2 Labour supply and cost

- As the manufacture of sheet metal products relies on labour for its factory floor operations, operators in the industry may depend on foreign workers to meet their labour needs. Various factors including the freeze on the hiring of foreign labour during the COVID-19 pandemic have contributed to a shortage of labour across various sectors including plantation and agriculture, construction and manufacturing.
- To ease the labour needs across various sectors, the Government had in January 2023 introduced the Foreign Worker Employment Relaxation Plan (FWERP) to expedite the application and approval of foreign workers for selected industries including manufacturing until 31 March 2023. In March 2023, the foreign worker quota application and approval, including the FWERP, was temporarily halted by the Government. In September 2023, the Government agreed to allocate a quota of 7,500 foreign workers for barbershop, goldsmith and textile sectors. Subsequently in March 2024, the Government further announced that active quotas for which levies have been paid but visas had not been issued by 21 April 2024 would be cancelled. Additionally, foreign workers whose visas have been granted must be brought into Malaysia by May 2024. As of the report date, the freeze on the application and approval of foreign workers is still in effect. Any changes in policies relating to the supply of foreign workers in Malaysia will impact the availability of labour for the manufacturing industry in Malaysia.
- Labour costs represent a significant proportion of the total cost of manufacturing sheet metal products given the reliance on factory floor labour. Effective May 2022, the minimum monthly wage had increased from RM1,200 to RM1,500 for employers with 5 or more employees or those who carry out a professional activity. For employers with less than five employees, the increase took effect from July 2023 onwards (*Source: Ministry of Human Resources (MOHR)*). This will result in an increase in the cost of manufacturing for operators in the industry, including BWYS Group.

## 7. IMR REPORT (cont'd)

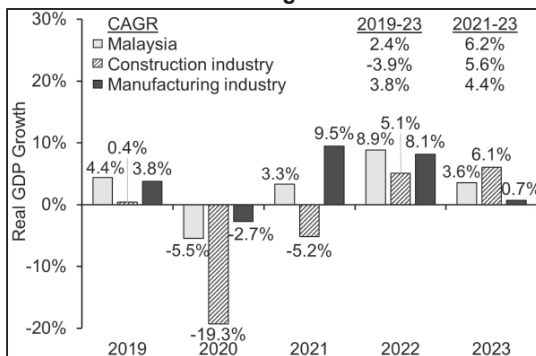


### 5 DEMAND DEPENDENCIES

#### 5.1 Overall demand dependencies

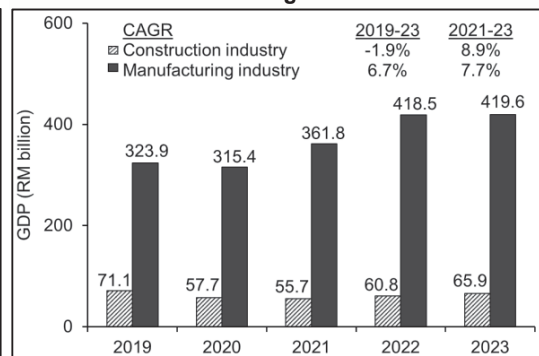
- Sheet metal products are manufactured and used domestically, and as such, their performance will depend to a large extent on the general economic well-being of Malaysia, as well as the construction and manufacturing industries serving as the overall main user industries.
- GDP measures the gross value added to the output of goods and services in a country or sector during a specified period. Real GDP is a measure of “real” changes in output over time, due to changes in the quantity of goods and services produced, rather than changes in their prices due to inflation or deflation. Nominal GDP is the value without any adjustments.

**Real GDP of Malaysia, and the Construction and Manufacturing Industries**



(Source: DOSM)

**Nominal GDP of the Construction and Manufacturing Industries**



(Source: DOSM)

- Between 2021 and 2023, the real GDP of Malaysia, and its construction and manufacturing industries experienced a CAGR of 6.2%, 5.6% and 4.4% respectively, mainly attributed to the economic recovery from the COVID-19 pandemic. Growth in 2021 was mainly attributed to the lower base in 2020. While there was a recovery growth of 8.5% in 2023, the nominal GDP of the construction industry has yet to reach the pre-COVID-19 level in 2019. As for the manufacturing industry, the GDP grew by a modest 0.2% in 2023. In nominal terms, the construction and manufacturing industries represented 3.6% and 23.0% of the total GDP of Malaysia.
- In 2023, the construction industry was one of the main drivers of economic activity, mainly attributed to an improvement in the civil engineering, specialised construction and the residential building construction segments (Source: DOSM). As for the manufacturing industry, there was a moderation in growth mainly attributed to weaker export-oriented clusters, partly cushioned by the domestic-oriented clusters. Nevertheless, the construction-related cluster including the fabrication of metal products, benefitted from the pickup in infrastructure activities. (Source: Bank Negara Malaysia (BNM))
- In Q1 2024, the real GDP of Malaysia, and its construction and manufacturing industries grew by 4.2%, 11.9% and 1.9% respectively, compared to Q1 2023 (Source: DOSM).

#### 5.2 Demand dependencies of roofing sheets and trusses, scaffoldings and welded pipes

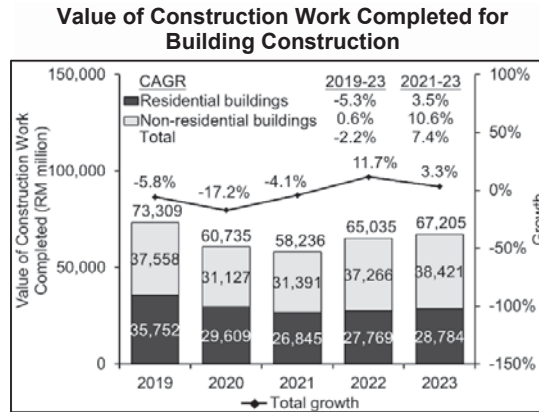
##### 5.2.1 Performance of the building construction industry

- BWYS Group manufactures sheet metal products and supplies scaffoldings primarily for use in the building construction industry. In 2023, the building construction segment experienced a growth of 3.3% in the value of construction work completed, driven by growth across the residential and non-residential building subsectors.

**7. IMR REPORT (cont'd)**



- The residential building subsector grew by 3.7% in 2023 due to improved housing demand amid better income and employment conditions (Source: BNM). As for the non-residential building subsector, the segment registered a growth of 3.1% in the value of construction work completed in 2023. Growth in the building construction segment was also partly due to better labour supply conditions and the easing of building material costs during the year (Source: BNM).



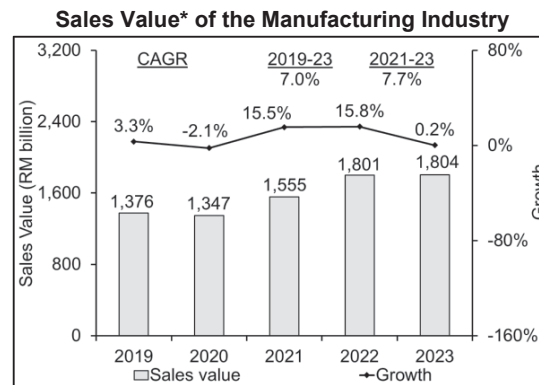
- In Q1 2024, the value of construction work completed for building construction grew by 7.0% compared to Q1 2023 (Source: DOSM).

**5.3 Demand dependencies of industrial racking systems**

- Industrial racking systems are commonly used in the manufacturing, and wholesale and retail trade industries for the storage of goods. The continued growth in these industries will thus provide opportunities and create demand for industrial racking systems. The following section focuses on the performance of these user industries.

**5.3.1 Performance of the manufacturing industry**

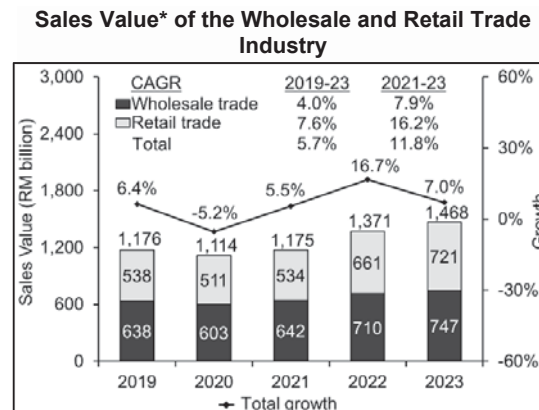
- The sales value of the manufacturing industry in Malaysia grew at a CAGR of 7.7% between 2021 and 2023. In 2023, growth moderated to 0.2% mainly due to the weaker E&E and primary-related clusters amid subdued external demand and a technology cycle downturn (Source: BNM).
- In Q1 2024, the sales value of the manufacturing industry in Malaysia grew by 1.8% compared to Q1 2023 (Source: DOSM).



\* Refers to domestic production. (Source: DOSM)

**5.3.2 Performance of the wholesale and retail trade industry**

- The sales value of the wholesale and retail trade industry in Malaysia grew at a CAGR of 11.8% between 2021 and 2023. In 2023, growth of 7.0% of the wholesale and retail trade industry was attributed to both wholesale and retail trade segments, and was partly contributed by the improved tourism spending (Source: Vital Factor analysis).
- In Q1 2024, the sales value of the wholesale and retail trade industry in Malaysia grew by 5.0% compared to Q1 2023 (Source: DOSM).



\* Refers to domestic production. (Source: DOSM)



**7. IMR REPORT (cont'd)****6 COMPETITIVE LANDSCAPE****6.1 Operators within the industry**

- The following list of Malaysian companies serves to indicate the performance of companies with activities that compete with BWYS Group and it is not an exhaustive list. The criteria for selecting them are as follows:
  - involved in the manufacture of sheet metal products, including one or more of the following, namely roofing sheets, trusses, industrial racking systems, welded pipes, and sales and/or rental of scaffoldings;
  - operations in Malaysia; and
  - availability of relatively recent financial information.

| Company   | Activities |    |   |   | FYE <sup>(1)</sup> | Rev <sup>(2)</sup><br>(RM mil) | GP <sup>(2)</sup><br>(RM mil) | NP/NL <sup>(2)</sup><br>(RM mil) | GP<br>Margin <sup>(2)</sup> | NP/NL<br>Margin <sup>(2)</sup> |
|---|------------|----|---|---|--------------------|--------------------------------|-------------------------------|----------------------------------|-----------------------------|--------------------------------|
|   | RT         | IR | P | S |                    |                                |                               |                                  |                             |                                |
| <b>Public listed companies including their subsidiaries</b> |            |    |   |   |                    |                                |                               |                                  |                             |                                |
| Astino Bhd <sup>(3)</sup>                                   | ✓          |    | ✓ | ✓ | Jul-23             | 618.7                          | 85.1                          | 28.3                             | 13.7%                       | 4.6%                           |
| Alpine Pipe Manufacturing S/B <sup>(4)</sup>                |            |    | ✓ |   | Jul-23             | 570.2                          | -10.3                         | -26.0                            | -1.8%                       | -4.6%                          |
| Ajiya Bhd <sup>(5)</sup>                                    | ✓          |    |   |   | Nov-23             | 304.8                          | 50.8                          | 55.7                             | 16.7%                       | 18.3%                          |
| Asteel Group Bhd <sup>(6)</sup>                             | ✓          |    |   |   | Dec-23             | 253.3                          | 32.5                          | -7.3                             | 12.8%                       | -2.9%                          |
| <b>BWYS Group</b>   | ✓          | ✓  | ✓ | ✓ | <b>Dec-23</b>      | <b>246.1</b>                   | <b>50.7</b>                   | <b>17.6</b>                      | <b>20.6%</b>                | <b>7.2%</b>                    |
| SKB Shutters Corporation Bhd <sup>(7)</sup>                 |            | ✓  |   |   | Jun-23             | 112.1                          | 34.3                          | 15.0                             | 30.6%                       | 13.4%                          |
| Prestar Storage System S/B <sup>(8)</sup>                   |            | ✓  |   |   | Dec-22             | 94.9                           | 8.5                           | -0.9                             | 9.0%                        | -0.9%                          |
| NS BlueScope Lysaght <sup>(9)</sup>                         | ✓          |    |   |   | Jun-23             | 66.0                           | n.a.                          | 0.7                              | n.a.                        | 1.1%                           |
| Eonmetall Systems S/B <sup>(10)</sup>                       |            | ✓  |   |   | Dec-22             | 48.4                           | 5.3                           | 2.2                              | 10.9%                       | 4.6%                           |
| Huatraco Scaffold S/B <sup>(11)</sup>                       |            |    |   | ✓ | Jul-23             | 39.1                           | 13.8                          | 7.7                              | 35.2%                       | 19.7%                          |
| Duro Metal Industrial (M) S/B <sup>(12)</sup>               | ✓          |    |   |   | Jun-23             | 29.0                           | n.a.                          | 0.2                              | n.a.                        | 0.8%                           |
| <b>Private companies</b>                                    |            |    |   |   |                    |                                |                               |                                  |                             |                                |
| Le Nam Megasheet (M) S/B <sup>(13)</sup>                    | ✓          |    |   |   | Oct-22             | 217.6                          | 30.9                          | 15.3                             | 14.2%                       | 7.0%                           |
| PERI Formwork Malaysia S/B <sup>(14)</sup>                  |            |    |   | ✓ | Dec-22             | 97.1                           | 64.5                          | 12.7                             | 66.4%                       | 13.1%                          |
| Dscaff Engineering S/B <sup>(15)</sup>                      |            |    |   | ✓ | Dec-22             | 77.5                           | 24.1                          | 10.1                             | 31.1%                       | 13.0%                          |
| City Top Enterprise S/B <sup>(16)</sup>                     | ✓          |    |   |   | Dec-22             | 28.9                           | 2.3                           | -0.2                             | 7.8%                        | -0.6%                          |
| Evergold Metal Roofing S/B <sup>(17)</sup>                  | ✓          |    |   |   | Jun-23             | 24.7                           | 0.6                           | -2.5                             | 2.5%                        | -9.9%                          |
| JCH Steel (M) S/B <sup>(18)</sup>                           | ✓          |    |   |   | Dec-22             | 23.1                           | 9.1                           | 1.7                              | 39.6%                       | 7.3%                           |

RT= Manufacture of roofing sheets and/or trusses; IR= Manufacture of industrial racking systems; P= Manufacture of welded pipes; S= Sales and/or rental of scaffoldings; FYE= Financial Year Ended; Rev= Revenue; GP= Gross Profit; NP= Net Profit; NL= Net Loss; Bhd= Berhad; S/B= Sendirian Berhad; mil= million; n.a.= not available.

**Notes:**

- Latest available audited financial information from annual reports for public listed companies, Companies Commission of Malaysia for private companies, and BWYS Group.
- At Group or company level, which may include other business activities, products or services.
- Involved in the manufacture and sale of metal building-related products including metal roofing sheets, purlins, trusses, battens, pipes and scaffoldings. Listed on the Main Market of Bursa Securities.
- Involved in the manufacture and sale of pipes, hollow sections and other steel products. A subsidiary of Hiap Teck Venture Bhd, a company listed on the Main Market of Bursa Securities.
- Involved in the manufacture and trading of roofing materials and all kinds of glass, as well as trading of building materials. Listed on the Main Market of Bursa Securities.

**7. IMR REPORT (cont'd)**

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- (6) Involved in the manufacture of coated steel products and processing of metal roofing, wall cladding, fencing, metal floor decking, light gauge structural components, purlins and framing systems, and trading of building materials. Formerly known as YKGI Holdings Berhad (Bhd). Listed on the Main Market of Bursa Securities.
- (7) Involved in the manufacture of roller shutters, steel doors as well as storage and handling systems. Listed on the Main Market of Bursa Securities.
- (8) Involved in the manufacture and installation of all kinds of material handling equipment, structural steel works and pallet racking systems. A subsidiary of Prestar Resources Bhd, listed on the Main Market of Bursa Securities.
- (9) NS BlueScope Lysaght Malaysia Sdn Bhd: Involved in the manufacture of roll-formed steel roofing, wall cladding and accessories. A subsidiary of BlueScope Steel Limited, a company listed on the Australian Securities Exchange.
- (10) Involved in the manufacture and sale of steel racking systems and other steel related products. A subsidiary of Eonmetall Group Bhd, a company listed on the Main Market of Bursa Securities.
- (11) Involved in the manufacture, sale, rental and transportation of scaffolding equipment and a range of steel products. A subsidiary of Hiap Teck Venture Bhd, a company listed on the Main Market of Bursa Securities.
- (12) Involved in the manufacture of steel roofing, wall cladding sheets and other steel related products, and provision of related services. A subsidiary of Mayu Global Group Bhd (formerly known as ATTA Global Group Bhd), a company listed on the Main Market of Bursa Securities.
- (13) Involved in the design, manufacture and distribution of rooftops and C-channel purlin.
- (14) Involved in trading and hiring out of formwork systems, scaffolding and related parts as well as provision of related engineering services.
- (15) Involved in the engineering and trading of scaffolding materials and equipment related to the construction, and oil and gas industries.
- (16) Involved in the manufacture, supply under contract and sale of roofing products, metal battens and frames for doors and walls.
- (17) Involved in the manufacture of metal roofing and general construction.
- (18) Involved in the manufacture of steel and roofing products.

**6.2 Barriers to entry**

- There are few barriers to entry for the manufacture of sheet metal products including roofing sheets and trusses, industrial racking systems and welded pipes, as well as the sales and rental of scaffoldings. There are no onerous licences, regulations or restrictions governing the entry of new players. Additionally, there are no material impediments to purchasing, selling, importing (some input materials may be subjected to tariffs) or exporting these steel products.
- However, some of the barriers to entry include compliance with building material standards from the Construction Industry Development Board (CIDB) and/or various standards for selected steel products such as roof trusses, scaffoldings and structural welded pipes, the capital investment required in purchasing manufacturing machinery and equipment, and sufficient working capital to purchase input materials and stocking work-in-progress and finished products. As an indication of the level of barriers to entry, there were 299 iron and steel-based product manufacturers registered with the Department of Mineral and Geoscience Malaysia in 2022.

**7 MARKET SIZE AND SHARE**

| Manufacturing   | Malaysia Market Size   | BWYS Group <sup>(1)</sup> Rev/ Vol | Market Share <sup>(2)</sup> |
|---|------------------------|------------------------------------|-----------------------------|
| 2023* - Metal roofing sheets and trusses (RM million) | 1,111 <sup>(3)</sup>   | 116.9                              | 11%                         |
| 2021* - Welded pipes and tubes (tonnes)               | 582,472 <sup>(4)</sup> | 6,575                              | 1%                          |

\* Latest available information. Available in tonnage only; Rev= Revenue; Vol= Volume.

**Notes:**

- (1) BWYS Group's revenue for the financial year ended 31 December (FYE) 2023 and sales volume of welded pipes for FYE 2021. (Source: BWYS Group)
- (2) (BWYS Group's revenue for FYE 2023 and sales volume of welded pipes for FYE 2021 divided by their respective market size) x 100%. (Source: BWYS Group and Vital Factor analysis)
- (3) Based on 2023 sales value of manufactured metal roofing sheets and trusses. (Source: DOSM)
- (4) Based on 2021 apparent consumption (production + import - export) volume of welded pipes and tubes. (Source Vital Factor analysis)

## 7. IMR REPORT (cont'd)



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## 8 INDUSTRY CONSIDERATION FACTORS

- Some of the consideration factors that may affect the performance of the sheet metal product industry in Malaysia include, among others:
  - **domestic factors** particularly the building construction and manufacturing industries that drive domestic demand, supply of materials and labour that affects the cost of production, and socio-economic factors affecting GDP, inflation, consumer sentiments and business confidence; and
  - **global factors** such as steel prices, supply chains, geopolitical events, currency fluctuations, and trade wars and sanctions.

### Drivers of growth and opportunities

- In 2024, the **Malaysian economy** is projected to grow between 4.0% and 5.0%. Growth will be driven mainly by domestic expenditure, with additional support from the expected recovery in exports. In addition, continued employment and wage growth will remain supportive of household spending, while tourist arrivals and spending are expected to improve further. Investment activity would be driven by the continued implementation of multi-year investment projects. (Source: BNM)
- **Growth in user industries** including building construction, manufacturing as well as wholesale and retail trade industries will serve as a platform for continuing demand for sheet metal products.
  - In 2024, real GDP of the construction industry is forecasted to grow by 6.7% (Source: BNM). Continuing growth in the building construction industry will provide more opportunities for operators involved in the manufacture of sheet metal products such as roofing sheets and trusses, welded pipes, as well as supply of scaffoldings.
  - In 2024, the manufacturing industry is forecasted to grow by 3.5%, supported by growth in the E&E, consumer, construction and primary-related clusters (Source: BNM).
  - The sales value of the wholesale and retail trade industry grew by 7.0% in 2023, and continued to grow by 5.0% in Q1 2024 compared to Q1 2023 (Source: DOSM).
- In 2023, the Ministry of Investment, Trade and Industry (MITI) launched the **New Industrial Master Plan (NIMP) 2030** for the manufacturing and manufacturing-related service sectors, including the metal sector. The NIMP 2030 is expected to drive growth in Malaysia's manufacturing value-added with a targeted CAGR of 6.5% between 2022 and 2030.

### Threats and challenges

- **Sustained increases in steel prices** may adversely affect the demand for sheet metal products, as steel is the main raw material. Any rise in its price would directly impact the cost of production which may lead to higher prices for users, thus potentially reducing the demand for sheet metal products. However, as at April 2024, global hot-rolled and cold-rolled carbon steel coil prices declined by 25.1% and 18.6% respectively compared to April 2023 (Source: Vital Factor analysis).
- **Shortage and the rising cost of labour** may lead to increased production costs caused by competition for the available workforce and a fall in production, which ultimately result in higher product prices. This may, in turn, reduce the demand for sheet metal products.
- **Potential downturn in the domestic and global economy** that affects domestic demand for the construction and manufacturing industries, and foreign demand for the manufacturing industry.

## 8. RISK FACTORS

**NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.**

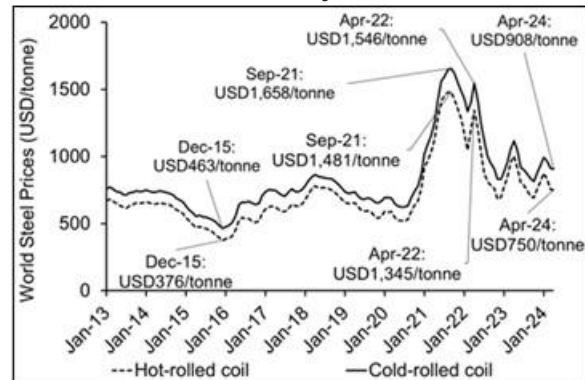
### 8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

#### 8.1.1 Our business and financial performance are subject to fluctuations of steel prices as the price of our steel products are associated to the prevailing global steel prices, and our financial performance will be affected if we sell our steel products at a lower price than our purchase cost of steel

Our main input materials are steel based materials including hot rolled steel coils and coated cold-rolled steel coils as well as other steel products such as steel pipes, bars and plates. The steel based materials are subject to market price fluctuations where increase in the steel prices will result in higher costs of purchases of our steel based materials.

Steel is a commodity and is subjected to global price fluctuations which affects all operators. In 2021, global hot-rolled and cold-rolled coil prices have been trending upwards, reaching USD1,481/tonne and USD1,658/tonne respectively in September 2021 before tapering in the fourth quarter of 2021. The increase in 2021 was mainly due to demand resulting from the global economic recovery and increasing raw material prices. In 2022, global hot-rolled and cold-rolled coil prices increased to USD1,345/tonne and USD1,546/tonne respectively in April 2022 amid supply concerns resulting from geopolitical tensions. Subsequently, the prices declined mainly due to weaker global demand contributed by, among others, China's lockdown and a slowdown in its property sector, as well as expectations of a global economic downturn. In 2023, global hot-rolled and cold-rolled carbon steel coil prices fluctuated amid economic uncertainties such as growing inflationary pressures and the tightening of financial conditions. Subsequently, global hot-rolled and cold-rolled carbon steel coil prices declined to USD750/tonne and USD908/tonne respectively in April 2024 due to subdued global demand amid the continued weakness in China's property sector and elevated interest rates (Source: IMR Report).

**Global Hot-rolled and Cold-rolled Carbon Steel Coil Monthly Prices**



(Source: IMR Report)

Generally, we price our products based on the prevailing market price of steel which form our base price and we will mark up the price of our products taking into consideration the demand from our customers. A decrease in global steel prices will also affect our revenue performance as the price of our steel products are associated to the prevailing steel prices. It may result in a situation where the prevailing prices that our customers may be willing to pay are lower compared to the average cost of purchase for the corresponding products in our inventory. In the event that our selling price of steel products is lower than the cost of our purchase of the input steel materials, it may result in low profit or losses from the sale which will negatively affect our financial performance.

During the Period Under Review, our financial performance was affected by the price fluctuations of our main input materials namely steel based materials. Our Group's revenue, adjusted GP and adjusted GP margin during the Period Under Review are as follows:

**8. RISK FACTORS (Cont'd)**

|   | <b>FYE 2020</b> | <b>FYE 2021</b> | <b>FYE 2022</b> | <b>FYE 2023</b> |
|---|-----------------|-----------------|-----------------|-----------------|
| <b>Revenue (RM'000)</b>                     | 130,864         | 222,435         | 236,231         | 246,078         |
| <b>Adjusted GP (RM'000)<sup>(1)</sup></b>   | 25,257          | 57,066          | 51,650          | 50,673          |
| <b>Adjusted GP margin (%)<sup>(1)</sup></b> | 19.3            | 25.7            | 21.9            | 20.6            |

**Note:**

- (1) In FYE 2021, our Group received a bill of claim from RMCD amounting to RM4.9 million, resulting from an audit on the import duty on steel coils purchased for the taxable period from July 2017 to June 2020 ("**Additional Import Duty**"). Our Group has accrued the Additional Import Duty while pending further clarification from RMCD in FYE 2021. In FYE 2022, our Group has reached an agreement with RMCD on a final settlement of RM0.1 million. As such, the overaccrual of RM4.8 million ("**Overaccrued Import Duty**") was reversed in FYE 2022. The adjusted GP and adjusted GP margin excludes the impact of the Additional Import Duty and Overaccrued Import Duty which are one-off in nature.

Our revenue increased by RM91.5 million or 69.9%, to RM222.4 million for FYE 2021. This was mainly due to increase in revenue from roofing sheets and trusses of RM60.0 million or 96.9%, primarily due to the resumption of building construction activities resulting from the progressive relaxation of MCO, as well as the rise in global steel prices in FYE 2021.

Our revenue increased by RM13.8 million or 6.2%, to RM236.2 million for FYE 2022. This was mainly due to increase in revenue from our manufacture of sheet metal products and supply of scaffoldings segments. The decrease in global steel prices during FYE 2022 has affected our selling prices which was offset by the higher volume sold during FYE 2022.

Our revenue improved by RM9.9 million or 4.2%, to RM246.1 million for FYE 2023 (FYE 2022: RM236.2 million), mainly contributed by the increased revenue from our supply of scaffoldings segment. Such an increase was partially offset by the decrease in revenue from the manufacture of sheet metal products segment. This was due to increased demands and upward revision of rental rates of scaffoldings during FYE 2023 as well as lower demand from local customers for manufacture of sheet metal products segment.

Our adjusted GP increased by RM31.8 million or 125.9%, to RM57.1 million for FYE 2021 and our adjusted GP margin increased to 25.7%. This was mainly contributed by the manufacture of sheet metal products segment which recorded an increase in GP of RM30.0 million or 141.3%, to RM51.1 million for FYE 2021. This was mainly due to we had purchased our raw materials, which are mainly steel-based materials before the significant increase in steel prices during FYE 2021.

Our adjusted GP decreased by RM5.4 million or 9.5%, to RM51.7 million for FYE 2022 and our adjusted GP margin decreased to 21.9% in FYE 2022. This was mainly contributed by the manufacture of sheet metal products segment which recorded a decrease in GP of RM18.8 million or 36.8%, to RM32.3 million for FYE 2022. This was primarily due to the decline in the global steel coil prices during FYE 2022. Our Group had lowered the price of our products following the decline in steel prices, whereas raw materials which are mainly steel-based materials were purchased prior to the decline in steel prices, resulting in our Group's adjusted GP margin to decline in FYE 2022 in line with the fall in steel prices.

Our GP decreased by RM1.0 million or 1.9%, to RM50.7 million for FYE 2023 (adjusted FYE 2022: RM51.7 million), mainly due to our manufacture of sheet metal products segment recording a decrease in GP of RM8.3 million or 25.7%, to RM24.0 million for FYE 2023 (adjusted FYE 2022: RM32.3 million) as a result of lower selling prices of our roofing sheets and industrial racking systems, resulting from competitive prices in the market driven by the decrease in steel prices. This was partially offset by the higher in GP for our supply of scaffoldings segment, which increased RM7.7 million or 46.7%, to RM24.2 million for FYE 2023 (FYE 2022: RM16.5 million) resulting from the upward revision of rental rates during FYE 2023 and increased demands for our CIDB-certified scaffoldings.

## **8. RISK FACTORS (Cont'd)**

We generally maintain a stock holding policy for raw input materials of at least 8 to 12 weeks as most of our raw input materials mainly steel coils require a delivery lead time of 6 to 8 weeks upon the order being placed. Our financial performance including revenue, margins and profitability will be affected when we sell our steel products at prevailing global steel prices which may be lower compared to our purchase cost of steel based materials, which are subject to global prices.

As our financial performance was affected by the fluctuations in steel prices during the Period Under Review, there can be no assurance that our business and financial performance would not be affected by the fluctuations in steel prices.

### **8.1.2 We are reliant on imports of mainly steel materials which expose us to risks associated with supply chain disruptions and increases in sea freight rate**

For the Period Under Review, we mainly purchased imported steel coils. The purchases of steel coils including coated cold-rolled steel coils and hot rolled steel coils, accounted for 88.2%, 87.7%, 84.5% and 74.9% of our total purchases of input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. During the Period Under Review, 83.4%, 90.9%, 70.4% and 98.7% of the purchases of steel coils for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 were mainly sourced from suppliers in foreign countries including China, Korea, Singapore, Taiwan and Japan.

In addition, we purchased other steel products such as steel pipes, bars and plates which accounted for 4.1%, 6.8%, 12.4% and 8.2% of our total purchases of input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Of this, 69.2%, 87.4%, 2.0% and 38.7% of the purchases of other steel products for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively were sourced from suppliers in foreign countries mainly China and Vietnam.

In this respect, if there are any disruptions in the supply chain of these steel materials from foreign countries, it would interrupt our manufacturing and supply operations, and we would be unable to fulfil our customers' orders in a timely manner. This would adversely affect our market reputation and our financial performance. There is no assurance that our operations would not be affected by any prolonged disruptions in the supply chain.

Furthermore, our reliance on imported steel materials may also expose us to the risks of sustained increases in shipping rates and other supply chain disruptions such as lockdowns or closure of operations in the country of origin such as China due to the impact of the COVID-19. As such, there is no assurance that our business and financial performance would not be affected by any sustained high sea freight rates.

### **8.1.3 Our financial performance is subject to unfavourable foreign exchange fluctuations**

We are exposed to foreign exchange fluctuations including USD mainly arising from our purchases of steel coils and other steel products. During the Period Under Review, our steel coils and other steel products sourced from suppliers in foreign countries include China, Korea, Singapore, Taiwan, Japan and Vietnam. For FYE 2020, FYE 2021, FYE 2022 and FYE 2023, 77.9%, 86.2%, 61.5% and 79.3% of our total purchases were transacted in foreign currencies which are mainly in USD.

During the Period Under Review, our sales to customers in Malaysia which were transacted in RM accounted for 98.4%, 91.6%, 95.8% and 95.3% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023. Our export sales were transacted in foreign currencies which are mainly in USD and this accounted for 1.6%, 8.4%, 4.2% and 4.4% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

**8. RISK FACTORS (Cont'd)**

The purchases of steel coils and other steel products are mainly transacted in USD while our revenue is mainly derived from sales to customers in Malaysia which are transacted in RM. In view of this, our exposure to foreign currency fluctuations from purchases that are transacted in USD are higher compared to the export sales. Any adverse fluctuations in USD against RM may affect our financial performance. A depreciation of the RM against USD will increase the costs of our purchases of steel coils and other steel products and this will have a negative impact on our financial performance if we are unable to pass on the cost increases to our customers.

Details of our foreign currency exchange gain/losses during the Period Under Review are as follows:

|  | <b>Audited</b>  |                 |                 |                 |
|--|-----------------|-----------------|-----------------|-----------------|
|  | <b>FYE 2020</b> | <b>FYE 2021</b> | <b>FYE 2022</b> | <b>FYE 2023</b> |
|  | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   | <b>RM'000</b>   |
| Realised gain/(loss) on foreign exchange   | 176             | (344)           | 1,330           | 374             |
| Unrealised gain/(loss) on foreign exchange | (26)            | (192)           | (464)           | 774             |
| <b>Net gain/(loss)</b>                     | <b>150</b>      | <b>(536)</b>    | <b>866</b>      | <b>1,148</b>    |

As at the LPD, we have not entered into any forward exchange contracts to hedge against negative foreign currency movements. There is no assurance that our financial performance would not be materially affected by any adverse movements in USD against the RM.

**8.1.4 The continuing success of our Group depends on the expertise of our Managing Director and key senior management**

Our business operations are dependent on the experience, knowledge and skills of our Managing Director as well as key senior management. Our Managing Director, KBH is responsible for the overall strategic direction of our Group. He is supported by our Executive Director and key senior management team comprising Kang Yi Ki (Executive Director), Lau Ken Wah (Chief Operating Officer), Sim Kay Wah (Chief Financial Officer) and Larry Lim Eng Sooi (Head of Corporate Governance, Affairs and Compliance). Please refer to Section 5 of this Prospectus for further details on the profiles of our Director and key senior management.

Our day-to-day business operations and the successful implementation of our business strategies may be adversely affected if we lose the services of one or more of the Directors or key senior management and are unable to engage a suitable replacement promptly.

**8.1.5 We are dependent on foreign workers to undertake our manufacturing activities**

Most of our foreign workers are employed mainly for our manufacturing operations. We may experience a shortage of production workers from time to time due to several factors which affect our supply of both domestic and foreign workers. Some of the factors affecting the hiring of domestic production workers include the metal working environment and conditions, salary and benefit package offered, and location of the operation.

The number of foreign workers we may hire and our ability to obtain or renew work permits for our foreign workers are subject to regulations and approvals from the Ministry of Home Affairs, as well as policies implemented by other regulatory authorities, such as MITI. On 23 July 2022, MITI announced that the obligation to comply with the condition for manufacturing licence holders to maintain a total full-time workforce of at least 80% Malaysians has been deferred to 31 December 2024. Although we have written to MIDA to seek waiver for such condition and have obtained such approval, there is no assurance that we will attract and retain sufficient local workers to meet any shortfall in foreign workers by that time. Failing to comply with this condition by and after 31 December 2024 may result in the suspension, withdrawal or termination of our manufacturing licenses.

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**8. RISK FACTORS (Cont'd)**

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**8.1.6 Our business is subject to compliance with health, safety and environment (HSE) laws and regulations and any breaches may result in a suspension of our operations and/or subject to penalties**

Our operations, including the manufacturing activities conducted at our manufacturing facilities in Penang, Selangor and Kelantan, are subject to compliance with the relevant HSE laws and regulations. Our manufacturing facilities deal with machineries that are involved in forming, welding and cutting, while our trading and warehousing activities involve lifting machineries such as cranes and forklifts. Many of these operations are subject to various HSE laws and regulations. These HSE laws and regulations are concerned with, among others, the occupational health and safety of our employees and contract workers as they perform their jobs as well as the effect of their works that we carry out have on the surrounding environment. Accidents at our operational facilities that result in injury or harm to our employees and contract workers, as well as failure to comply with the relevant HSE laws and regulations, may result in suspension or restrictions placed on our work as well as possibly incurring penalties. These could disrupt our day-to-day trading, manufacturing and/or processing activities that take place at our operational facilities, and may result in delays or failure to fulfil customer orders. Accidents and/or failure to comply with the relevant HSE laws could result in administrative or legal actions taken against us by affected employees or contract workers, customers and/or regulatory authorities.

During the Period Under Review and up to the LPD, there were no material injuries or harm that affected our employees or contract workers or breach or failure to comply with the relevant HSE laws and regulations that resulted in any of the negative consequences listed above. Nevertheless, there can be no assurance that any injury or harm to our employees or contract workers, or breach or failure to comply with relevant HSE laws and regulations, will not occur in the future.

**8.1.7 We may not be able to successfully implement our business strategies to grow our business**

We intend to expand our operations in accordance with our business strategies and plans set out in Section 6.6 of this Prospectus. However, there is no assurance that we will be able to effectively implement our plans. Even if we are able to successfully implement our plans, there is no assurance that the results of such plans will lead to the outcomes and results we expect to achieve.

The successful implementation of our business strategies and plans are based on our current circumstances and assumptions that certain circumstances will or will not occur in the future. The execution of our business strategies is also dependent on a number of factors such as our ability to obtain timely and sufficient funding, our ability to execute our business strategies well and to retain and recruit competent management and employees. There are also factors beyond our control that may affect the successful implementation of our business strategies such as the general market conditions, or changes in the Malaysian government's policy or regulatory regime where our business operates.

Further, the implementation of our plans will require capital expenditure, and consequently we will require additional financing to fund our plans in the event the allocated IPO proceeds or internally generated funds are insufficient. There is no assurance that these plans will pay off and increase our revenue to a level which will be commensurate with the costs of our investment. Any failure or delay in the implementation of any or all of our business strategies and plans may have a negative effect on our business, operations and financial performance of our Group.