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

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### **8.1.8 Our insurance coverage may not cover all losses or liabilities that may arise from our business operations**

We maintain insurance policies that apply to our business operations including factories, machinery and equipment, and inventories that we operate to protect against various losses and liabilities. Some of the main insurance coverage we have include fire, flood, burglary, product liability, public liability, money, fidelity guarantee, goods-in-transit, all risks, group personal accident insurance, group health plan insurance, consequential losses and vehicle. As at the LPD, the total sum insured for our insurance policies that apply to our business operations including factories, machinery and equipment, and inventories is RM244.4 million.

We may be exposed to liabilities and losses resulting from among others, environmental factors, operational hazards and occupational risks where we may not have adequate insurance or there may not be sufficient insurance to cover all the risks associated with our business operations. Any losses or damage over our insured limits or in areas where we are not insured or fully insured may adversely affect our financial conditions.

### **8.1.9 We are exposed to unexpected disruptions in our business operations caused by factors such as machinery and equipment failures, accidents, and natural disasters**

Our business operations are dependent on the smooth and efficient running of our manufacturing facilities. We rely on a wide range of machinery and equipment for our production operations. These machinery and equipment may, from time to time, be out of service due to unanticipated failures or damages sustained during our production operations. Please refer to Section 6.5.3.1 of this Prospectus for our major machinery and equipment.

Further, our factories and warehouses are subject to the occurrence of natural disasters such as floods as well as other accidental and operational risks, such as outbreak of fire, explosion, power shortage, sabotage, and civil commotion. These unexpected events may cause interruptions in or prolonged suspension of all or any part of our manufacturing activities which, in turn, may cause significant downtime to our production operations and losses and/or damage to our products, factories, warehouses, and offices. Accordingly, any interruption to or suspension of our operations will affect our manufacturing schedules and timely delivery of our products, which may result in cancellation of purchase orders. Consequently, this may adversely affect our business operations, financial performance, and industry reputation of our Group.

In February 2022, we experienced interruptions in industrial racking system finishing processing operations due to the breakdown of our automated powder coating line at our Penang 1571 Factory. The automated powder coating line was suspended for approximately 2 weeks and the delivery of confirmed purchase orders were deferred 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. Please refer to Section 6.5.15 of this Prospectus for further details on the interruptions in industrial racking system finishing processing operations.

Save for the temporary disruptions to our operations arising from the COVID-19 and interruptions in industrial racking systems finishing processing operations, our Group did not encounter any other material interruption to our business and operations during the Period Under Review. However, there can be no assurance that any unanticipated failures or damages of our machinery and equipment, accidents, and natural disasters will not happen in the future, or that the occurrence of such incidents will not cause any disruptions to our manufacturing activities and adversely affect our business operations and financial performance.

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

### **8.1.10 Our business and financial performance may be affected as we may have to write-down the value of inventory arising from slow-moving inventory**

The nature of our business requires us to purchase and keep a certain level of stock of input materials to enable us to fulfil our customers' orders in a timely manner without having to place orders with suppliers as our input materials are mainly imported. In addition, we also manufacture stocks for our sheet metal and scaffolding products. We also serve a large pool of customers who are mainly hardware wholesalers and retailers where we do not have long term contracts.

Our inventories amounted to RM43.8 million, RM95.0 million, RM86.2 million and RM86.7 million as at the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively, and our inventory turnover periods were 159 days, 149 days, 184 days and 162 days as at the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Input materials comprise of 38.6%, 50.2%, 57.3% and 56.8% of our inventories for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

As the value of our inventory is high, we are exposed to the risks of write-down or higher holding costs of inventory if our input materials remain unused or our finished goods remain unsold for an extended time. This could adversely affect our financial performance and working capital arising from write-down and higher inventory holding costs. During the Period Under Review and up to LPD, our Group does not have any inventories written down.

Although we have recorded a positive operating cash flow for the Period Under Review and put in place measures to minimise write-downs and slow-moving stocks there can be no assurance that this would not adversely affect our financial performance in the future.

### **8.1.11 We are exposed to credit risk from our customers**

We are exposed to credit risks from customers whom we have granted credit period. During the Period Under Review, the normal credit term granted ranges from 30 days to 90 days. Our trade receivables turnover period was 104 days, 55 days, 55 days and 64 days for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. In the event of any downturn in our customer's business performance, this may adversely affect our customer's ability to pay us for the goods we have supplied, which in turn may adversely affect our cash flow and profitability. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we could be required to make an allowance for any impairment losses to our trade receivables or write off our bad debts, either of which would adversely affect our business performance.

The impairment loss on trade receivables was 1.8% (RM0.6 million), 7.6% (RM2.9 million), 2.7% (RM1.1 million) and 2.4% (RM1.3 million) of our total trade receivables for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. The impairment loss on trade receivables is based on the estimated credit loss (ECL) computation under MFRS 9 and the amount of ECL was assessed at each reporting period to reflect changes in credit risks since the initial recognition of trade receivables. In addition, there were bad debts written off accounted for 0.5% (RM27,000), 6.1% (RM1.8 million), 0.4% (RM0.1 million) and 1.6% (RM0.4 million) of our total PBT for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. There can be no assurance that the additional allowance for impairment losses to our trade receivables and bad debts written off will not increase in the future.

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

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**8.2 RISKS RELATING TO OUR INDUSTRY****8.2.1 A sustained high steel price may affect the demand for our steel products**

We face the risk of sustained high steel prices that may result in higher prices for our manufactured steel products and this may affect the demand of our products.

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 purchases of steel based materials accounted for 92.3%, 94.5%, 96.9% and 83.1% of our total purchases of input materials and services for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

As a commodity, steel in its primary and processed forms are globally traded and are subject to price fluctuations. 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). All operators who are dealing with steel materials would be equally affected by the price fluctuations as steel is a commodity and is subjected to global price fluctuations which affects all operators. As such, a sustained high steel prices will affect the demand of manufactured steel products for all operators.

There is a risk that the sustained high prices of steel materials may affect the demand for our steel products and result in lower orders from our customers which could in turn affect our financial performance including revenue, GP and GP margin.

**8.2.2 We are subject to economic, social, political, regulatory and pandemic risks**

Any adverse changes in the political, social, economic and regulatory conditions in Malaysia could have a negative impact on our business operations and financial performance. We are also susceptible to the risk of local epidemics or pandemics where we may face business interruptions including, among others, temporary suspension of our business operations. Please refer to Section 6.5.15 of this Prospectus for further details on the impact of the COVID-19.

Changes in the political, social, economic, fiscal and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, and conditions governing licensing, registrations and permits to conduct business. Similarly, any local, regional or global economic downturn would also affect overall business conditions, consumer confidence, as well as investments, which would subsequently affect the demand for our products. As such, there can be no assurance that any adverse political, social, economic, fiscal and regulatory developments or outbreak of diseases which are beyond our control, will not materially affect our business operations and financial performance.

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

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**8.2.3 We are subject to competition from other operators in the industry**

There are few barriers to entry for the manufacture of roofing sheets and trusses, industrial racking systems and welded pipes as well as the sales and rental of scaffoldings as 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 CIDB and/or various standards for selected steel products such as roof trusses, scaffolding 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. *(Source: IMR Report)*

We face competition from other operators in the manufacture of roofing sheets and trusses, industrial racking systems and welded pipes as well as the sales and rental of scaffoldings. Operators in our industry compete based on factors such as, among others, pricing, quality and other requirements and promptness in fulfilling orders. Competition may result in, among other adverse effects, reduction in our product pricing, revenue and/or profit margins, loss of existing customers and/or failure to secure new customers, which may adversely affect our financial performance and growth prospects.

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

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### **8.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES**

#### **8.3.1 There is no prior market for our Shares**

Prior to our Listing, there has been no prior market for our Shares. Our Listing does not guarantee that an active market for the trading of our Shares will develop, or if developed, that such market can be sustained. There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There also can be no assurance that the IPO Price which has been determined after taking into consideration the factors as set out in Section 4.4 of this Prospectus will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

#### **8.3.2 Our Listing is exposed to the risk that it may be aborted or delayed**

Our Listing may be aborted or delayed should any of the following occurs:

- (a) The selected investors failed to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein;
- (c) The revocation of the approvals from the relevant authorities prior to our Listing and/or admission for whatever reason; or
- (d) We are unable to meet the public shareholding spread requirements of the Listing Requirements, whereby at least 25.0% of our total number of Shares for which Listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

In this respect, we will exercise our best endeavours to comply with the various regulatory requirements, including, amongst others the public shareholding spread requirement in paragraph (d) above for our successful Listing. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Listing.

Upon the occurrence of any of these events, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of any application for our Shares within 14 days, failing which the provisions of Sections 243(2) of the CMSA will apply accordingly and we will be liable to repay the monies with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event our Listing is aborted and/or terminated, and our Shares have been allotted to the shareholders, a return of monies to all holders of our Shares can only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

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

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### **8.3.3 The trading price and trading volume of our Shares following our Listing may be volatile**

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

### **8.3.4 There is no assurance of payment of dividends to our shareholders**

It is the intention of our Board to recommend and distribute a dividend of the profit attributable to our shareholders. However, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded, excess of funds not required to be retained for working capital for our business, capital expenditure and other investment plans.

In addition, as we are a holding company, our Company's income and therefore our ability to pay dividends are dependent upon the dividends we receive from our subsidiaries, present or future. The payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected.

Please refer to Section 11.7 of this Prospectus for further information on our dividend policy.

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

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### **8.4 OTHER RISKS**

#### **8.4.1 Our Promoter will be able to exert significant influence over our Company**

Upon completion of our IPO, our Promoter will hold 668,910,000 Shares, representing approximately 65.2% of our enlarged share capital. Because of the size of his shareholdings, our Promoter will be able to control the business direction and management of our Group and as such there can be no assurance that the interests of our Promoter will be aligned with those of our other shareholders. The interests of our Promoter may differ from the interests of our other shareholders and our Promoter may be able to exercise significant influence over the vote of our Shares.

Our Promoter could also have significant influence in determining the outcome of any corporate transaction or other matters submitted to our shareholders for approval. This includes the election of Directors, dividend policy, approval of business ventures and having voting control over our Group. As such, our Promoter will have significant influence on the outcome of any ordinary resolution (which requires a simple majority of 50% plus 1 voting share) to be tabled at any general meeting, unless he is required to abstain from voting by law and/or as required by the relevant authorities.

#### **8.4.2 Our future fund-raising exercise may result in dilution of shareholdings**

Our capital requirements are dependent on, amongst others, our business, the availability of our resources in attracting, maintaining and enlarging our customer base and the need to maintain and expand our product offerings. Thus, we may need additional capital expenditure for future expansions and/or investments. Subject to Section 85 of the Act and the Constitution, an issue of new Shares or other securities to raise funds will dilute shareholders' equity interest and may, in case of a rights issue, require additional investment by shareholders.

#### **8.4.3 Forward-looking/prospective statements in this Prospectus may not be achievable**

Certain statements in this Prospectus are based on historical data which may not be reflective of future results and others are forward-looking in nature that are based on assumptions and subject to uncertainties and contingencies which may or may not be achievable. Whether such statements would ultimately prove to be accurate depends upon a variety of factors that may affect our businesses and operations, and such forward-looking statements also involve known and unknown risks, uncertainties and other factors which may cause our actual results, performance and achievements, or industry results, to be materially different from any future results, plans, performances and achievements, expressed or implied, by such prospective statements. Although we believe that the expectations reflected in such future statements are reasonable at this time, there can be no assurance that such prospective statements or expectations will prove to be correct in the future. Any deviation from the expectations may have a material adverse effect on our business and financial performance.

The above is not an exhaustive list of challenges we are currently facing or that may develop in the future. Additional risks whether known or unknown, may in the future have a material adverse effect on us and/or our Shares.

**9. RELATED PARTY TRANSACTIONS**

**9.1 MATERIAL RELATED PARTY TRANSACTIONS**

Save for the Acquisitions and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our directors, substantial shareholders and/or persons connected with them which are material to our Group during Period Under Review and up to LPD:

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024 up to LPD
				RM	RM	RM	RM	RM
YHTJ Sabah	BWYS Steel	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of sheet metal products, steel materials and scaffoldings to YHTJ Sabah	487,199	725,041	-	-	-
			(0.4% of the Group's revenue)		(0.3% of the Group's revenue)			
		KBH is a director and shareholder of YHTJ Sabah while KBT is a director of BWYS Steel and YHTJ Sabah.	Interest income on advances to YHTJ Sabah <sup>(1)</sup>	49,427	25,129	-	-	-
			(1.8% of the Group's operating income)		(0.3% of the Group's operating income)			
			Purchases of scaffoldings from Sabah	-	(565,294)	(42,167)	-	-
								(less than 0.1% of the Group's total assets)



**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values					1 January 2024 up to LPD
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	RM	
			Interest expenses on advances from YHTJ Sabah <sup>(2)</sup>	-	(13,906)	-	-	-	-
			Rental expenses of Kota Kinabalu warehouse and office paid to YHTJ Sabah <sup>(3)</sup>	-	-	(310,080)	(310,080)	(44,500)	( <sup>(7)</sup> (N/A)
YHTJ Sarawak	BWYS Steel	KBH is our Managing Director, Promoter and substantial shareholder.	Sales return of scaffoldings from YHTJ Sarawak	(117,657)	-	-	-	-	-
			Rental expenses of Bintulu warehouse and office paid to YHTJ Sarawak <sup>(4)</sup>	(280,980)	(280,980)	(150,000)	(150,000)	(62,500)	( <sup>(7)</sup> (N/A)
				(1.6% of the Group's administrative and distribution expenses)	(1.2% of the Group's administrative and distribution expenses)	(0.5% of the Group's administrative and distribution expenses)	(0.5% of the Group's administrative and distribution expenses)		

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values					1 January 2024 up to LPD
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	RM	
			Interest expenses on advances from YHTJ Sarawak <sup>(2)</sup>	-	(43,583)	-	-	-	-
					(1.0% of the Group's finance costs)				
Visage Global	BWYS Steel	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of sheet metal products to Visage Global	1,954,082	1,836,094	3,195,360	3,109,390	174,702	
				(1.5% of the Group's revenue)	(0.8% of the Group's revenue)	(1.4% of the Group's revenue)	(1.3% of the Group's revenue)	(7)(N/A)	
			Purchases of aluminium foil and wiremesh from Visage Global	-	-	(16,694)	(31,503)	(10,260)	
						(0.1% of the Group's administrative and distribution expenses)	(0.1% of the Group's administrative and distribution expenses)	(7)(N/A)	
			Interest income on advances to Visage Global <sup>(1)</sup>	15,950	11,156	-	-	-	
				(0.6% of the Group's other operating income)	(0.1% of the Group's other operating income)				

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FYE 2023 RM	1 January 2024 up to LPD RM
			Interest expenses on advances from Visage Global <sup>(2)</sup>	(23,333)	(28,394)	(38,393)	-	-
			(0.5% of the Group's finance costs)		(0.6% of the Group's finance costs)	(0.7% of the Group's finance costs)		
Visage Industries	BWYS Steel	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of sheet metal products to Visage Industries	53,368	23,669	131,781	21,646	-
			(less than 0.1% of the Group's revenue)	(less than 0.1% of the Group's revenue)	(less than 0.1% of the Group's revenue)	(less than 0.1% of the Group's revenue)	(less than 0.1% of the Group's revenue)	
				-	(16,815)	-	-	-
			Purchases of steel materials from Visage Industries		(less than 0.1% of the Group's cost of sales)			
			(less than 0.1% of the Group's cost of sales)					
			Interest expenses on advances from Visage Industries <sup>(8)</sup>	(71,224)	(181,529)	-	-	-
			(1.7% of the Group's finance costs)	(4.1% of the Group's finance costs)				

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FYE 2023 RM	1 January 2024 up to LPD RM
Eco High	BWYS Steel	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of steel related products to Eco High	95,491	36,016	-	-	-
			(less than 0.1% of the Group's revenue)		(less than 0.1% of the Group's revenue)			
KBH	BWYS Steel	KBH is BWYS Group's Managing Director, Promoter and substantial shareholder.	Disposal of shares in Visage Industries to KBH	-	-	11,134,502	-	-
						(Not applicable)		

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024 up to LPD
				RM	RM	RM	RM	RM
			Disposal of shares in YHTJ R & D Sdn Bhd (previously known as Visage R & D Sdn Bhd) to KBH	-	1	-	-	-
YHTJ Sabah	YS Success	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of sheet metal products and steel materials to YHTJ Sabah	157,958 (0.1% of the Group's revenue)	347,115 (0.2% of the Group's revenue)	-	-	-
		KBH is a director and shareholder of YHTJ Sabah while KBT is a director of YS Success and YHTJ Sabah	Rental expenses of Kota Kinabalu warehouse and office to YHTJ Sabah <sup>(3)</sup>	-	-	(4,080)	(4,080)	(44,500)
			Interest income on advances to YHTJ Sabah <sup>(1)</sup>	2,504 (less than 0.1% of the Group's other operating income)	1,846 (less than 0.1% of the Group's other operating income)	-	-	-
								<sup>(7)</sup> (N/A)
								(less than 0.1% of the Group's administrative and distribution expenses)

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values					1 January 2024 up to LPD
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	RM	
			Interest expenses on advances from YHTJ Sabah <sup>(2)</sup>	-	(14,767)	(36,362)	-	-	-
			Provision of management services to YHTJ Sabah	96,000	96,000	-	-	-	-
Visage Global	YS Success	KBH is our Managing Director, Promoter and substantial shareholder.	(3.5% of the Group's other operating income)	48,000	48,000	48,000	12,000	-	-
		KBH is a director and shareholder of Visage Global.	(1.7% of the Group's other operating income)	-	-	(21,550)	-	-	-
			Purchase of property, plant and equipment from Visage Global	-	-	(less than 0.1% of the Group's total assets)	(0.1% of the Group's other operating income)	-	-

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FYE 2023 RM	1 January 2024 up to LPD RM
			Interest expenses on advances from Visage Global <sup>(2)</sup>	(2,158)	-	-	-	-
			Rental income of production floor and office space paid by Visage Global	12,000	12,000	12,000	3,000	-
				(0.4% of the Group's other operating income)	(0.1% of the Group's other operating income)	(0.1% of the Group's other operating income)	(0.1% of the Group's other operating income)	(0.1% of the Group's other operating income)
Visage Industries	YS Success	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of sheet metal products to Visage Industries	-	8,794	2,160	120	-
					(less than 0.1% of the Group's revenue)	(less than 0.1% of the Group's revenue)	(less than 0.1% of the Group's revenue)	
			Interest expenses on advances from Visage Industries <sup>(2)</sup>	(401,368)	(140,713)	(1,055)	-	-
				(9.4% of the Group's finance costs)	(3.2% of the Group's finance costs)	(less than 0.1% of the Group's finance costs)		

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values					1 January 2024 up to LPD
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	RM	
YHTJ Sarawak	YS Success	KBH is our Managing Director, Promoter and substantial shareholder.	Rental expenses of office space paid to YHTJ Sarawak <sup>(4)</sup>	(16,524)	(16,524)	(2,400)	(2,400)	(2,400)	(1,000)
		KBH is a director and shareholder of YHTJ Sarawak while KBT is a director of YS Success and YHTJ Sarawak.		(0.1% of the Group's administrative and distribution expenses)	(less than 0.1% of the Group's administrative and distribution expenses)	(less than 0.1% of the Group's administrative and distribution expenses)	(less than 0.1% of the Group's administrative and distribution expenses)	(less than 0.1% of the Group's administrative and distribution expenses)	<sup>(7)</sup> (N/A)
			Interest expenses on advances from YHTJ Sarawak <sup>(2)</sup>	-	(26,756)	(56,070)	-	-	-
					(0.6% of the Group's finance costs)	(1.0% of the Group's finance costs)			
Eco High	YS Success	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of steel metal products to Eco High	12,388	277,501	-	-	-	-
				(less than 0.1% of the Group's revenue)	(0.1% of the Group's revenue)				



**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FYE 2023 RM	1 January 2024 up to LPD RM
		Eco High was an associate company of BWYS Steel with BWYS Steel holding 44% of its shares until disposal of the shares on 8 December 2022.	Rental income of production floor and office space paid by Eco High <sup>(5)</sup>	57,500 (2.0% of the Group's other operating income)	60,000 (0.6% of the Group's other operating income)	-	-	-
		KBH and KMH were the indirect shareholders of Eco High via their shareholdings in BWYS Steel.	Interest income on advances to Eco High <sup>(1)</sup>	13,180 (0.5% of the Group's other operating income)	20,466 (0.2% of the Group's other operating income)	-	-	-
YHTJ Sabah	BW Scaffold	KBH is our Managing Director, Promoter and substantial shareholder. KBH is a director and shareholder of YHTJ Sabah while KBT is a director of BW Scaffold and YHTJ Sabah.	Sales of scaffoldings to YHTJ Sabah	968,821 (0.7% of the Group's revenue)	693,727 (0.3% of the Group's revenue)	-	-	-
			Purchases of property, plant and equipment from YHTJ Sabah	-	(2,721,956) (0.8% of the Group's total assets)	-	-	-

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024 up to LPD
				RM	RM	RM	RM	RM
			Purchases of scaffoldings from YHTJ Sabah	-	(1,911,162)	-	-	-
			Interest income on advances to Sabah <sup>(1)</sup>	26,168 (0.9% of the Group's other operating income)	1,612 (less than 0.1% of the Group's other operating income)	-	-	-
			Rental expenses of Kota Kinabalu warehouse and office to YHTJ Sabah <sup>(3)</sup>	-	-	(290,700)	(290,700)	(205,235)
YHTJ Sarawak	BW Scaffold	KBH is our Managing Director, Promoter and substantial shareholder.	Interest income on advances to Sarawak <sup>(1)</sup>	46,647 (1.7% of the Group's other operating income)	10,502 (0.1% of the Group's other operating income)	-	-	-
							(0.9% of the Group's administrative and distribution expenses)	<sup>(7)</sup> (N/A)

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values					1 January 2024 up to LPD
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	RM	
				RM	RM	RM	RM	RM	RM
				-	-	(207,600)	(207,600)	(207,600)	-
		KBH is a director and shareholder of YHTJ Sarawak while KBT is a director of BW Scaffold and YHTJ Sarawak.	Rental expenses of Bintulu warehouse and office to YHTJ Sarawak <sup>(4)</sup>			(0.7% of the Group's administrative and distribution expenses)	(0.7% of the Group's administrative and distribution expenses)	(0.7% of the Group's administrative and distribution expenses)	
Visage Global	BW Scaffold	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of scaffoldings to Visage Global	-	181,932	-	183,967	20,457	
		KBH is a director and shareholder of Visage Global.			(less than 0.1% of the Group's revenue)		(less than 0.1% of the Group's revenue)	( <sup>(7)</sup> (N/A)	
Visage Industries	YS Global	KBH is our Managing Director, Promoter and substantial shareholder.	Rental expenses of production floor and office space paid to Visage Industries <sup>(6)</sup>	-	(60,000)	(40,000)	-	-	-
		KBH is a director and shareholder of Visage Industries while KBT is a director of YS Global and Visage Industries.			(0.2% of the Group's administrative and distribution expenses)	(0.1% of the Group's administrative and distribution expenses)			

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values					1 January 2024 up to LPD
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	RM	
Visage Global	BWYS Timur	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of sheet metal products to Visage Global	-	-	67,560	10,013	-	
		KBH is a director and shareholder of Visage Global.				(less than 0.1% of the Group's revenue)	(less than 0.1% of the Group's revenue)		
YHTJ Sabah	BWYSSB	KBH is our Managing Director, Promoter and substantial shareholder.	Interest income on advances to Sabah <sup>(1)</sup>	45,845	24,529	26,533	-	-	
		KBH is a director and shareholder of YHTJ Sabah while KBT is a director of BWYSSB and YHTJ Sabah.		(1.7% of the Group's other operating income)	(0.3% of the Group's other operating income)	(0.2% of the Group's other operating income)			

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FYE 2023 RM	1 January 2024 up to LPD RM
YHTJ Sarawak	BWYSSB	KBH is our Managing Director, Promoter and substantial shareholder.	Rental expenses of office area paid to YHTJ Sarawak <sup>(4)</sup>	(33,060)	(33,060)	-	-	-
		KBH is a director and shareholder of YHTJ Sarawak while KBT is a director of BWYSSB and YHTJ Sarawak.		(0.2% of the Group's administrative and distribution expenses)	(0.1% of the Group's administrative and distribution expenses)			
Visage Industries	BWYSSB	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of scaffoldings to Visage Industries	2,638	-	-	-	-
		KBH is a director and shareholder of Visage Industries while KBT is a director of BWYSSB and Visage Industries.		(less than 0.1% of the Group's revenue)				

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transactions	Transaction values				
				FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 January 2024 up to LPD
				RM	RM	RM	RM	RM
Eco High	BWYSSB	KBH is our Managing Director, Promoter and substantial shareholder.	Sales of scaffoldings to Eco High	-	21,875	-	-	-
			(less than 0.1% of the Group's revenue)					
		Eco High was an associate company of BWYS Steel with BWYS Steel holding 44% of its shares until disposal of the shares on 8 December 2022. KBH and KMH were the indirect shareholders of Eco High via their shareholdings in BWYS Steel.						

**Notes:**

- (1) These advances to our related parties which were used for their working capital purposes were extended at an interest rate of 8% per annum. The interest rate was then reduced to 7% per annum with effect from 1 May 2020.
- (2) These advances from our related parties which were used for our working capital purposes were extended at an interest rate of 8% per annum. The interest rate was then reduced to 7% per annum with effect from 1 May 2020.

**9. RELATED PARTY TRANSACTIONS (cont'd)**

- (3) BWYS Steel, YS Success and BW Scaffold had entered into tenancy agreements with YHTJ Sabah, respectively for the rental of the Kota Kinabalu warehouse and office for a period of 24 months. The tenancies granted to BWYS Steel and BW Scaffold commenced from 1 December 2021 to 30 November 2023 whereas the tenancy granted to YS Success commenced from 1 January 2022 to 31 December 2023. The tenancy agreements between YHTJ Sabah and each of BWYS Steel, YS Success and BW Scaffold are subsequently renewed for another 24 months, commencing from 1 January 2024 until 31 December 2025.
- (4) BWYS Steel, YS Success, BW Scaffold and BWYSSB had entered into tenancy agreements with YHTJ Sarawak, respectively for the rental of the Bintulu warehouse and office for an initial period of 24 months. The tenancies granted to BWYS Steel and YS Success commenced from 1 January 2020 to 31 December 2021 and were subsequently renewed for a further term of 24 months commencing from 1 January 2022 to 31 December 2023. The tenancy granted to BW Scaffold commenced from 1 January 2022 to 31 December 2023. The tenancy granted to BWYSSB commenced from 1 January 2020 to 31 December 2021 and has since expired. Upon the expiry of the tenancy agreements, BWYS Steel and BW Scaffold have renewed the tenancy agreement with YHTJ Sarawak for the rental of office and warehouse; whereas YS Success has renewed the tenancy agreement with YHTJ Sarawak for the rental of office, for another 24 months commencing from 1 January 2024 until 31 December 2025.
- (5) YS Success had entered into a tenancy agreement with Eco High for the rental of a production floor and office space for the first floor of Penang 1571 Factory for an initial period of 12 months from 1 January 2020 to 31 December 2020 which was subsequently renewed for a further term of 12 months commencing from 1 January 2021 to 31 December 2021 and has since expired.
- (6) YS Global entered into a tenancy agreement with Visage Industries for rental of a production floor and office space located at Plot 162A, Lorong Perindustrian Bukit Minyak 11, Kawasan Perindustrian Bukit Minyak MK 13, 14100 Bukit Minyak, Pulau Pinang for an initial period of 12 months from 1 January 2021 to 31 December 2021 which was subsequently renewed for a further term of 12 months commencing from 1 January 2022 to 31 December 2022 and has since expired.
- (7) Not applicable as we did not prepare any financial statements from 1 January 2024 up to LPD.

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## 9. RELATED PARTY TRANSACTIONS *(cont'd)*

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As at the LPD, there are no related party transactions entered into but not yet effected.

Our Directors (save for KBH) are of the view that the related party transactions above (save for the related party transactions which were not conducted on an arm's length basis as disclosed in paragraph (i) to (iii) below) were carried out in the best interest of our Group on an arm's length basis, competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders based on the following benchmarks:

- (a) the sales/purchases of products to the related parties were performed within the cost structure and market rates, whereby the price paid by/to the related parties are in line and/or on terms equivalent to those that prevail in an arm's length transaction with third parties;
- (b) the terms and rental rates of the rented offices are comparable to the rental rates of office units located in the vicinity of the relevant properties;
- (c) the consideration for the disposal of shares in Visage Industries was arrived at on a willing buyer-willing seller basis after taking into consideration the adjusted audited net assets of the company as at 31 December 2021 of RM11.1 million including adjustment made to reflect the fair value of properties amounting to RM6.5 million based on an independent valuer's valuation report dated 16 August 2021.

The following transactions were not conducted on an arm's length basis:

- (i) the advances from our Directors, as they were interest free;
- (ii) the advances from our related parties to our Group and our advances to our related parties, as they were extended at an interest rate of 8% per annum (and with effect from 1 May 2020, at an interest rate of 7% per annum), which were above the prevailing interest rate imposed by banks; and
- (iii) the consideration for the disposal of shares in YHTJ R&D Sdn Bhd was arrived at on a willing buyer-willing seller basis at the original cost of investment of RM1 in view of the net liabilities of the company.

As at the date of this Prospectus, all these advances have been settled and these transactions are not expected to continue moving forward.

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

Our Audit and Risk Management Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit and Risk Management Committee shall deliberate and determine if the related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

### **(a) Recurrent related party transactions**

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or



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**9. RELATED PARTY TRANSACTIONS (cont'd)**

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- (ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

**(b) Other related party transactions**

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

## 9. RELATED PARTY TRANSACTIONS *(cont'd)*

### 9.2 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during Period Under Review and the subsequent period up to the LPD.

### 9.3 LOANS MADE TO AND FINANCIAL ASSISTANCE PROVIDED FOR THE BENEFIT OF THE RELATED PARTIES

Save as disclosed below and Section 9.4 of this Prospectus, there are no loans made to and financial assistance provided for the benefit of the related parties for the Period Under Review and the subsequent period up to the LPD:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>As at LPD</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Amount due to director</u>					
KBH	8,270	8,270	8,270	-	-
<u>Amount due to related parties</u>					
Visage Industries	8,782	2,210	-	-	-
Visage Global	501	813	-	-	-
YHTJ Sarawak	252	1,352	-	-	-
YHTJ Sabah	-	1,294	-	-	-
Eco High	-	109	-	-	-
<b>Total</b>	<b>9,535</b>	<b>5,778</b>	<b>-</b>	<b>-</b>	<b>-</b>
<u>Amount due from related parties</u>					
Visage Industries	-	9	-	-	-
YHTJ Sabah	207	2	-	-	-
Eco High	15	6	-	-	-
Visage R&D	8	8	-	-	-
<b>Total</b>	<b>230</b>	<b>25</b>	<b>-</b>	<b>-</b>	<b>-</b>

As at the LPD, the amount due to related parties were fully repaid and amount due to director were capitalised. Please refer to Section 6.1.3(a) of this Prospectus for the Capitalisations.

**9. RELATED PARTY TRANSACTIONS (cont'd)**

**9.4 OTHER TRANSACTIONS**

**9.4.1 Personal and corporate guarantees**

As at LPD, the following individuals have jointly and severally provided personal guarantees for the banking and financing facilities extended by Al Rajhi Banking & Investment Corporation (Malaysia) Berhad, Affin Bank Berhad, AmBank (M) Berhad, AmBank Islamic Berhad, Hong Leong Bank Berhad, Malaysian Banking Berhad, MBSB Bank Berhad and Public Bank Berhad ("Financiers") to our Group. The banking and financing facilities are generally for the purposes of acquisitions of property, plant and equipment and working capital requirements. The details of the banking and financing facilities are set out below:

Financiers/ Borrower	Guarantor	Type of facility	Facility Limit		Outstanding balance as at the LPD	
			RM	RM	RM'000	RM'000
Al Rajhi Banking & Investment Corporation (Malaysia) Berhad/ BWYS Steel	(a) KBH (b) KBT (c) Ong Seow Yan <sup>(1)</sup>	5 trade facilities, 1 bank guarantee and 1 [forward foreign exchange/ foreign exchange contract/ foreign currency loan] ("FX") facility	45,000,000.00		43,704	
AmBank Islamic Berhad/ BWYS Steel	(a) KBT (b) KBH (c) Ong Seow Yan <sup>(1)</sup>	2 term financing facilities, 1 revolving credit facility and 2 trade facilities	60,450,000.00		34,748	
Malayan Banking Berhad/ BWYS Steel	(a) KBH (b) KBT (c) Ong Seow Yan <sup>(1)</sup>	1 overdraft facility, 4 trade facilities, 1 bank guarantee and 1 FX facility	4,000,000.00		-	
Malayan Banking Berhad/ YS Success	(a) KBH (b) KBT	1 overdraft facility, 4 FX facilities, 3 trade facilities and 1 bank guarantee	4,000,000.00		1	
AmBank (M) Berhad/ YS Success	(a) KBH (b) KBT	3 term loans, 1 overdraft facility and 1 multi trade facilities	48,583,000.00		13,998	

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Financiers/ Borrower	Guarantor	Type of facility	Facility Limit		Outstanding balance as at the LPD
			RM	RM'000	
Al Rajhi Banking & Investment Corporation (Malaysia) Berhad/ YS Success	(a) KBH (b) KBT	5 trade facilities, 1 bank guarantee and 1 FX facility	6,000,000.00		4,653
Malayan Banking Berhad/ BW Scaffold	(a) KBH (b) KBT	1 overdraft facility, 2 term loans, 3 trade facilities and 1 bank guarantee	38,800,000.00		34,652
AmBank (M) Berhad/ BWYS Timur	(a) KBH (b) KBT	3 term loans, 1 overdraft facility and 1 multi trade facilities	6,416,000.00		851
AmBank (M) Berhad/ YS Global	(a) KBH (b) KBT	1 overdraft facility, 1 multi trade facilities and 1 FX Facility	9,000,000.00		7,295
Al Rajhi Banking & Investment Corporation (Malaysia) Berhad /YS Global	(a) KBH (b) KBT	5 trade facilities, 1 bank guarantee and 1 FX facility	10,000,000.00		1,521
Malayan Banking Berhad/ BWYSSB	(a) KBH (b) KBT	1 term loan, 2 trade facilities and 1 bank guarantee	1,500,000.00		-
Malayan Banking Berhad/ BWYSSB	(a) KBH (b) KBT	2 term loans and 1 overdraft facility	2,500,000.00		942
AmBank Islamic Berhad/ BWYS Steel	(a) KBH (b) KBT (c) Ong Seow Yan <sup>(1)</sup>	3 hire purchase facilities	1,500,000.00		4

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Financiers/ Borrower	Guarantor	Type of facility	Facility Limit		Outstanding balance as at the LPD
			RM	RM'000	
MBSB Bank Berhad/ BWYS Steel	(a) KBH (b) KBT (c) Ong Seow Yan <sup>(1)</sup>	1 hire purchase facility	1,500,000.00		199
Affin Bank Berhad / BWYS Steel	KBH	14 hire purchase facilities	1,932,000.00		1,078
Public Bank Berhad / BWYS Steel	KBH	1 hire purchase facility	186,915.00		103
MBSB Bank Berhad/ YS Success	(a) KBH (b) KBT	2 hire purchase facilities	2,500,000.00		416
Affin Bank Berhad/ YS Success	KBH	3 hire purchase facilities	339,000.00		152
Public Bank Berhad / YS Success	KBH	1 hire purchase facility	43,000.00		6
Affin Bank Berhad/ BW Scaffold	KBH	2 hire purchase facilities	150,000.00		77
Hong Leong Bank Berhad/ BW Scaffold	KBH	1 hire purchase facility	1,550,000.00		1,121

**9. RELATED PARTY TRANSACTIONS (cont'd)**

Financiers/ Borrower	Guarantor	Type of facility	Facility Limit		Outstanding balance as at the LPD RM'000
			RM	RM	
Malayan Banking Berhad/ BW Scaffold	(a) KBH (b) KBT	1 hire purchase facility	295,000		-
Affin Bank Berhad/ BWYS Timur	KBH	4 hire purchase facilities	608,000.00		406
Ambank (M) Berhad/ YS Global	(a) KBH (b) KBT	2 hire purchase facilities	1,121,220.90		336

**Note:**

(1) The guarantee was provided by Ong Seow Yan as a director of BWYS Steel.

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, our Directors will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received all conditional approvals from the Financiers to discharge the above guarantees by substituting the same with a corporate guarantee from BWYS. We have also received letters from MBSB Bank Berhad noting the Listing and will carry out a review of our request to discharge the above guarantees in favour of MBSB Bank Berhad upon the Listing.

The Financiers have imposed conditions that the discharge is conditional upon the completion of the Listing and execution and perfection of a corporate guarantee by the Company.

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**9. RELATED PARTY TRANSACTIONS (cont'd)**

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**9.4.2 Promotions of any material assets acquired/to be acquired within 3 financial years preceding the date of this Prospectus**

Save as disclosed below, none of our Directors or substantial shareholder had any interest, direct or indirect, in the promotion of or in any material assets which had been, within Period Under Review, acquired, disposed or leased or proposed to be acquired, disposed or leased to/by us:

- (i) Rental of Bintulu warehouse and office from YHTJ Sarawak in which KBH is a director and shareholder and KBT is a director;
- (ii) Rental of Kota Kinabalu warehouse and office from YHTJ Sabah in which KBH is a director and shareholder and KBT is a director;
- (iii) Rental of Penang 1571 Factory to Visage Global in which KBH is a director and shareholder; and
- (iv) Rental of Plot 162A, Lorong Perindustrian Bukit Minyak 11, Kawasan Perindustrian Bukit Minyak MK 13, 14100 Bukit Minyak, Pulau Pinang from Visage Industries in which KBH is a director and shareholder.

**9.4.3 Transactions entered into with M&A Securities**

Save as disclosed below, we have not entered into any transactions with M&A Securities which is the Principal Adviser, Sponsor, Underwriter and Placement Agent for our Listing:

- (i) Agreement between BWYS and M&A Securities for the appointment of M&A Securities as Principal Adviser, Sponsor, Underwriter and Placement Agent; and
- (ii) Underwriting Agreement entered into between our Company and M&A Securities for the underwriting of 112,773,600 Issue Shares.

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## **10. CONFLICT OF INTEREST**

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### **10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND OUR SUPPLIERS**

Save as disclosed below, during the Period Under Review and up to LPD, none of our Directors or substantial shareholder have or has any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade or are the customers and/or suppliers of our Group.

#### **(a) Visage Global**

Visage Global is our customer since 2014 and had made purchases of sheet metal products such as roofing sheets and trusses as well as scaffoldings for their subcontractor services. Sales made to Visage Global represents less than 2.0% of our Group's sales during the Period Under Review. The transactions between the Group were carried out on an arms' length basis and on normal commercial terms which are not favourable to Visage Global than those generally available to third parties.

Visage Global is principally engaged in subcontractor services for construction and trading of construction materials (such as plywood, timber mix wood and autoclaved aerated cement blocks). KBH is our Managing Director of our Group as well as the director and 70.0% shareholder of Visage Global. The other directors and shareholders of Visage Global are Chee Tai Hwei (22.0%) and Heah Yew Seng (8.0%). These individuals are third parties and not related to the Promoter, Directors and key senior management of BWYS.

Upon the Listing, sales made to Visage Global shall be deemed as related party transactions under the Listing Requirements.

Our Board is of the view that any potential conflict of interest situation which may arise through the direct or indirect interests of our Directors and / or substantial shareholders is mitigated due to the following:

- (i) KBH does not hold any executive roles in Visage Global and is not involved in the day-to-day operations of Visage Global;
- (ii) Visage Global has their own independent and standalone management team to undertake its day-to-day management and operations; and
- (iii) Visage Global is not involved in the same business activities as the Group as it is principally engaged in subcontractor services for construction and trading of construction materials.

In order to mitigate any potential conflict of interest, our Audit and Risk Management Committee has reviewed the transactions with Visage Global for the Period Under Review and will review all future transactions with Visage Global to ensure that all sales made to Visage Global will be undertaken on an arm's length basis. In addition, we will also seek approval from shareholders for any related party transactions as required under the Listing Requirements.

Based on our Audit and Risk Management Committee's review, all transactions entered into with Visage Global during the Period Under Review and up to the LPD were conducted on an arm's length basis.



**10. CONFLICT OF INTEREST (cont'd)**

**(b) Other companies involved in similar or related trade as our Group and/or were customers or suppliers of our Group**

During the Period Under Review and up to the LPD, our Directors and/or substantial shareholder have interest in the following companies which were carrying on a similar or related trade as our Group and/or were customers or suppliers of our Group:

No.	Company	Nature of interest	Nature of transactions	Principal activities	
				Past	Present
1.	YHTJ Sabah	YHTJ Sabah was carrying on a similar or related trade as the Group. YHTJ Sabah was also the Group's customer and supplier during the Period Under Review.  As at LPD, KBH is our Managing Director. During the Period Under Review and as at the LPD, KBH is the director and 85.0% shareholder of YHTJ Sabah.	Sales of sheet metal products, steel materials and scaffolding to YHTJ Sabah  Purchases of scaffolding from YHTJ Sabah	Sales and rental of scaffolding and other steel related products	Investment holding in properties
2.	Visage Industries	Visage Industries was carrying on a similar or related trade as the Group. Visage Industries was also the Group's customer and supplier during the Period Under Review.  Visage Industries was a subsidiary of BWYS Steel with BWYS Steel holding 100.0% of its shares until disposal of its entire shareholdings to KBH in FYE 2022. As at LPD, KBH is our Managing Director. During the Period Under Review and as at the LPD, KBH is the director and 100.0% shareholder of Visage Industries.	Sales of sheet metal products and scaffolding to Visage Industries  Purchases of steel materials from Visage Industries	Provision of design, manufacture, supply and installation of light weight steel roof truss system and metal roofing	Investment holding in properties

YHTJ Sabah and Visage Industries have changed their principal activities to investment holding in properties on 1 August 2023 and 21 July 2023 respectively and are no longer carrying on a similar or related trade with our Group.

## 10. CONFLICT OF INTEREST *(cont'd)*

During the Period Under Review, our Directors and/or substantial shareholder had interest in the following companies which are carrying on similar or related trade as our Group and/or were customer of our Group:

<b>No.</b>	<b>Company</b>	<b>Nature of interest</b>	<b>Nature of transactions</b>	<b>Principal activities</b>
1.	Eco High	Eco High was the Group's customer during the Period Under Review. Eco High was an associate company of BWYS Steel with BWYS Steel holding 44.0% of its shares and KBH was an indirect shareholder of Eco High and is also our Managing Director.	Sales of scaffoldings and steel related products to Eco High	Manufacturing and renting of construction material and products, to involve in all kinds of construction works
2.	Solid Recycle Sdn Bhd	As at LPD, KBH is our Managing Director. During the Period Under Review, KBH was a director and 40% shareholder in Solid Recycle Sdn Bhd.	-	Dealing with building materials, scaffolding hardwares and machineries

BWYS Steel had disposed its 44.0% shareholdings, representing its entire equity interest in Eco High, to a third party on 8 December 2022. On 26 June 2023, KBH resigned as the director of Solid Recycle Sdn Bhd and KBH had disposed his entire 40.0% shareholdings in Solid Recycle Sdn Bhd to a third party on 21 July 2023.

Details of the interests, shareholdings and directorships in other businesses of our Directors are disclosed in Section 5.2.2 of this Prospectus.

It is our Directors' fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nomination Committee will then:

- (a) immediately inform our Board of the conflict of interest situation;
- (b) make recommendations to our Board to direct the conflicted Director to:
  - (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
  - (ii) abstain from all Board's deliberation and voting in the matter that has given rise to the conflict of interest.

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**10. CONFLICT OF INTEREST (cont'd)**

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In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board's discussion relating to the recommendation of our Nomination Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however, at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group and our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 9.1 of this Prospectus for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

**10.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS**

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (b) Jeff Leong, Poon and Wong has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors for our Listing.
- (c) BDO PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our Listing.
- (d) Vital Factor has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.

## 11. FINANCIAL INFORMATION

### 11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 4 January 2023 to facilitate the Listing, and the Acquisitions were completed on 2 April 2024. BW Scaffold, BWYSSB, BWYS Steel, BWYS Timur and YS Success have been under the common control of our Promoter throughout the Period Under Review and are regarded as continuing entities. As such, the historical financial information of our Group for the Period Under Review is therefore presented based on the historical combined audited financial statements of our Group.

The historical financial information throughout the Period Under Review has been prepared in accordance with MFRS and IFRS and were not subject to any audit qualification.

The following selected financial information is not intended to predict our Group's financial position, results, and cash flows. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Sections 11.2 and 12 of this Prospectus respectively.

#### 11.1.1 Combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and comprehensive income for the Period Under Review:

	<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>
Revenue	130,864	222,435	236,231	246,078
Cost of sales	(105,607)	(170,267)	(179,781)	(195,405)
<b>GP</b>	<b>25,257</b>	<b>52,168</b>	<b>56,450</b>	<b>50,673</b>
Other operating income	2,763	9,060	13,181	13,268
Impairment losses on trade and other receivables, net	(589)	(2,865)	(1,111)	(1,322)
Administrative and distribution expenses	(17,864)	(24,330)	(29,589)	(31,558)
<b>Operating profit</b>	<b>9,567</b>	<b>34,033</b>	<b>38,931</b>	<b>31,061</b>
Finance costs	(4,266)	(4,431)	(5,478)	(6,732)
<b>PBT</b>	<b>5,301</b>	<b>29,602</b>	<b>33,453</b>	<b>24,329</b>
Tax expense	(1,990)	(4,763)	(9,942)	(6,680)
<b>PAT/Total comprehensive income for the financial years</b>	<b>3,311</b>	<b>24,839</b>	<b>23,511</b>	<b>17,649</b>
Adjusted GP <sup>(4)</sup>	25,257	57,066	51,650	50,673
Adjusted PBT <sup>(4)</sup>	5,301	34,500	28,653	24,329
Adjusted PAT <sup>(4)</sup>	3,311	29,737	18,711	17,649
PAT/Total comprehensive income attributable to:				
- common controlling shareholders of our Group	3,421	24,839	23,511	17,649
- Non-controlling interests	(110)	-	-	-
	<b>3,311</b>	<b>24,839</b>	<b>23,511</b>	<b>17,649</b>

## 11. FINANCIAL INFORMATION (cont'd)

	<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>
EBIT (RM'000) <sup>(1)</sup>	8,886	33,738	38,488	30,281
EBITDA (RM'000) <sup>(1)</sup>	14,388	40,375	47,061	40,694
GP margin (%) <sup>(2)</sup>	19.3	23.5	23.9	20.6
PBT margin (%) <sup>(3)</sup>	4.1	13.3	14.2	9.9
PAT margin (%) <sup>(3)</sup>	2.5	11.2	10.0	7.2
Adjusted GP margin (%) <sup>(4)</sup>	19.3	25.7	21.9	20.6
Adjusted PBT margin (%) <sup>(4)</sup>	4.1	15.5	12.1	9.9
Adjusted PAT margin (%) <sup>(4)</sup>	2.5	13.4	7.9	7.2
Effective tax rate (%) <sup>(5)</sup>	37.5	16.1	29.7	27.5
Basic and diluted EPS (sen) <sup>(6)</sup>	0.3	2.4	2.3	1.7

### Notes:

- (1) EBIT and EBITDA are calculated 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>
PAT	3,311	24,839	23,511	17,649
Less:				
Interest income	(681)	(295)	(443)	(780)
Add:				
Finance costs	4,266	4,431	5,478	6,732
Taxation	1,990	4,763	9,942	6,680
<b>EBIT</b>	<b>8,886</b>	<b>33,738</b>	<b>38,488</b>	<b>30,281</b>
Add:				
Depreciation	5,502	6,637	8,573	10,413
<b>EBITDA</b>	<b>14,388</b>	<b>40,375</b>	<b>47,061</b>	<b>40,694</b>

- (2) GP margin is calculated based on GP over revenue.
- (3) PBT and PAT margin is calculated based on respective PBT and PAT for the Period Under Review over revenue.
- (4) 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. If the impact of the Additional Import Duty and Overaccrued Import Duty which are one-off in nature are adjusted, the adjusted GP, PBT, PAT and its related margins are as follows:

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

	<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>
Revenue	130,864	222,435	236,231	246,078
Cost of sales	(105,607)	(170,267)	(179,781)	(195,405)
Additional Import Duty	-	4,898	-	-
Overaccrued Import Duty	-	-	(4,800)	-
Adjusted cost of sales	(105,607)	(165,369)	(184,581)	(195,405)
<b>Adjusted GP</b>	<b>25,257</b>	<b>57,066</b>	<b>51,650</b>	<b>50,673</b>
<b>PBT</b>	<b>5,301</b>	<b>29,602</b>	<b>33,453</b>	<b>24,329</b>
Additional Import Duty	-	4,898	-	-
Overaccrued Import Duty	-	-	(4,800)	-
<b>Adjusted PBT</b>	<b>5,301</b>	<b>34,500</b>	<b>28,653</b>	<b>24,329</b>
Tax expense	(1,990)	(4,763)	(9,942)	(6,680)
<b>Adjusted PAT</b>	<b>3,311</b>	<b>29,737</b>	<b>18,711</b>	<b>17,649</b>
Adjusted GP margin (%)	19.3	25.7	21.9	20.6
Adjusted PBT margin (%)	4.1	15.5	12.1	9.9
Adjusted PAT margin (%)	2.5	13.4	7.9	7.2

For clarity, the final import duty charged by RMCD of RM0.1 million pertains to transactions which occurred in FYE 2018 and FYE 2019. Hence, there was no impact on the import duty charged to the financial results of FYE 2020.

- (5) Effective tax rate is calculated based on tax expenses divided by PBT.
- (6) Basic and diluted EPS is calculated based on PAT for the Period Under Review over the enlarged share capital of 1,025,213,000 Shares upon Listing. There are no potential dilutive securities in issue during the respective Period Under Review.

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**11. FINANCIAL INFORMATION (cont'd)**
**11.1.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at the Period Under Review:

	<b>Audited</b>			
	<b>As at 31 December</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	79,797	123,595	130,293	136,761
Right-of-use assets	14,928	16,486	18,830	21,361
Other investments	10,154	10,263	-	-
<b>Total non-current assets</b>	<b>104,879</b>	<b>150,344</b>	<b>149,123</b>	<b>158,122</b>
<b>Current assets</b>				
Inventories	43,791	95,005	86,227	86,713
Trade and other receivables	43,463	56,212	45,495	62,726
Current tax assets	635	1,044	3,085	4,633
Cash and bank balances	5,649	23,848	14,827	25,604
<b>Total current assets</b>	<b>93,538</b>	<b>176,109</b>	<b>149,634</b>	<b>179,676</b>
<b>TOTAL ASSETS</b>	<b>198,417</b>	<b>326,453</b>	<b>298,757</b>	<b>337,798</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity attributable to the common controlling shareholders of our Group</b>				
Invested equity	7,988	7,988	7,988	30,357
Reserves	75,106	98,318	110,694	125,343
	83,094	106,306	118,682	155,700
Non-controlling interests	349	-	-	-
<b>TOTAL EQUITY</b>	<b>83,443</b>	<b>106,306</b>	<b>118,682</b>	<b>155,700</b>
<b>Non-current liabilities</b>				
Other payables	4,069	4,069	-	-
Borrowings	42,893	69,136	63,228	57,367
Lease liabilities	3,079	3,665	4,707	6,099
Deferred tax liabilities	1,196	2,463	5,384	4,369
<b>Total non-current liabilities</b>	<b>51,237</b>	<b>79,333</b>	<b>73,319</b>	<b>67,835</b>
<b>Current liabilities</b>				
Trade and other payables	28,026	58,767	34,593	33,012
Borrowings	34,563	78,904	65,886	71,824
Lease liabilities	1,127	1,521	2,401	3,347
Provisions	-	1,474	1,474	987
Current tax liabilities	21	148	2,402	5,093
<b>Total current liabilities</b>	<b>63,737</b>	<b>140,814</b>	<b>106,756</b>	<b>114,263</b>
<b>TOTAL LIABILITIES</b>	<b>114,974</b>	<b>220,147</b>	<b>180,075</b>	<b>182,098</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>198,417</b>	<b>326,453</b>	<b>298,757</b>	<b>337,798</b>

**11. FINANCIAL INFORMATION (cont'd)**
**11.1.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for the Period Under Review:

	<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>
<b>Cash flow from operating activities</b>				
PBT	5,301	29,602	33,453	24,329
Adjustments for:				
Bad debts written off	27	1,793	145	399
Bad debts recovered	(18)	(13)	(177)	(97)
Depreciation of property, plant and equipment	4,431	5,446	6,621	7,600
Depreciation of right-of-use assets	1,071	1,191	1,952	2,813
Dividend income from other investments	-	(6,890)	-	-
Impairment loss on other investments	69	-	-	-
Impairment loss on trade and other receivables	629	2,875	1,728	3,294
Interest expenses	4,266	4,431	5,478	6,732
Interest income	(681)	(295)	(443)	(780)
Gain on lease termination	~	(2)	(22)	(3)
Gain on disposal of other investment	-	-	(1,287)	-
Gain on disposal of property, plant and equipment	(360)	(19)	(4,290)	(4,785)
Reversal of impairment losses on trade and other receivables	(40)	(10)	(617)	(1,972)
Unrealised loss/(gain) on foreign exchange	26	192	464	(774)
Provision for legal claims	-	1,474	-	(486)
Waiver of debts	-	-	(3,189)	(3,708)
Written off of property, plant and equipment	1,429	636	1,464	1,567
Operating profit before changes in working capital	16,150	40,411	41,280	34,129
Decrease/(Increase) in inventories	393	(51,213)	(4,744)	(10,125)
Decrease/(Increase) in trade and other receivables	101	(17,398)	9,630	(18,779)
(Decrease)/Increase in trade and other payables	(6,546)	36,143	(23,699)	25,193
Cash generated from operations	10,098	7,943	22,467	30,418
Tax paid	(2,000)	(3,778)	(6,810)	(7,368)
Tax refunded	-	-	1	816
<b>Net cash generated from operating activities</b>	<b>8,098</b>	<b>4,165</b>	<b>15,658</b>	<b>23,866</b>
<b>Cash flow from investing activities</b>				
Addition in other investments	-	(109)	-	-
Acquisition of shares from non-controlling interest	-	(376)	-	-
Dividends received from other investments	-	6,890	-	-
Interest received	681	295	443	780
Purchase of property, plant and equipment	(6,408)	(20,490)	(3,892)	(7,632)
Purchase of right-of-use assets	(246)	(509)	(380)	(144)



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

	<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>
Proceeds from disposal of other investments	-	-	11,550	-
Proceeds from disposal of property, plant and equipment	1,823	379	7,022	6,447
Proceeds from disposal of right-of-use assets	207	-	-	-
<b>Net cash (used in)/from investing activities</b>	<b>(3,943)</b>	<b>(13,920)</b>	<b>14,743</b>	<b>(549)</b>
<b>Cash flow from financing activities</b>				
Dividend paid to common controlling shareholders	-	(1,600)	(11,135)	(3,000)
Dividend paid to non-controlling interests	(220)	-	-	-
Drawdown of bankers' acceptances	85,354	162,613	181,789	220,327
Drawdown of revolving credit	-	1,000	-	-
Drawdown of term loans	8,000	-	-	-
Interest paid	(4,082)	(4,113)	(5,101)	(6,308)
Repayment of bankers' acceptances	(92,899)	(118,812)	(196,463)	(211,919)
Repayment of revolving credit	(1,000)	-	-	-
Repayment of term loans	(4,226)	(2,216)	(6,050)	(5,284)
Repayment of lease liabilities	(967)	(1,576)	(2,450)	(3,309)
Repayment to related parties	(331)	(5,591)	(1,810)	-
Net changes in deposits with licensed banks	3,569	(3,742)	(3,126)	(10,112)
<b>Net cash (used in)/from financing activities</b>	<b>(6,802)</b>	<b>25,963</b>	<b>(44,346)</b>	<b>(19,605)</b>
<b>Net changes in cash and cash equivalents</b>	<b>(2,647)</b>	<b>16,208</b>	<b>(13,945)</b>	<b>3,712</b>
Effects of exchange rate changes on cash and cash equivalents	(10)	~	~	~
<b>Cash and cash equivalents at the beginning of financial year</b>	<b>2,801</b>	<b>144</b>	<b>16,352</b>	<b>2,407</b>
<b>Cash and cash equivalents at the end of financial year</b>	<b>144</b>	<b>16,352</b>	<b>2,407</b>	<b>6,119</b>

**Note:**

~ Represents amounts less than RM1,000.

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## **11. FINANCIAL INFORMATION (cont'd)**

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

The following discussion and segmental analysis of our combined financial statements for the Period Under Review should be read with the Accountants' Report included in Section 12 of this Prospectus.

#### **11.2.1 Overview of our operations**

##### **(a) Principal activities**

We are principally an investment holding company. Through our subsidiaries, we are principally involved in the manufacture of sheet metal products and supply of scaffoldings. To complement our manufacturing of sheet metal products and supply of scaffoldings, we also engage in trading of steel materials and steel related products.

Our core business activities are as follows:

- (i) manufacture of sheet metal products, including roofing sheets and trusses, industrial racking systems and welded pipes;
- (ii) supply of scaffoldings, including sales and rental of scaffoldings; and
- (iii) trading of steel materials and steel related products.

Please refer to Section 6.5 of this Prospectus for our Group's detailed business overview.

##### **(b) Revenue**

Our revenue comprises the manufacturing of sheet metal products, supply of scaffoldings as well as trading of sheet materials and steel related products, and is derived from local markets and foreign countries.

Revenue is measured at the fair value of consideration received or receivable. Our Group recognises revenue as follows:

##### **Manufacture of sheet metal products, supply of scaffoldings and trading of steel materials and steel related products**

Revenue from sale of goods is recognised when our Group satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

##### **Rental of scaffoldings**

Rental income from equipment for rent are recognised on a straight-line basis over the term of lease.

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

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**(c) Cost of sales**

Our cost of sales comprises materials costs, cost of trading goods, labour costs and manufacturing overheads and others:

**(i) Materials costs**

Our Group's materials costs mainly comprise steel coils (coated metal coils and hot rolled steel coils), other steel products (steel pipes, bars and plates), coating and painting materials.

**(ii) Cost of trading goods**

Our Group's cost of trading goods mainly comprise steel coils, cabins, and metal frames for doors and windows.

**(iii) Labour costs**

Our labour costs mainly comprise staff salaries, statutory contributions and staff welfare.

**(iv) Manufacturing overheads and others**

Our manufacturing overheads mainly comprise depreciation of property, plant and equipment and right-of-use assets, short-term lease of motor vehicles and other direct expenses for our manufacturing activities. Others comprise subcontractor wages.

**(d) Other operating income**

Other operating income mainly comprise dividend income from other investments, gain on disposal of property, plant and equipment, gain on disposal of other investments, interest income, wage subsidies, realised gain on foreign exchange and waiver of debts.

**(e) Impairment losses on trade and other receivables**

Impairment losses on trade and other receivables mainly comprise expected credit loss (ECL) allowance from trade receivables.

**(f) Administrative and distribution expenses**

Administrative and distribution expenses mainly comprise distribution expenses, staff-related costs, depreciation of property, plant and equipment and right-of-use assets, written off of property, plant and equipment, professional fees and bad debts.

**(g) Finance costs**

Finance costs mainly comprise interest expenses on our bank borrowings and lease liabilities.

**11. FINANCIAL INFORMATION (cont'd)****(h) Significant factors affecting our financial condition and result of operations**

Section 8 of this Prospectus details a number of risk factors relating to our business and industry in which we operate. Some of these risk factors have an impact on our Group's financial condition and the result of operations. The main factors which affect our revenue and profits include but are not limited to the following:

**(i) 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. Generally, we price our products based on the prevailing market price of steel as well as considering the demand from our customers. A decrease in the global prices of steel may result in a situation where the prevailing prices that our customers are willing to pay may be 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 purchases of input steel materials, it may result in low profit or losses from the sale which will negatively affect our financial performance. 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.

**(ii) 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. There is no assurance that our operations would not be affected by any prolonged disruptions in the supply chain. Fluctuating sea freight rates can also significantly affect input material prices and may further impact our business and financial performance.

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

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**(iii) Our financial performance is subject to unfavourable foreign exchange fluctuations**

We are exposed to foreign exchange fluctuations including USD arising from our purchases of input materials. 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. Any adverse fluctuations in USD against RM may affect our financial performance. In addition, 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 FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

Please refer to Section 11.2.4(a) of this Prospectus for further information on the impact of foreign exchange rates.

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.

**(iv) We are exposed to credit risk from our customers**

During the Period Under Review, the normal credit term granted ranges from 30 days to 90 days. Our trade receivables turnover period was 104 days, 55 days, 55 days and 64 days for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. In the event of any downturn in our customer's business performance, this may adversely affect our customer's ability to pay us for the goods we have supplied, which in turn may adversely affect our cash flow and profitability. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we could be required to make an allowance for any impairment losses to our trade receivables or write off our bad debts, either of which would adversely affect our business performance.

The impairment loss on trade receivables was 1.8% (RM0.6 million), 7.6% (RM2.9 million), 2.7% (RM1.1 million) and 2.4% (RM1.3 million) of our total trade receivables for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. In addition, there were bad debts written off which accounted for 0.5% (RM27,000), 6.1% (RM1.8 million), 0.4% (RM0.1 million) and 1.6% (RM0.4 million) of our total PBT for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. There can be no assurance that the additional allowance for impairment losses to our trade receivables and bad debts written off will not increase in the future.

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

**11.2.2 Review of our results of operations**

**(i) Revenue**

**Analysis of revenue by business segments and products**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b><u>Manufacture of sheet metal products</u></b>								
Roofing sheets and trusses	61,886	47.3	121,879	54.8	115,303	48.8	116,865	47.5
Industrial racking systems	18,042	13.8	40,605	18.3	48,862	20.7	37,697	15.3
Welded pipes	22,029	16.8	21,938	9.8	27,832	11.8	25,188	10.2
	101,957	77.9	184,422	82.9	191,997	81.3	179,750	73.0
<b><u>Supply of scaffoldings</u></b>								
Sales of scaffoldings	18,988	14.5	14,927	6.7	29,117	12.3	40,295	16.4
Rental of scaffoldings	7,134	5.5	10,888	4.9	11,273	4.8	20,954	8.5
	26,122	20.0	25,815	11.6	40,390	17.1	61,249	24.9
<b>Trading of steel materials and steel related products</b>	2,785	2.1	12,198	5.5	3,844	1.6	5,079	2.1
<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>

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	Metres	Tonnes	Metres	Tonnes	Metres	Tonnes	Metres	Tonnes
	Roofing sheets and trusses	8,619,186	N/A	13,924,586	N/A	18,910,471	N/A	24,015,580
Welded pipes	N/A	8,350	N/A	6,082	N/A	7,805	N/A	7,756
Trading of steel materials	N/A	474	N/A	3,117	N/A	556	N/A	876

**Note:**

- (1) The volume for roofing sheet and trusses are measured by length (metres) whilst the volume of welded pipes and steel materials are measured by weight (tonnes).

**11. FINANCIAL INFORMATION (cont'd)****Analysis of revenue by geographical location**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Malaysia</b>	128,790	98.4	203,657	91.6	226,324	95.8	235,363	95.6
<b>Overseas</b>								
- USA	-	-	17,975	8.1	9,907	4.2	10,136	4.2
- Singapore	1,945	1.5	71	~	-	-	288	0.1
- Others <sup>(1)</sup>	129	0.1	732	0.3	-	-	291	0.1
	2,074	1.6	18,778	8.4	9,907	4.2	10,715	4.4
<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:**

~ Represents amount less than 0.1%.

(1) Comprises Indonesia, Australia, Bangladesh, the Philippines, UAE, Brunei and Kuwait.

**Comparison between FYE 2020 and FYE 2021**

Our revenue increased by RM91.5 million or 69.9%, to RM222.4 million for FYE 2021 (FYE 2020: RM130.9 million), mainly contributed by the higher revenue recorded for our manufacture of sheet metal products segment and trading of steel materials and steel related products segments during FYE 2021. The increase in global steel prices during FYE 2021 has also contributed to the increase in revenue during FYE 2021.

The Malaysian market was our primary revenue contributor for FYE 2021, contributing RM203.7 million, or 91.6% of our total revenue (FYE 2020: RM128.8 million or 98.4%).

**Manufacture of sheet metal products**

The manufacture of sheet metal products segment was our primary revenue contributor, which recorded an increase in revenue of RM82.4 million or 80.8%, to RM184.4 million for FYE 2021 (FYE 2020: RM102.0 million), mainly due to the following:

- (a) increase in revenue from roofing sheets and trusses of RM60.0 million or 96.9%, to RM121.9 million for FYE 2021 (FYE 2020: RM61.9 million), 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. Thus, the higher selling prices, coupled with the higher volume sold, which increased from 8,619,186 metres for FYE 2021 to 13,924,586 metres for FYE 2022, have collectively contributed to the higher revenue in FYE 2021. In addition, our Group was able to secure orders from new customers, contributing to the increase in revenue in FYE 2021.
- (b) increase in revenue from industrial racking systems of RM22.6 million or 125.6%, to RM40.6 million for FYE 2021 (FYE 2020: RM18.0 million), mainly due to our Group securing orders from a new customer in the USA amounting to RM18.0 million.

**11. FINANCIAL INFORMATION (cont'd)*****Supply of scaffoldings***

Revenue from our supply of scaffoldings segment decreased by RM0.3 million or 1.1%, to RM25.8 million for FYE 2021 (FYE 2020: RM26.1 million), primarily driven by the decrease in sales of scaffoldings of RM4.0 million or 21.2%, to RM14.9 million in FYE 2021 (FYE 2020: RM18.9 million) due to lower demands from our customers. The said decrease was partially offset by the increase in rental of scaffoldings of RM3.8 million or 53.5%, to RM10.9 million in FYE 2021 (FYE 2020: RM7.1 million), mainly due to higher demands for our CIDB-certified scaffoldings following the enforcement of the CIDBA whereby CIDB-certified scaffoldings are required to be used for new construction sites from September 2021 onwards.

***Trading of steel materials and steel related products***

Revenue from our trading of steel materials and steel related products segment increased by RM9.4 million or 335.7%, to RM12.2 million for FYE 2021 (FYE 2020: RM2.8 million). This was primarily due to the higher demand for steel coils from our customers following the shortage of steel coils in Malaysia resulting from the global supply chain disruption attributed to the COVID-19. The increase in revenue was also contributed by the increase in steel prices during the year and hence our Group was able to price our products at a higher price. Besides, the increase in volume sold for steel coils from 474 tonnes to 3,117 tonnes also contributed to the increase in revenue for this segment. In addition, the higher revenue for this segment in FYE 2021 was also contributed by the one-off revenue of RM3.9 million from the sales of steel coils that do not meet our manufacturing specifications (colour of these steel coils do not meet our anticipated quality standards).

**Comparison between FYE 2021 and FYE 2022**

Our revenue further improved by RM13.8 million or 6.2%, to RM236.2 million for FYE 2022 (FYE 2021: RM222.4 million), mainly contributed by the increased revenue from our manufacture of sheet metal products and supply of scaffoldings segments. Such an increase was partially offset by the decrease in revenue from trading of steel materials and steel related products segment. 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.

The Malaysian market continued to be our primary revenue contributor for FYE 2022, contributing RM226.3 million or 95.8% of our total revenue (FYE 2021: RM203.7 million or 91.6%).

***Manufacture of sheet metal products***

Revenue from our manufacture of sheet metal products segment continued to grow by RM7.6 million or 4.1%, to RM192.0 million for FYE 2022 (FYE 2021: RM184.4 million), mainly driven by the following:

- (a) increase in revenue from industrial racking systems of RM8.3 million or 20.4%, to RM48.9 million for FYE 2022 (FYE 2021: RM40.6 million), contributed mainly by a bulk order secured from an existing local customer, which resulted in an increase of RM10.1 million to our revenue from industrial racking systems for FYE 2022. The increase was partially offset by the lower sales from other existing customers; and
- (b) increase in revenue from welded pipes of RM5.9 million or 26.9%, to RM27.8 million for FYE 2022 (FYE 2021: RM21.9 million), primarily due to the higher volume sold which increased from 6,082 tonnes for FYE 2021 to 7,805 tonnes for FYE 2022, coupled with orders secured from new customers from welded pipes amounting to RM8.6 million which was partially offset by the decrease in sales of RM3.0 million from Hung Tat Trading due to ongoing litigation as explained in Section 11.3.5 of this Prospectus.

The abovementioned increases were partially offset by the decrease from roofing sheets and trusses of RM6.6 million or 5.4%, to RM115.3 million in FYE 2022 (FYE 2021: RM121.9 million), mainly due to the decline in steel prices for FYE 2022.



**11. FINANCIAL INFORMATION (cont'd)*****Supply of scaffoldings***

Revenue from our supply of scaffoldings segment increased by RM14.6 million or 56.6%, to RM40.4 million for FYE 2022 (FYE 2021: RM25.8 million). Such an increase was mainly due to the increase in sales of scaffoldings of RM14.2 million or 95.3%, to RM29.1 million in FYE 2022 (FYE 2021: RM14.9 million) as a result of the higher demands from our customers for our CIDB-certified scaffoldings following the enforcement of the CIDBA whereby CIDB-certified scaffoldings are required to be used for new construction sites from September 2021 onwards.

***Trading of steel materials and steel related products***

Revenue from our trading of steel material and steel related products segment decreased by RM8.4 million or 68.9%, to RM3.8 million for FYE 2022 (FYE 2021: RM12.2 million). This was mainly due to lower revenue from sales of steel coils, as the easing of steel coils shortage in Malaysia during FYE 2022 has led to lower demand from customers for the steel coils which the volume sold decreased from 3,117 tonnes to 556 tonnes. There was also a one-off revenue of RM3.9 million from the sales of steel coils that did not meet our manufacturing specifications in FYE 2021.

**Comparison between FYE 2022 and FYE 2023**

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.

The Malaysian market remained our primary revenue contributor for FYE 2023, contributing RM235.4 million or 95.6% of our total revenue (FYE 2022: RM226.3 million or 95.8%).

***Manufacture of sheet metal products***

Revenue from the manufacture of sheet metal products segment decreased by RM12.2 million or 6.4%, to RM179.8 million for FYE 2023 (FYE 2022: RM192.0 million). This was mainly due to the decrease in revenue from the industrial racking systems of RM11.2 million or 22.9%, to RM37.7 million for FYE 2023 (FYE 2022: RM48.9 million), primarily resulting from the lower demand from existing local customers.

***Supply of scaffoldings***

Revenue from our supply of scaffoldings segment increased by RM20.8 million or 51.5%, to RM61.2 million for FYE 2023 (FYE 2022: RM40.4 million). Revenue from the sales of scaffoldings increased by RM11.2 million or 38.5%, to RM40.3 million for FYE 2023 (FYE 2022: RM29.1 million) due to higher sales to existing and new customers in the construction industry during FYE 2023. Revenue from the rental of scaffoldings increased by RM9.7 million or 85.8%, to RM21.0 million for FYE 2023 (FYE 2022: RM11.3 million) due to upward revision of rental rates during FYE 2023 and the increased demands for our CIDB-certified scaffoldings due to the recovery of the construction industry post-COVID-19 as a result of resumption of construction activities following the Government of Malaysia's announcement on 1 April 2022.

***Trading of steel materials and steel related products***

Revenue from the trading of steel materials and steel related products segment increased by RM1.3 million or 34.2%, to RM5.1 million for FYE 2023 (FYE 2022: RM3.8 million), primarily due to the sales of steel coils to a new local customer.

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

**(ii) Cost of sales, GP and GP margin**

**Analysis of cost of sales by cost components**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Materials costs	83,670	79.2	(1)131,657	77.4	(1)151,402	84.2	160,266	82.0
Cost of trading goods	1,512	1.4	14,364	8.4	329	0.2	1,842	0.9
Labour costs	6,901	6.6	7,495	4.4	9,719	5.4	12,258	6.3
Manufacturing overheads and others	13,524	12.8	16,751	9.8	18,331	10.2	21,039	10.8
<b>Total cost of sales</b>	<b>105,607</b>	<b>100.0</b>	<b>170,267</b>	<b>100.0</b>	<b>179,781</b>	<b>100.0</b>	<b>195,405</b>	<b>100.0</b>

**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. 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 Overaccrued Import Duty of RM4.8 million was reversed in FYE 2022.

**(i) Materials costs**

Materials costs were the largest component of our cost of sales, representing 79.2%, 77.4%, 84.2% and 82.0% of our total cost of sales for the Period Under Review.

**(ii) Cost of trading goods**

Cost of trading goods mainly comprise steel coils, cabins, and metal frames for doors and windows. Our cost of trading goods represented 1.4%, 8.4%, 0.2% and 0.9% of our total cost of sales for the Period Under Review.

**(iii) Labour costs**

Labour costs mainly comprise staff salaries, statutory contributions and staff welfare. Our labour costs represented 6.6%, 4.4%, 5.4% and 6.3% of our total cost of sales for the Period Under Review.

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

**(iv) Manufacturing overheads and others**

Manufacturing overheads mainly comprises depreciation of property, plant and equipment and right-of-use assets, short-term lease of motor vehicles and other direct expenses for our manufacturing activities. Others comprise subcontractor wages, which amounted to RM2.5 million, RM4.0 million, RM4.4 million and RM4.7 million for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. Our manufacturing overheads and others represented 12.8%, 9.8%, 10.2% and 10.8% of our total costs of sales for the Period Under Review.

**Analysis of cost of sales by business segments and products**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b><u>Manufacture of sheet metal products</u></b>								
Roofing sheets and trusses	46,630	44.2	85,876	50.4	89,083	49.5	96,810	49.5
Industrial racking systems	14,734	13.9	(1)33,622	19.7	(1)39,567	22.0	34,311	17.6
Welded pipes	19,401	18.4	(1)18,679	11.0	(1)26,208	14.6	24,595	12.6
	80,765	76.5	138,177	81.1	154,858	86.1	155,716	79.7
<b><u>Supply of scaffoldings</u></b>								
Sales of scaffoldings	19,756	18.7	13,620	8.0	19,381	10.8	29,829	15.2
Rental of scaffoldings	3,277	3.1	3,872	2.3	4,506	2.5	7,191	3.7
	23,033	21.8	17,492	10.3	23,887	13.3	37,020	18.9
<b><u>Trading of steel materials and steel related products</u></b>								
	1,809	1.7	14,598	8.6	1,036	0.6	2,669	1.4
<b>Total cost of sales</b>	<b>105,607</b>	<b>100.0</b>	<b>170,267</b>	<b>100.0</b>	<b>179,781</b>	<b>100.0</b>	<b>195,405</b>	<b>100.0</b>

**Note:**

- (1) FYE 2021 has included the Additional Import Duty and FYE 2022 has included the reversal of Overaccrued Import Duty, as disclosed in the footnote under the table for cost of sales by cost components. The said Additional Import Duty was included in the costs of sales for our industrial racking systems and welded pipes, amounting to RM3.0 million and RM1.9 million, respectively. If the impact of the Additional Import Duty and Overaccrued Import Duty which are one-off in nature are adjusted, the adjusted cost of sales are as follows:

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

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b><u>Manufacture of sheet metal products</u></b>								
Roofing sheets and trusses	46,630	44.2	85,876	51.9	89,083	48.3	96,810	49.5
Industrial racking systems	14,734	13.9	30,646	18.6	42,445	23.0	34,311	17.6
Welded pipes	19,401	18.4	16,757	10.1	28,130	15.2	24,595	12.6
	<b>80,765</b>	<b>76.5</b>	<b>133,279</b>	<b>80.6</b>	<b>159,658</b>	<b>86.5</b>	<b>155,716</b>	<b>79.7</b>
<b><u>Supply of scaffoldings</u></b>								
Sales of scaffoldings	19,756	18.7	13,620	8.3	19,381	10.5	29,829	15.2
Rental of scaffoldings	3,277	3.1	3,872	2.3	4,506	2.4	7,191	3.7
	<b>23,033</b>	<b>21.8</b>	<b>17,492</b>	<b>10.6</b>	<b>23,887</b>	<b>12.9</b>	<b>37,020</b>	<b>18.9</b>
	<b>1,809</b>	<b>1.7</b>	<b>14,598</b>	<b>8.8</b>	<b>1,036</b>	<b>0.6</b>	<b>2,669</b>	<b>1.4</b>
<b>Trading of steel materials and steel related products</b>								
<b>Total cost of sales</b>	<b>105,607</b>	<b>100.0</b>	<b>165,369</b>	<b>100.0</b>	<b>184,581</b>	<b>100.0</b>	<b>195,405</b>	<b>100.0</b>

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

**Analysis of GP and GP margin by business segments and products**

	Audited											
	FYE 2020			FYE 2021			FYE 2022			FYE 2023		
	GP RM'000	GP margin %	GP margin %	GP RM'000	GP margin %	GP margin %	GP RM'000	GP margin %	GP margin %	GP RM'000	GP margin %	GP margin %
<b><u>Manufacture of sheet metal products</u></b>												
Roofing sheets and trusses	15,256	24.7	29.5	36,003	29.5	22.7	26,220	22.7	22.7	20,055	17.2	17.2
Industrial racking systems	3,308	18.3	(1)17.2	(1)6,983	(1)17.2	(1)19.0	(1)9,295	(1)19.0	(1)19.0	3,386	9.0	9.0
Welded pipes	2,628	11.9	(1)14.9	(1)3,259	(1)14.9	(1)5.8	(1)1,624	(1)5.8	(1)5.8	593	2.4	2.4
	21,192	20.8	(2)25.1	(2)46,245	(2)25.1	(2)19.3	(2)37,139	(2)19.3	(2)19.3	24,034	13.4	13.4
<b><u>Supply of scaffoldings</u></b>												
Sales of scaffoldings	(768)	(4.0)	8.8	1,307	8.8	33.4	9,736	33.4	33.4	10,466	26.0	26.0
Rental of scaffoldings	3,857	54.1	64.4	7,016	64.4	60.0	6,767	60.0	60.0	13,763	65.7	65.7
	3,089	11.8	32.2	8,323	32.2	40.9	16,503	40.9	40.9	24,229	39.6	39.6
	976	35.0	(3)(19.7)	(3)(2,400)	(3)(19.7)	73.0	2,808	73.0	73.0	2,410	47.5	47.5
<b>Trading of steel materials and steel related products</b>												
<b>Total</b>	<b>25,257</b>	<b>19.3</b>	<b>(2)23.5</b>	<b>(2)52,168</b>	<b>(2)23.5</b>	<b>(2)23.9</b>	<b>56,450</b>	<b>(2)23.9</b>	<b>(2)23.9</b>	<b>50,673</b>	<b>20.6</b>	<b>20.6</b>

**Notes:**

- (1) FYE 2021 has included the Additional Import Duty and FYE 2022 has included the reversal of Overaccrued Import Duty, as disclosed in the footnote under the table for cost of sales by cost components. The said Additional Import Duty was included in the cost of sales for our industrial racking systems and welded pipes, amounting to RM3.0 million and RM1.9 million, respectively. If the said amounts were excluded, the GP margin for industrial racking systems and welded pipes for FYE 2021 would have been 24.6% and 23.9% respectively. For FYE 2022, the GP margin for industrial racking systems for FYE 2022 would have been 12.9% and welded pipes would have recorded a gross loss margin of 1.3%.

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

- (2) If the Additional Import Duty was excluded in FYE 2021, the manufacture of sheet metal products would have recorded a GP of RM51.1 million and GP margin of 27.7%. The total GP would have been RM57.1 million and the overall GP margin would have been 25.7%. If the reversal of Overaccrued Import Duty was excluded in FYE 2022, the manufacture of sheet metal products would have recorded a GP of RM32.3 million and GP margin of 16.8%. The total GP would have been RM51.7 million and the overall GP margin would have been 21.9%.

If the impact of the Additional Import Duty and Overaccrued Import Duty which are one-off in nature are adjusted, the adjusted GP and GP margin are as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	GP margin	Adjusted GP margin	GP margin	Adjusted GP margin	GP margin	Adjusted GP margin	GP margin	Adjusted GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<b>Manufacture of sheet metal products</b>								
Roofing sheets and trusses	15,256	24.7	36,003	29.5	26,220	22.7	20,055	17.2
Industrial racking systems	3,308	18.3	9,959	24.5	6,417	13.1	3,386	9.0
Welded pipes	2,628	11.9	5,181	23.6	(298)	(1.1)	593	2.4
	21,192	20.8	51,143	27.7	32,339	16.8	24,034	13.4
<b>Supply of scaffoldings</b>								
Sales of scaffoldings	(768)	(4.0)	1,307	8.8	9,736	33.4	10,466	26.0
Rental of scaffoldings	3,857	54.1	7,016	64.4	6,767	60.0	13,763	65.7
	3,089	11.8	8,323	32.2	16,503	40.9	24,229	39.6
<b>Trading of steel materials and steel related products</b>								
	976	35.0	(2,400)	(19.7)	2,808	73.0	2,410	47.5
<b>Total</b>	<b>25,257</b>	<b>19.3</b>	<b>57,066</b>	<b>25.7</b>	<b>51,650</b>	<b>21.9</b>	<b>50,673</b>	<b>20.6</b>

- (3) In FYE 2021, trading of steel material and steel related products recorded a one-off sale of steel coils which do not meet our manufacturing specifications. If the one-off sale was excluded, the trading of steel materials and steel related products would have recorded a GP of RM4.8 million and a GP Margin of 58.4%. The improved GP margin in FYE 2021 was mainly attributable to the increase in selling prices for steel coils resulting from the shortage of supplies in Malaysia due to the global supply chain disruption caused by the COVID-19.

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

Our cost of sales increased by RM64.7 million or 61.3%, to RM170.3 million for FYE 2021 (FYE 2020: RM105.6 million), mainly attributable to the following:

- (a) the increase in materials costs of RM48.0 million or 57.4%, to RM131.7 million for FYE 2021 (FYE 2020: RM83.7 million) was mainly attributable to the following:
  - (aa) the higher demands for our roofing sheets and trusses and industrial racking systems as well as the increase in our main raw material prices, i.e. steel coils, which increased in tandem with the rise in steel prices; and
  - (bb) the one-off accrual of Additional Import Duty in FYE 2021, which was pending further clarification and explanation with RMCD.
- (b) increase in the cost of trading goods of RM12.9 million or 850.0% to RM14.4 million for FYE 2021 (FYE 2020: RM1.5 million), which increased in tandem with the increase in revenue for the trading of steel materials and steel related products segment; and
- (c) the increase in manufacturing overheads and others of RM3.3 million or 23.9% to RM16.8 million for FYE 2021 (FYE 2020: RM13.5 million), mainly due to increase in subcontractor wages resulting from the increase in number of subcontractors for the industrial racking systems segment.

If the abovementioned one-off Additional Import Duty is excluded from the cost of sales and Materials costs, the increase in the cost of sales and materials costs would be RM59.8 million or 56.6% and RM40.7 million or 47.3%, respectively, which was in tandem with our revenue growth.

**Analysis by business segment**

Our cost of sales increased by RM64.7 million or 61.3%, to RM170.3 million for FYE 2021 (FYE 2020: RM105.6 million), mainly contributed by the increase in cost of sales for our manufacture of sheet metal products segment and the trading of steel materials and steel related products segments.

Our GP increased by RM26.9 million or 106.3%, to RM52.2 million for FYE 2021 (FYE 2020: RM25.3 million). The manufacture of sheet metal products segment was the main contributor to our GP, which recorded an increase of RM25.0 million or 117.9%, to RM46.2 million for FYE 2021 (FYE 2020: RM21.2 million). The increase in GP was in tandem with the increase in revenue for FYE 2021.

If the accrual of RM4.9 million for the Additional Import Duty is excluded in FYE 2021, the total GP would be RM57.1 million and the GP margin would be 25.7% (FYE 2020: RM25.3 million and 19.3%). Our Group's higher GP margin in FYE 2021 is primarily contributed by the improved GP margin of our manufacture of sheet metal products and supply of scaffoldings segments.

***Manufacture of sheet metal products***

Our cost of sales for the manufacture of sheet metal products increased by RM57.4 million or 71.0% to RM138.2 million for FYE 2021 (FYE 2020: RM80.8 million), which grew at a rate lower than our revenue growth rate of 80.8%, as we had purchased our raw materials before the significant increase in raw material prices during FYE 2021, coupled with the increase in the steel prices. Thus, our GP for this segment improved by RM25.0 million or 117.9%, to RM46.2 million for FYE 2021 (FYE 2020: RM21.2 million) and the GP margin improved to 25.1% for FYE 2021 (FYE 2020: 20.8%).

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

Our cost of sales for the roofing sheets and trusses increased by RM39.3 million or 84.3% to RM85.9 million for FYE 2021 (FYE 2020: RM46.6 million), which grew at a rate lower than our revenue growth rate of 96.9%, mainly due to the reasons stated above. Hence, our GP increased by RM20.7 million or 135.3% to RM36.0 million for FYE 2021 (FYE 2020: RM15.3 million), and we recorded an improved GP margin for the roofing sheets and trusses of 29.5% for FYE 2021 (FYE 2020: 24.7%).

Our cost of sales for the industrial racking systems increased by RM18.9 million or 128.6% to RM33.6 million for FYE 2021 (FYE 2020: RM14.7 million), which grew at a rate higher than our revenue growth rate of 125.6%, mainly due to the accrual of Additional Import Duty in FYE 2021. Hence, despite our GP increased by RM3.7 million or 112.1% to RM7.0 million for FYE 2021 (FYE 2020: RM3.3 million), we recorded a lower GP margin for the industrial racking systems of 17.2% for FYE 2021 (FYE 2020: 18.3%). If the accrual of RM3.0 million for the Additional Import Duty is excluded from our cost of sales for industrial racking systems, we will register an improved adjusted GP margin from the industrial racking systems of 24.5%. The improved adjusted margin in FYE 2021 was mainly contributed by the sales to a new customer in the USA.

Our cost of sales for welded pipes decreased by RM0.7 million or 3.6%, to RM18.7 million for FYE 2021 (FYE 2020: RM19.4 million), which was in tandem with the decline in revenue. Our GP for welded pipes increased by RM0.7 million or 26.9% to RM3.3 million for FYE 2021 (FYE 2020: RM2.6 million), and we recorded an improved GP margin for welded pipes of 14.9% for FYE 2021 (FYE 2020: 11.9%). If the accrual of RM1.9 million of the Additional Import Duty is excluded from our cost of sales for welded pipes, we will register an improved adjusted GP margin from welded pipes of 23.6%. The improved adjusted margin in FYE 2021 was mainly due to higher selling prices in FYE 2021, coupled with lower materials costs resulting from raw materials that were purchased prior to the increase in steel prices in FYE 2021.

***Supply of scaffoldings***

Our cost of sales for this segment decreased by RM5.5 million or 23.9% to RM17.5 million for FYE 2021 (FYE 2020: RM23.0 million), mainly due to a lower cost of sales recorded for the sales of scaffoldings for FYE 2021, which declined in tandem with the decrease in revenue.

The overall GP for the supply of scaffoldings recorded an increase of RM5.2 million or 167.7%, to RM8.3 million for FYE 2021 (FYE 2020: RM3.1 million). The GP margin for the supply of scaffoldings segment increased from 11.8% in FYE 2020 to 32.2% in FYE 2021, mainly attributable to the following:

- (i) the sales of scaffoldings have turnaround from a gross loss of RM0.8 million in FYE 2020 to a GP margin of 6.6% in FYE 2021 which is primarily attributable to the higher selling prices in FYE 2021. The gross loss of RM0.8 million in FYE 2020 was primarily due to higher subcontractor wages incurred for this segment for fabrication works resulting from the shortage of workers during MCO period; and
- (ii) the rental of scaffoldings has recorded an improved GP margin from 54.1% in FYE 2020 to 64.4% in FYE 2021 mainly due to higher revenue from rental of scaffoldings as more scaffoldings were rented out whilst the manufacturing overheads and others for this segment, i.e. depreciation expenses for equipment for rent, upkeep of factory equipment and machinery (welding and cutting machine) are relatively fixed-in-nature.



**11. FINANCIAL INFORMATION (cont'd)*****Trading of steel materials and steel related products***

Our cost of sales for this segment increased by RM12.8 million or 711.1%, to RM14.6 million for FYE 2021 (FYE 2020: RM1.8 million), which increased higher than our revenue growth rate for this segment of 335.7%. This was mainly due to the lower selling prices for the sales of steel coils that do not meet our manufacturing specifications (colour of these steel coils do not meet our anticipated quality standards) in FYE 2021 which amounted to RM3.9 million which was sold at a discounted price lower than the purchase price, resulting in this segment to record a gross loss position of RM2.4 million. If the sales of steel coils that do not meet our manufacturing specifications are excluded, we would record a GP of RM4.8 million and a GP margin of 58.4% from the trading of steel materials and steel related products. The improved GP margin in FYE 2021 was mainly attributable to the increase in selling prices for steel coils resulting from the shortage of supplies in Malaysia due to the global supply chain disruption caused by the COVID-19.

**Comparison between FYE 2021 and FYE 2022****Analysis by cost components**

Our adjusted cost of sales increased by RM19.2 million or 11.6%, to RM184.6 million for FYE 2022 (FYE 2021: RM165.4 million), mainly attributable to the following:

- (i) adjusted materials costs increased by RM29.4 million or 23.2% to RM156.2 million for FYE 2022 (FYE 2021: RM126.8 million), mainly due to higher volume for our industrial racking systems, welded pipes and scaffoldings, in which the said increases were narrowed by the decrease in our core raw material prices, i.e. steel coils, which decline in tandem with the average monthly steel prices from USD856/tonne for 2021 to USD698/tonne for 2022;
- (ii) labour costs increased by RM2.3 million or 31.1% to RM9.7 million for FYE 2022 (FYE 2021: RM7.4 million), mainly due to increased production activities; and
- (iii) manufacturing overheads and others increased by RM1.5 million or 8.9% to RM18.3 million for FYE 2022 (FYE 2021: RM16.8 million), mainly due to increased production activities.

The abovementioned increases were narrowed by the decrease in the cost of trading goods of RM14.1 million or 97.9% to RM0.3 million for FYE 2022 (FYE 2021: RM14.4 million), which decreased in tandem with the decrease in revenue for the trading of steel materials and steel related products segment.

**Analysis by business segment**

Our adjusted cost of sales increased by RM19.2 million or 11.6%, to RM184.6 million for FYE 2022 (FYE 2021: RM165.4 million), mainly contributed by the increase in cost of sales for the manufacture of sheet metal products segment and the increase in cost of sales for the supply of scaffoldings segment. This was partially offset by the lower cost of sales for the trading of steel materials and steel related products segment.

Our GP increased by RM4.3 million or 8.2%, to RM56.5 million for FYE 2022 (FYE 2021: RM52.2 million) and our GP margin increased to 23.9% in FYE 2022 (FYE 2021: 23.5%). During FYE 2022, a reversal of RM4.8 million was recorded upon the final settlement of RM0.1 million as agreed with RMCD on the Additional Import Duty.

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

If the said reversal was excluded in FYE 2022, the total GP would be RM51.5 million and the GP margin would be 21.8% (FYE 2021: RM57.1 million and 25.7%). Our Group's GP margin is lower in FYE 2022 mainly due to the decrease in steel prices during the year which our Group price its products at a lower price, whereas raw materials were purchased at higher prices before the significant decrease in steel prices.

***Manufacture of sheet metal products***

Our adjusted cost of sales for the manufacture of sheet metal products increased by RM26.4 million or 19.8% to RM159.7 million for FYE 2022 (FYE 2021: RM133.3 million), mainly due to higher volume sold for our manufacture of sheet metal products. Our GP for manufacture of sheet metal products segment recorded a decrease of RM9.1 million or 19.7%, to RM37.1 million for FYE 2022 (FYE 2021: RM46.2 million). The GP margin decreased as well, from 25.1% in FYE 2021 to 19.3% in FYE 2022.

The decrease in adjusted GP and adjusted GP margin for our manufacture of sheet metal products segment 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 were purchased prior to the decline in steel prices, resulting in our Group's GP margin to decline in FYE 2022 in line with the fall in steel prices.

Our cost of sales for roofing sheets and trusses increased by RM3.2 million or 3.7% to RM89.1 million for FYE 2022 (FYE 2021: RM85.9 million), despite our revenue declined by 5.4%, mainly due to the higher materials costs as explained above. As such, our GP decreased by RM9.8 million or 27.2% to RM26.2 million for FYE 2022 (FYE 2021: RM36.0 million), and we recorded a lower GP margin for the sales of roofing and sheets and trusses of 22.7% for FYE 2022 (FYE 2021: 29.5%).

Our adjusted cost of sales for industrial racking systems increased by RM11.8 million or 38.6% to RM42.4 million for FYE 2022 (FYE 2021: RM30.6 million), mainly due to higher volume sold for our industrial racking systems. Our adjusted GP decreased by RM3.6 million or 36.0% to RM6.4 million for FYE 2022 (FYE 2021: RM10.0 million), and the adjusted GP margin declined from 24.5% to 13.1%. The decrease in adjusted GP and adjusted GP margin were mainly due to lower sales and discount given to a USA customer, coupled with the global decline in steel prices during FYE 2022.

Our adjusted cost of sales for the welded pipes increased by RM11.3 million or 67.3% to RM28.1 million for FYE 2022 (FYE 2021: RM16.8 million), which grew at a rate higher than our revenue growth rate of 26.9%, mainly due to the decline in selling prices which was in line with the market prices during FYE 2022, and higher materials costs for the materials costs which were purchased in FYE 2021 prior to the decline in steel prices in FYE 2022. Our sale of welded pipe register a gross loss of RM0.3 million or a gross loss margin of 1.1% as our Group were unable to pass on the higher materials costs which were purchased in FYE 2021 to our customers.

**11. FINANCIAL INFORMATION (cont'd)*****Supply of scaffoldings***

Our cost of sales for supply of scaffoldings increased by RM6.4 million or 36.6%, to RM23.9 million for FYE 2022 (FYE 2021: RM17.5 million), mainly due to increase in cost of sales recorded from the sales of scaffoldings segment for FYE 2022 of RM5.8 million, which increased in tandem with the increase in revenue.

The overall GP for the supply of scaffoldings segment recorded an increase of RM8.2 million or 98.8%, to RM16.5 million for FYE 2022 (FYE 2021: RM8.3 million). The GP margin for the supply of scaffoldings segment increased from 32.2% in FYE 2021 to 40.9% in FYE 2022. The increase in GP was primarily due to the increase in GP for sales of scaffoldings as a result of the sourcing of components and accessories from third-party manufacturers and suppliers at lower costs.

***Trading of steel materials and steel related products***

Our GP for the trading of steel materials and steel related products was RM2.8 million in FYE 2022 (FYE 2021: gross loss of RM2.4 million) as there was a one-off revenue from sales of steel coils that do not meet our manufacturing specifications in FYE 2021 which was sold at a loss. As such, GP margin for the trading of steel materials and steel related products improved to 73.0% in FYE 2022 (FYE 2021: gross loss of 19.7%). The higher GP margin of 73.0% for FYE 2022 as compared to the adjusted GP margin of 58.4% was mainly due to the sales of steel coils at a higher price to local customers as we were able to meet their demand for specified steel coils.

**Comparison between FYE 2022 and FYE 2023****Analysis by cost components**

Our cost of sales increased by RM10.8 million or 5.9%, to RM195.4 million for FYE 2023 (adjusted FYE 2022: RM184.6 million), mainly attributable to the following:

- (i) increase in material costs of RM4.1 million or 2.6%, to RM160.3 million for FYE 2023 (adjusted FYE 2022: RM156.2 million), mainly due to higher demands for scaffoldings during FYE 2023, coupled with the core raw materials namely steel coils that were purchased at higher prices during FYE 2022;
- (ii) increase in labour costs of RM2.6 million or 26.8% to RM12.3 million for FYE 2023 (FYE 2022: RM9.7 million), mainly due to the increase in average headcount by 61 employees mainly for our roofing sheets and trusses and industrial racking systems; and
- (iii) increase in manufacturing overheads and others of RM2.7 million or 14.8%, to RM21.0 million for FYE 2023 (FYE 2022: RM18.3 million), mainly due to higher depreciation charges for FYE 2023 as a result of the full year impact of depreciation charges for equipment for rent purchased during FYE 2022.

**Analysis by business segment**

Our cost of sales increased by RM10.8 million or 5.9%, to RM195.4 million for FYE 2023 (adjusted FYE 2022: RM184.6 million), mainly contributed by the increase in cost of sales for the roofing sheets and trusses and the supply of scaffoldings segment.

Our GP decreased by RM1.0 million or 1.9%, to RM50.7 million for FYE 2023 (adjusted FYE 2022: RM51.7 million). This was mainly due to the decrease in GP of our manufacture of sheet metal products segment, which decreased more than the increase in GP of our supply of scaffoldings segment. Our manufacture of sheet metal products segment recorded a decrease in GP of RM8.3 million or 25.7%, to RM24.0 million for FYE 2023 (adjusted FYE 2022: RM32.3 million) while our supply of scaffoldings segment, increased by RM7.7 million or 46.7%, to RM24.2 million for FYE 2023 (FYE 2022: RM16.5 million).

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

Our overall GP margin decreased to 20.6% for FYE 2023 (adjusted FYE 2022: 21.9%), mainly due to the lower GP margin recorded by the manufacture of sheet metal products and trading of steel materials and steel related products segments.

***Manufacture of sheet metal products***

Our cost of sales for the manufacture of sheet metal products decreased by RM3.9 million or 2.5%, to RM155.7 million for FYE 2023 (adjusted FYE 2022: RM159.7 million), which is lower than the decline in our revenue of 6.1%. This was mainly due to the 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.

As such, our GP for this segment decreased by RM8.3 million or 25.7%, to RM24.0 million for FYE 2023 (adjusted FYE 2022: RM32.3 million) and the GP margin decreased to 13.4% for FYE 2023 (adjusted FYE 2022: 16.8%).

Our cost of sales for the roofing sheets and trusses increased by RM7.7 million or 8.6%, to RM96.8 million for FYE 2023 (adjusted FYE 2022: RM89.1 million), which is higher than our revenue growth rate of 4.0%, mainly due to lower selling prices driven by the decrease in steel prices, despite selling a higher volume of 24,015,580 metres during FYE 2023. There were also higher labour costs and subcontractor wages incurred for our roofing sheets and trusses during FYE 2023. The higher labour costs resulted from the increase in average headcount by 23 employees and the higher subcontracted wages resulted from the increase in subcontractors engaged for the installation of roof trusses under projects. As such, our GP decreased by RM6.2 million or 23.7%, to RM20.1 million for FYE 2023 (adjusted FYE 2022: RM26.2 million), and we recorded a lower GP margin of 17.2% for FYE 2023 (adjusted FYE 2022: 22.7%).

Our cost of sales for industrial racking systems decreased by RM8.1 million or 19.1%, to RM34.3 million for FYE 2023 (adjusted FYE 2022: RM42.4 million), which is lower than the decline in our revenue of 22.9%. This was mainly due to the lower selling prices resulting from competitive prices in the market, coupled with the higher labour costs incurred for the industrial racking systems. The higher labour costs resulted from the increase in average headcount by 28 employees which were mainly for the installation of industrial racking systems. As such, our GP decreased by RM3.0 million or 46.9%, to RM3.4 million for FYE 2023 (adjusted FYE 2022: RM6.4 million), and we recorded a lower GP margin of 9.0% for FYE 2023 (adjusted FYE 2022: 13.1%).

Our cost of sales for welded pipes decreased by RM3.5 million or 12.5%, to RM24.6 million for FYE 2023 (adjusted FYE 2022: RM28.1 million), which is higher than the decline in revenue of 9.5%. This was mainly due to the higher sales of welded pipes for applications in greenhouse watering systems and electrical wiring, which yielded higher GP margin. As such, the GP increased by RM0.9 million or 300.0%, to RM0.6 million for FYE 2023 (adjusted FYE 2022: gross loss of RM0.3 million), and we recorded a higher GP margin of 2.4% for FYE 2023 (adjusted FYE 2022: gross loss of 1.1%).

***Supply of scaffoldings***

The cost of sales for supply of scaffoldings increased by RM13.1 million or 54.8%, to RM37.0 million for FYE 2023 (FYE 2022 RM23.9 million). This was mainly due to the sales of scaffoldings recording an increase in cost of sales of RM10.4 million or 53.6%, to RM29.8 million for FYE 2023 (FYE 2022: RM19.4 million), which was higher than the revenue growth rate of 38.5%. Such an increase was mainly due to higher material costs as the raw materials were purchased at higher prices during FYE 2022. As such, while the GP for this segment increased by RM0.8 million or 8.2%, to RM10.5 million for FYE 2023 (FYE 2022: RM9.7 million), we recorded a lower GP margin of 26.0% for FYE 2023 (FYE 2022: 33.4%).

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

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Our rental of scaffoldings recorded an increase in cost of sales of RM2.7 million or 60.0%, to RM7.2 million for FYE 2023 (FYE 2022: RM4.5 million), which increased in tandem with our revenue growth, resulting from the upward revision of rental rates during FYE 2023 and increased demands for our CIDB-certified scaffoldings. As such, the GP for this segment increased by RM7.0 million or 102.9%, to RM13.8 million for FYE 2023 (FYE 2022: RM6.8 million), and our GP margin improved to 65.7% for FYE 2023 (FYE 2022: 60.0%).

***Trading of steel materials and steel related products***

Our cost of sales for the trading of steel materials and steel related products segment increased by RM1.7 million or 170.0%, to RM2.7 million for FYE 2023 (FYE 2022: RM1.0 million), which is higher than our revenue growth rate of 34.2%. As such, our GP decreased by RM0.4 million or 14.3%, to RM2.4 million for FYE 2023 (FYE 2022: RM2.8 million) and we recorded a lower GP margin of 47.5% for FYE 2023 (FYE 2022: 73.0%). This was mainly due to lower selling prices during FYE 2023, corresponding with the decrease in steel prices and steel coils that were purchased at higher prices during FYE 2022.

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

**(iii) Other operating income**

	<b>Audited</b>							
	<b>FYE 2020</b>		<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Dividend income from other investment	-	-	6,890	76.0	-	-	-	-
Gain on disposal of property, plant and equipment	360	13.0	19	0.2	4,290	32.5	4,785	36.1
Gain on disposal of other investments	-	-	-	-	1,287	9.8	-	-
Insurance compensations	-	-	461	5.1	-	-	-	-
Interest income <sup>(1)</sup>	681	24.7	295	3.3	443	3.4	780	5.9
Realised gain on foreign exchange	176	6.4	-	-	1,330	10.1	374	2.8
Unrealised gain on foreign exchange	-	-	-	-	-	-	774	5.8
Wages subsidy programme	818	29.6	105	1.2	-	-	-	-
Rental income	77	2.8	121	1.3	493	3.7	89	0.7
Waiver of debts	-	-	-	-	3,189	24.2	3,708	27.9
Sales of scrap metal	271	9.8	677	7.5	1,584	12.0	1,799	13.6
Compensation for damaged rented scaffoldings	94	3.4	11	0.1	-	-	-	-
Bad debts recovered	18	0.6	13	0.1	177	1.3	97	0.7
Reversal of legal claim	-	-	-	-	-	-	487	3.7
Others <sup>(2)</sup>	268	9.7	468	5.2	388	3.0	375	2.8
<b>Total other operating income</b>	<b>2,763</b>	<b>100.0</b>	<b>9,060</b>	<b>100.0</b>	<b>13,181</b>	<b>100.0</b>	<b>13,268</b>	<b>100.0</b>

**Notes:**

- (1) Mainly consists of interests received from late payment charges imposed on customers, interest charged to related parties and fixed deposits.
- (2) Comprises mainly management fees, rebate on insurance premium, reimbursement of handling charges from customers and insurance compensation for damaged containers.

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

Our other operating income increased by RM6.3 million or 225.0%, to RM9.1 million in FYE 2021 (FYE 2020: RM2.8 million), mainly due to the dividend income of RM6.9 million received from Visage Industries, a former subsidiary of BWYS Steel (FYE 2020: RM Nil). In addition, our Group also received a fire insurance compensation of RM0.4 million in FYE 2021 (FYE 2020: RM Nil). This compensation resulted from a fire incident that occurred in our Banting Factory in August 2020 where our Group incurred a total repair cost of RM0.6 million.

The abovementioned increases were partially offset by the following:

- (i) decrease in income derived from the wages subsidy programme of RM0.7 million, from RM0.8 million in FYE 2020 to RM0.1 million in FYE 2021. These subsidies are temporary financial assistance provided by the Malaysian Government during the COVID-19; and
- (ii) lower interest income, which decreased to RM0.3 million in FYE 2021 from RM0.7 million in FYE 2020. This was mainly due to lower interest from trade debtors for late payment in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our other operating income increased by RM4.1 million or 45.1%, to RM13.2 million for FYE 2022 (FYE 2021: RM9.1 million), mainly due to the following:

- (i) gain on disposal of property, plant and equipment of RM4.3 million in FYE 2022 (FYE 2021: RM19,000), mainly arising from the compensation from customers for the loss of rented scaffoldings amounting to RM4.2 million. Our Group will impose additional charges to the customers for the loss of rented scaffoldings, and these scaffoldings will be deemed to have been sold;
- (ii) waiver of debts by an overseas supplier amounting to RM3.2 million in FYE 2022 (FYE 2021: RM Nil) due to the export of steel products from China was entitled to export tax rebates until such rebate incentive was removed following the announcements by the Government of China in April 2021 and July 2021. During this period, one of our suppliers imposed additional cost on our purchases of steel coils which our Group managed to negotiate with the supplier in FYE 2022 to waive the additional cost charged;
- (iii) gain on disposal of other investments amounting to RM1.3 million pertaining to BWYS Steel's disposal of its 100.0% equity interests held in Visage Industries to KBH, and 44.0% equity interest held in Eco High to Tan Seong Beng for a total consideration of RM11.6 million during FYE 2022; and
- (iv) realised gain on foreign exchange of RM1.3 million as a result of the strengthening of USD against RM during FYE 2022.

The abovementioned increases were partially offset by the decrease in dividend income, as there was no dividend income in FYE 2022 (FYE 2021: RM6.9 million).

**Comparison between FYE 2022 and FYE 2023**

Our other operating income increased by RM0.1 million or 0.8%, to RM13.3 million for FYE 2023 (FYE 2022: RM13.2 million), mainly due to the following:

- (i) unrealised gain on foreign exchange of RM0.8 million, mainly resulting from the strengthening of USD against RM during FYE 2023;

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

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- (ii) waiver of debts by overseas supplier amounting to RM3.7 million for FYE 2023 (FYE 2022: RM3.2 million), as the export of steel products from China was entitled to export tax rebates until such incentive was removed following the announcements by the Government of China in April 2021 and July 2021. During this period, our suppliers imposed additional costs on our purchases of steel coils, which our Group managed to negotiate with the suppliers to waive the additional cost charged;
- (iii) gain on disposal of property, plant and equipment of RM4.8 million in FYE 2023 (FYE 2022: RM4.3 million), mainly arising from the the compensation from customers for the loss of rented scaffoldings amounting to RM4.8 million. Our Group will impose additional charges to the customers for the loss of rented scaffoldings, and these scaffoldings will be deemed to have been sold; and
- (iv) reversal of legal claim amounting to RM0.5 million in respect of one of the provisions for legal claims made in FYE 2021, resulting from the agreement of a mutual settlement sum with our debtor.

The abovementioned increases were partially offset by the decrease the following:

- (i) there was no gain on disposal of other investments in FYE 2023 (FYE 2022: RM1.3 million); and
- (ii) realised gain on foreign exchange of RM0.4 million for FYE 2023 (FYE 2022: RM1.3 million), as a result of the strenghtening of USD against RM during FYE 2023.

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**11. FINANCIAL INFORMATION (cont'd)****(iv) Impairment losses on trade and other receivables**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trade receivables:								
- ECL allowance	251	42.6	1,584	55.3	1,586	142.7	1,268	95.9
- Individually impaired	368	62.5	1,291	45.0	142	12.8	2,026	153.3
- Reversal of ECL allowance	(40)	(6.8)	-	-	(617)	(55.5)	(1,972)	(149.2)
Other receivables:								
- Individually impaired/(Reversal of individual impairment)	10	1.7	(10)	(0.3)	-	-	-	-
<b>Total impairment losses on trade and other receivables</b>	<b>589</b>	<b>100.0</b>	<b>2,865</b>	<b>100.0</b>	<b>1,111</b>	<b>100.0</b>	<b>1,322</b>	<b>100.0</b>

Our Group recognises allowance for impairment losses for trade receivables based on the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime ECL from initial recognition while using the three stage general approach within MFRS 9 using the forward-looking ECL model for allowance for impairment losses for other receivables.

Our Group uses an allowance matrix to measure the ECL of trade receivables from past due ageing. Expected loss rates are determined by the probability of the non-collection from the trade receivables multiplied by the amount of the expected loss arising from default. Trade receivables have been grouped based on shared credit risk characteristics – the days past due.

During the process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (producer price index, industrial production index and inflation rate) affecting the ability of the customers to settle the receivables and multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables.

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

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**Comparison between FYE 2020 and FYE 2021**

Our impairment losses on trade and other receivables increased by RM2.3 million or 383.3%, to RM2.9 million in FYE 2021 (FYE 2020: RM0.6 million), mainly due to:

- (i) higher ECL allowance on trade receivables due to the increased credit risk characteristics on the outstanding trade receivables as at the end of FYE 2021; and
- (ii) higher individual impairment on debtors who have adverse changes in the financial capability and default or significant delay in payments as at end of FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our impairment losses on trade and other receivables decreased by RM1.8 million or 62.1%, to RM1.1 million in FYE 2022 (FYE 2021: RM2.9 million). This was mainly due to lower individual impairment on trade receivables in FYE 2022.

**Comparison between FYE 2022 and FYE 2023**

Our impairment losses on trade and other receivables increased by RM0.2 million or 18.2%, to RM1.3 million in FYE 2023 (FYE 2022: RM1.1 million), mainly due to:

- (i) higher individual impairment on debtors who have adverse changes in the financial capability and default or significant delay in payments as at end of FYE 2023; and
- (ii) reversal of ECL allowance due to payments received from receivables who were previously impaired.

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

**(v) Administrative and distribution expenses**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff-related costs	6,461	36.2	8,657	35.6	10,815	36.5	11,748	37.2
Directors' remuneration	1,231	6.9	1,437	5.9	1,480	5.0	1,411	4.5
Depreciation of property, plant and equipment	1,699	9.5	1,761	7.2	2,142	7.2	2,559	8.1
Distribution expenses	2,685	15.0	2,915	12.0	5,541	18.7	5,637	17.9
Travelling expenses	558	3.1	638	2.6	1,252	4.2	977	3.1
Written off of property, plant and equipment <sup>(1)</sup>	1,429	8.0	636	2.6	1,464	5.0	1,567	4.9
Professional fees	483	2.7	1,046	4.3	1,725	5.8	1,925	6.1
Provision for legal claims	-	-	1,474	6.0	-	-	-	-
Bad debts	27	0.2	1,793	7.4	145	0.5	399	1.3
Insurance expenses	534	3.0	609	2.5	729	2.5	761	2.4
Security charges	415	2.3	601	2.5	886	3.0	869	2.8
Upkeep expenses	496	2.8	460	1.9	727	2.5	899	2.8
Bank charges	231	1.3	311	1.3	295	1.0	470	1.5
Unrealised loss on foreign exchange	26	0.1	192	0.8	464	1.6	-	-
Realised loss on foreign exchange	-	-	344	1.4	-	-	-	-
Quit rent and assessment	225	1.2	234	1.0	340	1.1	380	1.2
Utilities	300	1.7	266	1.1	264	0.9	302	1.0
Others <sup>(2)</sup>	1,064	6.0	956	3.9	1,320	4.5	1,654	5.2
	<b>17,864</b>	<b>100.0</b>	<b>24,330</b>	<b>100.0</b>	<b>29,589</b>	<b>100.0</b>	<b>31,558</b>	<b>100.0</b>

**Notes:**

- (1) The written off of property, plant and equipment pertains to damaged or unlocated scaffoldings for rent. In situations where scaffoldings sustain damages beyond repair, it will be written off.
- (2) Comprises mainly printing and stationery, entertainment expenses, office expenses and IT and software related expenses.

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

Our administrative and distribution expenses increased by RM6.4 million or 35.8%, to RM24.3 million for FYE 2021 (FYE 2020: RM17.9 million), mainly attributable to the following:

- (i) increase of RM2.2 million or 33.8% in staff-related costs, to RM8.7 million in FYE 2021 (FYE 2020: RM6.5 million). This is primarily due to higher staff bonuses and annual salary increment during FYE 2021;
- (ii) increase of RM1.8 million in bad debts in FYE 2021, mainly due to uncollectible debts which resulted from long outstanding trade debts and winding-up of businesses; and
- (iii) RM1.5 million of provision for legal claims in FYE 2021 (FYE 2020: RM Nil) in respect of the counterclaims by two of our debtors on our legal demand of outstanding debts. The counterclaims brought against our Group are in relation to the debtors alleging their suffering of substantial damages due to defective products and breach of the agreement terms.

**Comparison between FYE 2021 and FYE 2022**

Our administrative and distribution expenses increased by RM5.3 million or 21.8%, to RM29.6 million for FYE 2022 (FYE 2021: RM24.3 million). This was mainly attributable to the following:

- (i) increase of RM2.6 million or 89.7% in distribution expenses, to RM5.5 million in FYE 2022 (FYE 2021: RM2.9 million), mainly due to the higher transportation charges incurred for shipments to Sabah and Sarawak;
- (ii) increase of RM2.1 million or 24.1% in staff-related costs to RM10.8 million in FYE 2022 (FYE 2021: RM8.7 million), mainly due to the expansion of our headcount for administrative staff;
- (iii) increase of RM0.9 million or 150.0% in property, plant and equipment written off to RM1.5 million in FYE 2022 (FYE 2021: RM0.6 million), mainly due to damaged or unlocated scaffoldings for rent;
- (iv) increase of RM0.7 million or 116.7% in travelling expenses, to RM1.3 million in FYE 2022 (FYE 2021: RM0.6 million), primarily due to more marketing activities following the relaxation of MCO imposed by the Government of Malaysia in FYE 2022; and
- (v) increase of RM0.7 million or 70.0% in professional fees, to RM1.7 million in FYE 2022 (FYE 2021: RM1.0 million), primarily due to professional fees incurred for the Listing.

The abovementioned increases were partially offset by the decrease in bad debts of RM1.7 million or 94.4%, to RM0.1 million in FYE 2022 (FYE 2021: RM1.8 million). There was also no provision for legal claims in FYE 2022 (FYE 2021: RM1.5 million), as explained in Section 11.2.2(v) of this Prospectus.

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

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**Comparison between FYE 2022 and FYE 2023**

Our administrative and distribution expenses increased by RM2.0 million or 6.8%, to RM31.6 million for FYE 2023 (FYE 2022: RM29.6 million), mainly due to the following:

- (a) increase in staff-related costs of RM0.9 million or 8.3%, to RM11.7 million for FYE 2023 (FYE 2022: RM10.8 million), primarily due to salary adjustments and increase in headcount by 12 employees;
- (b) increase in depreciation of property, plant and equipment of RM0.5 million or 23.8%, to RM2.6 million for FYE 2023 (FYE 2022: RM2.1 million), primarily due to higher depreciation charges for motor vehicles under rights-of-use assets and renovation resulting from new additions during FYE 2023; and
- (c) increase in bad debts of RM0.3 million or 300.0%, to RM0.4 million for FYE 2023 (FYE 2022: RM0.1 million), mainly due to uncollectible debts which resulted from long outstanding trade debts and winding up of debtors' businesses.

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

**(vi) Finance costs**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Term loans	1,881	44.1	1,930	43.6	2,569	46.9	3,008	44.7
Bankers' acceptances	1,603	37.6	1,630	36.8	2,187	39.9	2,967	44.1
Bank overdrafts	61	1.4	93	2.1	169	3.1	237	3.5
Lease liabilities	184	4.3	318	7.2	377	6.9	424	6.3
Revolving credit	36	0.9	10	0.2	42	0.8	53	0.8
Others <sup>(1)</sup>	501	11.7	450	10.1	134	2.4	43	0.6
<b>Total finance costs</b>	<b>4,266</b>	<b>100.0</b>	<b>4,431</b>	<b>100.0</b>	<b>5,478</b>	<b>100.0</b>	<b>6,732</b>	<b>100.0</b>

**Note:**

- (1) Comprises mainly interest charged by related parties on advances to our Group.

**Comparison between FYE 2020 and FYE 2021**

Our finance costs increased by RM0.1 million or 2.3%, to RM4.4 million for FYE 2021 (FYE 2020: RM4.3 million). This was mainly attributable to the increase in finance costs resulting from lease liabilities of RM0.1 million or 50.0%, to RM0.3 million in FYE 2021 (FYE 2020: RM0.2 million).

**Comparison between FYE 2021 and FYE 2022**

Our finance costs increased by RM1.1 million or 25.0%, to RM5.5 million for FYE 2022 (FYE 2021: RM4.4 million), mainly due to the following:

- (i) increase in finance costs from bankers' acceptances of RM0.6 million or 37.5%, to RM2.2 million for FYE 2022 (FYE 2021: RM1.6 million). This was due to higher bankers' acceptances drawn for our working capital requirements; and
- (ii) increase in finance costs from term loans by RM0.7 million or 36.8%, to RM2.6 million for FYE 2022 (FYE 2021: RM1.9 million). This was due to full year interest charged on the new term loan obtained to finance the acquisition of Lot 1215 Land together with Penang 1572 Factory in FYE 2021.

The abovementioned increases were offset partially by the decrease in interest charged by related parties of RM0.4 million or 80.0%, to RM0.1 million in FYE 2022 (FYE 2021: RM0.5 million). This is primarily due to the repayment of advances to related parties.

**11. FINANCIAL INFORMATION (cont'd)****Comparison between FYE 2022 and FYE 2023**

Our finance costs increased by RM1.2 million or 21.8%, to RM6.7 million for FYE 2023 (FYE 2022: RM5.5 million). This was mainly due to the increase in finance costs for bankers' acceptances of RM0.8 million or 36.4%, to RM3.0 million for FYE 2023 (FYE 2022: RM2.2 million), as a result of higher utilisation of bankers' acceptances for the purchase of raw materials.

**(vii) PBT and PBT margin**

	<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>
PBT (RM'000)	5,301	29,602	33,453	24,329
PBT margin (%)	4.1	13.3	14.2	9.9

**Comparison between FYE 2020 and FYE 2021**

We recorded an increase in PBT of RM24.3 million in FYE 2021. Our PBT margin also increased from 4.1% in FYE 2020 to 13.3% in FYE 2021. The increase in PBT and PBT margin was mainly due to the higher GP and GP margin as explained in Section 11.2.2(ii) of this Prospectus, as well as the dividend income received from Visage Industries as explained Section 11.2.2(iii) of this Prospectus.

**Comparison between FYE 2021 and FYE 2022**

We recorded an increase in PBT of RM3.8 million in FYE 2022. Our PBT margin also increased from 13.3% in FYE 2021 to 14.2% in FYE 2022. The increase in PBT and PBT margin was mainly due to the higher GP and GP margin as explained in Section 11.2.2(ii) of this Prospectus, as well as the higher other operating income recorded primarily from the gain on disposal of property, plant and equipment, gain on disposal of other investments, realised gain on foreign exchange and waiver of debts by a supplier.

**Comparison between FYE 2022 and FYE 2023**

We recorded a decrease in PBT of RM9.1 million in FYE 2023, and our PBT margin decreased from 14.2% in FYE 2022 to 9.9% in FYE 2023. The decrease in PBT and PBT margin was mainly due to the lower GP and GP margin, as explained in Section 11.2.2 (ii) of this Prospectus, as well as the higher administrative and distribution expenses as explained in Section 11.2.2 (v) of this Prospectus.

**(viii) Tax expense**

	<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>
Taxation	1,990	4,763	9,942	6,680
Effective tax rate (%)	37.5	16.1	29.7	27.5
Statutory tax rate (%)	24.0	24.0	24.0	24.0

Tax expenses comprise the current financial year's income tax payable, deferred tax and any under or overprovision of tax expenses in the previous financial year. The applicable statutory tax rate for the Period Under Review is 24.0%.

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

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On 29 November 2011, BWYS Timur was granted pioneer status by MIDA for output production of metal roofing, corrugated sheets, batten c-section and c-purlin for a period of ten years, which ended in November 2021, whereby 100% of its statutory income on the pioneer activities of BWYS Timur is tax exempted.

**Comparison between FYE 2020 and FYE 2021**

Our tax expenses increased by RM2.8 million or 140.0%, to RM4.8 million in FYE 2021 (FYE 2020: RM2.0 million), mainly due to higher PBT recorded in FYE 2021.

Despite the higher PBT, our effective tax rate in FYE 2021 was 16.1%, which was lower than the statutory tax rate of 24.0%. This was mainly attributable to non-taxable dividend income from other investment as well as non-taxable pioneer income by BWYS Timur.

In contrast, our effective tax rate in FYE 2020 was 37.5%, which was higher than the statutory tax rate of 24.0%. This was mainly due to YS Global and BW Scaffold recording losses before tax, whereby no deferred tax assets were recognised on the losses recorded from these combining entities.

**Comparison between FYE 2021 and FYE 2022**

Our tax expenses increased by RM5.1 million or 106.3%, to RM9.9 million for FYE 2022 (FYE 2021: RM4.8 million). This was mainly attributable to higher PBT recorded for FYE 2022.

Our effective tax rate of 29.7% for FYE 2022 was higher than the statutory tax rate of 24.0%, due to underprovision of deferred tax in prior years amounting to RM2.2 million in respect of temporary differences between net carrying amount of property, plant and equipment and the corresponding tax written down values.

**Comparison between FYE 2022 and FYE 2023**

Our tax expenses decreased by RM3.2 million or 32.3%, to RM6.7 million for FYE 2023 (FYE 2022: RM9.9 million). This was mainly attributable to the lower PBT recorded for FYE 2023.

Our effective tax rate of 27.5% for FYE 2023 was higher than the statutory tax rate of 24.0%, due to underprovision of tax in prior years amounting to RM0.5 million and deferred tax assets not recognized amounting to RM0.5 million.

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**11. FINANCIAL INFORMATION (cont'd)****11.2.3 Review of financial position****(a) Assets**

	<b>Audited</b>			
	<b>As at 31 December</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>				
Property, plant and equipment	79,797	123,595	130,293	136,761
Right-of-use assets	14,928	16,486	18,830	21,361
Other investments	10,154	10,263	-	-
<b>Total non-current assets</b>	<b>104,879</b>	<b>150,344</b>	<b>149,123</b>	<b>158,122</b>
<b>Current assets</b>				
Inventories	43,791	95,005	86,227	86,713
Trade and other receivables	43,463	56,212	45,495	62,726
Current tax assets	635	1,044	3,085	4,633
Cash and bank balances	5,649	23,848	14,827	25,604
<b>Total current assets</b>	<b>93,538</b>	<b>176,109</b>	<b>149,634</b>	<b>179,676</b>
<b>Total assets</b>	<b>198,417</b>	<b>326,453</b>	<b>298,757</b>	<b>337,798</b>

**Comparison between 31 December 2020 and 31 December 2021**

Our total assets increased by RM128.1 million or 64.6%, to RM326.5 million as at 31 December 2021 (as at 31 December 2020: RM198.4 million). The increase was mainly attributable to the increase in non-current assets by RM45.5 million and current assets by RM82.6 million as at 31 December 2021.

The increase in non-current assets was mainly attributable to the following:

- (a) increase in property, plant and equipment of RM43.8 million, mainly due to the net effects of the following:
  - (i) acquisition of Lot 1215 Land together with Penang 1572 Factory and capitalisation of its incident costs totaling RM36.3 million;
  - (ii) purchase of other property, plant and equipment of RM13.9 million comprises mainly equipment for rent, and plant and machinery; and
  - (iii) depreciation charges of RM5.4 million.
- (b) increase in right-of-use assets of RM1.6 million, mainly due to the purchase motor vehicles of RM1.8 million and plant and machinery of RM0.4 million under hire purchase arrangements, as well as the lease of office premises of RM0.6 million, of which the additions were narrowed by the depreciation charges of RM1.2 million.

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

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The increase in current assets was mainly due to the following:

- (a) increase inventories of RM51.2 million, mainly due to the increase in raw materials purchased during FYE 2021 and the increase in work-in-progress inventories due to higher work-in-progress for the roofing sheets and trusses and welded pipes as at 31 December 2021. In addition, the higher steel price in FYE 2021 as compared to FYE 2020 has also contributed to the increase in inventories as at 31 December 2021;
- (b) increase in trade and other receivables of RM12.7 million, mainly due to the increase in other receivables by RM10.1 million as a result of deposits paid to a supplier for the purchase of raw materials; and
- (c) increase in cash and bank balances of RM18.2 million, mainly due to cash generated from our business operations.

**Comparison between 31 December 2021 and 31 December 2022**

Our total assets decreased by RM27.7 million or 8.5%, to RM298.8 million as at 31 December 2022 (as at 31 December 2021: RM326.5 million), mainly due to the decrease in current assets of RM26.5 million as at 31 December 2022. The decrease in current assets was primarily due to the following:

- (a) decrease in trade and other receivables of RM10.7 million mainly due to lower other receivables as a result of deposits paid to a supplier during FYE 2021 for the purchase of raw materials being offset with the supplier invoices upon the receipt of the raw materials during FYE 2022;
- (b) decrease in inventories of RM8.8 million, mainly due to lower work-in-progress towards the end of FYE 2022; and
- (c) decrease in cash and bank balances of RM9.0 million, mainly due to net repayments of borrowings, repayments to related parties, lease liabilities, and interest paid totalling RM30.1 million and dividend payments of RM11.1 million during FYE 2022. Such decreases were narrowed by the net cash from investing activities of RM14.7 million comprising mainly disposal proceeds from other investments and property, plant and equipment as well as cash generated from our business operations.

Our total non-current assets decreased by RM1.2 million or 0.8%, to RM149.2 million as at 31 December 2022 (as at 31 December 2021: RM150.4 million). This was mainly due to the decrease in other investments of RM10.3 million which resulted from the disposal of other investments comprising 100.0% equity interest in Visage Industries and 44.0% equity interest in Eco High during FYE 2022.

The abovementioned decrease in non-current assets was partially offset by the following:

- (a) increase in property, plant and equipment of RM6.7 million, mainly due to equipment for rent amounting to RM13.5 million being transferred from inventories, which was narrowed by depreciation charges of RM6.6 million. The transfer from inventories occurs when scaffoldings which were previously intended to be sold as part of our inventories, are then used for rental purposes instead; and
- (b) increase in right-of-use assets of RM2.3 million, primarily due to the purchase of motor vehicles under hire purchase arrangements of RM2.6 million and the renting of Kuching warehouse and office, Bintulu warehouse and office and Kota Kinabalu warehouse and office amounting to RM2.0 million, narrowed by depreciation charges of RM1.9 million.

**11. FINANCIAL INFORMATION (cont'd)****Comparison between 31 December 2022 and 31 December 2023**

Our total assets increased by RM39.0 million or 13.1%, to RM337.8 million as at 31 December 2023 (as at 31 December 2022: RM298.8 million), mainly contributed by the increase in non-current assets by RM9.0 million and current assets by RM30.0 million as at 31 December 2023.

The increase in non-current assets was primarily due to the increase in property, plant and equipment, mainly resulted from the purchase of equipment for rent amounting to RM11.8 million, and plant and machinery amounting to RM4.3 million, offset by depreciation charges of RM7.6 million. There was also an increase in right-of-use assets, mainly resulting from the additions of machineries and motor vehicles amounting to RM3.8 million.

The increase in current assets was mainly attributable to the following:

- (a) increase in trade and other receivables by RM17.2 million, primarily due to increase in trade receivables by RM13.7 million, as there were higher amount owing from customers in the scaffolding segment as at 31 December 2023; and
- (b) increase in cash and bank balances by RM10.8 million, primarily due to cash and bank balances generated from our business operations.

**(b) Liabilities**

	<b>Audited</b>			
	<b>As at 31 December</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>				
Other payables	4,069	4,069	-	-
Borrowings	42,893	69,136	63,228	57,367
Lease liabilities	3,079	3,665	4,707	6,099
Deferred tax liabilities	1,196	2,463	5,384	4,369
<b>Total non-current liabilities</b>	<b>51,237</b>	<b>79,333</b>	<b>73,319</b>	<b>67,835</b>
<b>Current liabilities</b>				
Trade and other payables	28,026	58,767	34,593	33,012
Borrowings	34,563	78,904	65,886	71,824
Lease liabilities	1,127	1,521	2,401	3,347
Provision	-	1,474	1,474	987
Current tax liabilities	21	148	2,402	5,093
<b>Total current liabilities</b>	<b>63,737</b>	<b>140,814</b>	<b>106,756</b>	<b>114,263</b>
<b>Total liabilities</b>	<b>114,974</b>	<b>220,147</b>	<b>180,075</b>	<b>182,098</b>

**Comparison between 31 December 2020 and 31 December 2021**

Our total liabilities increased by RM105.1 million or 91.4%, to RM220.1 million as at 31 December 2021 (as at 31 December 2020: RM115.0 million), mainly due to the following:

- (i) increase in borrowings of RM70.6 million mainly due to higher drawdowns of bankers' acceptances for the purchase of steel coils and drawdown of new term loan to finance the acquisition of Lot 1215 Land together with Penang 1572 Factory;
- (ii) increase in trade payables of RM20.0 million, mainly due to higher purchases of steel coils towards the end of FYE 2021; and

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

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- (iii) increase in other payables of RM10.7 million, mainly due to the increase in accrued purchases of steel coils of RM5.8 million and the accrued Additional Import Duty imposed by RMCD of RM4.9 million.

**Comparison between 31 December 2021 and 31 December 2022**

Our total liabilities decreased by RM40.0 million or 18.2% to RM180.1 million as at 31 December 2022 (as at 31 December 2021: RM220.1 million) mainly due to the following:

- (i) decrease in borrowings of RM18.9 million, mainly due to higher repayments of bankers' acceptances during the year resulting in lower outstanding bankers' acceptances as at 31 December 2022 as compared to 31 December 2021 and scheduled repayments of term loans during FYE 2022;
- (ii) decrease in trade payables of RM13.8 million, as there were lower outstanding purchases of steel coils as at end of FYE 2022; and
- (iii) decrease in other payables of RM14.5 million, mainly due to no accrued purchases of steel coils as at the end of FYE 2022 as compared to FYE 2021, and the reversal of Overaccrued Import Duty of RM4.8 million imposed by RMCD due to the lower final settlement made in FYE 2022.

**Comparison between 31 December 2022 and 31 December 2023**

Our total liabilities increased by RM2.0 million or 1.1%, to RM182.1 million as at 31 December 2023 (as at 31 December 2022: RM180.1 million), mainly due to the increase in current tax liabilities of RM2.7 million due to BW Scaffold's higher tax provision payable for year of assessment 2023, coupled with tax balances payable for year of assessment 2022 which will be fully settled on instalment basis by August 2024.

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## 11. FINANCIAL INFORMATION (cont'd)

### 11.2.4 Impact of Foreign Exchange Rates, Interest Rates and/or Commodity Prices

#### (a) Impact of foreign exchange rates

Our exposure to foreign currency risk arises primarily from sales and purchases that are denominated in currencies other than the functional currency of our Group. We have a natural hedge to the extent that payment for foreign currency payables are matched against receivables denominated in the same foreign currency. Our foreign currency risk arises when and to the extent these payment and receivable amounts do not match.

The following is the breakdown of our sales based on currency denomination throughout the Period Under Review:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	128,790	98.4	203,657	91.6	226,324	95.8	234,541	95.3
USD	129	0.1	18,707	8.4	9,907	4.2	11,249	4.6
SGD	1,945	1.5	71	~	-	-	288	0.1
<b>Total</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>

#### Note:

~ Represents amount less than 0.1%.

The following is the breakdown of our input materials and services that we purchased and engaged for our business operations based on currency denomination throughout the Period Under Review:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	18,881	22.1	25,694	13.8	64,673	38.5	36,241	20.7
USD	66,401	77.9	160,996	86.2	95,397	56.8	138,430	78.9
RMB	-	-	-	-	7,764	4.7	725	0.4
<b>Total</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>

A depreciation of the RM against the USD may adversely affect our financial performance and our GP margin. If the USD significantly appreciates against the RM, we will record a higher revenue and higher cost of sales in RM after conversion. Conversely, if the USD significantly depreciates against the RM, we will record a lower revenue and lower cost of sales in RM after conversion.

For illustration purposes, the sensitivity analysis of the effect on our PAT for Period Under Review of a 5.0% strengthening or weakening of RM relative to the respective currencies are summarised in the following table:

PAT	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
USD/RM				
- Strengthen by 5%	130	(356)	(197)	253
- Weaken by 5%	(130)	356	197	(253)

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

PAT SGD/RM	<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>
- Strengthen by 5%	3	-	-	-
- Weaken by 5%	(3)	-	-	-

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 (loss)/gain 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>

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure to foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure at an acceptable level. Our Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

From time to time, we use hedging instruments to manage our foreign exchange exposure from overseas purchases denominated in USD to mitigate the adverse effect on our financial performance. For the Period Under Review, the derivatives gains or losses arising from foreign exchange forward contracts were not material and were offset against realised gains or losses on foreign exchange account. The gains and losses arising from hedging instruments during the Period Under Review are summarised in the table below:

	<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>
Gain from hedging instruments	-	37	244	-

As at LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchases from our foreign suppliers and revenue from our foreign sales. A depreciation of the RM against the USD will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in costs to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher costs of supplies.

**(b) Impact of interest rates**

Our exposure to changes in interest rate risk relates primarily to our borrowings from banks. We do not generally hedge interest rate risks.

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratio for 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>
Interest coverage ratio (times) <sup>(1)</sup>	2.1	7.6	7.0	4.5

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

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**Note:**

(1) Computed based on EBIT over finance costs for the respective financial years.

Our interest coverage ratio ranged between 2.1 times to 7.6 times for FYE 2020 to FYE 2023. This indicates that our Group has been able to generate sufficient EBIT to meet our interest servicing obligations.

**(c) Impact of commodity prices**

Most of our products and materials (steel coils) are commodities in which prices fluctuate based on market conditions. 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. In 2022, global hot-rolled and cold-rolled coil prices increased to USD1,345/tonne and USD1,546/tonne respectively in April 2022 and subsequently declined to USD750/tonne and USD908/tonne respectively in April 2024. Accordingly, our product margins and profitability fluctuate in accordance with commodity price movement. To manage the risk of commodity price fluctuation, we implement several controls and management, including inventory management, such as purchasing more as and when we observe an upward trend in material prices, daily monitoring and passing costs increase to customers to dampen the influence of such volatility.

Please refer to Section 8.1.1 of this Prospectus for further information on the risk relating to price fluctuations of our main input materials.

**(d) Impact of inflation**

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers through increase in selling prices.

**(e) Impact of government, economic, fiscal, or monetary policies**

There were no government, economic, fiscal, or monetary policies or factors which have materially affected our financial performance during the Period Under Review.

Any adverse changes in the political, social, economic, and regulatory conditions in Malaysia could have a negative impact on our business operations and financial performance. We are also susceptible to the risk of local epidemics or pandemics where we may face business interruptions, including, among others, temporary suspension of our business operations. Please refer to Section 6.5.15 of this Prospectus for further details on the impact of the COVID-19.

Changes in the political, social, economic, fiscal and regulatory conditions could arise from, among others, changes in political leadership, risks of war or civil unrest, changes in import tariffs and related duties, and conditions governing licensing, registrations and permits to conduct business. Similarly, any local, regional or global economic downturn would also affect overall business conditions, consumer confidence, as well as investments, which would subsequently affect the demand for our products. As such, there can be no assurance that any adverse political, social, economic, fiscal and regulatory developments or outbreak of diseases which are beyond our control will not materially affect our business operations and financial performance.

**11. FINANCIAL INFORMATION (cont'd)****11.2.5 Review of cash flows**

	<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>
Net cash from operating activities	8,098	4,165	15,658	23,866
Net cash (used in)/from investing activities	(3,943)	(13,920)	14,743	(549)
Net cash (used in)/from financing activities	(6,802)	25,963	(44,346)	(19,605)
Net changes in cash and cash equivalents	<sup>(1)</sup> (2,647)	16,208	<sup>(1)</sup> (13,945)	3,712
Cash and cash equivalents at the beginning of the financial year	2,801	144	16,352	2,407
Effects of exchange rate changes on cash and cash equivalents	(10)	~	~	~
<b>Cash and cash equivalents at the end of the financial year</b>	<b>144</b>	<b>16,352</b>	<b>2,407</b>	<b>6,119</b>

**Notes:**

~ Represents amount less than RM1,000.

- (1) The decrease in cash and cash equivalents in FYE 2020 was mainly due to net cash used in investing activities in relation to the purchase of property, plant and equipment and net cash used in financing activities in relation to the repayment of bank borrowings and interest paid. Such cash outflows were narrowed by the cash generated from business operations.

The decrease in cash and cash equivalents in FYE 2022 was mainly due to net cash used in financing activities in relation to repayment of bank borrowings and interest paid. Such cash outflow was narrowed by the cash generated from business operations as well as cash inflows from investing activities primarily from proceeds from the disposals of our investments in Visage Industries and Eco High.

**FYE 2020****Net cash from operating activities**

For FYE 2020, net cash generated from operating activities was RM8.1 million. We collected RM139.6 million from our customers as well as receipt of other operating income of RM1.5 million comprise mainly wage subsidy and sales of scrap metal. However, the above was partially offset by cash payments made of RM133.0 million, mainly for the following:

- (i) RM116.9 million paid to our suppliers and for the labour costs;
- (ii) RM14.1 million paid for our other operating expenses and staff salaries; and
- (iii) income tax paid of RM2.0 million.



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

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**Net cash used in investing activities**

For FYE 2020, our Group recorded a net cash outflow of RM3.9 million from investing activities, mainly attributable to the following:

- (i) cash payments for the purchase of property, plant and equipment amounting to RM6.4 million comprise mainly of equipment for rent, plant and machinery and motor vehicles; and
- (ii) cash payments for the purchase of right-of-use assets amounting to RM0.2 million comprised mainly plant and machinery under hire purchase arrangements.

The above cash outflows were partially offset by the following cash inflows:

- (i) interest income of RM0.7 million, mainly from interest charges on late payments from our trade receivables;
- (ii) proceeds of RM1.8 million from the disposal of property, plant and equipment comprised mainly equipment for rent and motor vehicles; and
- (iii) proceeds of RM0.2 million from the disposal of motor vehicles under right-of-use assets.

**Net cash used in financing activities**

For FYE 2020, our Group recorded a net cash outflow of RM6.8 million from financing activities due to the following:

- (i) dividends of RM0.2 million paid to the non-controlling interests of YS Global;
- (ii) interests paid on bank borrowings (excluding interest on lease liabilities) of RM4.1 million;
- (iii) repayment of bankers' acceptances amounting to RM92.9 million;
- (iv) repayment of revolving credit amounting to RM1.0 million;
- (v) repayment of term loans amounting to RM4.2 million;
- (vi) repayment of lease liabilities amounting to RM1.0 million; and
- (vii) net repayment of RM0.6 million to a related party, namely Visage Industries, narrowed by advances of RM0.3 million from a related party, namely Visage Global. The advances with related parties are for working capital purposes.

The above cash outflows were partially offset by the following cash inflows:

- (i) drawdown of bankers' acceptances amounting to RM85.4 million for settlement of the purchase of raw materials comprised mainly steel coils;
- (ii) drawdown of term loans amounting to RM8.0 million for working capital purposes; and
- (iii) decrease in deposits pledged with licensed banks amounting to RM3.6 million.

**11. FINANCIAL INFORMATION (cont'd)****FYE 2021****Net cash for operating activities**

For FYE 2021, net cash generated from operating activities was RM4.2 million. We collected RM225.8 million from our customers as well as receipts of other operating income of RM1.9 million, comprised mainly of insurance compensations received and sales of scrap metal. However, the above was partially offset by cash payments made of RM223.5 million, mainly for the following:

- (i) RM203.0 million paid to our suppliers and for the labour costs;
- (ii) RM16.7 million paid for our other operating expenses and staff salaries; and
- (iii) income tax payments of RM3.8 million.

**Net cash used in investing activities**

For FYE 2021, our Group recorded a net cash outflow of RM13.9 million from investing activities attributable to the following:

- (i) additional investment of 225,500 ordinary shares in Eco High for a total consideration of RM0.1 million for its working capital purposes;
- (ii) acquisition of 200,000 ordinary shares representing 20.0% equity interest in YS Global from two unrelated parties, namely Chuah Choon Lim and Lim Saw Hong for a total consideration of RM0.4 million;
- (iii) cash payments for the purchase of property, plant and equipment amounting to RM20.5 million comprised mainly the purchase of Lot 1215 Land together with Penang 1572 Factory and installation costs of a new production line for welded pipes as part of our business expansion. Additionally, we also acquired equipment for rent, plant and machinery, and motor vehicles; and
- (iv) cash payments for the purchase of right-of-use assets amounting to RM0.5 million comprise mainly the purchase of motor vehicles under hire purchase arrangements.

The above cash outflows were partially offset by the following cash inflows:

- (i) dividend income received from Visage Industries amounting to RM6.9 million;
- (ii) interest income of RM0.3 million, mainly from interest charges on late payments from trade receivables and deposits with licensed banks; and
- (iii) proceeds of RM0.4 million from the disposal of property, plant and equipment comprise mainly motor vehicles and plant and machinery.

**Net cash from financing activities**

For FYE 2021, our Group recorded a net cash inflow of RM26.0 million from financing activities, mainly attributable to the drawdown of bankers' acceptances amounting to RM162.6 million for settlement of the purchase of raw materials comprise mainly steel coils and drawdown of revolving credit amounting to RM1.0 million for working capital purposes.

The above cash inflows were partially offset by the following cash outflows:

- (i) dividends of RM1.6 million paid to common controlling shareholders;

## **11. FINANCIAL INFORMATION (cont'd)**

- (ii) interest paid on bank borrowings (excluding interest on lease liabilities) of RM4.1 million;
- (iii) repayment of bankers' acceptances amounting to RM118.8 million;
- (iv) repayment of term loans amounting to RM2.2 million;
- (v) repayment of lease liabilities amounting to RM1.6 million;
- (vi) repayment of RM6.7 million to a related party, namely Visage Industries, narrowed by advances of RM1.1 million from related parties, namely Visage Global and YHTJ Sarawak. The advances to/from related parties were for working capital purposes; and
- (vii) increase in deposits pledged with licensed banks amounting to RM3.8 million to secure the credit facilities granted by the financial institutions.

### **FYE 2022**

#### **Net cash from operating activities**

For FYE 2022, net cash generated from operating activities was RM15.7 million. We collected RM254.6 million from our customers as well as receipts of other operating income of RM2.6 million, comprised mainly income from sales of scrap metal and rental income. However, the above was partially offset by cash payments made of RM241.5 million, mainly for the following:

- (i) RM213.8 million paid to our suppliers and for the labour costs;
- (ii) RM20.9 million paid for our other operating expenses and staff salaries; and
- (iii) income tax paid of RM6.8 million.

#### **Net cash from investing activities**

For FYE 2022, our Group recorded a net cash inflow of RM14.7 million from investing activities due to the following:

- (a) interest income of RM0.4 million mainly from deposits with licensed banks;
- (b) proceeds from the disposals of our investment in Visage Industries to KBH, and Eco High to Tan Seong Beng for a total consideration of RM11.6 million; and
- (c) proceeds of RM7.0 million from the disposal of property, plant and equipment which comprise mainly equipment for rent and motor vehicles.

The above cash inflows were partially narrowed by the cash payments for the purchase of property, plant and equipment of RM3.9 million, which comprise mainly plant and machinery, building and installation costs of production line for welded pipes, furniture, fittings and office equipment and renovation costs.

#### **Net cash used in financing activities**

For FYE 2022, our Group recorded a net cash outflow of RM44.3 million from financing activities, mainly due to:

- (i) dividends paid of RM11.1 million to common controlling shareholders;
- (ii) interest paid on bank borrowings (excluding interest on lease liabilities) of RM5.1 million;
- (iii) repayment of bankers' acceptances amounting to RM196.5 million;

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

- (iv) repayment of term loans amounting to RM6.1 million;
- (v) repayment of lease liabilities amounting to RM2.5 million;
- (vi) repayment of RM1.8 million to related parties, namely Visage Global, Visage Industries and YHTJ Sarawak; and
- (vii) increased in deposits pledged with licensed banks amounting to RM3.1 million to secure credit facilities granted by the financial institutions.

The above cash outflows were partially offset by the drawdown of bankers' acceptances amounting to RM181.8 million for settlement of the purchase of raw materials comprised mainly steel coils.

**FYE 2023****Net cash from operating activities**

For FYE 2023, net cash generated from operating activities was RM23.9 million. We collected RM249.8 million from our customers as well as receipts of other operating income of RM2.3 million, comprised mainly income from sales of scrap metal and rental income. However, the above was partially offset by cash payments made of RM228.2 million, mainly for the following:

- (i) RM197.7 million paid to our suppliers and for the labour costs;
- (ii) RM23.9 million paid for our other operating expenses and staff salaries; and
- (iii) income tax paid (net of tax refunded) of RM6.6 million.

**Net cash used in investing activities**

For FYE 2023, our Group recorded a net cash outflow of RM0.5 million for investing activities due to the following:

- (i) cash payments for the purchase of property, plant and equipment amounting to RM7.6 million, comprised mainly plant and machinery and equipment for rent; and
- (ii) cash payments for the purchase of right-of-use assets amounting to RM0.1 million.

The above cash outflows were partially offset by the following cash inflows:

- (i) proceeds of RM6.4 million from the disposal of property, plant and equipment comprise mainly equipment for rent; and
- (ii) interest income of RM0.8 million, comprised mainly interest from late payment charges on our customers and fixed deposits.

**Net cash used in financing activities**

For FYE 2023, we recorded a net cash outflow of RM19.6 million from financing activities, primarily due to the following cash outflows:

- (i) dividends of RM3.0 million paid to common controlling shareholders;
- (ii) interests paid on bank borrowings (excluding interest on lease liabilities) of RM6.3 million;
- (iii) repayment of bankers' acceptances amounting to RM211.9 million;

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

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- (iv) repayment of term loans amounting to RM5.3 million;
- (v) repayment of lease liabilities amounting to RM3.3 million; and
- (vi) increase in deposits pledged with licensed banks amounting to RM10.1 million to secure credit facilities granted by the financial institutions .

The above cash outflows were partially offset by the drawdown of bankers' acceptances amounting to RM220.3 million for the settlement of the purchase of raw materials, comprised mainly of steel coils.

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## **11. FINANCIAL INFORMATION (cont'd)**

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### **11.3 LIQUIDITY AND CAPITAL RESOURCES**

#### **11.3.1 Working capital**

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise term loans, bank overdrafts, bank guarantees, trade facilities as well as finance lease liabilities.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

There are no legal, financial or economic restrictions on subsidiaries' ability to transfer funds to our Group in the form of cash dividends, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

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

- (a) Our cash and cash equivalent of approximately RM5.9 million as at LPD;
- (b) Our expected future cash flows from operations;
- (c) Our total banking facilities as at LPD of RM222.5 million (excluding finance leases), of which RM142.4 million have been utilised; and
- (d) Our pro forma gearing ratio of 0.66 times, based on our pro forma combined statements of financial position as at 31 December 2023 after adjustment for Acquisitions and IPO.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Save as disclosed in Section 11.3.5 of this Prospectus, our Group has not encountered any major disputes with our customers. Our finance personnel work closely with our sales and marketing staff for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while allowing us to maintain cordial relationship with our customers.

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

**11.3.2 Borrowings**

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings (excluding lease liabilities arising from right-of-use assets of RM2.2 million) as at 31 December 2023 stood at RM136.4 million, details of which are set out below:

	Purposes	Interest rate % per annum	Tenure	As at 31	
				December 2023	RM'000
<b>Current</b>					
Bank overdrafts	For working capital purposes	6.20 – 8.65	N/A		479
Bankers' acceptances	For working capital purposes	1.96 – 5.81	1-3 months		65,038
Revolving credit	For working capital purposes	4.20 – 5.45	3 months		1,000
Term loans	To finance property, plant and equipment, and for working capital purposes	3.00 – 8.45	6-12 months		5,307
Hire purchases	To finance motor vehicles and plant and machinery	1.92 – 4.28	12 months		2,087
	<b>Total current borrowings</b>				<b>73,911</b>
<b>Non-current</b>					
Term loans	To finance property, plant and equipment, and for working capital purposes	3.00 – 8.45	4-20 years		57,367
Hire purchases	To finance motor vehicles and plant and machinery	1.92 – 4.28	2-5 years		5,125
	<b>Total non-current borrowings</b>				<b>62,492</b>
	<b>Total borrowings</b>				<b>136,403</b>

**Pro forma gearing (times)**

After adjustments for Acquisitions but before IPO <sup>(1)</sup>	0.88
After adjustments for Acquisitions and IPO <sup>(2)</sup>	0.66

**Notes:**

- (1) Computed based on our pro forma equity attributable to the owners of our Company of RM155.7 million in the pro forma combined statements of financial position after adjustments for Acquisitions but before IPO.
- (2) Computed based on our pro forma equity attributable to the owners of our Company of RM207.6 million in the pro forma combined statements of financial position after adjustments for Acquisitions and IPO which includes the repayment of bank borrowings of RM4.0 million.

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

Separately, we have also recognised the following lease liabilities on the right-of-use assets, which are denominated in RM:

	<b>Purpose</b>	<b>Tenure</b>	<b>As at 31 December 2023 RM'000</b>
Lease liabilities payable within 1 year	Rental of factory warehouse and staff hostel	Initial lease of 2 years with option to renew for another 2 years	1,259
Lease liabilities payable after 1 year	Rental of factory warehouse and staff hostel	Initial lease 2 years with option to renew for another 2 years	974
			<b>2,234</b>

In conjunction with our Listing, we have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. Until such release and/or discharge are obtained from the respective Financiers, our Directors will continue to guarantee the banking facilities extended to our Group.

As at the date of this Prospectus, we have received all conditional approvals from the Financiers to discharge the above guarantees by substituting the same with a corporate guarantee from BWYS. We have also received letters from MBSB Bank Berhad noting the Listing and will carry out a review of our request to discharge the above guarantees in favour of MBSB Bank Berhad upon the Listing. The Financiers have imposed conditions that the discharge is conditional upon the completion of the Listing and execution and perfection of a corporate guarantee by the Company.



## 11. FINANCIAL INFORMATION (cont'd)

The maturity profile based on the undiscounted contractual repayment obligation of our total borrowings (excluding lease liabilities for right-of-use assets) as of the dates indicated is 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>
Within one year	38,178	83,476	69,880	77,222
One to five years	26,293	33,977	33,254	31,428
More than five years	34,854	61,075	60,124	54,194
<b>Total contractual cash flow</b>	<b>99,325</b>	<b>178,528</b>	<b>163,258</b>	<b>162,844</b>
<b>Total carrying amount</b>	<b>81,224</b>	<b>152,496</b>	<b>134,442</b>	<b>136,403</b>

Our interest-bearing borrowings carry the following effective interest rates for the Period Under Review:

	<b>Audited</b>			
	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>% per annum</b>			
Bankers' acceptance	1.96 – 4.72	2.03 – 3.80	2.90 – 5.01	3.88 – 5.81
Term loans	3.37 – 7.45	3.00 – 7.20	3.50 – 8.20	3.50 – 8.45
Bank overdrafts	6.45 – 6.95	6.20 – 6.69	7.20 – 8.45	7.45 – 8.65
Lease liabilities	1.92 – 8.00	1.92 – 8.00	1.92 – 7.35	1.92 – 7.95
Revolving credit	-	4.20	5.20	5.45

As at LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the Period Under Review as well as subsequent to FYE 2023 up to LPD.

As at LPD, neither our Group nor our subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

During the Period Under Review, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

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## 11. FINANCIAL INFORMATION (*cont'd*)

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### 11.3.3 Types of financial instruments used, treasury policies and objectives

As at LPD, save for our borrowings as disclosed in Section 11.3.2 of this Prospectus, we do not have nor utilise any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers and external sources of funds which mainly comprise borrowings. The principal usages of these bank borrowings are for working capital as well as the purchase of raw materials, and property, plant and equipment.

From time to time, we use hedging instruments to manage our foreign exchange exposure from overseas purchases denominated in USD to mitigate the adverse effect on our financial performance.

Save for our hire purchase, bankers' acceptances, special relief term loans and revolving credit which carry fixed interest rates, other borrowings bear variable interest rates based on the bank's base lending rate plus or minus a rate, which varies depending on the different types of bank facilities.

### 11.3.4 Material capital commitments

As at LPD, save as disclosed below, there are no material capital commitments incurred or to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results:

- (i) integrated PU form sandwich panel production line amounted to RM1.5 million as set out in Section 6.6.3 of this Prospectus.
- (ii) capital expenditure to support the growth of our business, details of which are set out in Section 4.9 of this Prospectus.

We expect to finance these capital expenditures through the IPO proceeds and/or internally generated funds.

### 11.3.5 Material litigation and contingent liabilities

Save as disclosed below, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at LPD:

1. *Shah Alam Sessions Court Suit No. BA-B52NCC-13-02/2022*  
*YS Success Industries Sdn Bhd ("Plaintiff")*  
-v-  
*Tan Kean Siang and Teoh Chiau Huei both trading as Hung Tat Trading (Registration No.: 201303262877 (PG0331127-D)) ("Defendants")*

The Plaintiff had, upon the Defendants' request and order, sold and delivered to the Defendants goods including but not limited to various types, measurements, dimensions, parts, colours, specifications and/or sizes of "Galvanised Pipe", "Conduit Pipe", and others ("**Products**").

## 11. FINANCIAL INFORMATION (cont'd)

The Products ordered by the Defendants had been delivered by the Plaintiff in its entirety and in order. The Defendants had acknowledged that the Products were delivered in accordance with their order and in good condition. The Defendants made partial payments to the Plaintiff on 14 January 2022, 18 February 2022 and 15 March 2022. However, the Defendants have refused to settle the outstanding sum due and owing to the Plaintiff despite multiple demands by the Plaintiff. On 22 February 2022, the Plaintiff filed a writ action to claim for a sum of RM768,667.82, interest in the sum of RM38,791.02 as at 21 February 2022 calculated at the rate of 1.5% per month on the sum; and additional interest at the rate of 1.5% per month on RM729,876.80 from 22 February 2022 until the date of full settlement, due and payable from the Defendant.

By way of the defence and counterclaim dated 30 May 2022, the Defendants claimed that the Plaintiff did not deliver the entirety of the Products that were ordered by the Defendants counterclaimed for RM755,123.00 plus 5% interest per annum on the counterclaim sum.

On 18 March 2024, a consent judgement has been recorded for Defendants to pay the settlement sum of RM600,000 by way of instalment in 42 months to Plaintiff.

2. *Kota Bharu Sessions Court Suit No. DA-A52NCvC-20-07/2022*

*BW Yee Seng Steel Industries Sdn Bhd ("Plaintiff")*

-v-

*Mentari Arus Sdn Bhd, Kong Bee Kai and Thau Po Been ("Defendants")*

The Plaintiff, pursuant to a sale agreement dated 22 October 2019 entered into with the Defendants, sold and delivered certain products and rental services, including those related to VFrame Wall Framing System V70 ("**Products**"), to the Defendants.

The Defendants had acknowledged that the Products were delivered but refused to make payments. In response to Plaintiff's letter of demand, Defendants vide a letter of demand dated 27 September 2021, counter-claimed for the sum of RM987,402.00, alleging that the supply of Products were defective.

On 5 July 2022, the Plaintiff filed a writ action to claim for a sum of RM155,321.03 due and payable from the Defendant, among others. By way of a defence and counterclaim dated 25 August 2022, the Defendants counterclaimed for the sum of RM987,402.00, alleging that the Products were defective and they have suffered substantial damages as a result of the breach of the agreements.

The matter has been fixed for trial on 9 July 2024 and 12 August 2024.

The legal counsel acting for BWYS Steel is of the view that BWYS Steel has a fair chance to win the case.

As at LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable, may have a material effect on our business, financial results or position.

**11. FINANCIAL INFORMATION (cont'd)****11.4 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for 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>
Trade receivables turnover (days) <sup>(1)</sup>	104	55	55	64
Trade payables turnover (days) <sup>(2)</sup>	25	31	35	21
Inventory turnover (days) <sup>(3)</sup>	159	149	184	162
Current ratio (times) <sup>(4)</sup>	1.47	1.25	1.40	1.58
Gearing ratio (times) <sup>(5)</sup>	0.98	1.44	1.15	0.89

**Notes:**

- (1) Computed based on the average trade receivables as at year end over revenue for the respective years, multiplied by 365/366 days for each financial year.
- (2) Computed based on the average trade payables as at year end over cost of sales for the respective years, multiplied by 365/366 days for each financial year.
- (3) Computed based on the average inventory as at year end over cost of sales for the respective years, multiplied by 365/366 days for each financial year.
- (4) Computed based on current assets over current liabilities as at the end of each financial year.
- (5) Computed based on total borrowings over total equity as at the end of each financial year.

**11.4.1 Trade receivables turnover**

Our average trade receivables turnover (days) for the Period Under Review is stated as below:

	<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>
Opening trade receivables	42,430	32,166	34,462	36,150
Closing trade receivables	32,166	34,462	36,150	49,820
Average trade receivables	37,298	33,314	35,306	42,985
Revenue	130,864	222,435	236,231	246,078
Trade receivables turnover (days)	104	55	55	64

The normal credit period offered by our Group in respect of our trade receivables is between 30 and 90 days from the date of invoice on a case-by-case basis by taking into consideration various factors such as our business relationship with our customers and the credit history of the customers while new customers are subject to our credit verification and assessment process. Other credit terms can sometimes be negotiated (such as for new customers or large orders) upon the request of our customer. Such terms would be assessed and approved on a case-by-case basis. All of our outstanding trade receivables are closely monitored by our finance department.

## 11. FINANCIAL INFORMATION (cont'd)

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

As our Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. A significant portion of trade receivables represent regular customers of our Group. Our Group uses ageing analysis to monitor the credit quality of the trade receivables.

Our average trade receivables turnover period for FYE 2020, 2021, 2022 and 2023 was 104 days, 55 days, 55 days and 64 days respectively. The higher trade receivables turnover period for FYE 2020 was mainly attributable to the MCO implemented by the Government of Malaysia, which encouraged companies to adopt the work-from-home practice, resulting in our customers requiring an extended period to process the submitted invoices.

The trade receivables turnover period decreased to 55 days for FYE 2021, resulting from the relaxation of the MCO. The customers had returned to the offices, allowing them to expedite the processing of the invoices submitted. The Group's trade receivables turnover period has remained consistent at 55 days for FYE 2021 and FYE 2022, which was within the normal credit period.

Our trade receivables turnover period remained consistent at 55 days for FYE 2021 and FYE 2022. For FYE 2023, our trade receivables turnover period increased to 64 days, mainly due to an overdue outstanding amount owing from our customer in the USA as at 31 December 2023. The said amount has been fully settled as at LPD.

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

	Within normal credit period	Exceeding credit period (days past due)				
		0 – 90 days	1 – 30 days	31 – 60 days	61 – 90 days	> 90 days
Trade receivables (RM'000)	25,707	8,767	5,548	2,675	11,757	<b>54,454</b>
Impairment loss (RM'000)	(205)	(171)	(186)	(161)	(3,911)	<b>(4,634)</b>
Net trade receivables (RM'000)	25,502	8,596	5,362	2,514	7,846	<b>49,820</b>
Percentage of total trade receivables (%)	51.2	17.3	10.8	5.0	15.7	<b>100.0</b>
Subsequent collections up to the LPD (RM'000)	23,420	7,504	4,947	2,359	4,747	<b>42,977</b>
Trade receivables net of subsequent collections (RM'000)	2,082	1,092	415	155	3,099	<b>6,843</b>
Percentage of total trade receivables net of subsequent collections (%)	30.4	16.0	6.1	2.2	45.3	<b>100.0</b>

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

As at 31 December 2023, our Group's trade receivables amounted to approximately RM49.8 million, of which RM24.3 million or 48.8% of our trade receivables exceeded the normal credit period. Subsequent to 31 December 2023 and up to LPD, we have collected RM43.0 million, representing 86.3% of the total trade receivables as at 31 December 2023.

As at the LPD, we have outstanding receivables of RM6.8 million, out of which RM2.1 million is within the normal credit period as at 31 December 2023. The remaining RM4.7 million represents 9.4% of our trade receivables as at 31 December 2023, which comprised mainly the following:

- (a) RM3.8 million receivables in which our Group are of the view that the said amount is collectible considering the follow-up and reminders to our customers;
- (b) RM 0.4 million receivables in which our Group are in the midst of negotiating a repayment proposal with the said customer;
- (c) RM0.3 million receivables in which our Group are in the midst of a legal proceeding to recover the outstanding balances; and
- (d) RM0.2 million receivables that are pending the finalisation of the quantities of equipment for rent returned from the customers, of which a total deposit of RM0.1 million from the customers will be offset against the outstanding balances.

Our customers have generally been paying within the credit period granted. Saved as disclosed in Section 11.3.5 of this Prospectus, our Group has not encountered any major disputes with our trade receivables. Our net impairment loss on trade receivables for 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>
Loss allowance recognised in profit or loss <sup>(1)</sup>	629	2,875	1,728	3,294
Loss allowance no longer required	(40)	(10)	(617)	(1,972)
Bad debts written off	27	1,793	145	399
Bad debts recovered	(18)	(13)	(177)	(97)

**Note:**

- (1) Comprise the recognition of impairment losses for trade receivables based on the simplified and general approach in accordance with MFRS 9 *Financial Instruments* and measure the allowance for impairment loss based on a lifetime ECL from initial recognition.

**11.4.2 Trade payables turnover**

Our average trade payables turnover (days) for the Period Under Review is 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>
Opening trade payables	10,204	4,277	24,323	10,553
Closing trade payables	4,277	24,323	10,553	11,858
Average trade payables	7,241	14,300	17,438	11,206
Cost of sales	105,607	170,267	179,781	195,405
Average trade payables turnover (days)	25	31	35	21

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

Trade payables comprise mainly amounts outstanding for the purchase of steel coils. The credit terms granted to our Group for trade purchases ranged from 30 to 120 days. To maintain good relationships with our suppliers, we will pay the suppliers as the payments fall due.

Our trade payables turnover period for FYE 2020, 2021, 2022 and 2023 was 25 days, 31 days, 35 days and 21 days respectively, which were within the normal credit terms granted by our suppliers.

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

	Within normal credit period	Exceeding credit period (days past due)				Total
	0 – 120 days	1 – 30 days	31 – 60 days	61 – 90 days	> 90 days	
Trade payables (RM'000)	2,411	114	381	516	8,436	<b>11,858</b>
Percentage of total trade payables (%)	20.3	1.0	3.2	4.4	71.1	<b>100.0</b>
Subsequent payments up to the LPD (RM'000)	1,994	114	380	481	6,525	<b>9,494</b>
Trade payables net of subsequent payments (RM'000)	417	-	1	35	1,911	<b>2,364</b>
Percentage of total trade payables net of subsequent payments (%)	17.6	-	0.1	1.5	80.8	<b>100.0</b>

As at 31 December 2023, our total trade payables stood at RM11.9 million, with RM9.4 million or 79.7% of our trade payables exceeding the normal credit period. Subsequent to 31 December 2023 and up to LPD, we have paid RM9.5 million, representing 79.8% of the total trade payables as at 31 December 2023.

As at the LPD, we have outstanding trade payables of RM2.4 million, out of which RM0.4 million is within the normal credit period as at 31 December 2023. The remaining RM2.0 million represents 16.8% of our trade payables as at 31 December 2023, which comprises mainly the following:

- (a) RM0.9 million owing to a trade creditor, of which our Group is in the midst of arranging a settlement arrangement to settle the outstanding balance;
- (b) RM0.6 million owing to a trade creditor, with the said amount set to be fully settled on an instalment basis by third quarter of 2024; and
- (c) RM0.5 million owing to a trade creditor in relation to scaffolding components purchased from the said supplier, which required further rework and fabrication from our end. The outstanding amount has been mutually agreed to be settled upon the completion of the reworking and fabrication process.

As at LPD, we do not have any disputes in respect of our trade payables and there are no legal proceedings initiated to demand payment from us.

**11. FINANCIAL INFORMATION (cont'd)****11.4.3 Inventory turnover**

Our inventories comprise mainly the raw materials and work-in-progress steel coils as well as finished goods for our roofing sheets and trusses, industrial racking systems, welded pipes and supply of scaffoldings. Our average inventory turnover (days) for the Period Under Review is set out below:

	<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>
Opening inventories				
- Raw materials	26,689	16,921	47,735	49,443
- Work-in-progress	6,267	7,087	23,504	15,294
- Finished goods	15,128	19,783	23,766	21,490
	<u>48,084</u>	<u>43,791</u>	<u>95,005</u>	<u>86,227</u>
Closing inventories				
- Raw materials	16,921	47,735	49,443	49,249
- Work-in-progress	7,087	23,504	15,294	14,244
- Finished goods	19,783	23,766	21,490	23,220
	<u>43,791</u>	<u>95,005</u>	<u>86,227</u>	<u>86,713</u>
Average inventories				
- Raw materials	21,805	32,328	48,589	49,346
- Work-in-progress	6,677	15,296	19,399	14,769
- Finished goods	17,456	21,775	22,628	22,355
	<u>45,938</u>	<u>69,398</u>	<u>90,616</u>	<u>86,470</u>
Cost of sales	105,607	170,267	179,781	195,405
Average inventory turnover (days)				
- Raw materials	76	69	99	92
- Work-in-progress	23	33	39	28
- Finished goods	60	47	46	42
	<u>159</u>	<u>149</u>	<u>184</u>	<u>162</u>

The inventories consist of raw materials, work-in-progress, and finished goods. As most of the raw materials (i.e. steel coils) require a delivery lead time of 6 to 8 weeks upon the order being placed, we maintain a stock holding policy for raw materials of at least 8 to 12 weeks. The average inventory turnover for FYE 2020, 2021, 2022 and 2023 was 159 days, 149 days, 184 days and 162 days, respectively.

Our inventory turnover period decreased from 159 days for FYE 2020 to 149 days for FYE 2021, mainly attributable to the improvement in our order fulfilment for our roofing sheets whereby the Group was able to fulfil the orders received at a shorter turnaround period as a result of more machines deployed for the production. In addition, the rising trend of steel prices throughout FYE 2021 has led to a significant increase in the cost of sales of 61.2% for FYE 2021, which is higher than the increase in average inventories of 51.1%, thus leading to the decrease in inventory turnover period.

Our inventory turnover period for FYE 2022 increased to 184 days, mainly contributed by the higher average inventories for FYE 2022 due to higher opening inventories as we purchase more raw materials towards end of FYE 2021 anticipating higher demands from our customers. In addition, there was also a postponement in the production of industrial racking systems for our US customer, which was pending the settlement of outstanding balances before the fulfilment of the outstanding purchase orders. The purchase orders had been received during FYE 2021 which was scheduled to be fulfilled progressively during FYE 2022. However, due to the postponement in the production of industrial racking systems, the inventories amounted to



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

RM9.4 million remained as closing inventories as at 31 December 2022. The raw materials for these purchase orders were purchased during the second half of FYE 2021. Upon settlement of the outstanding balances, the said outstanding purchase orders for industrial racking systems have been fulfilled in the first quarter of 2023. The higher closing inventory from raw materials for FYE 2022 was due to the purchase of more raw materials towards the end of FYE 2022 in anticipation of higher demand from our customers.

Our inventory turnover period for FYE 2023 decreased to 162 days, mainly due to the fulfilment of the outstanding purchase orders in relation to the industrial racking systems for our US customer. The decrease in inventory turnover period for FYE 2023 was also contributed by the higher purchases of ready-to use scaffoldings parts and components during FYE 2023, which reduced the production time required, thus resulting in a lower inventory turnover period.

We review our inventories on a product-by-product and ageing basis during periodic stock count and we make allowance for damaged, obsolete and slow-moving inventories, when necessary. Management estimates the net realisable value for such inventory items based primarily on the current market conditions.

During the Period Under Review and up to LPD, our Group do not have any inventories written down and provision for obsolescence.

**11.4.4 Current ratio**

Our current ratio throughout the Period Under Review is as follows:

	<b>Audited</b>			
	<b>As at 31 December</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	93,538	176,109	149,634	179,676
Current liabilities	63,737	140,814	106,756	114,263
<b>Net current assets</b>	<b>29,801</b>	<b>35,295</b>	<b>42,878</b>	<b>65,413</b>
Current ratio (times)	1.47	1.25	1.40	1.58

Our current ratio ranges from 1.25 times to 1.58 times for the Period Under Review. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our fixed deposits and bank balances, are enough to meet immediate current liabilities.

**11.4.5 Gearing ratio**

Our gearing ratio throughout the Period Under Review is as follows:

	<b>Audited</b>			
	<b>As at 31 December</b>			
	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings <sup>(1)</sup>	81,662	153,226	136,222	138,637
Total equity	83,443	106,306	118,682	155,700
Gearing ratio (times)	0.98	1.44	1.15	0.89

**Note:**

- (1) Computed based on total interest-bearing borrowings over total equity as at the end of each financial year.

## **11. FINANCIAL INFORMATION (cont'd)**

Our gearing ratio ranges from 0.98 times to 1.44 times throughout the Period Under Review. We recorded a higher gearing ratio of 1.44 times as at 31 December 2021 as compared to 0.98 times as at 31 December 2022 mainly due to higher outstanding bankers' acceptances as at 31 December 2021 as a result of higher purchases of raw materials in anticipation of the higher sales volume in early FYE 2022.

Our gearing ratio decreased to 1.15 times as at 31 December 2022 mainly due to repayments of borrowings coupled with the improved total equity arising from the profit generated during FYE 2022.

Our gearing ratio decreased from 1.40 times in FYE 2022 to 0.89 times in FYE 2023, mainly due to the additional issuance of shares resulting from the capitalisation of amount owing to a director.

### **11.5 TREND INFORMATION**

Based on our track record for the Period Under Review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (a) during the Period Under Review, our manufacture of sheet metal products and supply of scaffoldings segments have been the main revenue contributors for our business. We expect that these two segments will continue contributing significantly to our revenue in the future;
- (b) during the Period Under Review, our revenue is derived from both local and export sales. We expect this trend to continue in the future;
- (c) the main components of our cost of sales are materials costs. Moving forward, our cost of sales is expected to fluctuate in tandem with our revenue levels. Our cost of sales is dependent on amongst others, the availability and price fluctuation of raw materials; and
- (d) we achieved a GP margin of 19.3%, 23.5%, 23.9% and 20.6% for FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively. We expect to maintain our GP margin within the same range in the future. This would depend on, amongst others, our continued ability to manage our costs efficiently.

As at LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations, other than those discussed in this section, Sections 6 and 8 of this Prospectus;
- (b) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in this section, Sections 6 and 8 of this Prospectus;
- (c) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in this section, Sections 8 and 12 of this Prospectus;
- (d) material commitments for capital expenditure as set out in Section 11.3.4 of this Prospectus; and

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

- (e) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 6.5.15 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the sheet metal products industry as set out in the Industry Overview in Section 7 of this Prospectus, our Group's competitive strengths as set out in Section 6.5.6 of this Prospectus and our business strategies and plans as set out in Section 6.6 of this Prospectus.

**11.6 ORDER BOOK**

Our revenue for roofing sheets, roof trusses, industrial racking systems, welded pipes, sales of scaffoldings and trading of steel materials and steel related products are generated by way of purchase orders from our customers on an ongoing basis.

Commonly, we deliver the roofing sheets and trusses, and welded pipes within the next business day from the receipt of purchase order. As our industrial racking systems are manufactured upon the receipt of purchase orders, the finished products will be delivered to our customers between 4 to 8 weeks depending on the size of the purchase order, from the receipt of purchase orders.

Only 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. Typically, the contract period ranges from 6 months to 9 months. However, in some cases, we have contracts for up to 2 years.

For rental of scaffoldings, we will enter into a rental agreement with our customers commonly with a minimum rental period of 3 months. The rental period may be extended upon expiry and there is no maximum rental period.

As at the LPD, our total secured order for roof trusses amounted to RM8.8 million as summarised below:

Total secured orders	Total secured orders up to the LPD	Revenue recognition		
		FYE 2024	FYE 2025	FYE 2026
	RM'million	RM'million	RM'million	RM'million
Roof trusses under projects	8.8	8.5	0.3	-

**11.7 DIVIDENDS**

As our Company is an investment holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require their financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us.

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

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board. Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities, including companies with trading of shares as their principal activity). No withholding tax is imposed on the above transactions.

During the Period Under Review and up to LPD, we have declared and paid the following dividend:

	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>Up to LPD</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividends declared and paid	220	1,600	11,135	3,000	-

All dividends were paid using internally generated funds and our Group confirms that there will be no further dividends to be declared/paid up to the completion of our Listing. Our Board does not foresee that dividends paid during the Period Under Review would affect the execution and implementation of our future plans or business strategies moving forward.

**11.8 SIGNIFICANT CHANGES**

There are no other significant changes since FYE 2023, being our most recent financial statements, which may have a material effect on the financial position and results of our Group.

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## 11. FINANCIAL INFORMATION (cont'd)

### 11.9 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness as at 30 April 2024 and after adjusting for the effects of the Acquisitions and IPO.

	<b>Unaudited</b> <sup>(1)</sup> As at 30 <b>April 2024</b> <b>RM'000</b>	<b>After I and IPO</b> <b>RM'000</b>
<b>Capitalisation</b>		
Invested equity/Share capital	146,092	200,499
<b>Total capitalisation</b>	<b>146,092</b>	<b>200,499</b>
<b>Indebtedness</b>		
<b>Current</b>		
<b>Secured and guaranteed</b>		
Bank overdrafts	632	632
Bankers' acceptances	79,733	79,733
Revolving credit	1,000	1,000
Term loans	5,364	5,364
Lease liabilities owing to financial institutions	2,166	2,166
<b>Unsecured</b>		
Lease liabilities owing to non-financial institutions	1,327	1,327
<b>Non-current</b>		
<b>Secured and guaranteed</b>		
Term loans	55,560	51,560
Lease liabilities owing to financial institutions	4,909	4,909
<b>Unsecured</b>		
Lease liabilities owing to non-financial institutions	1,801	1,801
<b>Total indebtedness</b>	<b>152,492</b>	<b>148,492</b>
<b>Total capitalisation and indebtedness</b>	<b>298,584</b>	<b>348,991</b>
<b>Gearing ratio (times)<sup>(2)</sup></b>	<b>1.04</b>	<b>0.74</b>

#### Notes:

(1) The Acquisitions have been completed on 2 April 2024.

(2) Calculated based on total indebtedness divided by total capitalisation.

## 12. ACCOUNTANTS' REPORT



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Jalan Sultan Ahmad Shah  
10050 Penang  
Malaysia  
SST No: P11-1809-32000112

The Board of Directors  
BWYS Group Berhad  
Lot 1571, Jalan Serunai  
Kawasan Perindustrian Valdor  
Mukim 12  
14200 Sungai Bakap  
Pulau Pinang

Date: 24 May 2024

Dear Sir/Madam

**Reporting Accountants' Opinion on the Combined Financial Information Contained in the Accountants' Report ("this report") of BWYS Group Berhad ("BWYS" or "the Company")**

### Opinion

We have audited the combined financial information of BWYS and its combining entities as defined in Note 2 (collectively referred to as the "Group") which comprise the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 of the Group, and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and notes to the combined financial statements, including material accounting policy information as set out in this report (collectively referred to herein as "the Combined Financial Statements").

The combined financial statements have been prepared for inclusion in the prospectus of the Company ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing"). This report is given for the purposes of complying with the ACE Market Listing requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad, the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and of their financial performance and their cash flows for each of the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and IFRS Accounting Standards.

### Basis for Opinion

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

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



**Reporting Accountants' Opinion on the Combined Financial Information Contained in the Accountants' Report ("this report") of BWYS Group Berhad ("BWYS" or "the Company") (continued)**

### *Independence and Other Ethical Responsibilities*

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

### **Directors' Responsibility for the Combined Financial Statements**

The Directors of the Company are responsible for the preparation of the combined financial statements that gives a true and fair view in accordance with MFRSs and IFRS Accounting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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



### Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

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

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

### Other Matters

This report has been prepared solely to comply with Appendix 3B, Part A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. As such, this report should not be used for any other purpose without our prior written consent. We do not assume responsibility to any other person for the content of this report.

BDO PLT  
201906000013 (LLP0018825-LCA) & AF 0206  
Chartered Accountants

Koay Theam Hock  
02141/04/2025 J  
Chartered Accountant

Penang  
Dated: 24 May 2024



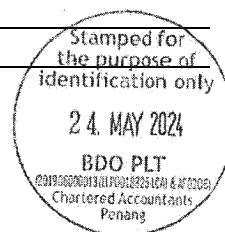
**12. ACCOUNTANTS' REPORT (cont'd)**

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT****COMBINED STATEMENTS OF FINANCIAL POSITION**

The audited combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below:

	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	6	79,797	123,595	130,293	136,761
Right-of-use assets	7	14,928	16,486	18,830	21,361
Other investments	8	10,154	10,263	-	-
		<u>104,879</u>	<u>150,344</u>	<u>149,123</u>	<u>158,122</u>
<b>Current assets</b>					
Inventories	9	43,791	95,005	86,227	86,713
Trade and other receivables	10	43,463	56,212	45,495	62,726
Current tax assets		635	1,044	3,085	4,633
Cash and bank balances	11	5,649	23,848	14,827	25,604
		<u>93,538</u>	<u>176,109</u>	<u>149,634</u>	<u>179,676</u>
<b>TOTAL ASSETS</b>		<u><b>198,417</b></u>	<u><b>326,453</b></u>	<u><b>298,757</b></u>	<u><b>337,798</b></u>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the common controlling shareholders of the Group</b>					
Invested equity	12	7,988	7,988	7,988	30,357
Reserves	13	75,106	98,318	110,694	125,343
		<u>83,094</u>	<u>106,306</u>	<u>118,682</u>	<u>155,700</u>
Non-controlling interests		349	-	-	-
<b>TOTAL EQUITY</b>		<u><b>83,443</b></u>	<u><b>106,306</b></u>	<u><b>118,682</b></u>	<u><b>155,700</b></u>



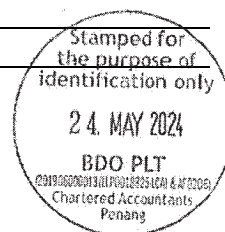
**12. ACCOUNTANTS' REPORT (cont'd)**

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

**ACCOUNTANTS' REPORT****COMBINED STATEMENTS OF FINANCIAL POSITION (continued)**

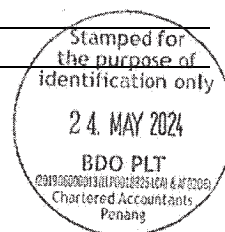
The audited combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below (continued):

	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Other payables	14	4,069	4,069	-	-
Borrowings	15	42,893	69,136	63,228	57,367
Lease liabilities	7	3,079	3,665	4,707	6,099
Deferred tax liabilities	16	1,196	2,463	5,384	4,369
		<u>51,237</u>	<u>79,333</u>	<u>73,319</u>	<u>67,835</u>
<b>Current liabilities</b>					
Trade and other payables	14	28,026	58,767	34,593	33,012
Borrowings	15	34,563	78,904	65,886	71,824
Lease liabilities	7	1,127	1,521	2,401	3,347
Provisions	17	-	1,474	1,474	987
Current tax liabilities		21	148	2,402	5,093
		<u>63,737</u>	<u>140,814</u>	<u>106,756</u>	<u>114,263</u>
<b>TOTAL LIABILITIES</b>		<u>114,974</u>	<u>220,147</u>	<u>180,075</u>	<u>182,098</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>198,417</u>	<u>326,453</u>	<u>298,757</u>	<u>337,798</u>



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

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

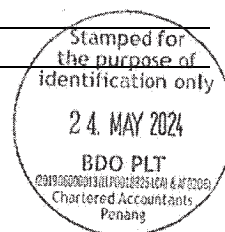
**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

The audited combined statements of profit or loss and other comprehensive income for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below:

	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	18	130,864	222,435	236,231	246,078
Cost of sales		(105,607)	(170,267)	(179,781)	(195,405)
Gross profit		25,257	52,168	56,450	50,673
Other operating income		2,763	9,060	13,181	13,268
Impairment losses on trade and other receivables, net	10	(589)	(2,865)	(1,111)	(1,322)
Administrative and distribution expenses		(17,864)	(24,330)	(29,589)	(31,558)
Finance costs	19	(4,266)	(4,431)	(5,478)	(6,732)
Profit before tax		5,301	29,602	33,453	24,329
Tax expense	21	(1,990)	(4,763)	(9,942)	(6,680)
Profit for the financial years		3,311	24,839	23,511	17,649
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income for the financial years		3,311	24,839	23,511	17,649
Profit attributable to common controlling shareholders of the Group		3,421	24,839	23,511	17,649
Non-controlling interests		(110)	-	-	-
		3,311	24,839	23,511	17,649
Total comprehensive income, attributable to the common controlling shareholders of the Group		3,421	24,839	23,511	17,649
Non-controlling interests		(110)	-	-	-
		3,311	24,839	23,511	17,649
Earnings per ordinary share attributable to common controlling shareholders of the Group					
Basic and diluted (sen)	22	0.3	2.4	2.3	1.7

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

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

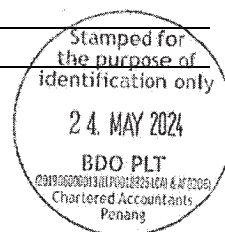
The audited combined statements of changes in equity for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below:

	Note	Invested equity RM'000	Retained earnings RM'000	Total attributable to common controlling shareholders of the Group RM'000	Non-controlling interests RM'000	Total Equity RM'000
<b>Balance as at 1 January 2020</b>		7,988	71,685	79,673	679	80,352
Profit for the financial year		-	3,421	3,421	(110)	3,311
Other comprehensive income, net of tax		-	-	-	-	-
<b>Total comprehensive income</b>		-	3,421	3,421	(110)	3,311
<b>Transaction with common controlling shareholders and NCI:</b>						
Dividend paid to non-controlling interests ("NCI")		-	-	-	(220)	(220)
<b>Balance as at 31 December 2020</b>		<u>7,988</u>	<u>75,106</u>	<u>83,094</u>	<u>349</u>	<u>83,443</u>
<b>Balance as at 1 January 2021</b>		7,988	75,106	83,094	349	83,443
Profit for the financial year		-	24,839	24,839	-	24,839
Other comprehensive income, net of tax		-	-	-	-	-
<b>Total comprehensive income</b>		-	24,839	24,839	-	24,839
<b>Transaction with common controlling shareholders and NCI:</b>						
Dividend	23	-	(1,600)	(1,600)	-	(1,600)
Acquisition of shares from non-controlling interests		-	(27)	(27)	(349)	(376)
<b>Balance as at 31 December 2021</b>		<u>7,988</u>	<u>98,318</u>	<u>106,306</u>	<u>-</u>	<u>106,306</u>

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

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY (continued)**



The audited combined statements of changes in equity for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below (continued):

	Note	Invested equity RM'000	Retained earnings RM'000	Total attributable to common controlling shareholders of the Group RM'000	Non-controlling interests RM'000	Total equity RM'000
<b>Balance as at 1 January 2022</b>		7,988	98,318	106,306	-	106,306
Profit for the financial year		-	23,511	23,511	-	23,511
Other comprehensive income, net of tax		-	-	-	-	-
<b>Total comprehensive income</b>		-	23,511	23,511	-	23,511
<b>Transaction with common controlling shareholders:</b>						
Dividend	23	-	(11,135)	(11,135)	-	(11,135)
<b>Balance as at 31 December 2022</b>		<b>7,988</b>	<b>110,694</b>	<b>118,682</b>	<b>-</b>	<b>118,682</b>
<b>Balance as at 1 January 2023</b>		7,988	110,694	118,682	-	118,682
Profit for the financial year		-	17,649	17,649	-	17,649
Other comprehensive income, net of tax		-	-	-	-	-
<b>Total comprehensive income</b>		-	17,649	17,649	-	17,649
<b>Transaction with common controlling shareholders:</b>						
Dividend	23	-	(3,000)	(3,000)	-	(3,000)
Issuance of ordinary shares	12	22,369	-	22,369	-	22,369
<b>Balance as at 31 December 2023</b>		<b>30,357</b>	<b>125,343</b>	<b>155,700</b>	<b>-</b>	<b>155,700</b>

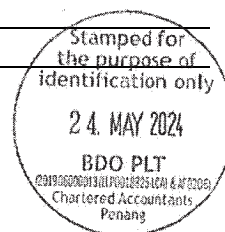
**12. ACCOUNTANTS' REPORT (cont'd)**

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS**

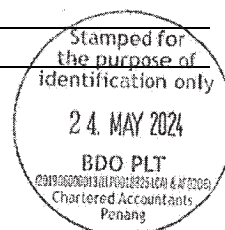
The audited combined statements of cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below:

	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit before tax		5,301	29,602	33,453	24,329
Adjustments for:					
Bad debts written off		27	1,793	145	399
Bad debts recovered		(18)	(13)	(177)	(97)
Depreciation of:					
- property, plant and equipment	6	4,431	5,446	6,621	7,600
- right-of-use assets	7	1,071	1,191	1,952	2,813
Dividend income from other investments		-	(6,890)	-	-
Impairment loss on:					
- other investments		69	-	-	-
- trade and other receivables	10	629	2,875	1,728	3,294
Interest expenses	19	4,266	4,431	5,478	6,732
Interest income		(681)	(295)	(443)	(780)
Gain on lease termination	7(a)	*	(2)	(22)	(3)
Gain on disposal of other investments		-	-	(1,287)	-
Gain on disposal of property, plant and equipment		(360)	(19)	(4,290)	(4,785)
Reversal of impairment losses on trade and other receivables	10	(40)	(10)	(617)	(1,972)
Unrealised loss/(gain) on foreign exchange		26	192	464	(774)
Provision/(Reversal) for legal claims	17	-	1,474	-	(486)
Waiver of debts		-	-	(3,189)	(3,708)
Written off of property, plant and equipment	6	1,429	636	1,464	1,567
Operating profit before changes in working capital		16,150	40,411	41,280	34,129
Changes in working capital:					
Inventories		393	(51,213)	(4,744)	(10,125)
Trade and other receivables		101	(17,398)	9,630	(18,779)
Trade and other payables		(6,546)	36,143	(23,699)	25,193
Cash generated from operations		10,098	7,943	22,467	30,418



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

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

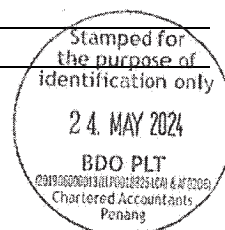
**COMBINED STATEMENTS OF CASH FLOWS (continued)**

The audited combined statements of cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below (continued):

	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (continued)</b>					
Cash generated from operations		10,098	7,943	22,467	30,418
Tax paid		(2,000)	(3,778)	(6,810)	(7,368)
Tax refunded		-	-	1	816
<b>Net cash from operating activities</b>		<b>8,098</b>	<b>4,165</b>	<b>15,658</b>	<b>23,866</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Addition in other investments	8	-	(109)	-	-
Acquisition of shares from non-controlling interests	5	-	(376)	-	-
Dividend received from other investments		-	6,890	-	-
Interest received		681	295	443	780
Purchase of:					
- property, plant and equipment	6(b)	(6,408)	(20,490)	(3,892)	(7,632)
- right-of-use assets	7(d)	(246)	(509)	(380)	(144)
Proceeds from disposal of:					
- other investments		-	-	11,550	-
- property, plant and equipment		1,823	379	7,022	6,447
- right-of-use assets		207	-	-	-
<b>Net cash (used in)/from investing activities</b>		<b>(3,943)</b>	<b>(13,920)</b>	<b>14,743</b>	<b>(549)</b>

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

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS (continued)**

The audited combined statements of cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below (continued):

	Note	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Dividend paid					
- common controlling shareholders	23	-	(1,600)	(11,135)	(3,000)
- non-controlling interests		(220)	-	-	-
Drawdown of:					
- bankers' acceptances		85,354	162,613	181,789	220,327
- revolving credit		-	1,000	-	-
- term loans		8,000	-	-	-
Interest paid		(4,082)	(4,113)	(5,101)	(6,308)
Repayment of:					
- bankers' acceptances		(92,899)	(118,812)	(196,463)	(211,919)
- revolving credit		(1,000)	-	-	-
- term loans		(4,226)	(2,216)	(6,050)	(5,284)
- lease liabilities	7	(967)	(1,576)	(2,450)	(3,309)
Repayment to related parties		(331)	(5,591)	(1,810)	-
Net changes in deposits with licensed banks		3,569	(3,742)	(3,126)	(10,112)
Net cash (used in)/from financing activities		(6,802)	25,963	(44,346)	(19,605)
Net changes in cash and cash equivalents		(2,647)	16,208	(13,945)	3,712
Effects of exchange rate changes on cash and cash equivalents		(10)	*	*	*
Cash and cash equivalents at beginning of financial years		2,801	144	16,352	2,407
Cash and cash equivalents at end of financial years	11(f)	144	16,352	2,407	6,119

\* Less than RM1,000



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

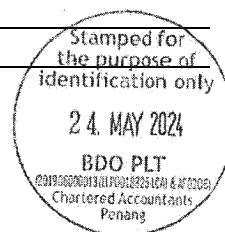
**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS (continued)**

The audited combined statements of cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 are set out below (continued):

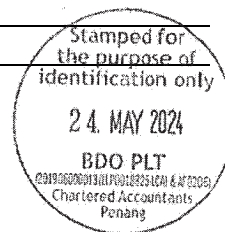
**Reconciliation of Liabilities Arising from Financing Activities**

	Lease liabilities (Note 7) RM'000	Amount owing to related parties (Note 14) RM'000	Borrowings (excluded bank overdraft) (Note 15) RM'000
Balance as at 1 January 2020	2,378	7,732	78,748
Cash flows	(967)	(331)	(4,771)
Non-cash flows:			
Additions	2,630	-	-
Lease termination	(19)	-	-
Unwinding of interest (Note 7)	184	-	-
Balance as at 31 December 2020	<u>4,206</u>	<u>7,401</u>	<u>73,977</u>
Balance as at 1 January 2021	4,206	7,401	73,977
Cash flows	(1,576)	(5,591)	42,585
Non-cash flows:			
Additions	2,295	-	29,750
Lease termination	(57)	-	-
Unwinding of interest (Note 7)	318	-	-
Balance as at 31 December 2021	<u>5,186</u>	<u>1,810</u>	<u>146,312</u>
Balance as at 1 January 2022	5,186	1,810	146,312
Cash flows	(2,450)	(1,810)	(20,724)
Non-cash flows:			
Additions	4,233	-	-
Lease termination	(238)	-	-
Unwinding of interest (Note 7)	377	-	-
Balance as at 31 December 2022	<u>7,108</u>	<u>-</u>	<u>125,588</u>
Balance as at 1 January 2023	7,108	-	125,588
Cash flows	(3,309)	-	3,124
Non-cash flows:			
Additions	4,878	-	-
Lease modification	358	-	-
Lease termination	(13)	-	-
Unwinding of interest (Note 7)	424	-	-
Balance as at 31 December 2023	<u>9,446</u>	<u>-</u>	<u>128,712</u>



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

**BWYS GROUP BERHAD**  
(Incorporated in Malaysia)



### NOTES TO THE COMBINED FINANCIAL STATEMENTS 31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

#### 1. CORPORATE INFORMATION

The Company was incorporated in Malaysia under the Companies Act 2016 on 4 January 2023 as a public limited liability company.

The registered office of the Company is located at Level 5, Tower 8, Avenue 5, Horizon 2, Bangsar South City, 59200 Kuala Lumpur, Wilayah Persekutuan.

The principal place of business of the Company is located at Lot 1571, Jalan Serunai, Kawasan Perindustrian Valdor, Mukim 12, 14200 Sungai Bakap, Pulau Pinang.

These combined financial statements for the financial years ended are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Company. All financial information presented in RM has been rounded to the nearest thousand, unless otherwise stated.

The Company is an investment holding company. The principal activities of the combining entities are set out in Note 5 to the combined financial statements.

#### 2. BASIS OF PREPARATION

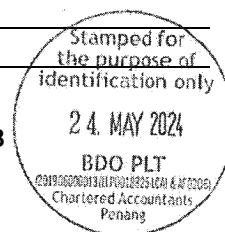
The combined financial statements have been prepared pursuant to the listing exercise of the Company on the ACE Market of Bursa Malaysia Securities Berhad (hereinafter defined as "the Listing").

The combined financial statements consist of the financial statements of the Company and its combining entities as disclosed in Note 5 to the combined financial statements, which were under common control of Kang Beng Hai throughout the reporting periods. The common control of the Group has been established by virtue of Kang Beng Hai being the Director, major shareholder and promoter of the Group.

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

The financial information as presented in the combined financial statements may not correspond with the consolidated financial statements of the Group, after incorporating/effecting the relevant acquisitions. Consequently, such financial information from the combined financial statements does not purport to predict the financial positions, results of operations and cash flows of the combining entities.

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

**12. ACCOUNTANTS' REPORT (cont'd)****NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023****2. BASIS OF PREPARATION (continued)**

The financial statements for the financial year ended 31 December 2020 of all combining entities and the financial statements for the financial year ended 31 December 2021 of BWYS Sdn. Bhd. were re-audited by BDO PLT for the purpose of inclusion in the prospectus in connection with the Listing and should not be relied upon for any other purpose.

The combined financial statements of the Group are prepared using the audited financial statements of the respective companies within the Group for the relevant financial years and their auditors are as follows:

Company	Relevant Financial Years	Auditors
BWYS Group Berhad	Financial period from 4 January 2023 (Date of Incorporation) to 31 December 2023	BDO PLT
BW Yee Seng Steel Industries Sdn. Bhd.	Financial year ended ("FYE") 31 December 2020 FYE 31 December 2021 FYE 31 December 2022 FYE 31 December 2023	KFF PLT BDO PLT BDO PLT BDO PLT
BW Yee Seng (Timur) Sdn. Bhd.	FYE 31 December 2020 FYE 31 December 2021 FYE 31 December 2022 FYE 31 December 2023	KFF PLT BDO PLT BDO PLT BDO PLT
BW Scaffold Industries Sdn. Bhd.	FYE 31 December 2020 FYE 31 December 2021 FYE 31 December 2022 FYE 31 December 2023	KFF PLT BDO PLT BDO PLT BDO PLT
BWYS Sdn. Bhd.*	FYE 31 December 2020 FYE 31 December 2021 FYE 31 December 2022 FYE 31 December 2023	KFF PLT KFF PLT BDO PLT BDO PLT
YS Success Industries Sdn. Bhd.	FYE 31 December 2020 FYE 31 December 2021 FYE 31 December 2022 FYE 31 December 2023	KFF PLT BDO PLT BDO PLT BDO PLT
YS Global Industries Sdn. Bhd.	FYE 31 December 2020 FYE 31 December 2021 FYE 31 December 2022 FYE 31 December 2023	KFF PLT BDO PLT BDO PLT BDO PLT

\* Formerly known as YHTJ Services Sdn. Bhd. and BWYS Services Sdn. Bhd.

There were no audited financial statements for BWYS Group Berhad for the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 as the Company was incorporated on 4 January 2023.

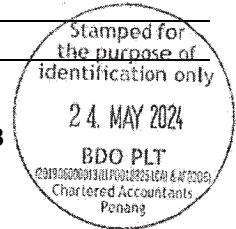
The audited financial statements of all the companies within the Group for the Relevant Financial Years reported above were not subject to any qualification, modification or disclaimer.

The financial information of this Report is based on the respective audited financial statements of the Group with applicable appropriate adjustments and reclassifications made for the purpose of this Report.

All information, including the combined financial statements, have been extracted from the audited financial statements of the Group during the relevant reporting periods.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 3. MATERIAL ACCOUNTING POLICY INFORMATION

#### 3.1 Basis of accounting

The combined financial statements have been prepared under the historical cost convention except as otherwise stated in the combined financial statements.

The preparation of the combined financial statements in conformity with MFRSs and IFRS Accounting Standards requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. The Directors are also required to exercise their judgement in the process of applying the accounting policies. The areas involving such judgements, estimates and assumptions are disclosed in Note 4 to the combined financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results could differ from these estimates.

#### 3.2 Basis of combination

The combined financial statements consist of the financial statements of the Company and the combining entities which are under common control as disclosed in Note 5 to the combined financial statements. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) Power over the investee;
- (b) Exposure, or rights, to variable returns from its investment with the investee; and
- (c) The ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) The contractual arrangement with the other vote holders of the investee;
- (b) Rights arising from other contractual agreements; and
- (c) The voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated on consolidation. The combined financial statements reflect external transactions only.

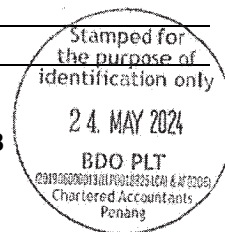
##### 3.2.1 Business combinations under common control

Business combination involving entities under common control are accounted for by applying the merger method of accounting. The assets and liabilities of the merger entities are reflected at their carrying amounts reported in the individual combined financial statements.

In a business combination under common control, any differences between the cost of the merger and the share capital of the 'acquired' entity are reflected within equity as reorganisation debit reserve.

The combined statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full financial period and the comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

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



**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.2.2 Business combinations not under common control**

Business combinations not under common control are accounted for applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and
- (c) Assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. Measurement period adjustments to contingent consideration are dealt with as follows:

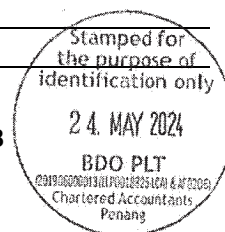
- (a) If the contingent consideration is classified as equity, it is not remeasured and settlement is accounted for within equity; and
- (b) Subsequent changes to contingent consideration classified as an asset or liability that is a financial instrument within the scope of MFRS 9 *Financial Instruments* are recognised either in profit or loss or in other comprehensive income in accordance with MFRS 9. All other subsequent changes are recognised in profit or loss.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at fair value. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the combined statements of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

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



NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.3 Property, plant and equipment and depreciation**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

After initial recognition, property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses, if any.

Depreciation is calculated to write down the cost of the assets to their residual values on a straight-line basis over their estimated useful lives. The principal depreciation periods used are as follows:

Buildings	50 - 69 years
Plant and machinery	5 - 10 years
Motor vehicles	5 - 10 years
Furniture, fittings and office equipment	2 - 12 years
Electrical fittings, equipment and renovation	8 - 10 years
Equipment for rent	10 years

Freehold land has unlimited useful life and is not depreciated.

Capital work-in-progress represents building under construction and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.6 to the combined financial statements on impairment of non-financial assets).

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

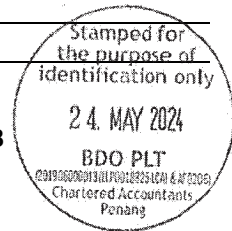
The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

**3.4 Right-of-use assets and lease liabilities**

The Group as lessor

The Group classified its leases as either operating leases or finance leases. Leases where the Group retains substantially all the risks and rewards of ownership of the leased assets are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income.

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



NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.4 Right-of-use assets and lease liabilities (continued)**

The Group as lessor (continued)

If the Group transfers substantially all the risks and rewards incidental to ownership of the leased assets, leases are classified as finance leases and are capitalised at an amount equal to the net investment in the lease.

The Group as lessee

The Group recognises a right-of-use asset and a lease liability at the commencement date of the contract for all leases excluding short-term leases or leases for which the underlying asset is of low value, conveying the right to control the use of an identified asset for a period of time.

The Group determines the lease term as the non-cancellable period of a lease, together with both:

- (a) Period covered by an option to the extend the lease if the lease is reasonably certain to exercise that options; and
- (b) Periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

In assessing whether a lessee is reasonably certain to exercise an option to extend a lease, or not to exercise an option to terminate a lease, the Group considers all relevant facts and circumstances that create economic incentive for the lessee to exercise the option to extend the lease, not to exercise the option to terminate the lease. The Group revises the lease term if there is a change in the non-cancellable period of a lease.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low-value assets of RM20,000 and below. Short-term leases are leases with a lease term of twelve (12) months or less. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

***Right-of-use asset***

The right-of-use assets are initially recorded at cost, which comprises:

- (i) The amount of the initial measurement of the lease liability;
- (ii) Any lease payments made at or before the commencement date of the lease, less any lease incentives received;
- (iii) Any initial direct costs incurred by the Group; and
- (iv) An estimate of costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the lessor.

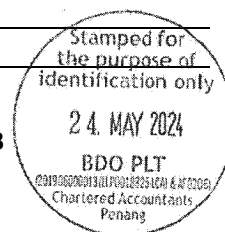
Subsequent to the initial recognition, the right-of-use assets are measured at cost less any accumulated depreciation and accumulated impairment losses, and adjusted for any remeasurement of the lease liability.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Leasehold land	50 - 69 years
Motor vehicles	5 years
Plant and machinery	5 - 10 years
Premises	2 - 5 years

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)****3.4 Right-of-use assets and lease liabilities (continued)*****Lease liability***

The lease liability is initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the incremental borrowing rate of the Group. Subsequent to the initial recognition, the Group measures the lease liability by increasing the carrying amount to reflect interest on the lease liability, reducing the carrying amount to reflect lease payments made, and remeasuring the carrying amount to reflect any reassessment or lease modifications or to reflect revised in-substance fixed lease payments.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales, if any, are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

**3.5 Investments in subsidiaries**

A subsidiary is an entity in which the Group and the Company are exposed, or have rights, to variable returns from its involvement with the subsidiary and have the ability to affect those returns through its power over the subsidiary.

An investment in subsidiary, which is eliminated on consolidation, is stated in the separate financial statements of the Company at cost less impairment loss, if any. Investments accounted for at cost shall be accounted for in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* when they are classified as held for sale (or included in a disposal group that is classified as held for sale) in accordance with MFRS 5.

When control of a subsidiary is lost as a result of a transaction, event or other circumstance, the Group would derecognise all assets, liabilities and non-controlling interests at their carrying amount and to recognise the fair value of the consideration received. Any retained interest in the former subsidiary is recognised at its fair value at the date control is lost. The resulting difference is recognised as a gain or loss in profit or loss.

**3.6 Impairment of non-financial assets**

The carrying amount of assets, except for financial assets (excluding investments in subsidiaries), inventories and deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs.

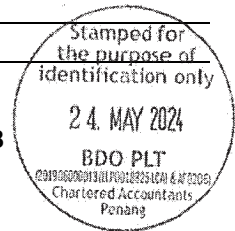
The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted. An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.



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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.6 Impairment of non-financial assets (continued)

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

#### 3.7 Inventories

Inventories are determined using first-in, first-out method and stated at the lower of cost and estimated selling price less costs to complete and sell.

The cost comprises all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of conversion includes cost directly related to the units of production, and a proportion of fixed production overheads based on normal capacity of the production facilities.

Inventories are assessed for impairment at the end of each reporting period by comparing the carrying amount of each item of inventory with its selling price less costs to complete and sell. If inventory is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

#### 3.8 Financial instruments

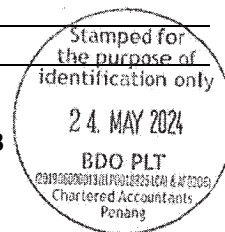
A financial instrument is any contract that gives rise to a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, an equity instrument of another enterprise, a contractual right to receive cash or another financial asset from another enterprise, or a contractual right to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially favourable to the Group.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or a contractual obligation to exchange financial assets or financial liabilities with another enterprise under conditions that are potentially unfavourable to the Group.

Financial instruments are recognised on the combined statements of financial position when the Group has become a party to the contractual provisions of the instrument. At initial recognition, a financial instrument is recognised at fair value plus, in the case of a financial instrument not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issuance of the financial instrument.

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



NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.8 Financial instruments (continued)**

(a) Financial assets

When financial assets are initially recognised, they are measured at fair value, plus, in the case of financial assets not at Fair Value Through Profit or Loss (“FVTPL”), directly attributable transaction costs.

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets at amortised cost

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of impairment losses, if any.

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income (“FVTOCI”), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms of financial assets which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

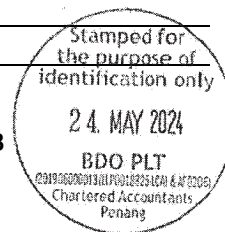
Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from changes in the fair value of financial assets measured at fair value through other comprehensive income are recognised directly in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group had elected an irrevocable option to designate its equity instruments not held for trading other than investments in subsidiaries at initial recognition as financial assets measured at FVTPL.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

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



NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.8 Financial instruments (continued)**

(a) Financial assets (continued)

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities measured at FVTPL or financial liabilities measured at amortised cost.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

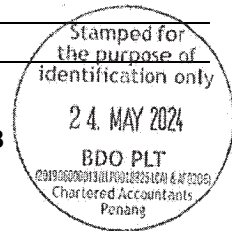
Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss except for when the Group's own credit risk increases or decreases and which is recognised in other comprehensive income. Net gains or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

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



NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.8 Financial instruments (continued)**

(b) Financial liabilities (continued)

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution.

On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

(d) Financial guarantee contract liabilities

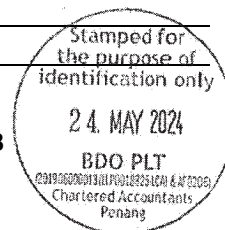
A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contract liabilities are measured initially at their fair values and, if not designated as at FVTPL and do not arise from a transfer of an asset, are measured subsequently at the higher of:

- (i) the amount of the loss allowance determined in accordance with MFRS 9 *Financial instruments*; or
- (ii) the amount initially recognised less cumulative amortisation, where appropriate.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.9 Impairment of financial assets

The Group recognises an impairment loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

The Group recognises allowance for impairment losses for trade receivables based on the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

The Group recognises allowance for impairment losses for other receivables based on the three-stage general approach within MFRS 9 using the forward-looking expected credit loss model.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets other than trade receivables by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group considers historical credit loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

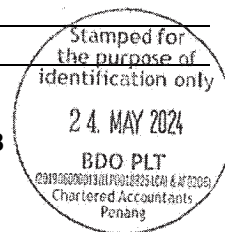
#### 3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

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



**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)**

**3.11 Income taxes**

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties, if any.

Taxes in the combined statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits and real property gains taxes payable on disposal of properties, if any.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

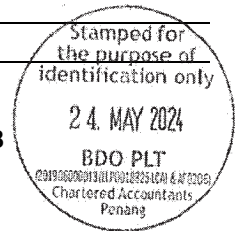
- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax related to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government which have the substantive effect of actual enactment by the end of each reporting period.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

#### 3.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

#### 3.14 Employee benefits

##### (a) Short term employee benefits

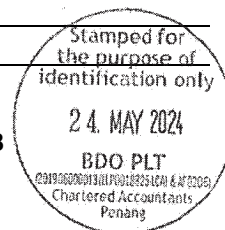
Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.14 Employee benefits (continued)

(b) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

#### 3.15 Revenue recognition

(a) Sale of goods

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below:

- (i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue at the point in time.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable.

Revenue from sale of goods is recognised when the Group satisfies a performance obligation by transferring a promised good to a customer. An asset is transferred as and when the customer obtains control of that asset, which coincides with the delivery of goods and services and acceptance by customers.

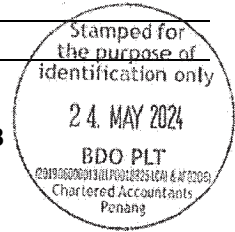
(b) Rental of equipment

Rental income from equipment for rent are recognised on a straight-line basis over the term of lease.



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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.15 Revenue recognition (continued)

(c) Other income

(i) Interest income

Interest income is recognised as it accrues, using the effective interest method.

(ii) Dividend income

Dividend income is recognised when right to receive payment is established.

#### 3.16 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

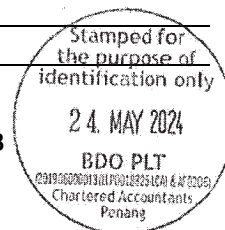
- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
  - (i) The combined reported profit of all operating segments that did not report a loss; and
  - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 3. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

#### 3.17 Earnings per share

(a) Basic

Basic earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to common controlling shareholders of the Group by the expected number of ordinary shares of the Company upon completion of the Listing.

(b) Diluted

Diluted earnings per share for the financial year is calculated by dividing the profit for the financial year attributable to common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company upon completion of the Listing, adjusted for the effects of dilutive potential ordinary shares.

#### 3.18 Fair value measurements

The fair value of an asset or a liability (except for lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

## 4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

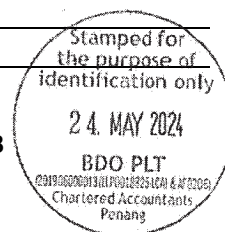
### 4.1 Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Directors are of the opinion that there are no significant changes in estimates at the end of the reporting period.

### 4.2 Critical judgements made in applying accounting policies

There are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)****4.3 Key sources of estimation uncertainty**

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

Impairment of trade receivables

The Group exercises significant judgements in determining the probability of default by trade receivables as well as the use of appropriate forward-looking information.

**5. COMBINING ENTITIES**

Name of combining entities	Effective interest in equity				Principal activities
	2020 %	2021 %	2022 %	2023 %	
BW Yee Seng Steel Industries Sdn. Bhd. ("BWYS Steel")	100	100	100	100	Manufacture of sheet metal products, and trading of steel materials and steel related products
BW Scaffold Industries Sdn. Bhd. ("BW Scaffold")	100	100	100	100	Sales and rental of scaffoldings
BW Yee Seng (Timur) Sdn. Bhd. ("BWYS Timur")	100	100	100	100	Manufacture of sheet metal products, and trading of steel materials and steel related products
BWYS Sdn. Bhd. ("BWYSSB")	100	100	100	100	Rental of scaffoldings
YS Success Industries Sdn. Bhd. ("YS Success")	100	100	100	100	Manufacture of industrial racking systems and welded pipes, and trading of steel materials and steel related products
YS Global Industries Sdn. Bhd. * ("YS Global")	80	100	100	100	Manufacture of industrial racking systems

\* *Subsidiary of YS Success*

The country of incorporation and principal place of business of the above entities is in Malaysia.

On 31 March 2021, YS Success had completed the acquisition of remaining 20% equity interest in YS Global Industries Sdn. Bhd. ("YS Global") for a total consideration of RM375,834 by cash. Accordingly, YS Global became a wholly owned subsidiary of YS Success.

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**6. PROPERTY, PLANT AND EQUIPMENT**

**31 December 2020**

At cost	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Electrical fittings, equipment and renovation RM'000	Equipment for rent RM'000	Capital work-in-progress RM'000	Total RM'000
Balance as at 1 January	14,456	43,139	15,839	3,516	3,394	1,739	12,749	372	95,204
Additions	-	1,138	981	311	138	290	3,550	-	6,408
Transfer from right-of-use assets (Note 7)	-	-	1,421	-	-	-	-	-	1,421
Transfer from inventories	-	-	-	-	-	-	3,663	-	3,663
Disposals	-	-	-	(569)	(4)	-	(1,473)	-	(2,046)
Written off	-	-	(8)	-	-	-	(2,127)	-	(2,135)
Balance as at 31 December	14,456	44,277	18,233	3,258	3,528	2,029	16,362	372	102,515
<b>Accumulated depreciation</b>									
Balance as at 1 January	-	3,082	8,708	2,768	2,268	772	1,413	-	19,011
Current charge	-	775	1,497	287	258	184	1,430	-	4,431
Transfer from right-of-use assets (Note 7)	-	-	565	-	-	-	-	-	565
Disposals	-	-	-	(434)	(2)	-	(147)	-	(583)
Written off	-	-	(3)	-	-	-	(703)	-	(706)
Balance as at 31 December	-	3,857	10,767	2,621	2,524	956	1,993	-	22,718
<b>Carrying amount</b>									
Balance as at 31 December	14,456	40,420	7,466	637	1,004	1,073	14,369	372	79,797



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Electrical fittings, equipment and renovation RM'000	Equipment for rent RM'000	Capital work-in- progress RM'000	Total RM'000
<b>31 December 2021</b>									
<b>At cost</b>									
Balance as at 1 January	14,456	44,277	18,233	3,258	3,528	2,029	16,362	372	102,515
Additions	16,500	19,841	4,406	1,012	462	826	6,090	1,103	50,240
Disposals	-	-	(299)	(349)	(13)	-	-	-	(661)
Written off	-	-	-	-	-	-	(772)	-	(772)
Balance as at 31 December	30,956	64,118	22,340	3,921	3,977	2,855	21,680	1,475	151,322
<b>Accumulated depreciation</b>									
Balance as at 1 January	-	3,857	10,767	2,621	2,524	956	1,993	-	22,718
Current charge	-	960	1,787	242	284	239	1,934	-	5,446
Disposals	-	-	-	(297)	(4)	-	-	-	(301)
Written off	-	-	-	-	-	-	(136)	-	(136)
Balance as at 31 December	-	4,817	12,554	2,566	2,804	1,195	3,791	-	27,727
<b>Carrying amount</b>									
Balance as at 31 December	30,956	59,301	9,786	1,355	1,173	1,660	17,889	1,475	123,595



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Electrical fittings, equipment and renovation RM'000	Equipment for rent RM'000	Capital work-in- progress RM'000	Total RM'000
<b>31 December 2022</b>									
<b>At cost</b>									
Balance as at 1 January	30,956	64,118	22,340	3,921	3,977	2,855	21,680	1,475	151,322
Additions	-	485	1,278	-	437	744	797	151	3,892
Transfer from right-of-use assets (Note 7)	-	-	-	537	-	-	-	-	537
Transfer from inventories	-	-	-	-	-	-	13,522	-	13,522
Disposals	-	-	(88)	(332)	-	-	(4,108)	-	(4,528)
Written off	-	-	-	-	-	-	(2,287)	-	(2,287)
Balance as at 31 December	30,956	64,603	23,530	4,126	4,414	3,599	29,604	1,626	162,458
<b>Accumulated depreciation</b>									
Balance as at 1 January	-	4,817	12,554	2,566	2,804	1,195	3,791	-	27,727
Current charge	-	1,173	1,917	266	321	281	2,663	-	6,621
Transfer from right-of-use assets (Note 7)	-	-	-	436	-	-	-	-	436
Disposals	-	-	(10)	(180)	-	-	(1,606)	-	(1,796)
Written off	-	-	-	-	-	-	(823)	-	(823)
Balance as at 31 December	-	5,990	14,461	3,088	3,125	1,476	4,025	-	32,165
<b>Carrying amount</b>									
Balance as at 31 December	30,956	58,613	9,069	1,038	1,289	2,123	25,579	1,626	130,293



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

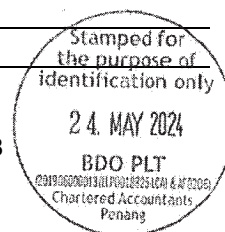
**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

	Freehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture, fittings and office equipment RM'000	Electrical fittings, equipment and renovation RM'000	Equipment for rent RM'000	Capital work-in-progress RM'000	Total RM'000
<b>31 December 2023</b>									
<b>At cost</b>									
Balance as at 1 January	30,956	64,603	23,530	4,126	4,414	3,599	29,604	1,626	162,458
Additions	-	742	4,261	-	532	1,252	845	-	7,632
Transfer from right-of-use assets (Note 7)	-	-	-	792	-	-	-	-	792
Transfer from inventories	-	-	-	-	-	-	10,920	-	10,920
Transfer to inventories	-	-	-	-	-	-	(1,385)	-	(1,385)
Disposals	-	-	-	(300)	(6)	-	(3,313)	-	(3,619)
Reclassification	-	-	1,626	-	-	-	-	(1,626)	-
Written off	-	(95)	(95)	(44)	-	(54)	(1,467)	-	(1,755)
Balance as at 31 December	30,956	65,250	29,322	4,574	4,940	4,797	35,204	-	175,043
<b>Accumulated depreciation</b>									
Balance as at 1 January	-	5,990	14,461	3,088	3,125	1,476	4,025	-	32,165
Current charge	-	1,185	2,022	243	357	371	3,422	-	7,600
Transfer from right-of-use assets (Note 7)	-	-	-	766	-	-	-	-	766
Transfer to inventories	-	-	-	-	-	-	(104)	-	(104)
Disposals	-	-	-	(300)	(5)	-	(1,652)	-	(1,957)
Written off	-	(9)	(64)	(44)	-	(9)	(62)	-	(188)
Balance as at 31 December	-	7,166	16,419	3,753	3,477	1,838	5,629	-	38,282
<b>Carrying amount</b>									
Balance as at 31 December	30,956	58,084	12,903	821	1,463	2,959	29,575	-	136,761



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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**6. PROPERTY, PLANT AND EQUIPMENT (continued)**

- (a) The Group has pledged the following property, plant and equipment to licensed banks to secure banking facilities granted to the Group as disclosed in Note 15 to the combined financial statements:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Carrying amount</b>				
Freehold land	14,456	30,956	30,956	30,956
Buildings	40,302	59,210	58,524	58,084
	<u>54,758</u>	<u>90,166</u>	<u>89,480</u>	<u>89,040</u>

- (b) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Purchase of property, plant and equipment	6,408	50,240	3,892	7,632
Financed by banking facility	-	(29,750)	-	-
	<u>6,408</u>	<u>20,490</u>	<u>3,892</u>	<u>7,632</u>

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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES**

**The Group as lessee**

**Right-of-use assets**

	Balance as at		Disposals RM'000	Lease termination		Depreciation RM'000	Transfer to property, plant and equipment (Note 6) RM'000	Balance as at 31.12.2020 RM'000
	1.1.2020 RM'000	Additions RM'000		RM'000	RM'000			
Carrying amount	10,500	-	-	-	(161)	-	10,339	
Leasehold land	1,137	368	(207)	-	(310)	-	988	
Motor vehicles	2,010	2,418	-	-	(388)	(856)	3,184	
Plant and machinery	558	90	-	(19)	(212)	-	417	
Premises	14,205	2,876	(207)	(19)	(1,071)	(856)	14,928	

	Balance as at		Additions RM'000	Lease termination		Depreciation RM'000	Balance as at 31.12.2021 RM'000
	1.1.2021 RM'000	1.1.2021 RM'000		RM'000	RM'000		
Carrying amount	10,339	-	-	-	(161)	10,178	
Leasehold land	988	1,790	-	-	(467)	2,311	
Motor vehicles	3,184	395	-	-	(280)	3,299	
Plant and machinery	417	619	(55)	(55)	(283)	698	
Premises	14,928	2,804	(55)	(55)	(1,191)	16,486	



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

**The Group as lessee (continued)**

**Right-of-use assets (continued)**

	Balance as at		Lease		Depreciation	Transfer to property, plant and equipment (Note 6) RM'000	Balance as at 31.12.2022 RM'000
	1.1.2022 RM'000	Additions RM'000	termination RM'000	RM'000			
Carrying amount							
Leasehold land	10,178	-	-	-	(160)	-	10,018
Motor vehicles	2,311	2,605	-	-	(695)	(101)	4,120
Plant and machinery	3,299	-	-	-	(332)	-	2,967
Premises	698	2,008	(216)	(765)	(765)	-	1,725
	16,486	4,613	(216)	(1,952)	(1,952)	(101)	18,830

	Balance as at		Lease		Depreciation	Transfer to property, plant and equipment (Note 6) RM'000	Balance as at 31.12.2023 RM'000
	1.1.2023 RM'000	Additions RM'000	modification RM'000	termination RM'000			
Carrying amount							
Leasehold land	10,018	-	-	-	(161)	-	9,857
Motor vehicles	4,120	1,199	-	-	(1,057)	(26)	4,236
Plant and machinery	2,967	2,614	-	-	(477)	-	5,104
Premises	1,725	1,209	358	(10)	(1,118)	-	2,164
	18,830	5,022	358	(10)	(2,813)	(26)	21,361



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

**The Group as lessee (continued)**

Lease liabilities

	Balance as at 1.1.2020 RM'000	Additions RM'000	Lease termination RM'000	Lease payments RM'000	Interest expense (Note 19) RM'000	Balance as at 31.12.2020 RM'000
Carrying amount						
Motor vehicles	928	312	-	(296)	45	989
Plant and machinery	881	2,229	-	(431)	100	2,779
Premises	569	89	(19)	(240)	39	438
	<u>2,378</u>	<u>2,630</u>	<u>(19)</u>	<u>(967)</u>	<u>184</u>	<u>4,206</u>

	Balance as at 1.1.2021 RM'000	Additions RM'000	Lease termination RM'000	Lease payments RM'000	Interest expense (Note 19) RM'000	Balance as at 31.12.2021 RM'000
Carrying amount						
Motor vehicles	989	1,317	-	(520)	73	1,859
Plant and machinery	2,779	359	-	(734)	193	2,597
Premises	438	619	(57)	(322)	52	730
	<u>4,206</u>	<u>2,295</u>	<u>(57)</u>	<u>(1,576)</u>	<u>318</u>	<u>5,186</u>



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

**The Group as lessee (continued)**

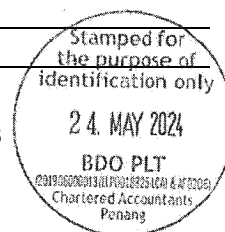
**Lease liabilities (continued)**

	Balance as at 1.1.2022 RM'000	Additions RM'000	Lease termination RM'000	Lease payments RM'000	Interest expense (Note 19) RM'000	Balance as at 31.12.2022 RM'000
<b>Carrying amount</b>						
Motor vehicles	1,859	2,225	-	(771)	117	3,430
Plant and machinery	2,597	-	-	(832)	133	1,898
Premises	730	2,008	(238)	(847)	127	1,780
	5,186	4,233	(238)	(2,450)	377	7,108

	Balance as at 1.1.2023 RM'000	Additions RM'000	Lease modification RM'000	Lease termination RM'000	Lease payments RM'000	Interest expense (Note 19) RM'000	Balance as at 31.12.2023 RM'000
<b>Carrying amount</b>							
Motor vehicles	3,430	1,020	-	-	(1,175)	191	3,466
Plant and machinery	1,898	2,649	-	-	(910)	109	3,746
Premises	1,780	1,209	358	(13)	(1,224)	124	2,234
	7,108	4,878	358	(13)	(3,309)	424	9,446



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



**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

The Group as lessee (continued)

**Lease liabilities (continued)**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Represented by:				
Current liabilities	1,127	1,521	2,401	3,347
Non-current liabilities	3,079	3,665	4,707	6,099
	<u>4,206</u>	<u>5,186</u>	<u>7,108</u>	<u>9,446</u>
Lease liabilities owing to financial institutions	3,768	4,455	5,328	7,212
Lease liabilities owing to non-financial institutions	438	731	1,780	2,234
	<u>4,206</u>	<u>5,186</u>	<u>7,108</u>	<u>9,446</u>

(a) The following are the amounts recognised in profit or loss:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Depreciation of right-of-use assets				
- included in cost of sales	601	564	1,351	2,109
- included in administrative and distribution expenses	470	627	601	704
Expense relating to short-term leases				
- included in cost of sales	509	477	535	794
- included in administrative and distribution expenses	38	18	92	61
Expense relating to low-value assets				
- included in administrative and distribution expenses	22	3	4	26
Interest expense on lease liabilities				
- included in finance costs	184	318	377	424
Gain on lease termination	*	2	22	3
	<u>1,824</u>	<u>2,009</u>	<u>2,982</u>	<u>4,121</u>

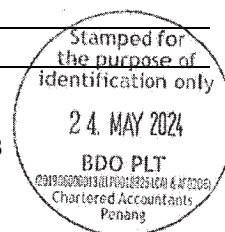
(b) At the end of the financial year, the total cash outflow of the Group for leases are as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Included in net cash from operating activities:				
Payments relating to:				
- short-term lease	547	495	627	855
- low-value assets	22	3	4	26
Interest paid in relation to lease liabilities	184	318	377	424
Included in net cash (used in)/from financing activities:				
- Repayment of leases liabilities	967	1,576	2,450	3,309
	<u>1,720</u>	<u>2,392</u>	<u>3,458</u>	<u>4,614</u>

\* Less than RM1,000

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**7. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (continued)**

The Group as lessee (continued)

- (c) The Group has certain leases of assets with lease term of twelve (12) months or less and low value leases of equipment of RM20,000 and below. The Group apply the “short-term lease” and “lease of low-value assets” exemptions for these leases.
- (d) During the financial year, the Group made the following cash payments to purchase right-of-use assets:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Purchase of right-of-use assets	2,876	2,804	4,613	5,022
Financed by lease liabilities	<u>(2,630)</u>	<u>(2,295)</u>	<u>(4,233)</u>	<u>(4,878)</u>
Cash payment on purchase of right-of-use assets	<u>246</u>	<u>509</u>	<u>380</u>	<u>144</u>

- (e) The leasehold land of the Group with carrying amount of RM9,856,935 (2022: RM10,017,734; 2021: RM10,178,532; 2020: RM10,339,330) has been pledged to a licensed bank for banking facilities granted to the Group as disclosed in Note 15 to the financial statements.
- (f) Information on financial risks of lease liabilities is disclosed in Note 29 to the combined financial statements.

**8. OTHER INVESTMENTS**

Other investments comprised unquoted ordinary shares of Visage Industries Sdn. Bhd. (“Visage Industries”), Visage R&D Sdn. Bhd. (“Visage R&D”) and Eco High Formwork Sdn. Bhd. (“Eco High”) at cost.

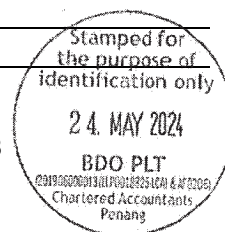
The company, Visage R&D was acquired by BW Yee Seng Steel Industries (“BWYS Steel”) during FYE 2016, for a total cash consideration of RM1.

The company, Visage Industries was acquired by BWYS Steel during financial year ended (“FYE”) 2017 for a total cash consideration of RM10,000,000.

The company, Eco High was acquired by BWYS Steel during FYE 2019, for a total cash consideration of RM481,415. On 23 March 2021, BWYS Steel had additionally acquired 225,500 ordinary shares in Eco High for a total consideration of RM108,707.

The financial position, financial performance and cash flows of Visage Industries, Visage R&D and Eco High had been carved out from the combined financial statements because BWYS Steel had disposed the entire equity interest of Visage R&D, Visage Industries and Eco High on 19 August 2021, 18 July 2022 and 8 December 2022 respectively.

The disposal consideration for Visage R&D, Visage Industries and Eco High were RM1, RM11,134,502 and RM414,959 respectively.

**12. ACCOUNTANTS' REPORT (cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**9. INVENTORIES**

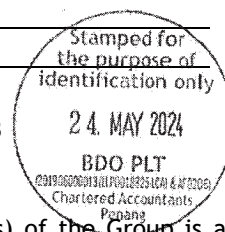
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>At cost</b>				
Raw materials	16,921	47,735	49,443	49,249
Work-in-progress	7,087	23,504	15,294	14,244
Finished goods	19,783	23,766	21,490	23,220
	<u>43,791</u>	<u>95,005</u>	<u>86,227</u>	<u>86,713</u>

During the financial year, inventories of the Group recognised as cost of sales amounted to RM160,828,630 (2022: RM158,288,819 2021: RM140,374,779; 2020: RM85,675,025).

**10. TRADE AND OTHER RECEIVABLES**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Trade receivables</b>				
Third parties	30,663	36,452	39,991	53,715
Related parties	2,302	1,316	576	739
	<u>32,965</u>	<u>37,768</u>	<u>40,567</u>	<u>54,454</u>
Less: Impairment loss				
- third parties	(795)	(3,306)	(4,417)	(4,634)
- related parties	(4)	-	-	-
	<u>32,166</u>	<u>34,462</u>	<u>36,150</u>	<u>49,820</u>
<b>Other receivables</b>				
Third parties	8,686	19,902	6,812	9,916
Amount owing by related parties	230	25	-	-
Deposits	1,075	158	728	543
	<u>9,991</u>	<u>20,085</u>	<u>7,540</u>	<u>10,459</u>
Less: Impairment loss	(10)	-	-	-
	<u>9,981</u>	<u>20,085</u>	<u>7,540</u>	<u>10,459</u>
<b>Total receivables</b>	<u>42,147</u>	<u>54,547</u>	<u>43,690</u>	<u>60,279</u>
Prepayments	1,316	1,665	1,805	2,447
	<u>43,463</u>	<u>56,212</u>	<u>45,495</u>	<u>62,726</u>

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 30 to 90 days. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Amount owing by related parties in other receivables are unsecured, interest-free and payable within next twelve (12) months or upon demand in cash and cash equivalents.

**12. ACCOUNTANTS' REPORT (cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**10. TRADE AND OTHER RECEIVABLES (continued)**

- (d) The currency exposure profile of total receivables (excluding prepayments) of the Group is as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Ringgit Malaysia	38,037	54,162	43,690	53,085
United States Dollar	3,575	385	-	7,194
Thai Baht	535	-	-	-
	<u>42,147</u>	<u>54,547</u>	<u>43,690</u>	<u>60,279</u>

- (e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ("ECL").

The Group uses an allowance matrix to measure the ECL of trade receivables from past due ageing. Expected loss rates are determined by the probability of the non-collection from the trade receivables multiplied by the amount of the expected loss arising from default. Trade receivables have been grouped based on shared credit risk characteristics - the days past due.

During the process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (producer price index, industrial production index and inflation rate) affecting the ability of the customers to settle the receivables and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables.

For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the combined statements of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

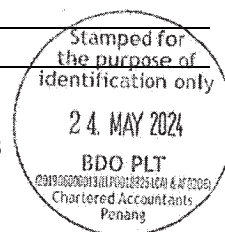
Credit impaired allowance refer to individually determined debtors who have adverse changes in the financial capability and default or significant delay in payments as at the end of the reporting period. The Group considers trade receivables to be in default when there is no reasonable expectation of recovery.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

Expected loss allowance for trade receivables are as follows:

	Gross carrying amount RM'000	Impairment losses RM'000	Total RM'000
<b>31 December 2020</b>			
Current	21,785	2	21,783
1 to 30 days	4,076	2	4,074
31 to 60 days	680	1	679
61 to 90 days	367	1	366
More than 90 days	5,689	425	5,264
Credit impaired - Individually impaired	368	368	-
	<u>32,965</u>	<u>799</u>	<u>32,166</u>
<b>31 December 2021</b>			
Current	16,372	276	16,096
1 to 30 days	8,397	275	8,122
31 to 60 days	2,480	108	2,372
61 to 90 days	3,005	141	2,864
More than 90 days	6,223	1,215	5,008
Credit impaired - Individually impaired	1,291	1,291	-
	<u>37,768</u>	<u>3,306</u>	<u>34,462</u>



**12. ACCOUNTANTS' REPORT (cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**10. TRADE AND OTHER RECEIVABLES (continued)**

(e) (continued)

Expected loss allowance for trade receivables are as follows (continued):

	Gross carrying amount RM'000	Impairment losses RM'000	Total RM'000
<b>31 December 2022</b>			
Current	22,324	168	22,156
1 to 30 days	1,171	44	1,127
31 to 60 days	3,983	219	3,764
61 to 90 days	2,784	239	2,545
More than 90 days	9,114	2,556	6,558
Credit impaired - Individually impaired	1,191	1,191	-
	<u>40,567</u>	<u>4,417</u>	<u>36,150</u>
<b>31 December 2023</b>			
Current	25,707	205	25,502
1 to 30 days	8,767	171	8,596
31 to 60 days	5,548	186	5,362
61 to 90 days	2,675	161	2,514
More than 90 days	9,731	1,885	7,846
Credit impaired - Individually impaired	2,026	2,026	-
	<u>54,454</u>	<u>4,634</u>	<u>49,820</u>

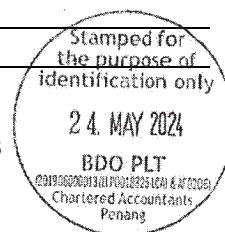
During the financial year, the Group did not renegotiate the terms of any trade receivables.

(f) Movements in the impairment allowance for trade receivables based on simplified approach are as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Lifetime ECL allowance</b>				
Balance as at 1 January	220	799	3,306	4,417
Charge for the financial year	619	2,875	1,728	3,294
Reversal of impairment losses	(40)	-	(617)	(1,972)
Written off	-	(368)	-	(1,105)
Balance as at 31 December	<u>799</u>	<u>3,306</u>	<u>4,417</u>	<u>4,634</u>

(g) Impairment for other receivables are recognised based on the general approach within MFRS 9 *Financial Instruments* using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial assets. For those in which the credit risk has not increased significantly since initial recognition of the financial assets, twelve (12) months expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. At the end of the reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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



**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**10. TRADE AND OTHER RECEIVABLES (continued)**

(g) (continued)

The probability of non-payment by other receivables are adjusted by forward-looking information (producer price index, industrial production index and inflation rate) and multiplied by the amount of the expected loss arising from default to determine the twelve (12) months or lifetime expected credit loss for other receivables.

The Group defined significant increase in credit risk based on payment trends and operational performance of other receivables.

It requires management to exercise significant judgement in determining the probability of default by other receivables, appropriate forward-looking information and significant increase in credit risk.

Movements in the impairment allowance for other receivables based on general approach are as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Lifetime ECL allowance</b>				
Balance as at 1 January	-	10	-	-
Charge for the financial year	10	-	-	-
Reversal of impairment losses	-	(10)	-	-
Balance as at 31 December	10	-	-	-

(h) Information on financial risks of trade and other receivables is disclosed in Note 29 to the combined financial statements.

**11. CASH AND BANK BALANCES**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash and bank balances	3,623	18,080	5,933	6,598
Deposits with licensed banks	2,026	5,768	8,894	19,006
	<u>5,649</u>	<u>23,848</u>	<u>14,827</u>	<u>25,604</u>

(a) Cash and bank balances are classified as financial assets measured at amortised cost.

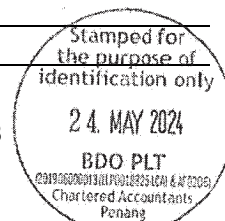
(b) The currency exposure profile of cash and bank balances is as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Ringgit Malaysia	5,552	22,508	14,791	25,538
United States Dollar	23	1,339	36	66
Singapore Dollar	74	1	*	*
Euro	*	*	*	*
	<u>5,649</u>	<u>23,848</u>	<u>14,827</u>	<u>25,604</u>

(c) The effective interest rate of deposits with licensed banks of the Group are 2.25% to 2.95% (2022: 1.80% to 2.60%; 2021: 1.80% to 3.25%; 2020: 2.00% to 3.25%) per annum.

\* Less than RM1,000

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



**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**11. CASH AND BANK BALANCES (continued)**

- (d) Deposits with licensed banks of the Group amounting to RM19,006,293 (2022: RM8,894,290; 2021: RM5,768,018; 2020: RM2,025,866) have been pledged to a bank as securities for the credit facilities granted as disclosed in Note 15 to the combined financial statements.
- (e) No expected credit loss is recognised arising from cash and bank balances because the probability of default of these financial institutions is negligible.
- (f) For the purpose of the combined statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

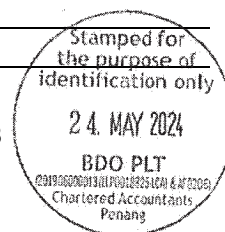
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash and bank balances	3,623	18,080	5,933	6,598
Deposits with licensed banks	2,026	5,768	8,894	19,006
As per combined statements of financial position	5,649	23,848	14,827	25,604
Less:				
Deposits pledged to a licensed bank	(2,026)	(5,768)	(8,894)	(19,006)
Bank overdraft (Note 15)	(3,479)	(1,728)	(3,526)	(479)
As per combined statements of cash flows	144	16,352	2,407	6,119

- (g) Information on financial risks of cash and bank balances is disclosed in Note 29 to the combined financial statements.

**12. INVESTED EQUITY**

For the purpose of these combined financial statements, the invested equity as at 31 December 2023 is the aggregate of the share capital of the other combining entities, namely BWYS Group Berhad and its subsidiaries.

	Number of ordinary shares	Amount RM'000
<b>31 December 2020</b>		
<b>Issued and fully paid up with no par value:</b>		
Balance as at 1 January/31 December	7,988	7,988
<b>31 December 2021</b>		
<b>Issued and fully paid up with no par value:</b>		
Balance as at 1 January/31 December	7,988	7,988
<b>31 December 2022</b>		
<b>Issued and fully paid up with no par value:</b>		
Balance as at 1 January/31 December	7,988	7,988
<b>31 December 2023</b>		
<b>Issued and fully paid up with no par value:</b>		
Balance as at 1 January	7,988	7,988
Issuance of ordinary shares	117,734	22,369
Balance as at 31 December	125,722	30,357

**12. ACCOUNTANTS' REPORT (cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**12. INVESTED EQUITY (continued)**

On 4 January 2023, BWYS incorporated with 1 issued and fully paid-up ordinary shares of RM1 by way of cash.

On 14 August 2023, the issued and fully paid-up ordinary shares of the Group were increased from 7,988,001 to 125,722,001 by way of issuance of 117,734,000 new ordinary shares at an issue price of RM0.19 each pursuant to capitalisation of amount owing to a Director of RM22,369,460. The new ordinary shares issued ranked pari passu in all respects with the existing ordinary shares of the Group.

The common controlling shareholders of the combining entities are entitled to receive dividends as and when declared by the Group and is entitled to one (1) vote per ordinary share at meetings of the Group. All ordinary shares rank pari passu with regard to the residual assets of the Group.

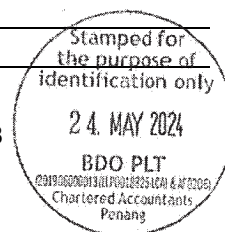
**13. RESERVES**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Distributable:</b>				
Retained earnings	75,106	98,318	110,694	125,343

**14. TRADE AND OTHER PAYABLES**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Non-current</b>				
<b>Other payables</b>				
Amount owing to a Director	4,069	4,069	-	-
<b>Current</b>				
<b>Trade payables</b>				
Third parties	3,330	19,628	10,087	11,837
Amount owing to related parties	947	4,695	466	21
	4,277	24,323	10,553	11,858
<b>Other payables</b>				
Third parties	3,962	8,015	6,605	7,359
Accruals	4,124	13,862	3,350	6,682
Deposits received	1,927	2,588	5,815	7,113
Amount owing to a Director	4,201	4,201	8,270	-
Amount owing to related parties	9,535	5,778	-	-
	23,749	34,444	24,040	21,154
	28,026	58,767	34,593	33,012
<b>Total trade and other payables</b>	32,095	62,836	34,593	33,012

- (a) Total payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 30 to 120 days.
- (c) The amount owing to related parties are unsecured, interest free and repayable within next twelve (12) months or upon demand in cash and cash equivalents, except for amount of RM Nil (2022: RM Nil; 2021: RM1,809,983; 2020: RM7,401,433) is subject to interest of 7% (2022: 7%; 2021: 7%; 2020: 7%).
- (d) In the previous financial years, the amount owing to a Director was unsecured, interest-free, and repayable within next twelve (12) months or upon demand in cash and cash equivalents.

**12. ACCOUNTANTS' REPORT (cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**14. TRADE AND OTHER PAYABLES (continued)**

(e) The currency exposure profile of trade and other payables is as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Ringgit Malaysia	31,915	51,732	29,377	32,397
United States Dollar	180	11,104	5,216	615
	<u>32,095</u>	<u>62,836</u>	<u>34,593</u>	<u>33,012</u>

(f) Information on financial risks of trade and other payables and their maturity is disclosed in Note 29 to the combined financial statements.

**15. BORROWINGS**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Current liabilities</b>				
<i>Secured</i>				
Bank overdrafts (Note 11(f))	3,479	1,728	3,526	479
Bankers' acceptances	27,502	71,303	56,629	65,038
Revolving credit	-	1,000	1,000	1,000
Term loans	3,582	4,873	4,731	5,307
	<u>34,563</u>	<u>78,904</u>	<u>65,886</u>	<u>71,824</u>
<b>Non-current liability</b>				
<i>Secured</i>				
Term loans	42,893	69,136	63,228	57,367
	<u>42,893</u>	<u>69,136</u>	<u>63,228</u>	<u>57,367</u>
<b>Total borrowings</b>				
<i>Secured</i>				
Bank overdrafts (Note 11(f))	3,479	1,728	3,526	479
Bankers' acceptances	27,502	71,303	56,629	65,038
Revolving credit	-	1,000	1,000	1,000
Term loans	46,475	74,009	67,959	62,674
	<u>77,456</u>	<u>148,040</u>	<u>129,114</u>	<u>129,191</u>

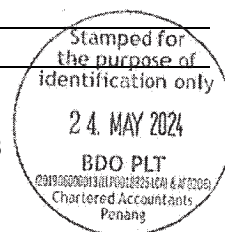
(a) Borrowings are classified as financial liabilities measured at amortised cost.

(b) All borrowings are denominated in Ringgit Malaysia.

(c) The borrowings of the Group are secured by way of:

- (i) legal charge over certain freehold land, leasehold land and buildings of the Group as disclosed in Note 6 and 7 to the combined financial statements;
- (ii) pledging of the Group's fixed deposits as disclosed in Note 11(d) to the combined financial statements;
- (iii) corporate guarantee from related parties and all the Directors of the Group;
- (iv) jointly and several guarantee by the Directors of the Group;
- (v) corporate guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad; and
- (vi) Credit Guarantee Corporation Malaysia Berhad (CGC)'s guarantee under BizJamin Special Relief Facility.

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



**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**15. BORROWINGS (continued)**

- (d) The carrying amounts of borrowings are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced at market interest rates on or near the end of the reporting period. Fair value of the borrowings of the Group is categorised as Level 2 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.
- (e) Information on financial risks of borrowings and their maturity is disclosed in Note 29 to the combined financial statements.

**16. DEFERRED TAX LIABILITIES**

Deferred tax liabilities is made up of the following:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Balance as at 1 January	1,184	1,196	2,463	5,384
Recognised in profit or loss (Note 21):				
- relating to origination and reversal of temporary differences	(41)	1,473	755	(1,282)
- under/(over)provision in prior years	53	(206)	2,166	267
Balance as at 31 December	<u>1,196</u>	<u>2,463</u>	<u>5,384</u>	<u>4,369</u>
<b>Subject to income tax:</b>				
Deferred tax liabilities				
Property, plant and equipment	<u>1,196</u>	<u>2,463</u>	<u>5,384</u>	<u>4,369</u>

**17. PROVISION**

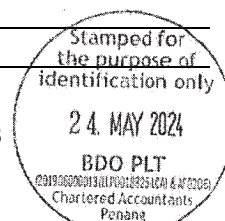
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Provision for legal claims	-	1,474	1,474	987

The provision is in respect of legal claims brought against the Group by customers. In the opinion of the Directors, after taking appropriate legal advice, the outcomes of these legal claims are not expected to give rise to any significant loss beyond the amounts provided as at 31 December 2023. The details of the legal claims has been disclosed in Note 31 to the financial statements.

**18. REVENUE**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<i>Revenue from contracts with customers</i>				
Sales of goods	123,730	211,547	224,958	225,124
<i>Other revenue</i>				
Rental of equipment	7,134	10,888	11,273	20,954
	<u>130,864</u>	<u>222,435</u>	<u>236,231</u>	<u>246,078</u>
<b>Timing of revenue recognition:</b>				
<i>Revenue from contracts with customers</i>				
Point in time	<u>123,730</u>	<u>211,547</u>	<u>224,958</u>	<u>223,122</u>

*Disaggregation of revenue from contracts with customers*

**12. ACCOUNTANTS' REPORT (cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**18. REVENUE (continued)**

Revenue from contracts with customers is disaggregated in the table below by primary geographical market.

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Geographical market</b>				
Malaysia	128,790	203,657	226,324	235,363
United States of America	-	17,975	9,907	10,136
Others	2,074	803	-	579
	<u>130,864</u>	<u>222,435</u>	<u>236,231</u>	<u>246,078</u>

**19. FINANCE COSTS**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Interest expense on:				
- Bankers' acceptances	1,603	1,630	2,187	2,967
- Bank overdrafts	61	93	169	237
- Lease liabilities (Note 7)	184	318	377	424
- Revolving credit	36	10	42	53
- Term loans	1,881	1,930	2,569	3,008
- Others	501	450	134	43
	<u>4,266</u>	<u>4,431</u>	<u>5,478</u>	<u>6,732</u>

**20. EMPLOYEE BENEFITS**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Wages, salaries and bonuses	11,957	14,574	18,430	20,623
Contributions to defined contribution plan	1,313	1,420	1,982	2,190
Social security contributions	149	160	226	260
Other benefits	660	742	883	1,703
	<u>14,079</u>	<u>16,896</u>	<u>21,521</u>	<u>24,776</u>

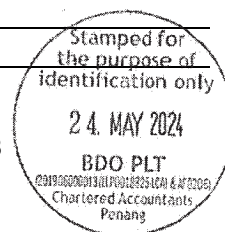
Included in the employee benefits of the Group are Directors' remuneration amounting to RM1,411,041 (2022: RM1,479,883; 2021: RM1,436,724; 2020: RM1,231,254).

**21. TAX EXPENSE**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Current tax expense based on profit for the financial years	1,839	3,849	7,087	7,218
Under/(Over)provision of tax expenses in prior years	139	(353)	(66)	477
	<u>1,978</u>	<u>3,496</u>	<u>7,021</u>	<u>7,695</u>
Deferred tax (Note 16):				
Relating to origination and reversal of temporary differences	(41)	1,473	755	(1,282)
Under/(Over)provision in prior years	53	(206)	2,166	267
	<u>1,990</u>	<u>4,763</u>	<u>9,942</u>	<u>6,680</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**21. TAX EXPENSE (continued)**

- (a) The Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2022: 24%; 2021: 24%; 2020: 24%) of the estimated taxable profits for the fiscal year.
- (b) The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate of the Group is as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Profit before tax	5,301	29,602	33,453	24,329
Tax at statutory tax rate of 24% (2022: 24%; 2021: 24%; 2020: 24%)	1,272	7,104	8,029	5,839
Tax effects in respect of:				
- non-allowable expenses	904	2,172	624	1,548
- income not subject to tax	(57)	(1,355)	(776)	(1,844)
- tax exempt income under pioneer status	(404)	(2,135)	-	-
- different tax rate for first RM600,000 of chargeable income	(84)	(84)	(84)	(72)
- reinvestment allowance	(121)	-	-	-
Deferred tax assets not recognised during the financial year/ (Utilisation of deferred tax assets previously not recognised)	288	(380)	49	416
Under/(Over)provision of tax expense in prior years	139	(353)	(66)	477
Under/(Over)provision of deferred tax in prior years	53	(206)	2,166	267
Tax expense for the financial year	<u>1,990</u>	<u>4,763</u>	<u>9,942</u>	<u>6,680</u>

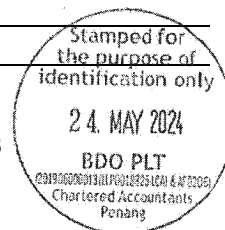
On 29 November 2011, BWYS Timur was granted pioneer status by Malaysian Investment Development Authority ("MIDA") for output production of metal roofing, corrugated sheets, batten c-section and c-purlin for a period of ten (10) years, which ended in November 2021, whereby 100% of its statutory income on the pioneer activities of BWYS Timur is tax exempted.

- (c) The estimated amount of net deferred tax assets calculated at the applicable tax rate which have not been recognised in the financial statements are as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Unabsorbed capital allowances	203	-	-	123
Unused tax losses:				
- expires by 31 December 2027	177	-	-	-
- expires by 31 December 2032	-	-	49	49
- expires by 31 December 2033	-	-	-	293
	<u>380</u>	<u>-</u>	<u>49</u>	<u>465</u>

In Malaysia, with effective from 1 January 2022, any unused tax losses shall be deductible for a maximum period of ten consecutive years of assessment immediately following that year of assessment. Any amount which is not deducted at the end of the period of ten years of assessment shall be disregarded.



**12. ACCOUNTANTS' REPORT (cont'd)**
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**  
**31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**
**21. TAX EXPENSE (continued)**

- (d) Deferred tax assets have not been recognised in respect of this item as it was not probable that taxable profits would be available against which the deductible temporary differences could be utilised.

This amount and availability of these items to carried forward up to the periods as disclosed above are subject to the agreement of the local tax authority.

**22. EARNINGS PER ORDINARY SHARE**

## (a) Basic

Basic earnings per ordinary share for the financial years is calculated by dividing the profit for the financial years attributable to the common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company pursuant to the Listing.

	2020	2021	2022	2023
Profit attributable to common controlling shareholders of the Group (RM'000)	<u>3,421</u>	<u>24,839</u>	<u>23,511</u>	<u>17,649</u>
Expected number of shares upon completion of the Listing (unit'000)	<u>1,025,213</u>	<u>1,025,213</u>	<u>1,025,213</u>	<u>1,025,213</u>
Basic earnings per ordinary share (sen)	<u>0.3</u>	<u>2.4</u>	<u>2.3</u>	<u>1.7</u>

Number of ordinary shares is the expected number of ordinary shares of the Company upon completion of the Listing.

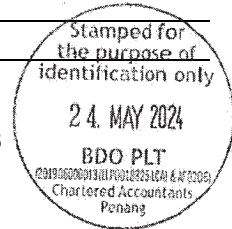
## (b) Diluted

Diluted earnings per ordinary share equals basic earnings per ordinary share, as the Group does not have any potential dilutive ordinary share in issue during and at the end of the financial year.

**23. DIVIDEND**

	Dividend per share RM	Amount of dividend RM'000
In respect of the financial year ended 31 December 2021:		
First interim single tier dividend of BW Yee Seng (Timur) Sdn. Bhd.	1.20	600
Second interim single tier dividend of BW Yee Seng (Timur) Sdn. Bhd.	<u>2.00</u>	<u>1,000</u>
	<u>3.20</u>	<u>1,600</u>
In respect of the financial year ended 31 December 2022:		
Interim single tier dividend of BW Steel	<u>5.57</u>	<u>11,135</u>
In respect of the financial year ended 31 December 2023:		
Interim single tier dividend of BWYSSB	<u>3.00</u>	<u>3,000</u>

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



**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**24. CAPITAL COMMITMENT**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Capital expenditure in respect of purchase of property, plant and equipment				
- contracted but not provided for	34,466	123	2,330	1,969

**25. CONTINGENT LIABILITIES AND FINANCIAL GUARANTEE CONTRACTS**

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Unsecured</b>				
Corporate guarantee given to financial institutions for credit facilities granted to a third party (2021: related party)	-	133	133	-

The corporate guarantee is given to financial institutions as one of the securities in relation to banking facility granted to a third party (2021: related party).

The Group designates corporate guarantee given to bank for credit facility granted to a third party (2021: related party) as insurance contract as defined in MFRS 4 *Insurance Contracts*. The Group recognises this insurance contract as recognised insurance liability when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of obligation.

The Directors are of the view that the chances of the financial institutions to call upon the corporate guarantee is remote. Accordingly, the Directors have estimated the financial impact of the guarantee as at 31 December 2020, 31 December 2021 and 31 December 2022 to be insignificant.

Financial guarantees have not been recognised since the fair value was not material on initial recognition. As at the end of the reporting period, the corporate guarantee to third party has been discharged.

**26. RELATED PARTY DISCLOSURES**

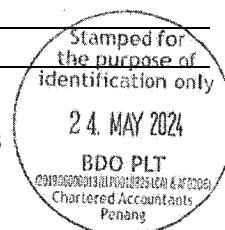
(a) Identities of related parties

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

The Group has controlling related party relationship with its related parties. Related parties are companies in which Directors of the Company have controlling and financial interests.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**26. RELATED PARTY DISCLOSURES (continued)**

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Company had the following transactions with related party during the financial year:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>With related parties:</b>				
Sales	3,614	4,151	3,397	3,325
Purchases	-	2,493	59	32
Rental expense	331	391	1,005	965
Rental income	58	60	-	-
Interest income	200	138	27	-
Interest expense	498	406	175	-
Management fee income	156	156	60	15
Purchase of property, plant and equipment	-	2,722	22	-
<b>With a Director:</b>				
Disposal of other investments	-	*	11,135	-

Balances with related parties at the end of the financial year are disclosed in Note 10 and Note 14 to the financial statements.

\* Less than RM1,000

- (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group.

The total remuneration of Directors and other key management personnel during the financial years was as follows:

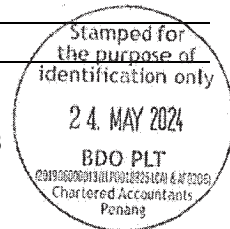
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Salaries and bonuses	1,062	1,273	2,117	2,139
Contributions to defined contribution plan	166	161	310	321
Social security contributions	3	3	6	6
	1,231	1,437	2,433	2,466
Estimated monetary value of benefits-in-kind	-	-	17	17
	1,231	1,437	2,450	2,483

Included in the total remuneration of Directors and other key management personnel during the financial years was as follows:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Directors' remuneration	1,231	1,437	1,480	1,411

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



### 27. OPERATING SEGMENTS

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacturing, sale and rental of steel and metal related products.

Management monitors the operating results of the Group as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, the Group has only one single reportable segment.

#### (a) Geographical information

The manufacturing facilities of the Group are primarily based in Malaysia.

In presenting information on the basis of geographical areas, segment revenue is based on the geographical location from which the sale transactions originated.

Majority of the assets and liabilities of the Group are derived from Malaysia. Hence, no additional disclosure is made on geographical breakdown/detail of the segment assets of the Group.

Revenue information based on the geographical location of customers is as disclosed in Note 18 to the combined financial statements.

#### (b) Major customers

There are no major customers with revenue equal or more than ten percent (10%) of the Group revenue. As such, information on major customers is not presented.

### 28. FINANCIAL INSTRUMENTS

#### (a) Capital management

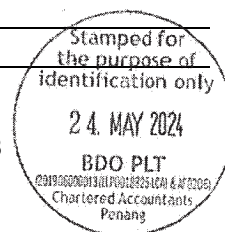
The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as a going concern whilst maximising return to shareholder through optimisation of the debt and equity ratio. The overall strategy of the Group remains unchanged throughout the reporting period.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholder, return capital to shareholder or issue new shares. No changes were made in the objectives, policies or processes throughout the reporting periods.

The Group monitors capital using a gearing ratio. This ratio is calculated as net debt divided by total equity attributable to common controlling shareholder of the Group plus net debt. Net debt are calculated as total trade and other payables, borrowings and lease liabilities net of short term deposits with licensed banks and cash and bank balances. Capital includes equity attributable to the common controlling shareholder.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**28. FINANCIAL INSTRUMENTS (continued)**

## (a) Capital management (continued)

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Trade and other payables	32,095	62,836	34,593	33,012
Borrowings	77,456	148,040	129,114	129,191
Lease liabilities	4,206	5,186	7,108	9,446
Less: Cash and bank balances	(5,649)	(23,848)	(14,827)	(25,604)
Net debt	<u>108,108</u>	<u>192,214</u>	<u>155,988</u>	<u>146,045</u>
Total capital	83,094	106,306	118,682	155,700
Net debt	<u>108,108</u>	<u>192,214</u>	<u>155,988</u>	<u>146,045</u>
Equity	<u>191,202</u>	<u>298,520</u>	<u>274,670</u>	<u>301,745</u>
Gearing ratio	<u>57%</u>	<u>64%</u>	<u>57%</u>	<u>48%</u>

The Group is not subject to any externally imposed capital requirements as at the end of each reporting period.

## (b) Method and assumptions used to estimate fair value

*Financial instruments that are not carried at fair value and whose carrying amounts are at reasonable approximation of fair values*

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair value, either due to their short-term nature or that they are floating rate instruments that are re-priced at market interest rates on or near the end of the reporting period.

The carrying amount of the current position of borrowings is reasonable approximation of fair value due to the insignificant impact of discounting.

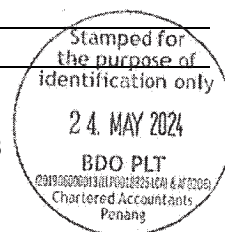
## (c) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to credit risk, liquidity and cash flow risk, interest rate risk and foreign currency risk. Information on the management of the related exposures is detailed below.

**(a) Credit risk**

Cash deposits and trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are creditworthy debtors with good payment records with the Group. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with the customers are mainly on credit. The credit period is generally for a period of one (1) month, extending up to three (3) months. Nevertheless, the management of the Group may give longer credit terms by discretion. The Group consistently monitors its outstanding receivables to minimise credit risk.

Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group to credit risk is substantially represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

Credit risk concentration profile

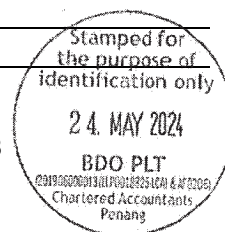
The Group determines concentration of credit risk by monitoring the geographical market and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period is as follows:

	2020		2021		2022		2023	
	RM'000	% of total	RM'000	% of total	RM'000	% of total	RM'000	% of total
Malaysia	32,166	100	31,305	91	36,150	100	46,178	93
United States of America	-	-	3,157	9	-	-	3,642	7
	<u>32,166</u>	<u>100</u>	<u>34,462</u>	<u>100</u>	<u>36,150</u>	<u>100</u>	<u>49,820</u>	<u>100</u>

At the end of the reporting period, approximately Nil% (2022: 11%; 2021: 9%; 2020: Nil%) of the trade receivables of the Group were due from Nil (2022: one (1); 2021: one (1); 2020: Nil) major customer.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)****(b) Liquidity and cash flow risk**

The exposure of the Group to liquidity risk arises from mismatches of the financial assets and liabilities.

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

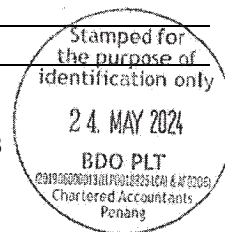
The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summarises the maturity profile of the liabilities of the Group at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one (1) year RM'000	One (1) to five (5) years RM'000	More than five (5) years RM'000	Total RM'000
<b>Financial liabilities</b>				
<b>31 December 2020</b>				
Borrowings	37,012	23,165	34,854	95,031
Trade and other payables	28,026	4,069	-	32,095
Lease liabilities	1,363	3,420	-	4,783
Total undiscounted financial liabilities	<u>66,401</u>	<u>30,654</u>	<u>34,854</u>	<u>131,909</u>
<b>31 December 2021</b>				
Borrowings	82,052	30,469	61,071	173,592
Trade and other payables	58,767	4,069	-	62,836
Lease liabilities	1,773	3,935	4	5,712
Financial guarantee contract	133	-	-	133
Total undiscounted financial liabilities	<u>142,725</u>	<u>38,473</u>	<u>61,075</u>	<u>242,273</u>
<b>31 December 2022</b>				
Borrowings	67,595	29,275	60,124	156,994
Trade and other payables	34,593	-	-	34,593
Lease liabilities	2,732	5,048	-	7,780
Financial guarantee contract	133	-	-	133
Total undiscounted financial liabilities	<u>105,053</u>	<u>34,323</u>	<u>60,124</u>	<u>199,500</u>
<b>31 December 2023</b>				
Borrowings	74,781	25,839	54,194	154,814
Trade and other payables	33,012	-	-	33,012
Lease liabilities	3,799	6,608	-	10,407
Total undiscounted financial liabilities	<u>111,592</u>	<u>32,502</u>	<u>54,194</u>	<u>198,233</u>

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

## (c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The Group's interest rate risk arises primarily from interest-bearing borrowings. The Group borrows at both, floating and fixed rates of interest to generate the desired interest profile and to manage the Group's exposure to interest rate fluctuations.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of reporting period changed by fifty (50) basis points with all other variables held constant:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Profit after tax</b>				
- increase by 0.5% (2022: 0.5%; 2021: 0.5%; 2020: 0.5%)	(190)	(288)	(272)	(240)
- decrease by 0.5% (2022: 0.5%; 2021: 0.5%; 2020: 0.5%)	190	288	272	240

Sensitivity analysis for fixed rate instruments at the end of the reporting period is not presented as fixed rate instrument is not affected by change in interest rates.

There is no impact to the equity as a result of changes of interest rate for floating rate instruments as at the end of the reporting period.



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(c) Interest rate risk (continued)

The following table sets out the carrying amounts, the effective interest rates/incremental borrowing rate as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk:

	Note	Effective interest rate/incremental borrowing rate* %	Within 1 year RM'000	Effective interest					Total RM'000
				1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	> 5 years RM'000	
<b>As at 31 December 2020</b>									
<b>Fixed rates</b>									
Deposits with licensed banks	11	2.00 - 3.25	2,026	-	-	-	-	-	2,026
Bankers' acceptances	15	1.96 - 4.72	(27,502)	-	-	-	-	-	(27,502)
Lease liabilities	7	1.92 - 8.00*	(1,127)	(1,023)	(681)	(360)	-	-	(4,206)
<b>Floating rates</b>									
Term loans	15	3.37 - 7.45	(3,582)	(3,710)	(3,922)	(4,101)	(27,234)	(46,475)	
Bank overdrafts	15	6.45 - 6.95	(3,479)	-	-	-	-	-	(3,479)
<b>As at 31 December 2021</b>									
<b>Fixed rates</b>									
Deposits with licensed banks	11	1.80 - 3.25	5,768	-	-	-	-	-	5,768
Bankers' acceptances	15	2.03 - 3.80	(71,303)	-	-	-	-	-	(71,303)
Revolving credit	15	4.20	(1,000)	-	-	-	-	-	(1,000)
Lease liabilities	7	1.92 - 8.00*	(1,521)	(1,104)	(749)	(251)	(4)	(4)	(5,186)
<b>Floating rates</b>									
Term loans	15	3.00 - 7.20	(4,873)	(5,095)	(5,280)	(5,018)	(48,701)	(74,009)	
Bank overdrafts	15	6.20 - 6.69	(1,728)	-	-	-	-	-	(1,728)



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

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023**

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

(c) Interest rate risk (continued)

The following table sets out the carrying amounts, the effective interest rates/incremental borrowing rate as at the end of each reporting period and the remaining maturities of the financial instruments of the Group that are exposed to interest rate risk (continued):

	Note	Effective interest rate/incremental borrowing rate* %	Within 1 year RM'000	Effective interest					Total RM'000
				1 - 2 years RM'000	2 - 3 years RM'000	3 - 4 years RM'000	4 - 5 years RM'000	> 5 years RM'000	
<b>As at 31 December 2022</b>									
<b>Fixed rates</b>									
Deposits with licensed banks	11	1.80 - 2.60	8,894	-	-	-	-	-	8,894
Bankers' acceptances	15	2.90 - 5.01	(56,629)	-	-	-	-	-	(56,629)
Revolving credit	15	5.20	(1,000)	-	-	-	-	-	(1,000)
Lease liabilities	7	1.92 - 7.35*	(2,401)	(1,992)	(1,655)	(706)	(354)	-	(7,108)
<b>Floating rates</b>									
Term loans	15	3.50 - 8.20	(4,731)	(4,717)	(4,982)	(4,774)	(4,712)	(44,043)	(67,959)
Bank overdrafts	15	7.20 - 8.45	(3,526)	-	-	-	-	-	(3,526)
<b>As at 31 December 2023</b>									
<b>Fixed rates</b>									
Deposits with licensed banks	11	2.25 - 2.95	19,006	-	-	-	-	-	19,006
Bankers' acceptances	15	3.88 - 5.81	(65,038)	-	-	-	-	-	(65,038)
Revolving credit	15	5.45	(1,000)	-	-	-	-	-	(1,000)
Lease liabilities	7	1.92 - 7.95*	(3,347)	(2,727)	(1,593)	(1,178)	(601)	-	(9,446)
<b>Floating rates</b>									
Term loans	15	3.50 - 8.45	(5,307)	(5,444)	(5,098)	(4,556)	(2,040)	(40,229)	(62,674)
Bank overdrafts	15	7.45 - 8.65	(479)	-	-	-	-	-	(479)

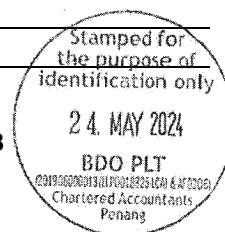
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**12. ACCOUNTANTS' REPORT (cont'd)**

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)**

## (d) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of the entities within the Group. The currency giving rise to this risk is primarily United States Dollar ("USD").

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD exchange rate against the functional currency of the Group, with all other variables held constant:

	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<b>Profit after tax and equity</b>				
USD/RM				
- Strengthen by 5%	130	(356)	(197)	253
- Weaken by 5%	<u>(130)</u>	<u>356</u>	<u>197</u>	<u>(253)</u>

Sensitivity analysis of other foreign currencies is not disclosed as it is not material to the Group.

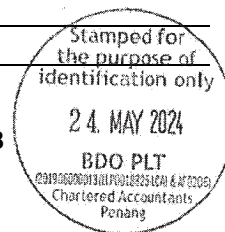
There is no impact to the equity as a result of changes of foreign exchange rate as at the end of the reporting period.

**30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD**

- (a) Pursuant to the Listing, the Company had on 21 August 2023 entered into conditional share sale agreements to acquire the entire equity interest in the combining entities comprising 125,722,000 ordinary shares for a total purchase consideration of RM146,093,378. The purchase consideration will be satisfied via the issuance of 768,909,999 new shares at an issue price of RM0.19 per share and the acquisitions were completed on 2 April 2024.
- (b) The Bursa Malaysia Securities Berhad has, vide its letter dated 7 March 2024, approved amongst others, the admission of the Company to the Official List and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023



**31. MATERIAL LITIGATIONS**

**BWYS Steel vs Mentari Arus Sdn. Bhd. ("Mentari")**

BWYS Steel, pursuant to a sale agreement dated 22 October 2019 entered into with Mentari, sold and delivered certain products and rental services, including those related to VFrame Wall Framing System V70 ("Products"), to Mentari.

Mentari had acknowledged that the Products were delivered but refused to make payments. In response to BWYS Steel's letter of demand, Mentari vide a letter of demand dated 27 September 2021, counter-claimed for the sum of RM987,402, alleging that the supply of Products were defective.

On 5 July 2022, BWYS Steel filed a writ action to claim for a sum of RM155,321 due and payable from Mentari, among others. By way of a defence and counterclaim dated 25 August 2022, Mentari counterclaimed for the sum of RM987,402, alleging that the Products were defective and they have suffered substantial damages as a result of the breach of the agreements.

This matter has been fixed for trial on 9 July 2024 and 12 August 2024.

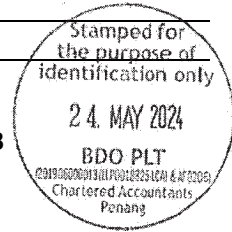
**YS Success vs Hung Tat Trading ("HTT")**

On 22 February 2022, YS Success filed a writ action to claim for a sum of RM768,667, interest in the sum of RM38,791 as at 21 February 2022 calculated at the rate of 1.5% per month on the sum; and additional interest at the rate of 1.5% per month on RM729,877 from 22 February 2022 until the date of full settlement, due and payable from HTT.

By way of the defence and counterclaim dated 30 May 2022, HTT claimed that YS Success did not deliver the entirety of the products that were ordered by HTT and counterclaimed for RM755,123 plus 5% interest per annum on the counterclaim sum.

On 18 March 2024, a consent judgement has been recorded for HTT to pay the settlement sum of RM600,000 by way of instalment in 42 months to YS Success.

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



NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

**32. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs**

**32.1 New MFRSs adopted during the financial year 31 December 2023**

Title	Effective Date
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Initial Application of MFRS 17 and MFRS 9 Comparative Information</i>	1 January 2023
Amendments to MFRS 101 <i>Disclosure of Accounting Policies</i>	1 January 2023
Amendments to MFRS 108 <i>Definition of Accounting Estimates</i>	1 January 2023
Amendments to MFRS 112 <i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
Amendments to MFRS 112 <i>International Tax Reform - Pillar Two Model Rules</i>	See MFRS 112 paragraph 98M

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group.

**32.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2024**

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group:

Title	Effective Date
Amendments to MFRS 16 <i>Lease-Lease liability in a Sale and Leaseback</i>	1 January 2024
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
Amendments to MFRS 101 <i>Non-current Liabilities with Covenants</i>	1 January 2024
Amendments to MFRS 107 and MFRS 7 <i>Supplier Finance Arrangements</i>	1 January 2024
Amendments to MFRS 121 <i>Lack of Exchangeability</i>	1 January 2025
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, since the effects would only be observable for the future financial years.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS  
31 DECEMBER 2020, 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023

STATEMENT BY DIRECTORS

We, Kang Beng Hai and Kang Yi Ki, being two of the Directors of BWYS Group Berhad, state that, in the opinion of the Directors, the combined financial statements set out on pages 4 to 64 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 2021, 2022 and 2023 and of the financial performance and cash flows of the Group for the financial years ended 31 December 2020, 2021, 2022 and 2023 in accordance with Malaysian Financial Reporting Standards, IFRS Accounting Standards, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

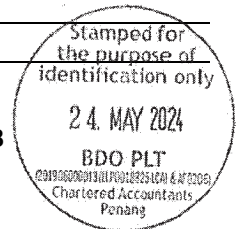
Signed on behalf of the Board of Directors in accordance with a resolution dated 24 MAY 2024



Kang Beng Hai  
Director



Kang Yi Ki  
Director



### 13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION



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The Board of Directors  
BWYS Group Berhad  
Lot 1571, Jalan Serunai  
Kawasan Perindustrian Valdor  
Mukim 12  
14200 Sungai Bakap  
Pulau Pinang

Date: 24 May 2024

Dear Sirs

**BWYS Group Berhad ("BWYS" or "the Company") and its combining entities ("BWYS Group" or "the Group")  
Report on the Compilation of the Pro Forma Combined Statements of Financial Position as at 31 December 2023 ("This Report")**

We have completed our assurance engagement to report on the compilation of the Pro Forma Combined Statements of Financial Position of the Group prepared by the Board of Directors of the Company ("Board of Directors"). The Pro Forma Combined Statements of Financial Position as at 31 December 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification only, have been prepared for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of BWYS on the ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Combined Statements of Financial Position are described in the Notes thereon to the Pro Forma Combined Statements of Financial Position and are specified in Rule 3.12B(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad and paragraph 9.18 and 9.20 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Combined Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the transactions as set out in the Notes thereon to the Pro Forma Combined Statements of Financial Position as at 31 December 2023 had the transactions been effected as at 31 December 2023. As part of this process, information about the Group's Combined financial position has been extracted by the Board of Directors from the combining entities' audited statement of financial position as at 31 December 2023.

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

The Board of Directors is solely responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance to the requirements of the Prospectus Guidelines.

#### Our Quality Management and Independence

The Firm applies Malaysian Approved Standard on Quality Management, ISQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, the Firm is required to design, implement and operate a system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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### 13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (*cont'd*)

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#### Our Quality Management and Independence (continued)

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

#### Reporting Accountants' Responsibility

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

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

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those whom those reports or opinion were addressed by us at the dates of their issue.

The purpose for inclusion of the Pro Forma Combined Statements of Financial Position in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 December 2023, would have been as presented.

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

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



**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**



**Reporting Accountants' Responsibility (continued)**

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

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

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

**Opinion**

In our opinion, the Pro Forma Combined Statements of Financial Position of the Group has been compiled, in all material respects, on the basis described in the Notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

**Other Matters**

This Report has been prepared solely for the purpose stated above, in connection with the listing of and quotation for the entire enlarged issued share capital of BWYS on the ACE Market of Bursa Malaysia Securities Berhad. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this Report contrary to the aforesaid purpose.

Yours faithfully,

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BDO PLT  
201906000013 (LLP0018825-LCA) & AF 0206  
Chartered Accountants

Penang

A handwritten signature in black ink, appearing to read 'Koay Theam Hock'.

Koay Theam Hock  
02141/04/2025 J  
Chartered Accountant

### 13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (*cont'd*)

*BWYS Group Berhad (Registration No. 202301000310 (1494229-W))  
Pro Forma Combined Statements of Financial Position*

#### 1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME

##### 1.1 Introduction

The Pro Forma Combined Statements of Financial Position of BWYS Group Berhad (“BWYS” or “the Company”) and its combining entities (collectively referred to as “BWYS Group” or “the Group”) as at 31 December 2023 together with the notes thereon, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of BWYS on the ACE Market of Bursa Malaysia Securities Berhad.

##### 1.2 Basis of Preparation

The Pro Forma Combined Statements of Financial Position of the Group have been prepared on the basis consistent with the format of the financial statements of the Group as at 31 December 2023 and the accounting policies adopted by the Group, in accordance with Malaysian Financial Reporting Standards (“MFRSs”), IFRS Accounting Standards and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The Pro Forma Combined Statements of Financial Position are combined using merger method as the Company and its combining entities are under common control by the same parties, both before and after the acquisition of the Group, and control is not transitory. When the merger method is used, the difference between the cost of investment recorded by the Company and the share capital of BW Yee Seng Steel Industries Sdn. Bhd. (“BWYS Steel”), BW Yee Seng (Timur) Sdn. Bhd. (“BWYS Timur”), BW Scaffold Industries Sdn. Bhd. (“BW Scaffold”), BWYS Sdn. Bhd. (“BWYSSB”) and YS Success Industries Sdn. Bhd. (“YS Success”) are accounted for as merger reserves in the Pro Forma Combined Statements of Financial Position.

The audited financial statements of BWYS and its combining entities for the financial year ended 31 December 2023 were not subject to any audit qualification, modification or disclaimer.

The Pro Forma Combined Statements of Financial Position of the Group comprise Pro Forma Statements of Financial Position as at 31 December 2023, adjusted for the impact of the events or transactions as set out in Note 1.3 to the Pro Forma Combined Statements of Financial Position.

Due to its nature, the Pro Forma Combined Statements of Financial Position is not necessarily indicative of the financial position of the Group that would have attained had the effects of the transactions as set in Note 1.3 actually occurred at the respective dates. Further, such information does not predict the Group’s future financial position.

##### 1.3 Listing Scheme

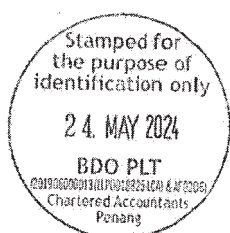
In preparation for the Listing, the Company undertook the internal restructuring exercises as described below.

##### 1.3.1 Acquisitions

###### (a) Acquisition of BW Scaffold

On 21 August 2023, the Company had entered into a conditional share sale agreement (“SSA”) with KBH and Kang Beng Teong (“KBT”) to acquire the entire issued share capital of BW Scaffold comprising 14,164,300 BW Scaffold Shares for a total purchase consideration of RM27,226,400. The total purchase consideration is to be satisfied via the issuance of 143,296,832 new ordinary shares of the Company (“Share(s)”) at an issue price of RM0.19 per Share to KBH and cash consideration of RM2 to KBT.

The total purchase consideration of RM27,226,400 was arrived at on a willing-buyer willing seller basis after taking into consideration the adjusted audited net assets (“NA”) of BW Scaffold as at 31 December 2022 after Capitalisation in BW Scaffold of RM27,226,437. The acquisition of BW Scaffold was completed on 2 April 2024.



**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

*BWYS Group Berhad (Registration No. 202301000310 (1494229-W))  
Pro Forma Combined Statements of Financial Position*

**1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)**

**1.3 Listing Scheme (continued)**

**1.3.1 Acquisitions (continued)**

**(b) Acquisition of BWYSSB**

On 21 August 2023, the Company had entered into a conditional SSA with KBH and KBT to acquire the entire issued share capital of BWYSSB comprising 1,000,000 ordinary shares of BWYSSB for a purchase consideration of RM26,408,100. The total purchase consideration is to be satisfied via the issuance of 138,988,610 new Shares at an issue price of RM0.19 per Share to KBH and cash consideration of RM264 to KBT.

The total purchase consideration of RM26,408,100 was arrived at on a willing-buyer willing seller basis after taking into consideration the audited NA of BWYSSB as at 31 December 2022 of RM26,408,128. The acquisition of BWYSSB was completed on 2 April 2024.

**(c) Acquisition of BWYS Steel**

On 21 August 2023, the Company had entered into a conditional SSA with KBH and Kang Meng Huat ("KMH") to acquire the entire issued share capital of BWYS Steel comprising 60,326,700 BWYS Steel Shares for a total purchase consideration of RM42,190,478. The total purchase consideration is to be satisfied via the issuance of 222,055,070 new Shares at an issue price of RM0.19 per Share to KBH and cash consideration of RM14 to KMH.

The total purchase consideration of RM42,190,478 was arrived at on a willing-buyer willing seller basis after taking into consideration the adjusted audited NA of BWYS Steel as at 31 December 2022 after Capitalisation in BWYS Steel of RM42,191,750. The acquisition of BWYS Steel was completed on 2 April 2024.

**(d) Acquisition of BWYS Timur**

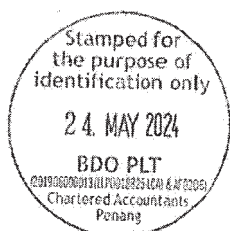
On 21 August 2023, the Company had entered into a conditional SSA with KBH and KBT to acquire the entire issued share capital of BWYS Timur comprising 500,000 ordinary shares of BW YS Timur for a total purchase consideration of RM19,700,000. The total purchase consideration is to be satisfied via the issuance of 103,683,174 new Shares at an issue price of RM0.19 per Share to KBH and cash consideration of RM197 to KBT.

The total purchase consideration of RM19,700,000 was arrived at on a willing-buyer willing seller basis after taking into consideration the audited NA of BWYS Timur as at 31 December 2022 of RM19,700,000. The acquisition of BWYS Timur was completed on 2 April 2024.

**(e) Acquisition of YS Success**

On 21 August 2023, the Company had entered into a conditional SSA with KBH and KBT to acquire the entire issued share capital of YS Success comprising 49,731,000 YS Success Shares for a total purchase consideration of RM30,568,400. The total purchase consideration is to be satisfied via the issuance of 160,886,313 new Shares at an issue price of RM0.19 per Share to KBH and cash consideration of RM1 to KBT.

The total purchase consideration of RM30,568,400 was arrived at on a willing-buyer willing seller basis after taking into consideration the adjusted audited NA of YS Success as at 31 December 2022 after Capitalisation in YS Success of RM30,568,466. The acquisition of YS Success was completed on 2 April 2024.



**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

*BWYS Group Berhad (Registration No. 202301000310 (1494229-W))  
Pro Forma Combined Statements of Financial Position*

**1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)**

**1.3 Listing Scheme (continued)**

**1.3.2 Initial Public Offering ("IPO")**

**(a) Public issue and offer for sale**

Public issue of 256,303,000 new Shares and an offer for sale of 100,000,000 existing Shares, representing 25.0% and 9.8% respectively of the enlarged number of issued shares of the Company, at an issue/offer price of RM0.22 per Share.

**(b) Listing**

Admission to the Official List of Bursa Securities and the listing of and quotation for the Company's entire enlarged issued share capital of RM200,307,561 comprising 1,025,213,000 shares on the ACE Market of Bursa Securities.

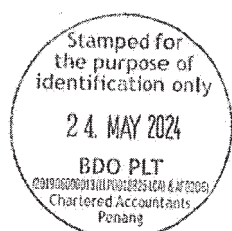
**(c) Utilisation of Proceeds from IPO as per Prospectus**

As per Prospectus, the gross proceeds from the IPO of RM56,387,000 are expected to be utilised in the following manner:

	<b>RM</b>
Capital expenditure <sup>1</sup>	41,387,000
Repayment of bank borrowings	4,000,000
Working capital <sup>1</sup>	5,500,000
Estimated listing expenses <sup>2</sup>	5,500,000
	<u>56,387,000</u>

*Notes:*

- (1) As at latest practicable date of the prospectus, the Group has yet to enter into any contracted binding agreement or issued any purchase order in relation to the proceeds earmarked for capital expenditure and working capital. Accordingly, the utilisation of proceeds earmarked for the abovementioned purpose are not reflected in the Pro Forma Combined Statements of Financial Position.
- (2) The estimated listing expenses totaling RM5,500,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM795,000 (31.12.2022: RM NIL) had been included under prepayments as at 31 December 2023. A total of RM1,980,000 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM1,717,000 are assumed to be attributable to the Listing and as such, will be expensed off to the statement of profit or loss and other comprehensive income. During the FYE 31 December 2023, listing expenses amounted to RM594,000 (31.12.2022: RM414,000) have been expensed off to the statements of profit or loss and other comprehensive income of the Group.



**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

**BWYS Group Berhad (Registration No. 202301000310 (1494229-W))**  
*Pro Forma Combined Statements of Financial Position*

**2. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

The Pro Forma Combined Statements of Financial Position ("SOFP") of the Group as at 31 December 2023 has been prepared for illustrative purposes only to show the effects on the audited Combined SOFP of BWYS as at 31 December 2023 based on the assumptions that the Listing Scheme as set out in Note 1.3 to the Pro Forma Combined information had been effected on 31 December 2023.

	Pro Forma I		Pro Forma II		
Note	As at 31 December 2023	Adjustments for Acquisitions	Upon completion of Acquisitions	Adjustments for IPO	After Pro Forma I and IPO
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	136,761	-	136,761	-	136,761
Right-of-use assets	21,361	-	21,361	-	21,361
	158,122	-	158,122	-	158,122
<b>Current assets</b>					
Inventories	86,713	-	86,713	-	86,713
Trade and other receivables	62,726	-	62,726	(795)	61,931
Current tax assets	4,633	-	4,633	-	4,633
Cash and bank balances	25,604	-	25,604	48,687	74,291
	179,676	-	179,676	47,892	227,568
	337,798	-	337,798	47,892	385,690
<b>TOTAL ASSETS</b>					
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to the common controlling shareholders of the Group</b>					
Invested equity/Share capital	30,357	115,735	146,092	54,407	200,499
Merger reserve	-	(115,735)	(115,735)	-	(115,735)
Retained earnings	125,343	-	125,343	(2,515)	122,828
	155,700	-	155,700	51,892	207,592

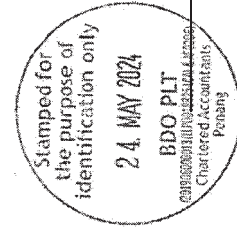
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identification only  
24 MAY 2024  
BDO PLT  
Chartered Accountants  
Penang

**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

**BWYS Group Berhad (Registration No. 202301000310 (1494229-W))**  
*Pro Forma Combined Statements of Financial Position*

**2. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (continued)**

		Pro Forma I		Pro Forma II		
	Note	As at 31 December 2023	Adjustments for Acquisitions	Upon completion of Acquisitions	Adjustments for IPO	After Pro Forma I and IPO
		RM'000	RM'000	RM'000	RM'000	RM'000
<b>LIABILITIES</b>						
<b>Non-current liabilities</b>						
Borrowings	2.2.6	57,367	-	57,367	(4,000)	53,367
Lease liabilities		6,099	-	6,099	-	6,099
Deferred tax liabilities		4,369	-	4,369	-	4,369
		67,835	-	67,835	(4,000)	63,835
<b>Current liabilities</b>						
Trade and other payables		33,012	-	33,012	-	33,012
Provision		987	-	987	-	987
Borrowings		71,824	-	71,824	-	71,824
Lease liabilities		3,347	-	3,347	-	3,347
Current tax liabilities		5,093	-	5,093	-	5,093
		114,263	-	114,263	-	114,263
<b>TOTAL LIABILITIES</b>		182,098	-	182,098	(4,000)	178,098
<b>TOTAL EQUITY AND LIABILITIES</b>		337,798	-	337,798	47,892	385,690
Net assets (RM'000)		155,700		155,700		207,592
Number of ordinary shares assumed in issue ('000)		30,357		768,910		1,025,213
Net assets attributable to equity holders per ordinary shares (RM)		5.13		0.20		0.20



**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

*BWYS Group Berhad (Registration No. 202301000310 (1494229-W))  
Pro Forma Combined Statements of Financial Position*

**2. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (continued)**

**2.1 Pro Forma Adjustments to the Pro Forma Combined SOFP**

**2.1.1 Pro Forma I**

Pro Forma I is stated after incorporating the effects of Acquisitions as set out in Note 1.3.1 to the Pro Forma Combined SOFP.

**2.1.2 Pro Forma II**

Pro Forma II is stated after incorporating the effects of Pro Forma I and effect after the completion of Public Issue and the utilisation of proceeds from the IPO as set out in Note 1.3.2 to the Pro Forma Combined SOFP.

**2.2 Notes to the Pro Forma Combined SOFP**

**2.2.1 Trade and other receivables**

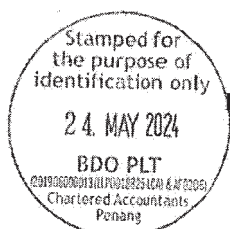
The movements of trade and other receivables are as follows:

	<b>RM'000</b>
As at 31 December 2023	<u>62,726</u>
<b>Pro Forma I</b>	<b>62,726</b>
Public Issue	-
Proposed utilisation of proceeds	-
- Estimated listing expenses	(795)
	<u>(795)</u>
<b>Pro Forma II</b>	<b><u>61,931</u></b>

**2.2.2 Cash and bank balances**

The movements of cash and bank balances are as follows:

	<b>RM'000</b>
As at 31 December 2023	<u>25,604</u>
<b>Pro Forma I</b>	<b>25,604</b>
Public Issue	56,387
Proposed utilisation of proceeds	-
- Estimated listing expenses	(3,700)
- Repayment of bank borrowings	(4,000)
	<u>48,687</u>
<b>Pro Forma II</b>	<b><u>74,291</u></b>



**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

*BWYS Group Berhad (Registration No. 202301000310 (1494229-W))  
Pro Forma Combined Statements of Financial Position*

**2. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (continued)**

**2.2 Notes to the Pro Forma Combined SOFP (continued)**

**2.2.3 Invested equity/Share capital**

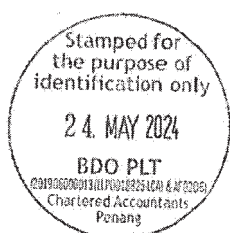
The movements of share capital are as follows:

	<b>RM'000</b>
As at 31 December 2023	30,357
Acquisitions	115,735
<b>Pro Forma I</b>	<b>146,092</b>
Public Issue	56,387
Utilisation of proceeds from the IPO	-
- Estimated listing expenses	(1,980)
	54,407
<b>Pro Forma II</b>	<b>200,499</b>

**2.2.4 Merger reserve**

The movements of merger reserve are as follows:

	<b>RM'000</b>
As at 31 December 2023	-
Acquisitions	(115,735)
<b>Pro Forma I</b>	<b>(115,735)</b>
Public Issue	-
Utilisation of proceeds from the IPO	-
- Estimated listing expenses	-
	-
<b>Pro Forma II</b>	<b>(115,735)</b>





**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

*BWYS Group Berhad (Registration No. 202301000310 (1494229-W))  
Pro Forma Combined Statements of Financial Position*

**2. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (continued)**

**2.2 Notes to the Pro Forma Combined SOFP (continued)**

**2.2.5 Retained earnings**

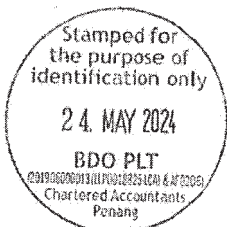
The movements of retained earnings are as follows:

	<b>RM'000</b>
As at 31 December 2023	125,343
<b>Pro Forma I</b>	<b>125,343</b>
Public Issue	-
Utilisation of proceeds from the IPO	-
- Estimated listing expenses	(2,515)
	(2,515)
<b>Pro Forma II</b>	<b>122,828</b>

**2.2.6 Borrowings**

The movements of borrowings are as follows:

	<b>RM'000</b>
<u>Non-current</u>	
As at 31 December 2023	57,367
<b>Pro Forma I</b>	<b>57,367</b>
Public Issue	-
Utilisation of proceeds from the IPO	-
- Repayment of bank borrowings	(4,000)
	(4,000)
<b>Pro Forma II</b>	<b>53,367</b>

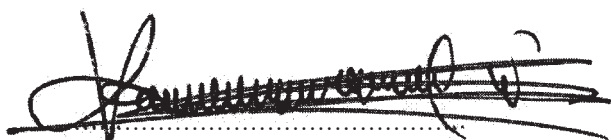


**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (cont'd)**

*BWYS Group Berhad (Registration No. 202301000310 (1494229-W))  
Pro Forma Combined Statements of Financial Position*

**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of BWYS Group Berhad in accordance with a resolution dated **24 MAY 2024**

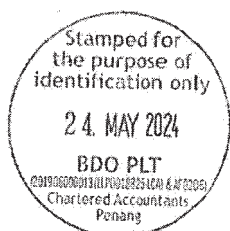


Kang Beng Hai  
Director



Kang Yi Ki  
Director

Penang



## 14. STATUTORY AND OTHER INFORMATION

### 14.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.3 of this Prospectus,
- (i) no person including Directors or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the following:
- (i) issuance of our subscriber's Shares upon our incorporation; and
- (ii) new Shares to be issued for the Acquisitions and Public Issue as disclosed in Sections 6.1.4(b) and 4.3.1 of this Prospectus,
- there are no shares of our Company issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1 of this Prospectus, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

### 14.2 INFORMATION OF OUR GROUP

Our share capital as at the LPD is RM146,092,901 comprising 768,910,000 Shares. The movements in our share capital since our incorporation are set out below:

<u>Date of allotment</u>	<u>No. of shares allotted</u>	<u>Consideration (RM)</u>	<u>Nature of transaction</u>	<u>Cumulative issued share capital (RM)</u>
4 January 2023	1	1	Subscriber's shares	1
22 April 2024	242,671,784	46,107,639	Allotment of Shares pursuant to the Acquisition of BWYSSB and Acquisition of BWYS Timur	46,107,640

**14. STATUTORY AND OTHER INFORMATION (cont'd)**

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration (RM)</b>	<b>Nature of transaction</b>	<b>Cumulative issued share capital (RM)</b>
9 May 2024	526,238,215	99,985,261	Allotment of Shares pursuant to the Acquisition of BW Scaffold, Acquisition of BWYS Steel and Acquisition of YS Success	146,092,901

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, we do not have any outstanding warrants, options, convertible securities or uncalled capital.

Upon completion of our Listing, our enlarged share capital will increase from RM146,092,901, comprising 768,910,000 Shares to RM202,479,561 comprising 1,025,213,000 Shares.

**14.3 INFORMATION OF OUR SUBSIDIARIES**

Information of our subsidiaries are set out below.

**14.3.1 Information on BW Scaffold****(a) Share capital**

As at LPD, BW Scaffold has an issued share capital of RM4,706,497 comprising 14,164,300 ordinary shares. Details of the movement in the issued share capital of BW Scaffold since its incorporation up to the LPD are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration (RM)</b>	<b>Nature of transaction</b>	<b>Cumulative issued share capital (RM)</b>
5 May 1988	2	2	Cash	2
30 November 1989	49,998	49,998	Cash	50,000
5 January 1990	50,000	50,000	Cash	100,000
17 April 1990	60,000	60,000	Cash	160,000
21 June 1991	160,000	160,000	Cash	320,000
28 November 1992	160,000	160,000	Other than cash	480,000
14 December 1992	160,000	160,000	Cash	640,000
31 May 1994	240,000	240,000	Cash	880,000

**14. STATUTORY AND OTHER INFORMATION (cont'd)**

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration (RM)</b>	<b>Nature of transaction</b>	<b>Cumulative issued share capital (RM)</b>
31 May 1994	320,000	320,000	Other than cash	1,200,000
15 April 1996	240,000	240,000	Cash	1,440,000
7 October 2005	1,048,000	1,048,000	Cash	2,488,000
14 August 2023	11,676,300	2,218,497	Cash	4,706,497

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, BW Scaffold does not have any outstanding warrants, options, convertible securities or uncalled capital.

**(b) Shareholders and directors**

As at the LPD, BW Scaffold is our wholly-owned subsidiary.

As at the LPD, the directors of BW Scaffold are KBH and KBT.

**(c) Subsidiary and associated company**

As at the LPD, BW Scaffold does not have any subsidiary and/or associated company.

**14.3.2 Information on BWYSSB****(a) Share capital**

As at LPD, BWYSSB has an issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares. Details of the movement in the issued share capital of BWYSSB since its incorporation up to the LPD are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration (RM)</b>	<b>Nature of transaction</b>	<b>Cumulative issued share capital (RM)</b>
26 November 2009	2	2	Cash	2
18 May 2010	99,998	99,998	Cash	100,000
23 May 2011	400,000	400,000	Cash	500,000
28 September 2011	500,000	500,000	Cash	1,000,000

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, BWYSSB does not have any outstanding warrants, options, convertible securities or uncalled capital.

**14. STATUTORY AND OTHER INFORMATION (cont'd)****(b) Shareholders and directors**

As at the LPD, BWYSSB is our wholly-owned subsidiary.

As at the LPD, the directors of BWYSSB are KBH and KBT.

**(c) Subsidiary and associated company**

As at the LPD, BWYSSB does not have any subsidiary and/or associated company.

**14.3.3 Information on BWYS Steel****(a) Share capital**

As at LPD, BWYS Steel has an issued share capital of RM13,082,073 comprising 60,326,700 ordinary shares. Details of the movement in the issued share capital of BWYS Steel since its incorporation up to the LPD are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration (RM)</b>	<b>Nature of transaction</b>	<b>Cumulative issued share capital (RM)</b>
2 August 1999	3	3	Cash	3
1 November 2001	99,997	99,997	Cash	100,000
20 April 2006	400,000	400,000	Cash	500,000
14 March 2007	500,000	500,000	Cash	1,000,000
19 September 2008	1,000,000	1,000,000	Cash	2,000,000
14 August 2023	58,326,700	11,082,073	Cash	13,082,073

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, BWYS Steel does not have any outstanding warrants, options, convertible securities or uncalled capital.

**(b) Shareholders and directors**

As at the LPD, BWYS Steel is our wholly-owned subsidiary.

As at the LPD, the directors of BWYS Steel are KBH, KBT and Ong Seow Yan.

**(c) Subsidiary and associated company**

As at the LPD, BWYS Steel does not have any subsidiary and/or associated company.

**14. STATUTORY AND OTHER INFORMATION (cont'd)****14.3.4 Information on BWYS Timur****(a) Share capital**

As at LPD, BWYS Timur has an issued share capital of RM500,000 comprising 500,000 ordinary shares. Details of the movement in the issued share capital of BWYS Timur since its incorporation up to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of shares allotted</u>	<u>Consideration (RM)</u>	<u>Nature of transaction</u>	<u>Cumulative issued share capital (RM)</u>
9 March 2011	100	100	Cash	100
15 July 2011	99,900	99,900	Cash	100,000
15 July 2015	400,000	400,000	Other than cash	500,000

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, BWYS Timur does not have any outstanding warrants, options, convertible securities or uncalled capital.

**(b) Shareholders and directors**

As at the LPD, BWYS Timur is our wholly-owned subsidiary.

As at the LPD, the directors of BWYS Timur are KBH and KBT.

**(c) Subsidiary and associated company**

As at the LPD, BWYS Timur does not have any subsidiary and/or associated company.

**14.3.5 Information on YS Global****(a) Share capital**

As at LPD, YS Global has an issued share capital of RM2,000,000 comprising 2,000,000 ordinary shares. Details of the movement in the issued share capital of YS Global since its incorporation up to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of shares allotted</u>	<u>Consideration (RM)</u>	<u>Nature of transaction</u>	<u>Cumulative issued share capital (RM)</u>
9 March 2011	100	100	Cash	100
24 December 2014	999,900	999,900	Cash	1,000,000
28 December 2022	1,000,000	1,000,000	Cash	2,000,000

**14. STATUTORY AND OTHER INFORMATION (cont'd)**

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, YS Global does not have any outstanding warrants, options, convertible securities or uncalled capital.

**(b) Shareholders and directors**

As at the LPD, YS Global is a wholly-owned subsidiary of YS Success.

As at the LPD, the directors of YS Global are KBH and KBT.

**(c) Subsidiary and associated company**

As at the LPD, YS Global does not have any subsidiary and/or associated company.

**14.3.6 Information on YS Success****(a) Share capital**

As at LPD, YS Success has an issued share capital of RM11,068,890 comprising 49,731,000 ordinary shares. Details of the movement in the issued share capital of YS Success since its incorporation up to the LPD are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration (RM)</b>	<b>Nature of transaction</b>	<b>Cumulative issued share capital (RM)</b>
25 March 2008	2	2	Cash	2
7 June 2010	499,998	499,998	Cash	500,000
2 December 2011	1,500,000	1,500,000	Other than cash	2,000,000
14 August 2023	47,731,000	9,068,890	Cash	11,068,890

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, YS Success does not have any outstanding warrants, options, convertible securities or uncalled capital.

**(b) Shareholders and directors**

As at the LPD, YS Success is our wholly-owned subsidiary.

As at the LPD, the directors of YS Success are KBH and KBT.

**(c) Subsidiary and associated company**

As at the LPD, YS Success does not have any subsidiary and/or associated company other than its wholly-owned subsidiary namely YS Global.



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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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**14.4 CONSTITUTION**

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Constitution are based on the current Listing Requirements and the Act.

**14.4.1 Remuneration, voting and borrowing powers of Directors**

The provisions in our Constitution dealing with remuneration, voting and borrowing power of Directors are as follows:

**(i) Remuneration of Directors****Clause 103 - Remuneration**

The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and is subject to annual shareholder approval at a general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office PROVIDED ALWAYS that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

**Clause 104 - Reimbursement and special remuneration**

The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in connection with or about the business of the Company in the course of the performance of their duties as Directors.

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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing: if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged subject to any other provisions of this Constitution.

**(ii) Voting of Directors**

**Clause 116 – Meetings of Directors**

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Subject to this Constitution, questions arising at any meeting shall be determined by a majority of votes.

**Clause 119 – Quorum**

The quorum necessary for the transaction of the business of the Directors shall be two (2) Directors for the time being of the Company. A meeting of the Directors at which a quorum is present shall be competent to exercise all powers and discretion for the time being exercisable by the Directors.

**Clause 122 – Chairman has casting vote**

In case of equality of votes the Chairman shall have a second/casting vote except where only two (2) Directors are competent to vote on the question at issue, or at the quorum present at the meeting.

**Clause 123 – Declaration of interest and restriction of voting**

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, a personal interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:

- (a) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security.

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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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**Clause 124 – Directors restrained from voting in interested transactions**

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

**Clause 125 – Directors appointed at a meeting to hold other office to be counted in the quorum**

A Director notwithstanding his interest may be counted in the quorum present at any meeting whereat, he or any other Director is to be appointed to hold any office or place of profit in the Company or whereat the Directors resolve to exercise any of the rights of the Company (whether by the exercise of voting rights or otherwise) to appoint or concur in the appointment of a Director to hold any office or place of profit in any other company or whereat the terms of any such appointment or arrangements as hereinbefore mentioned are considered, as he may vote on any such matter other than in respect of the appointment of or arrangements with himself or the fixing of the terms thereof.

**Clause 127 - Director's interest in corporation promoted by Company**

A Director of the Company may be or become a Director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefits received by him as a Director or officer of or from his interest in such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as Directors of such other corporation in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be, or is about to be appointed a Director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.

**(iii) Borrowing power of Directors**

**Clause 108 – Directors' borrowing powers**

- (a) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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- (b) The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.
- (c) If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

**14.4.2 Changes to Share Capital****Clause 52 – Increase of share capital**

The Company may from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.

**Clause 53 – Issue of new shares to existing Members**

Subject to any direction to the contrary that may be given by the Company in general meeting, any shares or securities from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided.

**Clause 55 – Alteration of Capital**

The Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or

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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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- (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

The Company may, subject to the provision of the Act, by special resolution reduce its share capital.

**14.4.3 Transfer of Securities****Clause 42 - Transfer of Securities**

Subject to the provisions of this Constitution, the Central Depositories Act, the Rules and the Listing Requirements, the transfer of any Listed Security or class of Listed Security in the Company shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 or 110 of the Act, subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Security.

**Clause 43 – Transferor’s right**

The instrument of transfer of any share shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.

**Clause 44 – Person under disability**

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

**Clause 45 – Directors may refuse registration of transfer**

Subject to the provisions of the Act, the Central Depositories Act, the Listing Requirements and the Rules, the Directors may, in their discretion and without assigning any reason therefor, refuse to register the transfer of any share (not being a fully paid share), and whether or not the Company claims lien on the same.

**Clause 46 - Transmission of Shares**

Where:

- (a) the Securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such securities.

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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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**14.4.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights****Clause 13 – Issue of Securities**

Subject to the Listing Requirements, the Act, the Central Depositories Act and/or the Rules and notwithstanding the existence of a resolution pursuant to Sections 75 and 76 of the Act, the Company must ensure that it shall not issue any shares or convertible Securities, if those shares or convertible Securities, when aggregated with any such shares or convertible Securities issued during the preceding twelve (12) Months, exceeds ten per cent (10%) of the value of the issued and paid-up capital of the Company, except where the shares or convertible Securities are issued with the prior approval of the shareholders in general meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible Securities that may be issued by the Company, if the Security is a convertible Security, each such Security is counted as the maximum number of shares into which it can be converted or exercised.

**Clause 18– Alteration of Class Rights**

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-quarters (3/4) of the issued shares capital of the class or group, or with the sanction of any special resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) of the share capital paid or credited as paid on the issued shares of the class (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one (1) vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply.

**14.5 GENERAL INFORMATION**

- (a) Save for the dividends declared and/or paid as disclosed in Section 5.1.5 of this Prospectus and Directors' remuneration as disclosed in Section 5.5.1 of this Prospectus, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoter, Directors or substantial shareholder.
- (b) Save as disclosed in Section 10.1 of this Prospectus, none of our Directors or substantial shareholder have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 15 of this Prospectus.
- (d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

**14.6 CONSENTS**

- (a) The written consents of the Principal Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Company Secretaries, Share Registrar and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (b) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and Reporting Accountants' report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (c) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and has not been subsequently withdrawn.

**14.7 DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (a) Our Constitution;
- (b) Audited financial statements of our Group for FYE 2020 to FYE 2023;
- (c) Accountants' Report as set out in Section 12 of this Prospectus;
- (d) Reporting Accountants' Report on the Pro Forma Combined Statements of Financial Information as set out in Section 13 of this Prospectus;
- (e) IMR Report as set out in Section 7 of this Prospectus;
- (f) Material contracts as set out in Section 6.7 of this Prospectus;
- (g) Cause papers as set out in Section 11.3.5 of this Prospectus;
- (h) Letters of consent as set out in Section 14.6 of this Prospectus; and
- (i) Service contract agreements of Sim Kay Wah and Lau Ken Wah as set out in Section 5.3.3 of this Prospectus.

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**14. STATUTORY AND OTHER INFORMATION (cont'd)**

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**14.8 RESPONSIBILITY STATEMENTS**

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

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

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## **15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE**

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

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

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

### **15.1 OPENING AND CLOSING OF APPLICATIONS**

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 18 JUNE 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M, 5 JULY 2024

Applications for the Issue Shares will open and close at the times and dates stated above.

In the event there is any change to the timetable, we will make an announcement on Bursa Securities' website and advertise the notice of the change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia.

**LATE APPLICATIONS WILL NOT BE ACCEPTED.**

### **15.2 METHODS OF APPLICATIONS**

#### **15.2.1 Retail Offering**

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<b><u>Types of Application and category of investors</u></b>	<b><u>Application method</u></b>
Applications by Malaysian Public:	
(i) Individuals	<ul style="list-style-type: none"> <li>▪ <b>WHITE</b> Application Form; or</li> <li>▪ Electronic Share Application; or</li> <li>▪ Internet Share Application</li> </ul>
(ii) Non-Individuals	<ul style="list-style-type: none"> <li>▪ <b>WHITE</b> Application Form only</li> </ul>
Applications by Eligible Persons	<ul style="list-style-type: none"> <li>▪ <b>PINK</b> Application Form only</li> </ul>

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

### 15.2.2 Placement

<u>Types of Application</u>	<u>Application method</u>
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

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

## 15.3 ELIGIBILITY

### 15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts will not be accepted** for the Applications.

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

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

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

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

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### **15.3.2 Application by the Malaysian Public**

You can only apply for our Issue Shares if you fulfil all of the following:

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

### **15.3.3 Application by Eligible Persons**

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in the said documents and where relevant, in this Prospectus.

## **15.4 APPLICATION BY WAY OF APPLICATION FORM**

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

The FULL amount payable is RM0.22 for each Issue Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 770"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

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

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

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

Tricor Investor & Issuing House Services Sdn Bhd  
(Registration No: 197101000970 (11324-H))  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No. 8, Jalan Kerinchi  
59200 Kuala Lumpur

- (b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur, so as to arrive not later than 5.00 p.m. on 5 July 2024 or by such other time and date specified in any change to the date or time for closing.

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

### **15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION**

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

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

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

### **15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION**

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

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

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

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

### **15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE**

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

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

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

### **15.8 OVER/UNDERSUBSCRIPTION**

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

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website at <https://tiih.online> within 1 Market Day after the balloting event.

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

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

In the event of an undersubscription of our Issue Shares by the Malaysian Public and/or eligible Directors and employees of our Group, subject to the underwriting arrangements and reallocation as set out in Section 4.3.3 of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

### **15.9 UNSUCCESSFUL/PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

#### **15.9.1 For applications by way of Application Forms**

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).
- (d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

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

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

- (a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (b) You may check your account on the 5<sup>th</sup> Market Day from the balloting date.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

**15.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (a) Our Issue Shares allotted to you will be credited into your CDS Account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Depository Rules.
- (d) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

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

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**15.11 ENQUIRIES**

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

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House Enquiry Services at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **1 Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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