

10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition and as disclosed below, there are 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 the Financial Years/Period Under Review and up to the LPD:

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transaction	Transaction value									
				FYE 2021		FYE 2022		FYE 2023		FPE 2024		1 May 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
GPI Management Sdn Bhd ("GMSB")	BESB	Yeo Hock Cheong is our Promoter, Executive Director/CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GMSB	Provision of management services to BESB	336	(1)4.33	-	-	-	-	-	-	-	-
			Repayment of amount owing to GMSB in relation to management services	203	(2)0.29	209	(2)0.27	-	-	-	-	-	-
			There is no outstanding amount as at the LPD as the outstanding amount has been fully settled before the LPD										
Golden World Metal Sdn Bhd ("GWMSB")	BESB	Yeo Hock Cheong is our Promoter, Executive Director/CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GWMSB.	Rental of a portion of Lot 11936B, Jalan Perajurit 1, Kampung Teluk Gong, 42000 Pelabuhan Klang, Selangor to BESB (3)	120	(1)1.55	120	(1)1.35	-	-	-	-	-	-
			Rental of HS(M) 12088, PT No. 11765, Mukim Klang, Daerah Klang, Tempat Kampong Nelayan Telok Gong, Selangor to BESB (4)	300	(1)3.87	75	(1)0.85	-	-	-	-	-	-
			Rental of our Port Klang Factory to BESB (5)	1,227	(1)15.82	1,125	(1)13.82	-	-	-	-	-	-
			Repayment of amount owing to GWMSB	-	-	1,368	(2)1.74	1,230	(2)1.39	-	-	-	-
			There is no outstanding amount as at the LPD as the outstanding amount has been fully settled before the LPD										

10. RELATED PARTY TRANSACTIONS (CONT'D)

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transaction	Transaction value									
				FYE 2021		FYE 2022		FYE 2023		FPE 2024		1 May 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Yeo Hock Cheong	BESB	Yeo Hock Cheong is our Promoter, Executive Director/ CEO and substantial shareholder.	Repayment of advances by BESB to Yeo Hock Cheong	-	-	-	-	90	(2)0.10	-	-	-	-
			There is no outstanding amount as at the LPD as the outstanding amount has been fully settled before the LPD										

Notes:

(1) Calculated based on our selling and administrative expenses for each of the respective financial years/period.

(2) Computed based on our total liabilities at the end of each respective financial years/period.

(3) GWMSB had on 30 December 2018 entered into a subtenancy agreement with BESB for the rental of a portion of premises located at Lot 11936B, Jalan Perajurit 1, Kampung Teluk Gong, 42000 Pelabuhan Klang, Selangor for storage of PKS. The tenancy commenced from 1 January 2019 to 31 December 2019 and was subsequently renewed for a further 3 terms of 12 months commencing from 1 January 2020 to 31 December 2020, 1 January 2021 to 31 December 2021 and 1 January 2022 to 31 December 2022 respectively. The registered proprietor of the premises is Ikram Tegas Sdn Bhd (“ITSB”).

The rationale behind the subtenancy arrangement between GWMSB and BESB is due to BESB requiring additional storage space in Port Klang while GWMSB had additional storage space at the premises that were not utilised from its business operations.

The transaction between GWMSB and BESB was not conducted at an arms’ length basis as the rental charged by GWMSB to BESB was higher than the rental rate charged by ITSB to GWMSB. The higher rental rate was due to fees payable to GWMSB to cover the risk of default of payment of rental by BESB as well as the facility management services provided by GWMSB.

The subtenancy arrangement with GWMSB ended on 31 December 2022.

(4) GWMSB had on 5 July 2018 entered into a subtenancy agreement with BESB for the rental of a premises located at HS(M) 12088, PT No. 11765, Mukim Klang, Daerah Klang, Tempat Kampong Nelayan Telok Gong, Selangor as warehouse and storage of PKS. The tenancy commenced from 1 June 2018 to 31 May 2020, and a new tenancy agreement dated 30 June 2020 for the tenancy commencing 1 July 2020 to 30 July 2021, and was subsequently renewed on a monthly basis. The tenancy agreement was terminated on 31 March 2022. The registered proprietor of the warehouse and storage is Mentari Rampai Sdn Bhd (“MRSB”).

The rationale behind the subtenancy arrangement between GWMSB and BESB is in response to considerations raised by MRSB during the negotiation of a tenancy agreement with BESB in 2018 whereby MRSB had reservations about entering into a direct tenancy agreement with BESB, citing concerns related to the financial standing of BESB at that time.

10. RELATED PARTY TRANSACTIONS (CONT'D)

The transaction between GWMSB and BESB was not conducted at an arms' length basis as the rental charged by GWMSB to BESB was higher than the rental charged by MRSB to GWMSB. The higher rental rate was due to fees payable to GWMSB to cover the risk of default of payment of rental by BESB.

The subtenancy arrangement with GWMSB was terminated on 31 March 2022.

- (5) *GWMSB had on 11 November 2017 entered into a subtenancy agreement with BESB for the rental of our Port Klang Factory for a period of 24 months from 1 January 2018 to 31 December 2019. The tenancy was subsequently renewed for a term of 24 months commencing from 1 January 2020 to 31 December 2021 and a further term of 12 months commencing from 1 January 2022 to 31 December 2022. The registered proprietor of our Port Klang Factory is C N H Holdings Sdn Bhd ("CNH").*

The rationale behind the subtenancy arrangement between GWMSB and BESB is in response to considerations raised by CNH during the negotiation of a tenancy agreement with BESB in 2017 whereby CNH had reservations about entering into a direct tenancy agreement with BESB, citing concerns related to the financial standing of BESB at that time.

The transaction between GWMSB and BESB was not conducted at an arms' length basis as the rental charged by GWMSB to BESB was higher than the rental charged by CNH to GWMSB. The higher rental rate was due to fees payable to GWMSB to cover the risk of default of payment of rental by BESB.

The subtenancy agreement with GWMSB was terminated on 31 October 2022 and thereafter on 1 November 2022, BESB entered into a tenancy agreement with CNH.

As at the LPD, there is no outstanding amount for all the related party transactions set out above as all the outstanding amount has been fully settled before the LPD.

Save for the transactions in Notes (3), (4) and (5), our Directors are of the view that all the above related party transactions were carried out at arm's length basis and on normal commercial terms which are not unfavourable to our Group and comparable to those generally available to third parties.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Moving forward, in order to ensure that related party transactions 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 two (2) other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other 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 a general meeting. 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 the 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 transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, 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 transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

10. RELATED PARTY TRANSACTIONS (CONT'D)

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. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS**10.2.1 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 the Financial Years/Period Under Review and up to the LPD.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Loans and/or advances made to/for the benefit of related parties or granted by related parties

Save as disclosed below, there are no outstanding loans and/or advances made by our Group to/for the benefit of related parties or granted by the related parties for the benefit of our Group during the Financial Years/Period Under Review and up to the LPD:

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transaction	FYE	FYE	FYE	FPE	1 May
				2021	2022	2023	2024	2024 up to the LPD
				RM'000	RM'000	RM'000	RM'000	RM'000
GMSB	BESB	Yeo Hock Cheong is our Promoter, Executive Director/ CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GMSB	Amount owing by BESB to GMSB in relation to provision of management services The amount owing to GMSB was unsecured and interest-free.	336	-	-	-	-
GWMSB	BESB	Yeo Hock Cheong is our Promoter, Executive Director/ CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GWMSB.	Advances from GWMSB to BESB for working capital and purchase of plant & machinery The advances provided was unsecured and interest-free.	-	550	-	-	-
Yeo Hock Cheong	BESB	Yeo Hock Cheong is our Promoter, Executive Director/ CEO and substantial shareholder.	Advances from Yeo Hock Cheong to BESB for working capital The advances provided was unsecured and interest-free.	50	40	-	-	-

The advances given by the Group's related parties were not conducted on arm's length basis as the advances were unsecured, interest-free and not on normal commercial terms. As at the LPD, all advances given by the Group's related parties have been fully settled.

10. RELATED PARTY TRANSACTIONS (CONT'D)

In addition, our Group has put in place internal control and compliance procedures in relation to loans and/or financial assistance to be provided to its related parties and/or third parties. Moving forward, no further loans, advances or financial assistance will be provided to or for the benefit of any related parties by our Group unless such loans are permitted under the applicable laws and the Listing Requirements and brought to our Company's Audit and Risk Management Committee and our Board for deliberation and approval. The procedures to be undertaken to ensure that future related party transactions (if any) are carried out on an arm's length basis are set out in Section 10.1 of this Prospectus.

(b) Guarantees

As at the LPD, Yeo Hock Cheong (our Promoter, Executive Director/CEO and substantial shareholder), Teoh Soon Tek (our COO and director of BESB), Datin Cheah Lay Fong and BEH (our substantial shareholder) have jointly and severally provided personal guarantees for the banking and financing facilities extended by Affin Islamic Bank Berhad, Maybank Islamic Berhad, Export-import Bank of Malaysia Berhad and Affin Bank Berhad ("**Financiers**") to our Group. The details of the banking and financing facilities are set out below:

<u>Financiers</u>	<u>Type of facilities</u>	<u>Purpose</u>	<u>Outstanding balance as at the LPD RM'000</u>	<u>Facility limit and amount guaranteed RM'000</u>	<u>Type of Third-party Securities</u>	<u>Guarantor(s)</u>
Affin Islamic Bank Berhad	3 trade financing facilities	For working capital purposes	39,887	46,000	Nil	<ul style="list-style-type: none"> • Yeo Hock Cheong • Datin Cheah Lay Fong⁽¹⁾
Maybank Islamic Berhad	1 trade financing facility	For working capital purposes	4,361	9,000	Nil	<ul style="list-style-type: none"> • Yeo Hock Cheong • Teoh Soon Tek • Datin Cheah Lay Fong⁽¹⁾
Export-Import Bank of Malaysia Berhad	2 trade financing facilities	For working capital purposes	-	8,000	Nil	<ul style="list-style-type: none"> • Yeo Hock Cheong • Teoh Soon Tek • Datin Cheah Lay Fong⁽¹⁾ • BEH
Affin Bank Berhad	Hire purchase	Hire purchase of motor vehicle	52	155	Nil	Datin Cheah Lay Fong ⁽¹⁾
	Total		<u>44,300</u>	<u>63,155</u>		

10. RELATED PARTY TRANSACTIONS (CONT'D)

Note:

(1) *Datin Cheah Lay Fong has retired and subsequently resigned as a director of BESB on 2 January 2024. We have written to the Financiers to request for the conditional consent to release and/or discharge her personal guarantee by substituting the same with a corporate guarantee from our Company in conjunction with the IPO.*

We have written to the Financiers to request for their conditional consent to release and/or discharge of the above stated personal and corporate guarantees by substituting the same with a corporate guarantee from our Company.

As at the LPD, we have received conditional approvals from all the Financiers to release the above stated personal and corporate guarantees by substituting the same with a corporate guarantee from our Company. The conditions imposed (which do not have specific timeframes) by the Financiers may include, amongst others, the following:

- (a) the successful listing of our Company on the ACE Market of Bursa Securities; and
- (b) the perfection of a corporate guarantee by our Company after the completion of our Listing.

10.2.3 Financial assistance provided for the benefit of a related party

There is no financial assistance provided by us for the benefit of any related party for the Financial Years/Period Under Review and the subsequent period up to the LPD.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

As at the LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group, or which are customers and suppliers of our Group.

11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTEREST

Our Audit and Risk Management Committee will supervise any actual conflict of interest or potential conflict of interest situations.

In order to mitigate any possible conflict of interest situation, 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 then evaluate if such Director's involvement give 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 deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board 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 the Board, be present at the Board meeting for the purposes of answering 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.

11.3 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) KAF IB 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 Principal Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (b) Ong Eu Jin Partnership 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 Solicitors for our Listing.

11. CONFLICT OF INTEREST (CONT'D)

Ong Eu Jin Partnership (formerly known as Diane & Partners) has assumed the role as Solicitors for our Listing on 11 June 2024 (under Diane & Partners) following the termination of Rosli Dahlan Saravana Partnership on the same date.

- (c) HLB Ler Lum Chew 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 Auditors and Reporting Accountants for our Listing.
- (d) Providence 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 IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia on 10 January 2024 under the Act as a public limited company to facilitate the Listing Scheme and the Acquisition was completed on 10 July 2024. Our subsidiary, BESB has have been under the common control of our Promoter, Yeo Hock Cheong prior to the Acquisition and are regarded as continuing entities resulting from the Acquisition. As such, the historical financial information of our Group for the Financial Years/Period Under Review is presented based on the audited combined financial statements as if our Group structure had been in existence throughout the Financial Years/Period Under Review. For information, no financial information of our Company was included for the FYE 2021, FYE 2022 and FYE 2023 as our Company was only incorporated on 10 January 2024.

Our historical financial information throughout the Financial Years/Period Under Review has been prepared in accordance with MFRS and IFRS and were not subject to any audit qualifications.

12.1.1 Historical statements of profit or loss and other comprehensive income

The following table sets out a summary of our audited statements of profit or loss and other comprehensive income for the Financial Years/Period Under Review which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus, respectively.

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	115,114	144,440	335,251	87,776	117,657
Cost of sales	(105,818)	(129,277)	(289,282)	(78,130)	(91,826)
GP	9,296	15,163	45,969	9,646	25,831
Other operating income	1,316	1,609	334	146	55
Net (loss)/gain on loss allowance of trade receivables	(192)	614	(61)	(332)	-
Selling and administrative expenses	(7,760)	(8,865)	(16,344)	(4,266)	(5,172)
Operating profit	2,660	8,521	29,898	5,194	20,714
Finance costs	(879)	(2,167)	(1,918)	(305)	(957)
PBT	1,781	6,354	27,980	4,889	19,757
Taxation	(39)	(65)	(4,415)	-	(4,790)
PAT	1,742	6,289	23,565	4,889	14,967
PAT attributable to:					
- Owners of the Company	1,742	6,289	23,565	4,889	14,967
- Non-controlling interest	-	-	-	-	-
	1,742	6,289	23,565	4,889	14,967
EBIT (RM'000) ⁽¹⁾	2,491	8,427	29,748	5,192	20,659
EBITDA (RM'000) ⁽¹⁾	3,419	9,148	31,172	5,391	23,023
GP margin (%) ⁽²⁾	8.07	10.50	13.71	10.99	21.95
PBT margin (%) ⁽³⁾	1.55	4.40	8.35	5.57	16.79
PAT margin (%) ⁽³⁾	1.51	4.35	7.03	5.57	12.72
Effective tax rate (%) ⁽⁴⁾	2.19	1.02	15.78	-	24.24
Basic /diluted EPS (sen) ⁽⁵⁾	0.09	0.31	1.18	0.24	0.75

12. FINANCIAL INFORMATION (CONT'D)

Notes:

(1) *EBIT and EBITDA are calculated as follows:*

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
<i>PAT</i>	1,742	6,289	23,565	4,889	14,967
Less:					
<i>Interest income</i>	(169)	(94)	(150)	(2)	(55)
Add:					
<i>Finance costs</i>	879	2,167	1,918	305	957
<i>Taxation</i>	39	65	4,415	-	4,790
EBIT	2,491	8,427	29,748	5,192	20,659
Add:					
<i>Depreciation and amortisation</i>	928	721	1,424	199	2,364
EBITDA	3,419	9,148	31,172	5,391	23,023

(2) *GP margin is calculated based on GP divided by revenue.*

(3) *PBT margin and PAT margin is calculated based on the respective PBT and PAT divided by revenue.*

(4) *Effective tax rate is calculated based on tax expenses divided by PBT.*

(5) *Calculated based on our PAT attributable to the owners of our Company divided by the enlarged share capital of 2,000,000,000 Shares after our IPO. The diluted EPS is equal to the basic EPS as there was no potential dilutive ordinary shares outstanding at the end of the respective FYE.*

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12. FINANCIAL INFORMATION (CONT'D)**12.1.2 Historical statements of financial position**

The following table sets out the audited statements of financial position of our Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus, respectively.

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
<u>ASSETS</u>				
<u>Non-current assets</u>				
PPE	6,429	5,962	5,972	10,517
ROU	3,566	124	21,285	19,213
Investment properties	2,688	2,632	2,576	2,557
Total non-current assets	12,683	8,718	29,833	32,287
<u>Current assets</u>				
Inventories	9,608	4,609	20,953	19,862
Trade receivables	28,427	6,146	14,238	15,989
Other receivables, deposits and prepayments	16,027	40,754	7,009	7,853
Fixed deposits	5,250	5,338	5,463	5,507
Cash and bank balances	2,530	24,422	46,300	45,271
Total current assets	61,842	81,269	93,963	94,482
TOTAL ASSETS	74,525	89,987	123,796	126,769
<u>Equity</u>				
Invested equity	7,300	7,300	7,300	7,300
Share capital	-	-	-	1
Reserves	(2,122)	4,167	27,732	42,699
TOTAL EQUITY	5,178	11,467	35,032	50,000
<u>Non-current liabilities</u>				
Deferred tax liabilities	-	-	743	13,583
Lease liabilities	3,188	91	15,594	743
Total non-current liabilities	3,188	91	16,337	14,326
<u>Current liabilities</u>				
Trade payables	17,463	24,891	16,693	10,294
Other payables	31,582	30,413	20,950	13,798
Current tax liabilities	6	17	1,370	4,820
Borrowings	16,567	22,952	27,601	27,609
Amount due to a Director	50	90	-	-
Lease liabilities	491	66	5,813	5,922
Total current liabilities	66,159	78,429	72,427	62,443
TOTAL LIABILITIES	69,347	78,520	88,764	76,769
TOTAL EQUITY AND LIABILITIES	74,525	89,987	123,796	126,769

12. FINANCIAL INFORMATION (CONT'D)**12.1.3 Historical statements of cash flows**

The following table sets out the audited statements of cash flows of our Group for the Financial Years/Period Under Review which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12 and 13 of this Prospectus, respectively.

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cash flows from operating activities</u>					
PBT	1,781	6,354	27,980	4,889	19,757
Adjustments for:					
Bad debts written-off	-	105	-	-	-
Deposits forfeited	-	37	4	-	-
Depreciation of:					
– investment properties	56	56	56	19	19
– PPE	593	627	667	215	360
– ROU	632	276	928	37	2,073
Gain on lease modification	-	(110)	(1)	-	-
Net loss/(gain) on loss allowance of trade receivables	192	(614)	61	332	-
Other payable written back	(90)	-	-	-	-
Gain on disposal of PPE	-	~	~	-	~
Gain on disposal of ROU	-	(88)	-	-	-
Gain/(loss) on foreign exchange – unrealised (net)	~	(82)	(493)	1,386	313
Goods and Services Tax written off	12	-	-	-	-
Interest income	(169)	(94)	(150)	(2)	(55)
Interest expenses	876	2,167	1,918	305	957
Operating profit before working capital changes	3,883	8,634	30,970	7,181	23,424
Changes in working capital:					
Decrease/(Increase) in inventories	7,527	4,999	(16,343)	(7,149)	1,091
(Increase)/Decrease in trade and other receivables	(2,040)	(1,973)	25,587	(21,143)	(2,422)
(Decrease)/Increase in trade and other payables	(17,559)	6,204	(15,238)	6,811	(18,443)
Increase/(Decrease) in amount owing to a Director	50	40	(90)	(90)	-
Increase/(Decrease) in amount owing to related parties	2,974	55	(2,104)	4,516	-
Cash (used in)/generated from operations	(5,165)	17,959	22,782	(9,874)	3,650
Interest paid	(672)	(2,059)	(1,745)	(300)	(568)
Interest received	169	94	150	2	55
Tax paid	(39)	(54)	(2,319)	(8)	(1,340)
Net cash (used in)/generated from operating activities	(5,707)	15,940	18,868	(10,180)	1,797

12. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Cash flows from investing activities</u>					
Acquisition of PPE	(17)	(160)	(678)	-	(542)
Proceeds from disposal of ROU	-	587	-	-	-
Proceeds from disposal of PPE	-	~	2	-	13
Net cash (used in)/from investing activities	(17)	427	(676)	-	(529)
<u>Cash flows from financing activities</u>					
Drawdown /(Repayment) from borrowings, net:					
- Bankers' acceptance	383	1,943	12,296	(1,798)	1,424
- Supplier financing	6,771	(2,714)	(4,073)	2,436	-
- Invoice financing	-	4,349	(971)	94	(2,429)
- Trust receipts	(1,088)	(1,147)	(1,138)	1,496	(869)
- Unsecured loans	-	4,456	(4,456)	(4,456)	-
- Trade financing	-	-	2,990	-	1,883
Issuance of share capital	-	-	-	-	1
Interest paid	(204)	(109)	(174)	(5)	(389)
Repayment of lease liabilities	(539)	(747)	(837)	(32)	(1,901)
Net cash from financing activities	5,323	6,031	3,637	(2,265)	(2,280)
Net changes in cash and cash equivalents	(401)	22,398	21,829	(12,445)	(1,012)
Cash and cash equivalents at the beginning of the financial year	7,680	7,279	29,760	29,761	51,763
Effects of foreign exchange differences	~	83	174	(725)	27
Cash and cash equivalents at the end of the financial year	7,279	29,760	51,763	16,591	50,778

Note:

~ Less than RM1,000

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12. FINANCIAL INFORMATION (CONT'D)**12.2 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (i) based on latest unaudited combined financial information of our Group as at 30 June 2024; and
- (ii) after adjusting for the effects of the Public Issue and utilisation of proceeds.

	As at 30 June 2024	I After Public Issue	II After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Invested equity	7,300	7,300	7,300
Share capital	34,981	136,481	133,661
Reserves	15,409	15,409	13,240
Total capitalisation	57,690	159,190	154,201
Indebtedness			
<u>Non-Current</u>			
<i>Unsecured and unguaranteed:</i>			
Lease liabilities	12,564	12,564	12,564
<u>Current</u>			
<i>Secured and guaranteed</i>			
Borrowings	44,003	44,003	44,003
<i>Unsecured and unguaranteed</i>			
Lease liabilities	5,978	5,978	5,978
Total indebtedness	62,545	62,545	62,545
Total capitalisation and indebtedness	120,235	221,735	216,746
Gearing ratio (times)⁽¹⁾	1.08	0.39	0.41

Note:

(1) Computed based on total indebtedness divided by total shareholders' equity

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12. FINANCIAL INFORMATION (CONT'D)

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

The following discussion and segmental analysis of our financial statements for the Financial Years/Period Under Review should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

The discussion and analysis contain data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The future results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the Risk Factors as set out in Section 9 of this Prospectus.

There are no accounting policies which are peculiar to our Group regarding the nature of the business and industry which our Group is involved in. The selected financial information and financial analysis included in this Prospectus are not intended to predict our Group's financial position, results or cash flows.

12.3.1 Overview of our operations

Our Company is an investment holding company. Through our sole Subsidiary, BESB, we are principally involved in the manufacturing and trading of biomass fuel products, particularly PKS and wood pellets.

Our customer base mainly comprises biomass fuel product trading companies who would sell to end-users comprising manufacturers that require the use of industrial boilers for generation of heat or energy or biomass power plant operators. At times, we may also sell to end-users directly. Our customers are based in countries in Asia Pacific, namely Malaysia, Indonesia, Japan, Singapore, China, South Korea and Thailand.

Please refer to Section 7 of this Prospectus for detailed overview of our Group's business. We set out below the analysis of our past financial performance and the commentaries thereof, during the Financial Years/Period Under Review.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.2 Results of our operations

(A) Revenue

Our revenue for the Financial Years/Period Under Review was derived from the following:

(i) Revenue by principal activities

Principal activities	FYE 2021			Audited FYE 2022			FYE 2023		
	MT sold	RM'000	%	MT sold	RM'000	%	MT sold	RM'000	%
	Manufacturing of PKS	279,605	104,764	91.01	353,150	144,398	99.97	531,813	290,171
Manufacturing and trading of wood pellets	24,257	10,350	8.99	59	42	0.03	67,960	45,080	13.45
Total		115,114	100.00		144,440	100.00		335,251	100.00

Principal activities	Unaudited FPE 2023			Audited FPE 2024		
	MT sold	RM'000	%	MT sold	RM'000	%
	Manufacturing of PKS	149,542	78,668	89.62	200,212	97,990
Manufacturing and trading of wood pellets	13,333	9,108	10.38	41,641	19,667	16.72
Total		87,776	100.00		117,657	100.00

Revenue arises mainly from sale of goods and rendering of services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Our Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to our customers. Revenue is recognised at the point in time upon shipment or delivery to a dedicated destination point.

Our revenue from the sale of PKS and wood pellets is a direct result of the selling prices and volume of PKS and wood pellets sold. Our average selling price is generally dependent on the specifications of the PKS or wood pellets required by the customer such as moisture levels, calorific value as well as ash, sulphur, sodium, potassium and chlorine volume, impurities and durability, the price of unprocessed PKS and wood residue, the volume of order required by the customer and the foreign exchange rate fluctuations.

12. FINANCIAL INFORMATION (CONT'D)

(ii) Revenue by geographical markets

The following table sets forth our Group's revenue by geographical location of our customers:

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	74,063	64.34	67,290	46.59	16,807	5.01	16,590	18.90	8,021	6.82
Singapore	9,411	8.18	22,706	15.72	105,182	31.37	35,299	40.21	55,996	47.59
Indonesia	-	-	30,350	21.01	119,545	35.66	25,750	29.34	37,113	31.54
Japan	17,901	15.55	24,094	16.68	86,985	25.95	10,137	11.55	16,527	14.05
Thailand	-	-	-	-	6,732	2.01	-	-	-	-
China	12,410	10.78	-	-	-	-	-	-	-	-
South Korea	1,329	1.15	-	-	-	-	-	-	-	-
Total	115,114	100.00	144,440	100.00	335,251	100.00	87,776	100.00	117,657	100.00

Our local sales are denominated in RM, while our sales derived by the overseas market are mainly denominated in USD and SGD. Our revenue from each geographical location changes from year to year due to the different levels of demand from our customers and purchase orders received from our existing and new customers during the Financial Years/Period Under Review.

(iii) Commentaries on revenue

Comparison between FYE 2021 and FYE 2022

Our revenue grew by approximately 25.48% or RM29.33 million to RM144.44 million for FYE 2022 (FYE 2021: RM115.11 million), which is in line with the overall increase in the sales volume of PKS sold by approximately 26.30% or 73,545.01 MT to 353,150.14 MT during FYE 2022 (FYE 2021: 279,605.13 MT). The increase in volume of PKS sold increased mainly due to the increase in overall volume of PKS sold to our foreign customers by approximately 54.60% or 61,794.97 MT to 174,974.09 MT during FYE 2022 (FYE 2021: 113,179.12 MT) mainly due to the following reasons:

- increase in revenue contribution from the manufacturing of PKS to our customers based in Singapore, which are mainly traders of PKS, by approximately 141.34% or RM13.30 million to RM22.71 million for FYE 2022 (FYE 2021: RM9.41 million); and
- increase in cumulative revenue contribution from the manufacturing PKS to our customers based in Japan and Indonesia, which are mainly traders of PKS, by approximately 204.13% or RM36.54 million to RM54.44 million for FYE 2022 (FYE 2021: RM17.90 million). This was mainly due to an increase in demand for biomass fuel products and sales orders received by the traders' customers as well as new purchase orders received from traders in Indonesia of RM30.35 million (of which RM19.08 million from a new customer, PT Apac Metal Indonesia) during FYE 2022 (FYE 2021: Nil).

12. FINANCIAL INFORMATION (CONT'D)

However, the increase in revenue contribution was partially offset by the decrease in revenue contribution from the following:

- (a) decrease in revenue contribution from the manufacturing of PKS to our customers based in Malaysia by approximately 9.14% or RM6.77 million to RM67.29 million for FYE 2022 (FYE 2021: RM74.06 million), as our Group had focused on fulfilling the purchase orders of PKS and wood pellets received from our foreign customers in Singapore, Japan and Indonesia;
- (b) lower sales volume for wood pellets sold by 99.76% or 24,198.24 MT to 59.20 MT in FYE 2022 (FYE 2021: 24,257.44 MT), resulting in the overall decrease in revenue generated from the manufacturing and trading of wood pellets, whereby overall revenue generated decreased by approximately 99.61% or RM10.31 million to RM0.04 million for FYE 2022 (FYE 2021: RM10.35 million). Such major decrease in sales volume and revenue contribution was mainly attributable to the preferences and demand of our customers to purchase PKS instead of wood pellet as primary source of biomass fuel products; and
- (c) completion of the purchase orders of PKS to our customer in China of RM12.41 million during FYE 2021, which did not reoccur during FYE 2022.

During FYE 2022:

- (a) the average selling price of PKS sold to our customers based in Malaysia decreased slightly by 3.43% or RM13.39 per MT from RM390.82 per MT in FYE 2021 to RM377.43 per MT in FYE 2022 mainly due to lower specifications of PKS required by these customers, which generally command lower selling prices; and
- (b) the average selling price of PKS sold to our foreign customers increased by 25.63% or RM89.95 per MT from RM350.97 per MT in FYE 2021 to RM440.92 per MT in FYE 2022 as the PKS sold to them require stringent specifications before they are sold to these foreign customers as well as the increase in the purchase cost of unprocessed PKS, thus resulting in the higher average selling price of PKS to these foreign customers.

Comparison between FYE 2022 and FYE 2023

Our revenue grew by approximately 132.10% or RM190.81 million to RM335.25 million for FYE 2023 (FYE 2022: RM144.44 million), which is in line with the overall increase in the sales volume of PKS sold by approximately 50.59% or 178,662 MT to 531,812 MT during FYE 2023 (FYE 2022: 353,150 MT). The increase was attributed to an increase in revenue from customers based in international markets in line with our Group's efforts to grow sales from international markets, due to the following reasons:

- (a) increase in overall revenue contribution from our customers based in Singapore, comprising traders of PKS, by approximately 363.14% or RM82.47 million to RM105.18 million for FYE 2023 (FYE 2022: RM22.71 million), due to the continued increase in revenue contribution generated from the manufacturing of PKS by 165.61% or RM37.61 million to RM60.32 million during FYE 2023 (FYE 2022: RM22.71 million) as well as trading of wood pellets to these customers in Singapore, which generated revenue of approximately RM44.86 million. We had temporarily halted our wood pellet manufacturing line at our Port Klang Factory and revenue generated mainly comprise trading of wood pellets during FYE 2023;

12. FINANCIAL INFORMATION (CONT'D)

- (b) increase in overall revenue contribution from the manufacturing of PKS to our customers based in Indonesia, which are mainly traders of biomass fuel products, by approximately 293.90% or RM89.20 million to RM119.55 million for FYE 2023 (FYE 2022: RM30.35 million), due to the continued increase in demand for PKS by these customers for their trading activities;
- (c) increase in overall revenue contribution from the manufacturing of PKS to our customers based in Japan by approximately 261.10% or RM62.90 million to RM86.99 million (FYE 2022: RM24.09 million), arising from continued increase in demand of biomass fuel products by biomass plants in and around Japan, which has seen an increase in its PKS imports for its feed-in tariff ("FIT") program, as more large-scale FIT-approved biomass power plants become operational in Japan; and
- (d) sales generated from the manufacturing of PKS to a new customer involved in the biomass manufacturing activities based in Thailand, which generated revenue of RM6.73 million during FYE 2023.

However, the increase in revenue contribution was partially offset by the decrease in revenue contribution from the manufacturing of PKS and trading of wood pellets to our customers based in Malaysia by approximately 75.02% or RM50.48 million to RM16.81 million (FYE 2022: RM67.29 million), as our Group had focused on fulfilling the purchase orders of PKS for our foreign customers.

During FYE 2023:

- (a) the average selling price of PKS sold to our customers based in Malaysia increased by 18.96% or RM71.55 per MT from RM377.43 per MT in FYE 2022 to RM448.98 per MT in FYE 2023 mainly due to overall increase in purchase cost of unprocessed PKS and wood residues; and
- (b) the average selling price of PKS sold to our foreign customers increased by 25.38% or RM111.92 per MT from RM440.92 per MT in FYE 2022 to RM552.84 per MT in FYE 2023 as the PKS sold to them continues to require stringent specifications before they are sold to these foreign customers as well as the increase in purchase cost of unprocessed PKS and wood residues, thus resulting in the higher average selling price of PKS to these foreign customers.

Comparison between FPE 2023 and FPE 2024

Our revenue grew by approximately 34.04% or RM29.88 million to RM117.66 million for FPE 2024 (FPE 2023: RM87.78 million), which is in line with the overall increase in the sales volume of PKS sold by approximately 33.88% or 50,670 MT to 200,212 MT during FPE 2024 (FPE 2023: 149,542 MT). The increase was attributed to the following reasons:

- (a) increase in overall revenue contribution from our customers based in Singapore, comprising traders of PKS and wood pellets, by approximately 58.64% or RM20.70 million to RM56.00 million for FPE 2024 (FPE 2023: RM35.30 million), due to the continued increase in revenue contribution generated from the following:
 - (i) manufacturing of PKS by 41.54% or RM10.88 million to RM37.07 million during FPE 2024 (FPE 2023: RM26.19 million); and
 - (ii) trading of wood pellets by 107.79% or RM9.82 million to RM18.93 million during FPE 2024 (FPE 2023: RM9.11 million);

12. FINANCIAL INFORMATION (CONT'D)

- (b) increase in overall revenue contribution from the manufacturing of PKS to our customers based in Indonesia, which are mainly traders of biomass fuel products, by approximately 44.12% or RM11.36 million to RM37.11 million for FPE 2024 (FPE 2023: RM25.75 million), due to the continued increase in demand for PKS by these customers for their trading activities;
- (c) increase in overall revenue contribution from the manufacturing of PKS to our customers based in Japan by approximately 63.02% or RM6.39 million to RM16.53 million (FPE 2023: RM10.14 million), arising from continued increase in demand of biomass fuel products by biomass plants in and around Japan, which has seen an increase in its PKS imports for its feed-in tariff ("FIT") program, as more large-scale FIT-approved biomass power plants become operational in Japan; and
- (d) increase in revenue contribution from the trading of wood pellets by approximately 115.92% or RM10.56 million to RM19.67 million (FPE 2023: RM9.11 million), due continuous increase in overall sales volume of wood pellets by approximately 212.31% or 28,307 MT to 41,641 MT during FPE 2024 (FPE 2023: 13,333 MT) arising from the increase in purchase orders received from an existing customer based in Singapore.

However, the increase in revenue contribution was partially offset by the decrease in revenue contribution from the manufacturing of PKS to our customers based in Malaysia by approximately 56.12% or RM9.31 million to RM7.28 million during FPE 2024 (FPE 2023: RM16.59 million) due to overall decrease in sales volume of PKS sold to our customers based in Malaysia by approximately 20,470 MT to 16,481 MT during FPE 2024 (FPE 2023: 36,951 MT), as our Group had opted the strategy to continue focusing on fulfilling the purchase orders of PKS received from our foreign customers in Singapore, Japan and Indonesia.

During FPE 2024:

- (a) the average selling price of PKS sold to our customers based in Malaysia decreased marginally by 1.61% or RM7.22 per MT from RM448.98 per MT in FPE 2023 to RM441.76 per MT in FPE 2024; and
- (b) the average selling price of PKS sold to our foreign customers decreased by 10.45% or RM57.64 per MT from RM551.35 per MT in FPE 2023 to RM493.71 per MT in FPE 2024, after taking into consideration the decrease in average cost of purchase of unprocessed PKS during FPE 2024 arising from higher supply of unprocessed PKS available in the market.

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12. FINANCIAL INFORMATION (CONT'D)

(B) Cost of sales, GP and GP margin

The fluctuation in our overall cost of sales was in tandem with our revenue for the Financial Years/Period Under Review.

(i) Cost of sales by principal activities

We set out below the breakdown of our cost of sales by principal activities for the Financial Years/Period Under Review:

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<u>Manufacturing of PKS</u>										
Raw materials consumed	90,763	85.77	123,023	95.16	235,932	81.56	67,576	86.49	67,283	73.27
Transportation charges	1,455	1.38	1,487	1.15	4,127	1.42	707	0.90	1,711	1.86
Rental of factory, machineries and equipment	2,927	2.77	3,118	2.41	3,607	1.25	1,043	1.34	1,029	1.12
Depreciation of PPE & ROU	854	0.81	721	0.56	1,262	0.44	183	0.23	1,957	2.13
Subcontracting cost	292	0.28	439	0.34	1,373	0.47	170	0.22	701	0.77
Other overhead expenses	501	0.47	461	0.36	1,120	0.39	242	0.31	195	0.21
Total	96,792	91.48	129,249	99.98	247,421	85.53	69,921	89.49	72,876	79.36
<u>Manufacturing and trading of wood pellets</u>										
Raw materials consumed	8,503	8.04	27	0.02	40,392	13.96	8,000	10.24	17,787	19.37
Transportation charges	126	0.11	~	#	528	0.18	63	0.08	356	0.39
Rental of factory, machineries and equipment	254	0.24	1	#	461	0.16	93	0.12	214	0.23
Depreciation of PPE & ROU	74	0.07	~	#	161	0.06	16	0.02	407	0.44
Subcontracting cost	26	0.02	~	#	176	0.06	15	0.02	146	0.16
Other overhead expenses	43	0.04	~	#	143	0.05	22	0.03	40	0.05
Total	9,026	8.52	28	0.02	41,861	14.47	8,209	10.51	18,950	20.64
Total cost of sales	105,818	100.00	129,277	100.00	289,282	100.00	78,130	100.00	91,826	100.00

Notes:

~ Less than RM1,000

Less than 0.01%

12. FINANCIAL INFORMATION (CONT'D)

The major components of our cost of sales are raw materials consumed during the Financial Years/Period Under Review.

(ii) Cost of sales by cost component

The table below sets out the breakdown of our cost of sales by cost components for the Financial Years/Period Under Review:

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials consumed	99,266	93.81	123,050	95.18	276,324	95.52	75,576	96.73	85,070	92.64
Transportation charges	1,581	1.49	1,487	1.15	4,655	1.61	770	0.99	2,067	2.25
Rental of factory, machineries and equipment	3,181	3.01	3,119	2.41	4,068	1.41	1,136	1.45	1,243	1.35
Depreciation of PPE & ROU	928	0.88	721	0.56	1,424	0.49	199	0.25	2,364	2.57
Subcontracting cost	318	0.30	439	0.34	1,548	0.54	185	0.24	847	0.93
Other overhead expenses	544	0.51	461	0.36	1,263	0.43	264	0.34	235	0.26
Total	105,818	100.00	129,277	100.00	289,282	100.00	78,130	100.00	91,826	100.00

(a) Raw materials consumed

Our Group's raw materials consumed mainly consist of unprocessed PKS and wood residues. We source our raw materials from traders, palm oil plantation and milling companies, palm fruits transporters, and logging transporters. As Malaysia is one of the largest oil palm producers globally and is rich in forest resources, most of our raw materials are locally sourced from Malaysia and overseas. The breakdown of the raw materials consumed are as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	MT	RM'000	MT	RM'000	MT	RM'000	MT	RM'000	MT	RM'000
Manufacturing of PKS	279,605	90,763	353,150	123,023	531,813	235,932	149,542	67,576	200,212	67,283
Manufacturing and trading of wood pellets	24,257	8,503	59	27	67,960	40,392	13,333	8,000	41,641	17,787
Total		99,266		123,050		276,324		75,576		85,070

12. FINANCIAL INFORMATION (CONT'D)

The increase in raw materials consumed/purchased during the Financial Years/Period Under Review were in line with the increase in total revenue for the same period. The high proportion of raw materials consumed compared to other costs of sales is a result of high proportion of our manufacturing of PKS which includes the procurement of raw materials by us for the manufacturing of PKS and wood pellets, which are generally widely available and sourced from our local and foreign suppliers. The prices of these raw materials are mainly influenced by the overall market supply and demand conditions. The price of unprocessed PKS is generally discussed and negotiated with the suppliers on a monthly basis.

(b) Transportation charges

Our cost for our transportation charges relates to the transportation charges by third-party service providers incurred for the transportation of raw materials (such as unprocessed PKS and wood residues) from our suppliers' locations/sites within Peninsular Malaysia to our Port Klang Factory as well as the transportation of finished PKS and wood pellets to our warehouse and bonded warehouses in Northport, Port Klang, Selangor.

(c) Rental of factory, machineries and equipment

Our cost of rental of factory, machineries and equipment relate to the rental expenses incurred for the rental of our Port Klang Factory and bonded warehouses in Northport, Port Klang, Selangor as well as rental of various machineries and equipment that our Group do not own to support our manufacturing activities, the breakdown of which are as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rental of Port Klang Factory, warehouse and bonded warehouses in Northport, Port Klang, Selangor	2,384	2.26	2,619	2.02	3,102	1.07	977	1.25	504	0.55
Storage charges ⁽¹⁾	-	-	-	-	-	-	-	-	287	0.31
Rental of machineries and equipment	797	0.75	500	0.39	966	0.34	159	0.20	452	0.49
Total	3,181	3.01	3,119	2.41	4,068	1.41	1,136	1.45	1,243	1.35

Note:

(1) During FPE 2024, we had incurred storage charges at Southpoint, Northport, Port Klang, Selangor from a third-party warehouse service provider for temporary storage of PKS awaiting shipment to our foreign customers, as our existing storage space rented by our Group at Southpoint, Northport, Port Klang, Selangor were insufficient to accommodate for the storage of PKS.

12. FINANCIAL INFORMATION (CONT'D)**(d) Depreciation**

Depreciation cost is determined based on the cost of an asset less its residual value. Depreciation for our machinery and equipment are recognised in the profit or loss statement of our Group on a straight-line basis over its estimated useful lives of each machinery and equipment. The useful life of the respective machinery and equipment depends on several factors such as type of machinery and equipment, brand, quality and our past experiences. The increase in our depreciation expenses during the Financial Years/Period Under Review was mainly due to the new additions of plant, machineries, equipment as well as other supporting machineries, tools and equipment deployed in our Group's manufacturing facilities to support our manufacturing activities.

(e) Subcontracting costs

Subcontracting costs consist of services provided by third-party service providers for our manufacturing activities, as follows:

- (i) supply of equipment, tools, materials and accessories used for our manufacturing activities;
- (ii) contract services such as traffic flow, cleaning services as well as removal/discharge of impurities from our manufacturing activities; and
- (iii) on 1 May 2023, BESB and the third-party manufacturer namely MBSB, had entered into the warehousing manufacturing services agreement to outsource the manufacturing activities of PKS, whereby MBSB shall provide the services of handling, storage and manufacturing of BESB's various PKS related products in MBSB's storage and manufacturing facilities located in Kuantan, Pahang for a period of 12 months ("**PKS Subcontract**"). During FYE 2023, our Group has incurred the total cost of RM0.61 million for the manufacturing and storage of 19,695 MT of PKS, which is in line with the continuous growth in manufacturing of PKS activities.

(f) Other overhead expenses

The breakdown of our other overhead expenses incurred during the Financial Years/Period Under Review are as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Laboratory testing ⁽¹⁾	330	0.31	254	0.20	667	0.23	89	0.12	97	0.11
Packing materials	5	~	-	-	-	-	-	-	-	-
Site expenses	74	0.07	44	0.03	148	0.05	29	0.04	22	0.02
Upkeep on factories, machineries, equipment and electrical fittings	26	0.02	70	0.05	274	0.09	105	0.13	34	0.04
Utilities	109	0.11	93	0.08	174	0.06	41	0.05	82	0.09
Total	544	0.51	461	0.36	1,263	0.43	264	0.34	235	0.26

12. FINANCIAL INFORMATION (CONT'D)

Notes:

~ Less than 0.01%.

(1) These laboratory testing comprise surveyor reports and laboratory tests performed by third party surveyor that has been approved by our customers to determine the quality of our products that meet the specifications required by the customers.

(iii) GP and GP margin by principal activities

The table below sets forth a breakdown of GP and GP margin by principal activities for the Financial Years/Period Under Review as follows:

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
GP										
Manufacturing of PKS	7,972	85.76	15,149	99.91	42,750	93.00	8,747	90.68	25,114	97.22
Manufacturing and trading of wood pellets	1,324	14.24	14	0.09	3,219	7.00	899	9.32	717	2.78
Total GP	9,296	100.00	15,163	100.00	45,969	100.00	9,646	100.00	25,831	100.00
GP margin		%		%		%		%		%
Manufacturing of PKS		7.61		10.50		14.73		11.10		25.60
Manufacturing and trading of wood pellets		12.79		33.17		7.14		9.90		3.60
Overall GP margin		8.07		10.50		13.71		10.99		21.95

(iv) Commentaries on cost of sales, GP and GP margin

Comparison between FYE 2021 and FYE 2022

Our Group's cost of sales increased by 22.17% or RM23.46 million to RM129.28 million in FYE 2022 (FYE 2021: RM105.82 million), mainly due to the following:

- (a) increase in raw materials consumed for the manufacturing of PKS by approximately 35.54% or RM32.26 million to RM123.02 million (FYE 2021: RM90.76 million) mainly due to increase in average purchase price of unprocessed PKS for the manufacturing of PKS, which increased by approximately 7.32% or RM23.75 per MT to RM348.36 per MT during FYE 2022 (FYE 2021: RM324.61 per MT), which is in line with the increase in consumption of unprocessed PKS to manufacture PKS; and

12. FINANCIAL INFORMATION (CONT'D)

- (b) increase in subcontracting costs by approximately 37.50% or RM0.12 million to RM0.44 million (FYE 2021: RM0.32 million) as we procured additional services from a third-party contract service to support our further growth in PKS manufacturing activities.

Consequently, GP derived from the manufacturing of PKS increased by 90.09% or RM7.18 million to RM15.15 million (FYE 2021: RM7.97 million), which is in line with the overall increase in revenue generated from the manufacturing of PKS. In addition, our GP margin also improved by 7.61% from 8.07% in FYE 2021 to 10.50% in FYE 2022 mainly due to higher average selling price of our PKS sold to our foreign customers with increase of approximately 23.05% or RM89.51 per MT, which improved our overall GP margin for the manufacturing of PKS by approximately 2.89%. The manufacturing of PKS to our foreign customers generally command higher average selling price mainly due to different types of PKS specifications such as moisture content level, ash volume, sulphur volume, impurities as well as other specifications as specified by our foreign customers, in line with the foreign regulations imposed on the imports of PKS.

GP derived from the manufacturing and trading of wood pellets decreased by 99.24% or RM1.31 million to RM0.01 million (FYE 2021: RM1.32 million) in line with the decrease in revenue generated for the manufacturing and trading of wood pellets by 99.61% or RM10.31 million. Our GP margin increased by 20.38% from 12.79% in FYE 2021 to 33.17% in FYE 2022. However, manufacturing and trading of wood pellets only represents 0.09% GP contributions in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's cost of sales increased by 123.76% or RM160.00 million to RM289.28 million in FYE 2023 (FYE 2022: RM129.28 million), which is in line with the increase in revenue growth of approximately 132.10% or RM190.81 million. The increase was mainly due to the following:

- (a) increase in raw materials consumed for the manufacturing of PKS by approximately 91.78% or RM112.91 million to RM235.93 million (FYE 2022: RM123.02 million) mainly due to the continued increase in average purchase price of unprocessed PKS for the manufacturing of PKS, which increased by approximately 27.35% or RM95.29 per MT to RM443.64 per MT during FYE 2023 (FYE 2022: RM348.35 per MT), which is in line with the increase in consumption of unprocessed PKS to produce PKS arising from the overall increase in purchase orders received from our major customers;
- (b) increase in the overall transportation charges by approximately 212.08% or RM3.16 million to RM4.65 million in FYE 2023 (FYE 2022: RM1.49 million) mainly due to increase in transportation costs incurred for the transportation of raw materials to our warehouse and bonded warehouses in Northport, Port Klang, Selangor;
- (c) increase in the overall cost of rental of factory, machineries and equipment by approximately 30.45% or RM0.95 million to RM4.07 million in FYE 2023 (FYE 2022: RM3.12 million) as we had renewed the rental of our Port Klang Factory on 1 January 2023 as well as additional rental of a warehouse unit in Northport, Port Klang, Selangor during FYE 2023 to continue support our further growth in manufacturing of PKS activities;

12. FINANCIAL INFORMATION (CONT'D)

- (d) increase in depreciation costs by approximately 97.22% or RM0.70 million to RM1.42 million in FYE 2023 (FYE 2022: RM0.72 million) as we purchased additional equipment, tools, materials and accessories to further support our PKS manufacturing activities during FYE 2023; and
- (e) increase in the overall subcontracting cost by approximately 252.27% or RM1.11 million to RM1.55 million in FYE 2023 (FYE 2022: RM0.44 million), arising from the PKS Subcontract of RM0.61 million during FYE 2023 to produce 19,695 MT of PKS during FYE 2023 to continue support our further growth in manufacturing of PKS activities.

Consequently, GP derived from the manufacturing of PKS increased further by 182.18% or RM27.60 million to RM42.75 million (FYE 2022: RM15.15 million), which is in line with the overall increase in revenue generated from the manufacturing of PKS. In addition, our overall GP margin derived from the manufacturing of PKS also improved by 4.23% from 10.50% in FYE 2022 to 14.73% in FYE 2023 mainly due to higher average selling price of our PKS sold to both our local and foreign customers by approximately 33.45% or RM136.75 per MT to RM545.63 per MT during FYE 2023 (FYE 2022: RM408.88 per MT). The sale of PKS to our foreign customers generally command higher average selling price mainly due to different types of PKS specifications such as moisture content level, ash volume, sulphur volume, impurities as well as other specifications as specified by our foreign customers, in line with the foreign regulations imposed on the imports of PKS.

GP derived from the manufacturing and trading of wood pellets was RM3.22 million, generating GP margin of 7.14%. However, our overall GP margin increased by 3.21% from 10.50% in FYE 2022 to 13.71% in FYE 2023 mainly due to the lower GP margin derived from the trading of wood pellets, which generally have lower GP margin, arising from the halt for our manufacturing activities of wood pellets as we have been reconfiguring our existing manufacturing line of wood pellets in our Port Klang Factory, which shall only commence operations in the second half of FYE 2024.

Comparison between FPE 2023 and FPE 2024

Our Group's cost of sales increased by 17.53% or RM13.70 million to RM91.83 million in FPE 2024 (FPE 2023: RM78.13 million), which is in line with the increase in revenue growth of approximately 34.04% or RM29.88 million. The increase was mainly due to the following:

- (a) increase in raw materials consumed for the trading of wood pellets by approximately 122.38% or RM9.79 million to RM17.79 million (FPE 2023: RM8.00 million), which is in line with the increase in purchase of wood pellets from third party suppliers, which are in line with the overall increase in purchase orders received from our customers in Malaysia and Singapore;
- (b) increase in the overall transportation charges by approximately 168.83% or RM1.30 million to RM2.07 million in FPE 2024 (FPE 2023: RM0.77 million) mainly due to increase in transportation costs incurred for the transportation of raw materials to our warehouse and bonded warehouses in Northport, Port Klang, Selangor;
- (c) increase in depreciation costs by approximately 1,080.00% or RM2.16 million to RM2.36 million in FPE 2024 (FPE 2023: RM0.20 million) mainly due to the depreciation of ROU assets of RM2.03 million in FPE 2024 (FPE 2023: Nil) to further support our manufacturing and trading activities during FPE 2024; and

12. FINANCIAL INFORMATION (CONT'D)

- (d) increase in the overall subcontracting cost by approximately 347.37% or RM0.66 million to RM0.85 million in FPE 2024 (FPE 2023: RM0.19 million), arising from the third-party service providers to continue support our further growth in manufacturing of PKS activities.

GP derived from the manufacturing of PKS increased further by 186.97% or RM16.36 million to RM25.11 million (FPE 2023: RM8.75 million), which is in line with the overall increase in revenue generated from the manufacturing of PKS. Despite the decrease in the average selling prices of PKS during FPE 2024, our overall GP margin derived from the manufacturing of PKS improved by 14.50% from 11.10% in FPE 2023 to 25.60% in FPE 2024 mainly due to the following:

- (a) decrease in average purchase price of unprocessed PKS by approximately 27.35% or RM124.27 per MT to RM330.06 per MT in FPE 2024 (FPE 2023: RM454.33 per MT) arising from higher supply of unprocessed PKS available in the market; and
- (b) contribution from Green Gold Label certified PKS whereby we had completed shipments of the said products to customers based in Japan for FPE 2024, which also contributed to an increase in GP margin.

GP derived from the trading of wood pellets was RM0.72 million, generating GP margin of 3.60%. However, our overall GP margin decreased by 6.30% from 9.90% in FPE 2023 to 3.60% in FPE 2024 mainly due to the increase in overall cost of materials purchased by approximately 122.38% or RM9.79 million for the trading of wood pellets, resulting in lower GP margin derived.

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12. FINANCIAL INFORMATION (CONT'D)

(C) Other operating income

The following table sets out the breakdown of our Group's other income for the Financial Years/Period Under Review:

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of PPE	-	-	#	~	#	~	-	-	#	-
Gain on disposal of ROU	-	-	(1)88	5.47	-	-	-	-	-	-
Gain on foreign exchange (net):										
- Realised	966	73.41	575	35.73	70	20.96	31	21.23	-	-
- Unrealised	~	-	82	5.10	-	-	-	-	-	-
Gain on lease modification	-	-	110	6.84	1	0.30	-	-	-	-
Interest income ⁽²⁾	169	12.84	94	5.84	150	44.91	2	1.37	55	100.00
Rental income ⁽³⁾	90	6.84	660	41.02	113	33.83	113	77.40	-	-
Debts written-off ⁽⁴⁾	91	6.91	-	-	-	-	-	-	-	-
Total	1,316	100.00	1,609	100.00	334	100.00	146	100.00	55	100.00

Notes:

~ Less than 0.01%.

Less than RM1,000.

(1) This relates to disposal of 2 units of motor vehicles for RM0.59 million which were leased during FYE 2022, which resulted in one-off gain on disposal of ROU assets of RM0.09 million.

(2) This mainly relates to interest income generated from fixed deposits placed with financial institutions.

(3) The breakdown of our rental income generated during the Financial Years/Period Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Rental income from investment property ^(a)	90	88	-	-	-
Rental income from storage space at the bonded warehouse ^(b)	-	572	113	113	-
Total	90	660	113	113	-

12. FINANCIAL INFORMATION (CONT'D)

- (a) *Semi-detached factory located at Pulau Indah, Port Klang rented to a third-party tenant.*
 - (b) *Temporary storage space at bonded warehouse located at Northport, Port Klang, Selangor rented to a third-party tenant.*
- (4) *This mainly relates to the waiver of certain non-trade debts obtained from our non-trade creditors arising from several unidentified claims that were not recognised as amount owing by our Group to these non-trade creditors.*

Comparison between FYE 2021 and FYE 2022

Other operating income increased by approximately 21.97% or RM0.29 million to RM1.61 million (FYE 2021: RM1.32 million), mainly due to the following reasons:

- (a) increase in overall rental income by approximately 633.33% or RM0.57 million, mainly due to the rental of our bonded warehouse located at Northport, Port Klang, Selangor to a third-party for RM0.57 million commencing from September 2021 to December 2022; and
- (b) gain on lease modification (alteration made to terms of the existing lease agreement) of RM0.11 million due to the termination of the lease contract on 31 May 2022 for the lease of a piece of vacant land in Port Klang area that the Group leased from Northport (Malaysia) Bhd as well as the renewal of the lease contract of our office space located in Sri Petaling, Kuala Lumpur during FYE 2022, which resulted in a one-off gain on the carrying amount of the ROU assets against the carrying amount of the lease liabilities of these 2 properties.

However, such increase was partially offset by the decrease in the following:

- (a) decrease in realised gain in foreign exchange during FYE 2022 by approximately 40.21% or RM0.39 million, which was mainly due to USD currency fluctuations in FYE 2022 which led to lower gain on foreign exchange arising from trade transactions; and
- (b) decrease in interest income generated by approximately 47.06% or RM0.08 million due to the upliftment of certain fixed deposits which were previously pledged to several licensed financial institutions to obtain certain banking facilities granted for our Group's working capital requirements.

Comparison between FYE 2022 and FYE 2023

Other operating income decreased by approximately 79.50% or RM1.28 million to RM0.33 million (FYE 2022: RM1.61 million), mainly due to the following reasons:

- (a) cessation of the rental of a bonded warehouse located at Northport, Port Klang, Selangor to a third-party as at 31 December 2022. Our rental income of RM0.11 million generated during FYE 2023 were mainly derived from the short-term rental of our bonded warehouse located at A5 Southport, Northport, Port Klang, Selangor to a third-party from January to February 2023; and
- (b) decrease in gain on realised gain on foreign exchange of approximately 87.93% or RM0.51 million during FYE 2023 due to USD currency fluctuations resulted in higher realised gain on foreign exchange arising from trade transactions which was partially offset with the realised loss on foreign exchange mainly arising from repayment of trade deposits payable to our customers in RM equivalent.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FPE 2023 and FPE 2024**

Other operating income decreased by approximately 60.00% or RM0.09 million to RM0.06 million (FPE 2023: RM0.15 million), mainly due to the following reasons:

- (a) no rental revenue was recorded during FPE 2024 due to the cessation of the rental of a bonded warehouse located at Northport, Port Klang, Selangor to a third-party as at 31 December 2023. Our rental income of RM0.11 million generated during FPE 2023 were mainly derived from the short-term rental of our bonded warehouse located at A5 Southport, Northport, Port Klang, Selangor to a third-party from January to February 2023; and
- (b) no realised gain on foreign exchange were recorded during FPE 2024 due to the strengthening of MYR against USD.

During FPE 2024, our other operating income were mainly generated from interest income from fixed deposits placed with financial institutions.

(D) Net (loss)/gain on loss allowance of trade receivables**Comparison between FYE 2021 and FYE 2022**

During FYE 2021, our Group recorded a net loss on allowance of trade receivables of RM0.19 million based on the expected credit loss computation pursuant to the MFRS 9. However, during FYE 2022, our Group recorded a net gain on allowance of trade receivables of RM0.61 million due to the lower expected credit loss provided.

Comparison between FYE 2022 and FYE 2023

During FYE 2023, our Group recorded a loss on allowance of trade receivables of RM0.06 million based on the expected credit loss computation pursuant to the MFRS 9.

Comparison between FPE 2023 and FPE 2024

During FPE 2023, our Group recorded a loss on allowance of trade receivables of RM0.33 million based on the expected credit loss computation pursuant to the MFRS 9. However, our Group did not record any loss on allowance of trade receivables during FPE 2024.

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12. FINANCIAL INFORMATION (CONT'D)

(E) Selling and administrative expenses

The following table sets out the breakdown of our Group's selling and administrative expenses for the Financial Years/Period Under Review:

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Professional fees ⁽¹⁾	387	4.99	753	8.49	1,662	10.17	252	5.91	841	16.26
Demurrage fees ⁽²⁾	-	-	2,443	27.56	208	1.27	-	-	20	0.39
Depreciation of PPE ⁽³⁾	352	4.54	238	2.68	227	1.39	72	1.69	88	1.70
Directors' and key management remunerations	1,005	12.95	1,050	11.85	2,257	13.81	672	15.75	597	11.54
Staff costs	1,604	20.67	1,143	12.89	2,440	14.93	643	15.07	1,008	19.49
Logistic and transportation charges ⁽⁴⁾	2,766	35.64	2,278	25.70	4,926	30.14	801	18.78	931	18.00
Management fees	336	4.33	-	-	-	-	-	-	-	-
Sales and marketing	811	10.45	375	4.23	2,631	16.10	243	5.70	167	3.23
Rental expenses	28	0.36	25	0.28	20	0.12	1	0.02	1	0.02
Upkeep and maintenance expenses	14	0.18	28	0.32	34	0.21	6	0.14	3	0.06
Loss on foreign exchange	-	-	-	-	494	3.02	1,386	32.49	990	19.14
Other expenses ⁽⁵⁾	457	5.89	532	6.00	1,445	8.84	190	4.45	526	10.17
Total	7,760	100.00	8,865	100.00	16,344	100.00	4,266	100.00	5,172	100.00

Notes:

- (1) This mainly consists of professional fees incurred for audit fees, legal, secretarial, consultancy services, fees related to the procurement of financing/banking facilities from financial institutions as well as fees for our Listing.
- (2) This relates to fees charged by customers in relation to the delay in berthing of barge/vessels after arriving to the port due to port congestion. These demurrage fees are generally charged per barge/vessels per day fee.
- (3) This relates to the depreciation for our office equipment, renovations, fixtures and fittings as well as motor vehicles.
- (4) This relates to the transportation of PKS and wood pellets from our warehouse and bonded warehouses to our customers respective locations/destinations within Peninsular Malaysia and to port of destination.
- (5) Other selling and administrative expenses include bank charges for our financing facilities, licensing fees, road tax paid, insurance, service charges, gifts and donations, entertainment expenses, office expenses, travelling expenses, quit rents, security fees, stamp duties, utilities, membership fees and postages.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2022**

In FYE 2022, overall selling and administrative expenses increased by approximately 14.30% or RM1.11 million to RM8.87 million (FYE 2021: RM7.76 million), mainly due to the following reasons:

- (a) demurrage fees of RM2.44 million arising from the prolonged delays for the delivery of PKS and wood pellets to our foreign customers due to global shipping delays arising from COVID-19 disruptions; and
- (b) increase in professional fees by 92.31% or RM0.36 million, mainly due to higher legal and related professional fees incurred of approximately RM0.10 million for procuring new financing and banking facilities from a local financial institution as well as business valuation fees incurred of RM0.06 million during FYE 2022.

However, such increase was partially offset by the following:

- (a) termination of the management services entered into with GPI Management Sdn Bhd for providing management and administrative services and facilities to our Group for the amount of RM28,000.00 per month commencing from 1 January 2021 to 31 December 2021, which did not reoccur during FYE 2022;
- (b) decrease in logistic and transportation charges by 17.69% or RM0.49 million, from RM2.77 million during FYE 2021 to RM2.28 million during FYE 2022, due to overall decrease in overall loading and unloading of cargo/finished goods at various ports for delivery to our foreign customers;
- (c) decrease in staff costs by 28.75% or RM0.46 million, from RM1.60 million during FYE 2021 to RM1.14 million during FYE 2022 due to lower performance bonuses and incentives paid to our staff during FYE 2022 as we decided to preserve our existing cashflows to fund our future business expansions; and
- (d) decrease in overall sales and marketing expenses by 53.08% or RM0.43 million, from RM0.81 million during FYE 2021 to RM0.38 million during FYE 2022, due to the cessation of the services of several marketing agents in China to undertake related business development and marketing activities in China during FYE 2022.

Comparison between FYE 2022 and FYE 2023

In FYE 2023, overall selling and administrative expenses increased further by approximately 84.22% or RM7.47 million to RM16.34 million (FYE 2021: RM8.87 million), mainly due to the following reasons:

- (a) increase in professional fees by 120.72% or RM0.91 million, due to higher legal and related professional fees incurred of approximately RM0.14 million for procuring new financing and banking facilities from local financial institutions as well as professional fees incurred of RM0.80 million for the preparation of our Listing during FYE 2023;
- (b) higher Directors' and key management remunerations by 115.24% or RM1.21 million, mainly due to the further increase in Directors' fees of all our Executive Directors and key management team to reward them for the further improvement in the financial results of our Group during FYE 2023 as well as the additional payment of salary of RM0.11 million arising from the appointment of Salihudin as the CFO of BESB on 1 August 2023;
- (c) increase in overall staff costs by 114.04% or RM1.30 million, mainly due to higher performance bonuses and incentives paid to our staff to reward them for the further improvement in the financial results of our Group during FYE 2023 as well as the recruitment of additional 19 support staff during FYE 2023 to support our Group's business expansion activities;

12. FINANCIAL INFORMATION (CONT'D)

- (d) increase in overall logistic and transportation charges by 116.23% or RM2.65 million, mainly due to overall increase in loading and unloading of cargo/finished goods to our foreign customers, which is in line with the growth in our revenue levels during FYE 2023;
- (e) increase in sales and marketing expenses by 592.11% or RM2.25 million, mainly due to additional sales and marketing activities performed by our Group which results in higher referral fees paid for the referral of our products to foreign customers, in tandem with the overall improved revenue generated by our Group during FYE 2023;
- (f) unrealised loss on foreign exchange incurred of RM0.49 million during FYE 2023 due to the weakening of RM against USD, resulting in additional deposits payable to our customers denominated in USD as at 31 December 2023;
- (g) increase in other expenses by approximately 173.58% or RM0.92 million mainly due to the following reasons:
 - (i) higher bank guarantee fees and stamp duties paid to obtain financing facilities from financial institutions of RM0.44 million (FYE 2022: RM0.35 million);
 - (ii) higher entertainment and travelling expenses incurred of RM0.35 million during FYE 2023 (FYE 2022: RM0.10 million), in tandem with the growth in our Group's sales and marketing activities; and
 - (iii) higher insurance paid of RM0.15 million (FYE 2022: RM0.04 million).

However, the overall increase was partially offset by the decrease in overall demurrage fees incurred by 91.39% or RM2.23 million due to the continuous easing of major port congestions caused by the prolonged global shipping delays arising from COVID-19 disruptions. This has resulted in shortened time required for the holding and storage of our finished goods at various ports, which shortened the overall time of delivery and transportation of our products to our foreign customers.

Comparison between FPE 2023 and FPE 2024

In FPE 2024, overall selling and administrative expenses increased further by approximately 21.08% or RM0.90 million to RM5.17 million (FPE 2023: RM4.27 million), mainly due to the following reasons:

- (a) increase in professional fees by 233.73% or RM0.59 million, mainly due to professional fees incurred of RM0.51 million for the preparation of our Listing during FPE 2024; and
- (b) increase in overall staff costs by 56.77% or RM0.37 million, mainly due to higher number of employees during FPE 2024 compared to FPE 2023, arising from additional supporting staff hired subsequent to FPE 2023 to support our Group's business expansion activities.

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12. FINANCIAL INFORMATION (CONT'D)**(F) Finance costs**

The breakdown of our finance costs for the Financial Years/Period Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:						
- Overdrafts	18	2.05	33	1.52	4	0.21
- Bankers' acceptances	83	9.44	236	10.93	505	26.33
- Finance leases	36	4.10	41	1.89	-	-
- Invoice financing	-	-	104	4.80	212	11.05
- Letter of credits	3	0.34	-	-	-	-
- Supplier financing	161	18.32	168	7.75	417	21.74
- Trust receipts	410	46.64	571	26.34	546	28.47
- Trade financing	-	-	-	-	60	3.13
- Unsecured loans	-	-	947	43.68	-	-
- Lease liabilities	168	19.11	67	3.09	174	9.07
Total	879	100.00	2,167	100.00	1,918	100.00
	Unaudited		Audited			
	FPE 2023		FPE 2024			
	RM'000	%	RM'000	%		
Interest expenses on:						
- Overdrafts	4	1.31	1	0.10		
- Bankers' acceptances	46	15.08	327	34.17		
- Finance leases	-	-	-	-		
- Invoice financing	45	14.76	43	4.49		
- Letter of credits	-	-	-	-		
- Supplier financing	74	24.26	-	-		
- Trust receipts	131	42.95	95	9.93		
- Trade financing	-	-	102	10.66		
- Unsecured loans	-	-	-	-		
- Lease liabilities	5	1.64	389	40.65		
Total	305	100.00	957	100.00		

Comparison between FYE 2021 and FYE 2022

In FYE 2022, finance cost increased by approximately 146.59% or RM1.29 million to RM2.17 million (FYE 2021: RM0.88 million), mainly due to the following reasons:

- (a) increase in interest expenses incurred for the drawdown of bankers' acceptance by 200.00% or RM0.16 million mainly due to higher drawdown of bankers' acceptance facilities to finance our working capital requirements and purchase of raw materials;
- (b) increase in interest expenses incurred for the drawdown of trust receipts by 39.02% or RM0.16 million to finance our working capital requirements;
- (c) interest expenses of RM0.10 million incurred on a new invoice financing facilities secured from a local financial institution with a limit of up to RM4.50 million during FYE 2022 to finance our working capital requirements; and
- (d) interest expenses of RM0.95 million incurred on short-term unsecured loans of RM21.32 million to finance our working capital requirements during the second half of FYE 2022,

12. FINANCIAL INFORMATION (CONT'D)

which was partially offset by the decrease in interest expenses incurred on our lease liabilities by 60.12% or RM0.10 million due to the disposal of 2 units of passenger vehicles for RM0.59 million.

Comparison between FYE 2022 and FYE 2023

In FYE 2023, finance cost decreased by approximately 11.52% or RM0.25 million to RM1.92 million (FYE 2022: RM2.17 million), mainly due to the decrease in interest expenses incurred on short-term unsecured loans obtained of RM0.95 million arising from full repayment of the outstanding principal sums and interest of the said unsecured loans.

However, the decrease in finance cost was partially offset by the cumulative increase in interest expenses on bankers' acceptances and supplier financing by approximately 126.83% or RM0.52 million during FYE 2023, due to additional drawdown of these financing facilities to further support our working capital requirements, in line with the growth our Group's revenue levels.

Comparison between FPE 2023 and FPE 2024

In FPE 2024, finance cost increased by approximately 209.67% or RM0.65 million to RM0.96 million (FPE 2023: RM0.31 million), mainly due to the overall interest expenses incurred on bankers' acceptances and trade financing of RM0.43 million due to additional drawdown of these financing facilities to further support our working capital requirements, in line with the growth our Group's revenue levels.

In addition, our overall interest expenses incurred on lease liabilities increased by RM0.38 million during FPE 2024 was mainly due to the lease of our Kapar Factory as well as the warehouse for biomass fuel products, via two tenancy agreements commencing from November 2023 to October 2025 and from December 2023 to November 2025, respectively.

(G) PBT, PAT, PBT margin and PAT margin

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
PBT (RM'000)	1,781	6,354	27,980	4,889	19,757
PBT margin (%)	1.55	4.40	8.35	5.57	16.79
PAT (RM'000)	1,742	6,289	23,565	4,889	14,967
PAT margin (%)	1.51	4.35	7.03	5.57	12.72

Comparison between FYE 2021 and FYE 2022

Our Group's PBT for the FYE 2022 increased by approximately 256.74% or RM4.57 million to RM6.35 million (FYE 2021: RM1.78 million) mainly due to increase in revenue generated from our manufacturing of PKS activities of approximately 37.84% or RM39.64 million and higher overall GP recorded of approximately 63.01% or RM5.86 million. Our PBT margin increased to 4.40% during FYE 2022 mainly arising from improvement in our overall GP margin from 8.07% during FYE 2021 to 10.50% during FYE 2022 due to the following reasons:

- improvement in GP margin derived from the manufacturing of PKS, which improved by 2.89% from 7.61% in FYE 2021 to 10.50% in FYE 2022;
- higher other operating income generated by approximately 21.97% or RM0.29 million; and
- one-off net gain on loss allowance of trade receivables of RM0.61 million arising from the reversal of expected credit losses incurred on trade receivables during FYE 2022,

12. FINANCIAL INFORMATION (CONT'D)

which was partially offset by the increase in finance cost by approximately 146.59% or RM1.29 million due to higher interest expenses incurred on the drawdown of bankers' acceptances, trust receipts, invoice financing and unsecured loans to finance of our working capital requirements.

In line with the increase in our GP margin and PBT margin, our PAT margin increased from 1.51% in FYE 2021 to 4.35% in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our Group's PBT for the FYE 2023 continued to increase by approximately 340.63% or RM21.63 million to RM27.98 million (FYE 2022: RM6.35 million) mainly due to higher revenue generated from our manufacturing of PKS activities of approximately 100.95% or RM145.77 million and increase in overall GP generated of approximately 203.23% or RM30.81 million. Our PBT margin increased by 3.95% from 4.40% in FYE 2022 to 8.35% in FYE 2023 mainly arising from improvement in our overall GP margin from 10.50% during FYE 2022 to 13.71% during FYE 2023 due to the continuous improvement in GP margin derived from the manufacturing of PKS, which had improved by 4.23% from 10.50% in FYE 2022 to 14.73% in FYE 2023.

However, the increase in our Group's PBT and PBT margin was partially offset by the following:

- (a) lower other operating income generated by approximately 79.50% or RM1.28 million;
- (b) one-off net loss on loss allowance of trade receivables of RM0.06 million based on the expected credit loss computation pursuant to the MFRS 9;
- (c) increase in overall selling and administrative expenses by approximately 84.22% or RM7.47 million; and
- (d) increase in tax expenses by approximately RM4.35 million, which is in line with the increase in overall revenue and GP levels.

In line with the increase in our PBT margin, our PAT margin increased from 4.35% in FYE 2022 to 7.03% in FYE 2023.

Comparison between FPE 2023 and FPE 2024

Our Group's PBT for the FPE 2024 continued to increase by approximately 304.09% or RM14.87 million to RM19.76 million (FPE 2023: RM4.89 million) mainly due to higher revenue generated from our manufacturing of PKS activities of approximately 24.56% or RM19.32 million and increase in GP generated from manufacturing of PKS activities of approximately 187.12% or RM16.36 million. Our PBT margin increased by 11.22% from 5.57% in FPE 2023 to 16.79% in FPE 2024 mainly arising from improvement in our overall GP margin derived from 10.99% during FPE 2023 to 21.95% during FPE 2024 due to the continuous improvement in GP margin derived from the manufacturing of PKS, which had improved by 14.50% from 11.10% in FPE 2023 to 25.60% in FPE 2024.

However, the increase in our Group's PBT and PBT margin was partially offset by the following:

- (a) lower other operating income generated by approximately 62.32% or RM0.09 million;
- (b) increase in overall selling and administrative expenses by approximately 21.24% or RM0.91 million;
- (c) increase in finance costs by approximately 209.68% or RM0.65 million; and
- (d) increase in tax expenses by approximately RM4.79 million, which is in line with the increase in overall revenue and GP levels.

In line with the increase in our PBT margin, our PAT margin increased from 5.57% in FPE 2023 to 12.72% in FPE 2024.

12. FINANCIAL INFORMATION (CONT'D)**(H) Taxation**

The following sets out the reconciliation of income tax expense applicable to our PBT at the Malaysian statutory tax rates to income tax expense at the effective tax rate of our Group:

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	1,781	6,354	27,980	4,889	19,757
Income tax at Malaysian statutory tax rate	428	1,525	6,715	1,173	4,742
Expenses not deductible for tax purposes	163	41	456	444	48
Unrecognised tax credits	(591)	(1,536)	(2,881)	(1,617)	-
Under provision of deferred taxation in prior financial year	39	35	125	-	-
Tax expenses for the year	39	65	4,415	-	4,790
Effective tax rate (%) ⁽¹⁾	2.19	1.02	15.78	-	24.24
Malaysian statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00

Note:

(1) Effective tax rate is calculated based on tax expenses divided by PBT.

For the Financial Years/Period Under Review, we do not have any outstanding or provision for withholding tax.

We are subject to income tax at the applicable statutory tax rates in Malaysia. We assume responsibility for withholding tax on payments to our service providers who are not residents in the relevant country where the services are rendered. We remit such withheld tax to the relevant tax authorities. The applicable statutory tax rate for the Financial Years/Period Under Review is 24.0% for taxable income on entities in Malaysia.

For FYE 2021, our effective tax rate of 2.19% was lower than the Malaysian statutory tax rate of 24.00%, mainly due to the following:

- (a) expenses not deductible for taxation purposes of RM0.16 million which comprise mainly of depreciation expenses arising from non-qualifying PPE, bank charges, professional fees and marketing expenses, amounting to approximately RM0.68 million; and
- (b) unrecognised tax credits of RM0.59 million arising from BESB's tax credits utilised, which comprises of unabsorbed capital allowances brought forward from previous financial years of approximately RM2.46 million.

For FYE 2022, our effective tax rate decreased slightly to 1.02%, which was lower than the statutory tax rate of 24.00%, mainly due to the following:

- (a) expenses not deductible for taxation purpose of RM0.04 million which comprise mainly of depreciation expenses arising from non-qualifying PPE as well as marketing expenses amounting to approximately RM0.17 million; and
- (b) increase in the effects of unrecognised tax credits by 161.02% or RM0.95 million to RM1.54 million during FYE 2022, mainly due to higher tax credits utilised, which comprises the unabsorbed business losses balance brought forward from previous financial years of approximately RM6.28 million, against the higher taxable profits recorded by our Group during FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

For FYE 2023, our tax expenses increased by RM4.35 million to RM4.42 million for FYE 2023 (FYE 2022: RM0.07 million), mainly attributable to higher PBT recorded for FYE 2023. Our effective tax rate increased to 15.78%, which was lower than the statutory tax rate of 24.00%, mainly due to the following:

- (a) increase in the effective tax rate from 1.02% in FYE 2022 to 15.78% in FYE 2023 is mainly due to the exhaustion of unabsorbed tax losses balances brought forward from previous years amounting to RM14.74 million, which had been fully utilised against taxable profits recorded by our Group during FYE 2023;
- (b) expenses not deductible for taxation purpose of RM0.46 million which comprise mainly of depreciation expenses arising from non-qualifying PPE, bank charges, professional fees as well as marketing expenses amounting to approximately RM1.90 million; and
- (c) increase in unrecognised tax credits by 87.01% or 1.34 million to RM2.88 million during FYE 2023, mainly due to higher tax credits utilised, which comprises the unabsorbed business losses balance brought forward from previous financial years of RM14.74 million, against the higher taxable profits recorded by our Group during FYE 2023.

For FPE 2024, our tax expenses increased by RM4.79 million for FPE 2024 (FPE 2023: Nil), mainly attributable to higher PBT recorded for FPE 2024. Our effective tax rate increased to 24.24%, which is slightly higher than the statutory tax rate of 24.00%, mainly due to the following:

- (a) the effective tax rate of 0.00% in FPE 2023 is mainly due to unabsorbed tax losses balances brought forward from previous years amounting to RM7.80 million, which was utilised against taxable profits recorded by our Group during FPE 2023;
- (b) expenses not deductible for taxation purpose which comprise mainly of depreciation expenses arising from non-qualifying PPE, bank charges, professional fees as well as insurance cost amounting to approximately RM1.53 million; and
- (c) no offset of unrecognised tax credits due to the exhaustion of unabsorbed tax losses balances brought forward from previous financial years.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.3 Review of financial position****(A) Assets**

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
<u>Non-current assets</u>				
PPE	6,429	5,962	5,972	10,517
ROU ⁽¹⁾	3,566	124	21,285	19,213
Investment properties	2,688	2,632	2,576	2,557
Total non-current assets	12,683	8,718	29,833	32,287
<u>Current assets</u>				
Inventories	9,608	4,609	20,953	19,862
Trade receivables	28,427	6,146	14,238	15,989
Other receivables, deposits paid and prepayments ⁽²⁾	16,027	40,754	7,009	7,853
Fixed deposits	5,250	5,338	5,463	5,507
Cash and bank balances	2,530	24,422	46,300	45,271
Total current assets	61,842	81,269	93,963	94,482
Total assets	74,525	89,987	123,796	126,769

Notes:

(1) This mainly relates to the recognition of interest on the ROU assets, which relates to the future rental payable on the lease of our Port Klang Factory, Kapar Factory as well as bonded warehouses in Northport, Port Klang, Selangor arising from the adoption of MFRS 16. The breakdown of our ROU assets are as follows:

	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
<i>Rented premises as follows:</i>				
- A piece of land in Port Klang area*	2,861	-	-	-
- Port Klang Factory	-	-	2,344	1,918
- Office space in Sri Petaling, Kuala Lumpur	65	72	120	105
- Headquarters	26	-	101	90
- Kapar Factory	-	-	18,703	17,094
Motor vehicles	614	52	17	6
Total	3,566	124	21,285	19,213

* Refers to a piece of vacant land in Port Klang area that the Group leased from Northport (Malaysia) Bhd of which the lease commencing from 1 December 2020 was subsequently terminated on 31 May 2022.

(2) The breakdown of the other receivables, deposits paid and prepayments are as follows:

	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
Other receivables	59	33	-	865
Trade deposits	14,402	37,981	-	-
Deposits paid	1,471	2,648	6,945	6,987
Prepayments	95	92	64	1
Total	16,027	40,754	7,009	7,853

12. FINANCIAL INFORMATION (CONT'D)**Comparison between 31 December 2021 and 31 December 2022****Non-current assets**

Our non-current assets decreased by approximately 31.23% or RM3.96 million mainly due to the following reasons:

- (a) decrease in ROU assets by approximately 96.64% or RM3.45 million due to the lease modification of the lease contracts for our office space located in Sri Petaling, Kuala Lumpur of RM26,070 and termination of the lease contract on 31 May 2022 for a piece of land in Port Klang area of RM2.73 million during FYE 2022; and
- (b) decrease in PPE by approximately 7.31% or RM0.47 million as certain motor vehicles, plant, machineries and equipment have been fully depreciated as at 31 December 2022.

Current assets

Our current assets increased by approximately 31.42% or RM19.43 million mainly due to the following:

- (a) increase in other receivables, deposits and prepayments by approximately 154.21% or RM24.72 million mainly due to the following reasons:
 - (i) increase in trade deposits paid to our suppliers by approximately 163.75% or RM23.58 million mainly for the purchase of various raw materials of RM31.30 million during the fourth quarter of FYE 2022 (Fourth quarter of FYE 2021: RM18.18 million) in order to fulfil deliveries of PKS of RM53.84 million during the first quarter of FYE 2023 (First quarter of FYE 2022: RM13.10 million); and
 - (ii) increase in deposits paid of 80.27% or RM1.18 million as at 31 December 2021 arising from the increase in rental deposits placed with our landlords for the rental of warehouses and bonded warehouses in Port Klang, Klang amounting to RM0.46 million and the deposits placed with a local financial institution as security for obtaining financing facilities.
- (b) increase in cash and bank balances by 865.22% or RM21.89 million due to higher collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022, as compared to collections of trade receivables collected from our customers of RM17.68 million during the fourth quarter of FYE 2021.

However, the above increase was partially offset by the decrease in the following:

- (a) decrease in overall inventories by approximately 52.03% or RM5.00 million mainly due to the completion of deliveries of PKS and wood pellets during the fourth quarter of FYE 2022 of RM41.71 million; and
- (b) decrease in trade receivables by approximately 78.37% or RM22.28 million, due to higher collections of trade receivables collected from our customers of RM95.33 million during the fourth quarter of FYE 2022, as compared to trade receivables collected of RM17.68 million during the fourth quarter of FYE 2021.

Comparison between 31 December 2022 and 31 December 2023**Non-current assets**

Our non-current assets increased by approximately 242.09% or RM21.11 million mainly due to the increase in ROU assets by approximately 17,641.67% or RM21.17 million due to increase in the ROU assets for our Port Klang Factory of RM2.34 million as well as Kapar Factory of RM18.70 million.

12. FINANCIAL INFORMATION (CONT'D)**Current assets**

Our current assets increased by approximately 15.61% or RM12.69 million mainly due to the following reasons:

- (a) increase in overall inventories level by approximately 354.45% or RM16.34 million mainly due to the increase in finished goods comprising PKS and wood pellets by approximately 655.90% or RM16.50 million to RM19.01 million as at 31 December 2023, which are pending for delivery to our local and foreign customers;
- (b) increase in trade receivables by approximately 131.54% or RM8.09 million, due to revenue recorded arising from the sale to PKS of RM124.96 million during the fourth quarter of FYE 2023;
- (c) increase in overall cash and bank balances by 89.60% or RM21.88 million due to continuous collections of trade receivables from our customers of RM159.91 million during the fourth quarter of FYE 2023, as compared to collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022.

However, the above increase was offset by the decrease in other receivables, deposits and prepayments by approximately 82.80% or RM33.74 million. This was mainly due to no trade deposits paid to our suppliers as at 31 December 2023 for the purchase of various raw materials (comprising unprocessed PKS and wood residues) as we have kept sufficient levels of raw materials of RM1.94 million for our manufacturing of PKS and wood pellets activities for the first quarter of FYE 2024. However, this was partially offset by the increase in deposits paid of 162.26% or RM4.30 million as at 31 December 2023 due to the increase in deposits placed of RM3.25 million with local financial institutions as security for obtaining financing/banking facilities.

Comparison between 31 December 2023 and 30 April 2024**Non-current assets**

Our non-current assets increased by approximately 8.25% or RM2.46 million mainly due to the increase in PPE of approximately 76.21% or RM4.55 million attributable to the purchase of new PKS production lines at our Kapar Factory of RM4.70 million. However, such increase is partially offset by the decrease in our ROU assets by approximately 9.73% or RM2.07 million due to depreciation charged of RM2.07 million for our existing ROU assets.

Current assets

Our current assets increased marginally by approximately 0.55% or RM0.52 million mainly due to the increase in trade receivables by approximately 12.29% or RM1.75 million, due to revenue recorded arising from the sales of PKS and wood pellets of RM117.66 million during FPE 2024. However, the above increase was offset by the decrease in our overall inventories by approximately 5.20% or RM1.09 million, in line with the increase in overall sales of PKS recorded during FPE 2024.

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12. FINANCIAL INFORMATION (CONT'D)**(B) Liabilities**

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
<u>Non-current liabilities</u>				
Lease liabilities ⁽¹⁾	3,188	91	15,594	13,583
Deferred tax liabilities	-	-	743	743
Total non-current liabilities	3,188	91	16,337	14,326
<u>Current liabilities</u>				
Trade payables	17,463	24,891	16,693	10,294
Other payables ⁽²⁾	31,582	30,413	20,950	13,798
Current tax liabilities ⁽³⁾	6	17	1,370	4,820
Borrowings ⁽⁴⁾	16,567	22,952	27,601	27,609
Amount due to a Director ⁽⁵⁾	50	90	-	-
Lease liabilities ⁽¹⁾	491	66	5,813	5,922
Total current liabilities	66,159	78,429	72,427	62,443
Total liabilities	69,347	78,520	88,764	76,769

Notes:

(1) The breakdown of our lease liabilities are as follows:

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
<u>Non-current liabilities</u>				
Port Klang Factory and warehouse facility	2,679	30	15,557	13,554
Motor vehicles	509	61	37	29
Total	3,188	91	15,594	13,583
<u>Current liabilities</u>				
Port Klang Factory and warehouse facility	344	43	5,789	5,898
Motor vehicles	147	23	24	24
Total	491	66	5,813	5,922

(2) The breakdown of the other payables are as follows:

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
Other payables ^(a)	3,991	2,252	2,831	6,689
Amount due to related company ^(b)	2,048	2,104	-	-
Trade deposits	25,126	25,206	16,119	5,962
Deposits received	24	24	-	-
Accruals	363	827	2,000	1,147
Provision for restoration	30	-	-	-
Total	31,582	30,413	20,950	13,798

12. FINANCIAL INFORMATION (CONT'D)**Notes:**

- (a) This mainly relates to payables to our other non-trade creditors such as logistics services providers, rental of equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of factory / warehouse for the storage of our raw materials and finished goods (comprising PKS and wood pellets).
- (b) This relates to the advances received from Golden World Metal Sdn Bhd, a company related to Yeo Hock Cheong (our Executive Director, Promoter and substantial shareholder) and Teoh Soon Tek (our Chief Operating Officer) for the financing of our Group's working capital requirements.
- (c) This mainly relates to the accrual of the financing cost incurred comprising interest payment obligations and commissions to be paid for securing new Islamic financing facilities from local financial institutions of approximately RM0.53 million as at 31 December 2023.
- (3) The current tax liabilities relates to the estimated tax amounts to be paid to tax authorities in Malaysia at the Malaysia tax rates of 24.00% per annum which have been enacted by the end of the reporting period as at 31 December, after taking into account the tax instalments paid during the reporting period.
- (4) The breakdown of our Group's borrowings are as follows:

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
Type of borrowings	RM'000	RM'000	RM'000	RM'000
Banker's acceptances	3,163	5,105	17,401	18,824
Bank overdraft	501	-	-	-
Invoice financing	-	4,350	3,379	950
Supplier financing	6,787	4,072	-	-
Trust receipts	6,116	4,969	3,831	2,962
Trade financing	-	-	2,990	4,873
Unsecured loans	-	4,456	-	-
Total	16,567	22,952	27,601	27,609

- (5) This relates to the amount paid by Yeo Hock Cheong (our Executive Director, Promoter and substantial shareholder) on behalf of our Group for the purpose of the rental of 1 unit of forklift of RM50,000 during FYE 2021 as well as payment made behalf of our Group for the purchase of raw materials (such as unprocessed PKS and wood residues) for the manufacturing of PKS and wood pellets of RM40,000 during FYE 2022.

Comparison between 31 December 2021 and 31 December 2022**Non-current liabilities**

Non-current liabilities decreased by approximately 97.18% or RM3.10 million mainly due to the termination of the lease contract for the lease of a warehouse space located in Port Klang, Selangor during FYE 2022.

Current liabilities

Our current liabilities increased by 18.55% or RM12.27 million mainly due to the following:

- (a) increase in trade payables by approximately 42.55% or RM7.43 million mainly due to the increase in purchases of raw materials and consumables to fulfil various new orders of PKS to be delivered to our major customers of RM53.84 million during the first quarter of FYE 2023; and
- (b) increase in borrowings by approximately 38.50% or RM6.38 million mainly due to the utilisation of unsecured loans and trust receipts for the purchase of raw materials and financing of our working capital requirements,

12. FINANCIAL INFORMATION (CONT'D)

which was partially offset by the decrease in other payables by 3.70% or RM1.17 million due to decrease of our other payables to our non-trade creditors by 43.61% or RM1.74 million due to continuous prompt repayment made to our non-trade creditors.

Comparison between 31 December 2022 and 31 December 2023**Non-current liabilities**

Non-current liabilities increased by approximately 18,055.56% or RM16.25 million mainly due to the following reasons:

- (a) increase in lease liabilities of RM15.50 million arising from lease agreements entered into for the lease of 1 unit of motor vehicle of RM0.04 million, lease agreement for the lease of our office space located in Sri Petaling, Kuala Lumpur as well as the renewal of the lease agreements of our Port Klang Factory as well as warehouse in Northport, Port Klang, Selangor of RM15.56 million during FYE 2023; and
- (b) deferred tax liabilities of RM0.74 million arising from temporary difference between capital allowance claimed in excess of depreciation of our Group's PPE.

Current liabilities

Our current liabilities decreased by approximately 7.65% or RM6.00 million mainly due to the following:

- (a) decrease in trade payables by approximately 32.94% or RM8.20 million mainly due to the decrease in purchases of raw materials to fulfil various new orders of PKS to be delivered to our major customers during the first quarter of FYE 2023; and
- (b) decrease in other payables by approximately 31.11% or RM9.46 million due to decrease of trade deposits received from our customers by 36.06% or RM9.09 million as well as full repayment of the advances received from Golden World Metal Sdn Bhd of RM2.10 million during FYE 2023.

However, this was partially offset by the increase in borrowings by approximately 20.26% or RM4.65 million mainly due to the increase in utilisation of unsecured loans and trust receipts for the purchase of raw materials and financing of our working capital requirements, in line with the overall increase in overall revenue levels during FYE 2023.

Comparison between 31 December 2023 and 30 April 2024**Non-current liabilities**

Non-current liabilities decreased by approximately 12.30% or RM2.01 million due to the decrease in overall lease liabilities by approximately 12.89% or RM2.01 million mainly arising from lease payments in FPE 2024 for the properties leased by our Group.

Current liabilities

Our current liabilities decreased by approximately 13.79% or RM9.99 million mainly due to the following:

- (a) decrease in trade payables by approximately 38.35% or RM6.40 million mainly due to payment of our outstanding trade payables within the credit period granted by our suppliers during FPE 2024; and
- (b) decrease in other payables by approximately 34.13% or RM7.15 million due to decrease of trade deposits received from our customers by 63.00% or RM10.16 million during FPE 2024 arising from the refund of deposits payable to our customers as well as decrease

12. FINANCIAL INFORMATION (CONT'D)

of accruals by 42.94% or RM0.86 million mainly due to the payment of director salaries, staff bonuses and other expenses during FPE 2024.

However, this was partially offset by the increase in our Group's current tax liabilities by approximately 251.82% or RM3.45 million, which is in line with the overall increase in overall revenue and PBT levels during FPE 2024.

12.3.4 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 Financial Years/Period Under Review:

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	74,063	64.34	67,290	46.59	16,807	5.01	8,021	6.82
USD	35,149	30.53	54,444	37.69	247,004	73.68	109,636	93.18
SGD	5,902	5.13	22,706	15.72	71,440	21.31	(1)-	-
Total	115,114	100.00	144,440	100.00	335,251	100.00	117,657	100.00

Note:

(1) No sales denominated in SGD currency is recorded in FPE 2024, as all sales to foreign customers (including Singapore based customers) are all denominated in USD currency.

Our raw materials purchased are mainly denominated in the following currencies, as tabulated below:

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
RM	88,927	96.93	107,349	90.93	254,677	87.02	83,914	100.00
USD	2,812	3.07	10,702	9.07	15,053	5.14	-	-
SGD	-	-	-	-	22,937	7.84	-	-
Total	91,739	100.0	118,051	100.0	292,667	100.00	83,914	100.00

Our realised and unrealised gain/(loss) on foreign exchanges for the Financial Years/Period Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Realised gain/(loss) on foreign exchange	966	575	70	(676)
Unrealised gain/ (loss) on foreign exchange	#	82	(494)	(314)
Net gain/ (loss)	966	657	(424)	(990)

Note:

Less than RM1,000

12. FINANCIAL INFORMATION (CONT'D)

Realised gain/(loss) on foreign exchange represent the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange rate when the payments receipt/against the respective sales/purchase invoices.

If the foreign exchange rate as at the date of our invoice is higher as compared to the rate when the payment for the invoice is received, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our invoice is lower as compared to the rate when the payment for the invoice is received, we will record a realised gain on foreign exchange. Unrealised loss or gain on foreign exchange represents the difference in the foreign exchange rate at the date of our outstanding invoices as compared to the foreign exchange spot rates as at the end of each financial year.

Please refer to note 27, Market risk (ii) in the Accountants' Report set out in Section 13 of this Prospectus for sensitivity analysis on our PAT to changes in foreign exchange rate.

(B) Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratio from the Financial Years/Period Under Review is as follows:

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>FPE 2024</u>
Interest coverage ratio (times) ⁽¹⁾	2.83	3.89	15.51	26.59

Note:

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

Our interest coverage ratio of between 2.83 times to 26.59 times for the Financial Years/Period Under Review indicates that our Group has been able to generate sufficient EBIT to meet our interest servicing obligations.

Please refer to note 27, Market risk (i) in the Accountants' Report set out in Section 13 of this Prospectus for sensitivity analysis on our PAT to changes in interest rate.

(C) Impact of commodity prices

The key raw materials that we use in our manufacturing process are not commodities.

12.3.5 Impact of Inflation

Our Group's financial performance during the Financial Years/Period Under Review was not significantly affected by the impact of inflation. However, our Group is confident of passing on the effect of higher product costs due to inflation to our customers. There is no assurance that our business will not be adversely affected by the impact of inflation in the future.

12.3.6 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 Financial Years/Period Under Review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in Government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9 of this Prospectus.

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12. FINANCIAL INFORMATION (CONT'D)

12.4 LIQUIDITY AND CAPITAL RESOURCES**12.4.1 Working capital**

We have been financing our operations and working capital requirements through combination of existing cash and bank balances, cash generated from our operating activities, credit extended by our suppliers as well as various credit facilities extended to us by financial institutions. The principal use of our borrowings is for the financing of our working capital requirements as well as purchase of raw materials.

Our Group also recorded net current liabilities position of RM4.32 million as at 31 December 2021, mainly due to the increase in our current liabilities position as described in Section 12.3.3(B) above.

As at 30 April 2024, we have cash and bank balances of RM45.27 million, fixed deposits with licensed banks of RM5.51 million and working capital of RM32.04 million (being the difference between our current assets of RM94.48 million and current liabilities of RM62.44 million), demonstrating our Group's ability to meet our short-term obligations.

Based on the pro forma statement of financial position of our Group as at 30 April 2024 (after the Acquisition before the Public Issue), our total equity attributable to the owners of the Company stands at RM50.00 million with a gearing level of 0.55 times. Our gearing level after the Acquisition, Public Issue and utilisation of proceeds stands at 0.19 times.

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.

After taking into consideration the following, 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:

- (a) our cash and bank balances as at 30 April 2024 of RM45.27 million and fixed deposits with licensed banks of RM5.51 million;
- (b) our banking facilities of up to a limit of RM63.16 million as at the LPD, of which RM44.30 million has been utilised; and
- (c) our pro forma NA position and gearing level as at 30 April 2024 after the Acquisition, Public Issue and utilisation of proceeds of RM146.51 million and 0.19 times, respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work closely with our marketing and sales 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.

Given that we still have sufficient unutilised banking facilities as at LPD and based on our existing unbilled order book as at LPD, we do not foresee additional external financing to fund our working capital within the next 12 months from the date of this Prospectus. However, we will carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

12. FINANCIAL INFORMATION (CONT'D)**12.4.2 Review of cash flow**

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash (used in)/generated from operating activities	(5,707)	15,940	18,868	(10,180)	1,797
Net cash (used in)/from investing activities	(17)	427	(676)	-	(529)
Net cash from financing activities	5,323	6,031	3,637	(2,265)	(2,280)
Net changes in cash and cash equivalents	(401)	22,398	21,829	(12,445)	(1,012)
Cash and cash equivalents at the beginning of the year	7,680	7,279	29,760	29,761	51,763
Effects of foreign exchange differences	~	83	174	(725)	27
Cash and cash equivalents at the end of the year	7,279	29,760	51,763	16,591	50,778

Commentaries of cash flows movement**FYE 2021****Net cash used in operating activities**

For FYE 2021, net cash used in operating activities was RM5.71 million. We collected RM85.29 million from our customers and RM3.75 million from our other receivables, which mainly comprise trade deposits deposits paid to our suppliers, rental deposits paid to our landlords for the rental warehouses and bonded warehouses in Port Klang, Klang as well as deposits placed with a local financial institution as security for obtaining financing facilities.

This was offset by cash payments of RM94.75 million, mainly for:

- RM82.20 million paid to our trade suppliers for various raw materials purchased and related consumables;
- RM11.86 million paid to our other non-trade creditors such as logistics services providers, rental of plant, machineries and equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of our Port Klang Factory as well as warehouses and bonded warehouses in Northport, Port Klang, Selangor;
- interest expenses paid of RM0.65 million for our financing facilities utilised; and
- tax expenses paid to the tax authorities of RM0.04 million.

Net cash used in investing activities

Net cash used in investing activities was RM0.02 million, which mainly relates to the purchase of new furniture and fittings of RM0.02 million for our office space.

Net cash from financing activities

Net cash from financing activities was RM5.32 million mainly due to the following:

- payment of lease liabilities of RM0.74 million for the lease of our Port Klang Factory, warehouse and bonded warehouse spaces in Northport, Port Klang, Selangor; and

12. FINANCIAL INFORMATION (CONT'D)

- (b) repayment of our borrowings (comprising of bankers' acceptances, trust receipts and supplier financing) of RM52.59 million.

However, the above was offset by the drawdown of borrowings of RM58.65 million during FYE 2021 for the financing of our Group's working capital requirements, as follows:

- (a) drawdown of bankers' acceptances of RM10.55 million;
 (b) drawdown of supplier financing of RM22.43 million; and
 (c) drawdown of trust receipts of RM25.67 million.

FYE 2022**Net cash generated from operating activities**

For FYE 2022, we generated net operating cash flows of RM15.94 million. We collected RM155.78 million from our customers. However, these cash collections were partially offset by cash payments of RM139.84 million, mainly for:

- (a) RM39.44 million paid which comprise payments made of RM37.85 million to our trade debtors for trade deposit for the purchase of raw materials, rental deposits of RM0.59 million for the rental of our Port Klang Factory and bonded warehouse spaces in Northport, Port Klang, Selangor as well as deposits placed with financial institutions of RM1.00 million;
 (b) RM86.63 million paid to our trade suppliers for the purchase of raw materials (unprocessed PKS and wood residues);
 (c) RM11.69 million paid to our other non-trade creditors such as logistics services providers, rental of machineries and equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of our Port Klang Factory and bonded warehouses in Northport, Port Klang, Selangor;
 (d) tax expenses paid to the tax authorities of RM0.05 million and
 (e) interest expenses paid of RM2.03 million as interest for financing facilities utilised.

Net cash from investing activities

For FYE 2022, we recorded net cash from investing activities of RM0.43 million mainly comprise of upgrading works performed to our existing manufacturing lines of RM0.10 million as well as purchase of various office equipment of RM0.06 million. However, this was offset from the proceeds received from the disposal of 2 units of motor vehicles of RM0.59 million.

Net cash from financing activities

Net cash from financing activities was RM6.03 million mainly due to the following:

- (a) payment of lease liabilities of RM0.86 million for the lease of our Port Klang Factory, warehouse and bonded warehouse spaces in Northport, Port Klang, Selangor as well as lease of our office space in Sri Petaling, Kuala Lumpur; and
 (b) repayment of our borrowings (comprising of bankers' acceptances, trust receipts, invoice financing, unsecured loans and supplier financing) of RM70.43 million for our Group's working capital requirements.

However, the above was offset by the drawdown of additional borrowings of RM77.32 million during FYE 2022 for the financing of our Group's working capital requirements:

12. FINANCIAL INFORMATION (CONT'D)

- (a) drawdown of unsecured loans of RM21.32 million;
- (b) drawdown of bankers' acceptances of RM8.18 million;
- (c) drawdown of trade financing facility from a local financial institution of RM8.03 million;
- (d) drawdown of trust receipts of RM22.24 million; and
- (e) drawdown of bankers' acceptances and invoice financing facilities from a local financial institution of RM17.55 million.

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

For FYE 2023, we generated net operating cash flows of RM18.87 million. We collected RM325.25 million from our customers. However, this cash collections were partially offset by cash payments of RM306.38 million, mainly for:

- (a) RM4.51 million paid to our non-trade creditors, comprising deposits placed for the rental of our Port Klang Factory, warehouse and bonded warehouses of RM1.24 million as well as deposits placed with financial institutions as security for financing facilities obtained of RM3.25 million;
- (b) RM264.18 million paid to our trade suppliers for the purchase of raw materials (unprocessed PKS and wood residues);
- (c) RM33.62 million paid to our other non-trade creditors such as logistics services providers, rental of machineries and equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of our Port Klang Factory and bonded warehouses in Northport, Port Klang, Selangor;
- (d) tax expenses paid to the tax authorities of RM2.32 million; and
- (e) interest expenses paid of RM1.74 million as interest for financing facilities utilised.

Net cash used in investing activities

For FYE 2023, we recorded net cash used in investing activities of RM0.68 million mainly comprise of the purchase of 1 unit of wheel loader of RM0.23 million as well as purchase of office equipment and office furniture of RM0.45 million.

Net cash from financing activities

Net cash generated in financing activities was RM3.64 million mainly due to the following:

- (a) payment of lease liabilities of RM1.01 million for the lease of our Port Klang Factory and warehouse, lease of our space in Sri Petaling, Kuala Lumpur as well as lease of 1 unit of motor vehicle; and
- (b) repayment of our borrowings (comprising of bankers' acceptances, trust receipts, unsecured loans, trade financing facilities, invoice financing and supplier financing) of RM113.26 million for our Group's working capital requirements.

However, the above was offset by the drawdown of additional borrowings of RM117.91 million during FYE 2022 for the financing of our Group's working capital requirements:

- (a) drawdown of trust receipts of RM30.07 million;
- (b) drawdown of bankers' acceptances of RM41.05 million;

12. FINANCIAL INFORMATION (CONT'D)

- (c) drawdown of supplier financing from a local financial institution of RM20.48 million;
- (d) drawdown of trade financing facility from a local financial institution of RM5.48 million; and
- (e) drawdown of invoice financing from a local financial institution of RM20.83 million.

FPE 2024**Net cash (used in)/generated from operating activities**

For FPE 2024, we generated net operating cash flow of RM1.80 million. We collected RM116.21 million from our customers. However, this cash collections were partially offset by cash payments of RM114.42 million, mainly for:

- (a) RM3.09 million paid to our non-trade creditors, comprising deposits placed with financial institutions as security for financing facilities obtained of RM3.29 million. However, this was partially offset by the refund deposit placed of RM0.20 million for the rental of a warehouse unit located in Telok Gong, Klang, Selangor which was discontinued in December 2023. For avoidance of doubt, the warehouse unit is located in the same area as Port Klang Factory (i.e. in Telok Gong, Klang area) but it is a different and separate unit from the Port Klang Factory.
- (b) RM94.02 million paid to our trade suppliers for the purchase of raw materials (unprocessed PKS and wood residues);
- (c) RM16.59 million paid to our other non-trade creditors such as logistics services providers, rental of machineries and equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of our Port Klang Factory and bonded warehouses in Northport, Port Klang, Selangor; and
- (d) tax expenses paid to the tax authorities of RM0.72 million.

Net cash (used in)/from investing activities

For FPE 2024, we recorded net cash used in investing activities of RM0.53 million, which mainly comprise of the deposit payment for the setting up of a new PKS production line at our Kapar Factory of RM0.47 million.

Net cash from financing activities

Net cash used in financing activities was RM2.28 million was mainly due to the payment of lease liabilities of RM2.29 million for the lease of our Port Klang Factory and warehouse of RM2.25 million, lease of our space in Sri Petaling, Kuala Lumpur of RM0.03 million as well as lease of 1 unit of motor vehicle of RM0.01 million. However, this was partially offset by the net drawdown from borrowings and issuance of share capital totalling RM0.01 million utilised for our working capital requirements.

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12. FINANCIAL INFORMATION (CONT'D)

12.4.3 Borrowings

All of our borrowings are secured, interest-bearing and denominated in RM and we do not have other borrowings in other currencies. Our total outstanding borrowings are set out below:

Purposes	Interest rate % per annum	Tenure	As at	As at	
			30 April 2024 RM'000	the LPD RM'000	
Current liabilities					
Bankers' acceptance	• Working capital requirements	4.10% - 4.40%	Up to 150 days	18,824	34,244
Invoice financing	• Working capital requirements	5.00% - 5.15%	Up to 120 days	950	4,361
Trust receipts	• Working capital requirements	5.85% - 7.10%	Up to 150 days	2,962	2,544
Trade financing	• Working capital requirements	6.95% - 7.10%	Up to 150 days	4,873	3,099
Lease Liabilities (Hire Purchase)	• Motor vehicle	4.87%	7 years	53	52
			Total borrowings	27,662	44,300

Pro forma gearing (times)

(1) After Acquisition but before the Public Issue	0.55
(2) After Acquisition, Public Issue and utilisation of proceeds	0.19

Notes:

- (1) Computed based on our pro forma shareholders' funds of RM50.00 million in the pro forma statements of financial position after the Acquisition but before the Public Issue.
- (2) Computed based on our pro forma shareholders' funds of RM146.51 million in the pro forma statements of financial position after the Acquisition, Public Issue and utilisation of proceeds.

Our pro forma gearing ratio is expected to decrease from 0.55 times (before the Public Issue) to 0.19 times (after the Public Issue and utilisation of proceeds) mainly due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue.

12. FINANCIAL INFORMATION (CONT'D)

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. As at LPD, we have received conditional approvals from our financiers to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions.

The maturity profile based on the undiscounted contractual repayment obligation of our total borrowings (including interest-bearing lease liabilities) as of the dates indicated is as follows:

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
Within one year	16,713	22,975	27,625	27,633
One to five years	149	24	25	29
More than five years	361	37	12	-
Total contractual cash flow	17,223	23,036	27,662	27,662
Total carrying amount	17,223	23,036	27,662	27,662
Gearing ratio ⁽¹⁾	3.33	2.01	0.79	0.55

Note:

(1) Computed based on the carrying amount of the total borrowings (including interest-bearing lease liabilities) over total equity attributable to owners of our Group.

Our interest-bearing borrowings carry the following interest rates for the Financial Years/Period Under Review:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	% per annum			
Bankers' acceptance	2.75% – 3.05%	3.32% – 4.05%	4.10% – 4.40%	3.74% – 4.40%
Invoice financing	-	4.52% – 5.09%	5.00% – 5.15%	4.93% – 4.96%
Supplier financing	7.08%	8.37% – 8.40%	-	-
Trust receipts	6.81%	7.56% – 7.81%	5.85% – 7.10%	7.05% – 7.10%
Bank overdrafts	6.81%	-	-	-
Trade financing	-	-	6.95% – 7.10%	6.95% – 7.10%
Unsecured loans	-	2.00% on monthly basis	-	-
Lease liabilities (hire purchase)	(hire 2.01% - 4.87%)	4.87%	4.87%	4.87%

As at the LPD, our Group has no foreign currency borrowings, which are financed in RM for the working capital requirements for our manufacturing activities. As at the 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 Financial Years/Period Under Review as well as the subsequent financial period up to LPD.

As at the LPD, neither our Group nor our subsidiary 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.

12. FINANCIAL INFORMATION (CONT'D)

From the Financial Years/Period Under Review and up to the LPD, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders/financiers.

12.4.4 Types of financial instruments used, treasury policies and objectives

As at LPD, save for our borrowings and banking facilities as disclosed in Section 12.4.3 and Section 10.2.2 of this Prospectus, we do not utilise any other financial instruments. We receive proceeds in USD and SGD in respect of our foreign sales and pay for purchases denominated in USD and SGD with our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for finance leases and unsecured loans which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds or base lending rate plus a rate which varies depending on the different types of bank facilities.

The usages of these banking/financing facilities are for working capital as well as acquisition of PPE.

12.4.5 Material capital commitments, litigation and contingent liabilities**(A) Material capital commitments for capital expenditure**

As at LPD, save as disclosed below, we do not have any other material capital commitments:

	Source of funds		
	Internally generated funds and/or bank borrowings	IPO proceeds	Total
	RM'000	RM'000	RM'000
Approved but not contracted for:			
- Purchase of various machineries and equipment ⁽¹⁾	2,349	21,141	23,490
- Construction of our New Kuantan Facility	-	47,000	47,000
Total	2,349	68,141	70,490

Note:

(1) Capital expenditure for purchase of new machineries and equipment for production of PKS in the new factories and warehouse in (i) Pasir Gudang, Johor, (ii) Kuantan, Pahang. And (iii) Lahad Datu, Sabah. Please refer to Section 4.7.1(2) of this Prospectus for details of the machinery to be purchased.

We expect to meet our material commitments through our cash and bank balances on hand, as well as cash generated from future operations, borrowings and funding from other financing activities (if required) as well as the utilisation of the amount of RM101.50 million to be raised from the Public Issue.

(B) Material litigations and contingent liabilities

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.

12. FINANCIAL INFORMATION (CONT'D)**12.5 KEY FINANCIAL RATIOS**

The following table sets forth certain key financial ratios of our Group based on the financial statements of our Group for the Financial Years/Period Under Review:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Trade receivables turnover period (days) ⁽¹⁾	63.9	43.7	11.1	15.5
Trade payables turnover period (days) ⁽²⁾	64.5	59.8	26.2	17.8
Inventory turnover period (days) ⁽³⁾	46.1	20.1	16.1	26.9
Current ratio (times) ⁽⁴⁾	0.93	1.04	1.30	1.51
Gearing ratio (times) ⁽⁵⁾	3.33	2.01	0.79	0.55

Notes:

(1) Computed based on the following:

$$\frac{(\text{Opening trade receivables} + \text{closing trade receivables}) / 2}{\text{Revenue}} \times \begin{matrix} 365 \text{ days (for FYE) or 121 days} \\ \text{(for FPE)} \end{matrix}$$

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	11,881	28,427	6,146	14,238
Closing trade receivables	28,427	6,146	14,238	15,989
Revenue	115,114	144,440	335,251	117,657
Average trade receivable turnover period (days)	63.9	43.7	11.1	15.5

(2) Computed based on the following:

$$\frac{(\text{Opening trade payables} + \text{closing trade payables}) / 2}{\text{Cost of sales}} \times \begin{matrix} 365 \text{ days (for FYE) or 121 days (for} \\ \text{FPE)} \end{matrix}$$

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	19,963	17,463	24,891	16,693
Closing trade payables	17,463	24,891	16,693	10,294
Cost of sales	105,818	129,277	289,282	91,826
Average trade payable turnover period (days)	64.5	59.8	26.2	17.8

(3) Computed based on the following:

$$\frac{(\text{Opening inventories} + \text{closing inventories}) / 2}{\text{Cost of sales}} \times \begin{matrix} 365 \text{ days (for FYE) or 121 days (for FPE)} \end{matrix}$$

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening inventories	17,135	9,608	4,609	20,953
Closing inventories	9,608	4,609	20,953	19,862
Cost of sales	105,818	129,277	289,282	91,826
Average inventory turnover period (days)	46.1	20.1	16.1	26.9

(4) Computed based on current assets over current liabilities as at financial year/period end.

(5) Computed based on the total borrowings (including interest-bearing lease liabilities) over total equity attributable to owners of the Company as at financial year/period end.

12. FINANCIAL INFORMATION (CONT'D)**12.5.1 Trade receivables turnover period**

The normal credit period offered by our Group in respect of our trade receivables is between 30 to 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 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 and business unit teams.

We have been able to maintain our trade receivables turnover period lower than 90 days during the Financial Years/Period Under Review. The higher trade receivables turnover period in FYE 2021 was due to increased orders received towards the year end in which case, the sales and shipments were transacted in the fourth quarter of the FYE 2021 but payment was only received in the first quarter of FYE 2022.

As at 30 April 2024, the trade receivables of our Group stood at approximately RM16.08 million which can be analysed as follows:

	Within credit period	Exceeded credit period by:				Total
		1-30 days	31-60 days	61-90 days	>90 days	
		RM'000	RM'000	RM'000	RM'000	
Trade receivables	16,077	-	-	-	-	16,077
Less: Loss allowance	(88)	-	-	-	-	(88)
Net trade receivables	15,989	-	-	-	-	15,989
<i>% of total net trade receivables</i>	<i>100.00</i>	-	-	-	-	<i>100.00</i>
Subsequent collections up to the LPD	16,077	-	-	-	-	16,077
Net trade receivables after subsequent collections	-	-	-	-	-	-
<i>% of total net trade receivables after subsequent collections</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>

For FYE 2021, trade receivables turnover period was 63.9 days mainly due to lower collections from our major customers in the fourth quarter of FYE 2021 of RM17.68 million. For FYE 2022, trade receivables turnover period decreased from 63.9 days in FYE 2021 to 43.7 days in FYE 2022 mainly due to higher collections from our major customers of RM95.32 million in the fourth quarter of FYE 2023.

For FYE 2023, trade receivables turnover period decreased further from 43.7 days in FYE 2022 to 11.1 days mainly due to higher collections from our major customers of RM159.91 million in the fourth quarter of FYE 2023.

For FPE 2024, trade receivables turnover period had slightly increased from 11.1 days in FYE 2023 to 15.5 days in FPE 2024 mainly due to lower collections from our customers in the first quarter of FPE 2024 arising from higher sales recorded during the said period.

As at 30 April 2024, our Group's trade receivables amount to approximately RM16.08 million. Subsequent to 30 April 2023 and up to the LPD, we have fully collected RM16.08 million, representing 100.00% of the total trade receivables as at 30 April 2024.

Our trade receivables turnover period for the Financial Years/Period Under Review was between 11.1 to 63.9 days. Most of our trade receivables as at the end of the Financial Years/Period Under Review are within our normal credit period granted to our customers. Save for the provision for expected credit losses recorded of RM0.19 million during FYE 2021, the

12. FINANCIAL INFORMATION (CONT'D)

majority of our other trade receivables exceeding our normal credit period have been fully settled in the subsequent financial years.

Our Group has not encountered any major disputes with our trade receivables. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections after 30 April 2024. Our Group has put in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain based on our past dealings with customers. Where receivables have been written off, we will continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

12.5.2 Trade payables turnover period

As at 30 April 2024, the trade payables of our Group stood at approximately RM10.29 million which can be analysed as follows:

	Within credit period RM'000	Exceeded credit period by:				Total RM'000
		1-30 days RM'000	31-60 days RM'000	61-90 days RM'000	>90 days RM'000	
		Trade payables	9,513	776	5	
<i>% of total trade payables</i>	<i>92.41</i>	<i>7.54</i>	<i>0.05</i>	<i>-</i>	<i>100.00</i>	
Subsequent payments up to the LPD	9,513	2	5	-	9,520	
Net trade payables after subsequent payments	-	774	-	-	774	
<i>% of total net trade payables after subsequent payments</i>	<i>-</i>	<i>7.52</i>	<i>-</i>	<i>-</i>	<i>7.52</i>	

The normal credit terms granted by our suppliers are generally between 30 to 90 days. Any outstanding trade payables which are overdue more than credit terms provided comprise of payments which have been delayed pending clearance of discrepancies.

Our average trade payables turnover period as at FYE 2021, FYE 2022, FYE 2023 and FPE 2024 were 64.5 days, 59.8 days, 26.2 days and 17.8 days, respectively, which is within the credit period given by our suppliers. The lower trade payables turnover period in the FYE 2023 was due to higher consumption of unprocessed PKS to fulfil the increase in orders received from the manufacturing of PKS activities during the fourth quarter of FYE 2023 and lower purchases of raw materials made during the fourth quarter of FYE 2023.

During FPE 2024, our trade payables turnover period continued to decrease to 17.8 days due to higher consumption of unprocessed PKS to fulfil the increase in our sales volume from the manufacturing of PKS activities during FPE 2024 of RM97.99 million (FPE 2023: RM78.67 million) and higher purchases of raw materials made during FPE 2024 of RM83.91 million (FPE 2023: RM82.71 million).

As at LPD, we have paid RM9.52 million or approximately 92.48% of our trade payables as at 30 April 2024. As at LPD, there are no disputes in respect of our outstanding trade payables exceeding credit period. Nevertheless, we are not aware of any legal action initiated by our suppliers to demand for payment.

12. FINANCIAL INFORMATION (CONT'D)**12.5.3 Inventories turnover period**

A summary of our inventories turnover period for the past FYE 2021 to FYE 2023 are set out below:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Raw materials	4,161	2,094	1,942	2,482
Finished goods	5,447	2,515	19,011	17,380
Total	9,608	4,609	20,953	19,862
Average inventory turnover period (days)	46.1	20.1	16.1	26.9

Our inventories comprise:

- (a) raw materials such as unprocessed PKS and wood residues; and
- (b) finished goods comprising PKS and wood pellets for delivery to our customers.

Our inventory turnover period for FYE 2021 to FYE 2023 is within the range of 16.1 days to 46.1 days. The higher inventory turnover period for FYE 2021 was mainly due to the global shipping and supply disruptions and shortages in various raw materials and consumables for our manufacturing activities caused by the COVID-19 pandemic outbreak.

Our inventory turnover period for FYE 2022 and FYE 2023 improved to 20.1 days and 16.1 days, respectively due to higher consumption of raw materials in line with the increase in our sales volume of PKS.

However, our inventory turnover period for FPE 2024 increased to 26.9 days due to higher consumption of raw materials in line with the increase in our sales volume of PKS of RM97.99 million during FPE 2024 (FPE 2023: RM78.67 million).

12.5.4 Current ratio

Our current ratio throughout the Financial Years/Period Under Review ranged from 0.93 to 1.34 times. Our current ratio was less than 1 time due to our net current liabilities position as at 31 December 2021. The current assets and current liabilities as at FYEs 2021 to 2023 are as follows:

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
Current assets	61,842	81,269	93,963	94,482
Current liabilities	66,159	78,429	72,427	62,443
Net current (liabilities)/assets	(4,317)	2,840	21,536	32,039
Current ratio (times) ⁽¹⁾	0.93	1.04	1.30	1.51

Note:

(1) Computed based on current assets over current liabilities.

12. FINANCIAL INFORMATION (CONT'D)

Our net current liabilities positions of RM4.32 million as at 31 December 2021 was primarily due to our other payables arising from higher trade deposits received from our customers as at the fourth quarter of FYE 2021 as well as borrowings, principally arising from our financing facilities comprising bank overdrafts, bankers' acceptances, supplier financing, trust receipts and lease liabilities.

Our current ratio improved from 0.93 times as at 31 December 2021 to 1.04 times as at 31 December 2022 mainly due to the following reasons:

- (a) increase in other receivables, deposits and prepayments by approximately 154.21% or RM24.72 million mainly due to the following reasons:
 - (i) increase in trade deposits paid to our suppliers by approximately 163.75% or RM23.58 million mainly for the purchase of various raw materials of RM31.30 million during the fourth quarter of FYE 2022 (Fourth quarter of FYE 2021: RM18.18 million) in order to fulfil deliveries of PKS of RM53.84 million during the first quarter of FYE 2023 (First quarter of FYE 2022: RM13.10 million); and
 - (ii) increase in deposits paid of 80.27% or RM1.18 million as at 31 December 2022 arising from the increase in rental deposits placed with our landlords for the rental of warehouses and bonded warehouses in Port Klang, Klang amounting to RM0.46 million and the deposits placed with a local financial institution as security for obtaining financing facilities.
- (b) increase in cash and bank balances by 865.22% or RM21.89 million due to higher collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022, as compared to collections of trade receivables collected from our customers of RM17.68 million during the fourth quarter of FYE 2021.

However, the above increase in current assets was partially offset by the decrease in other payables by 3.70% or RM1.17 million due to decrease of our other payables to our non-trade creditors by 43.61% or RM1.74 million due to continuous prompt repayment made to our non-trade creditors.

Our current ratio further improved to 1.30 times as at 31 December 2023 as compared to the preceding financial year mainly due to continued increase in current assets increased by approximately 15.61% or RM12.69 million mainly due to the following reasons:

- (a) increase in overall inventories level by approximately 354.45% or RM16.34 million mainly due to the increased in finished goods comprising PKS and wood pellets by approximately 654.37% or RM16.49 million to RM19.01 million as at 31 December 2023, which are pending for delivery to our local and foreign customers;
- (b) increase in trade receivables by approximately 131.54% or RM8.09 million, due to revenue recorded arising from the sale to PKS of RM124.96 million during the fourth quarter of FYE 2023;
- (c) increase in overall cash and bank balances by 86.52% or RM21.89 million due to continuous collections of trade receivables from our customers of RM159.91 million during the fourth quarter of FYE 2023, as compared to collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022.

However, this was partially offset by the increase in borrowings by approximately 20.26% or RM4.65 million mainly due to the increase in utilisation of unsecured loans and trust receipts for the purchase of raw materials and financing of our working capital requirements, in line with the overall increase in overall revenue levels during FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)

Our current ratio increased to 1.51 times as at 30 April 2024 as compared to the preceding financial year mainly due to decrease in current liabilities increased by approximately 13.79% or RM9.99 million mainly due to the following reasons:

- (a) decrease in trade payables by approximately 38.35% or RM6.40 million mainly due to payment of our outstanding trade payables within the credit period granted by our suppliers during FPE 2024; and
- (b) decrease in other payables by approximately 34.13% or RM7.15 million due to decrease of trade deposits received from our customers by 63.00% or RM10.16 million during FPE 2024 arising from the refund of deposits payable to our customers as well as decrease of accruals by 42.94% or RM0.86 million mainly due to the payment of director salaries, staff bonuses and other expenses during FPE 2024,

which was partially offset by the increase in our Group's current tax liabilities by approximately 251.82% or RM3.45 million, which is in line with the overall increase in overall revenue and PBT levels during FPE 2024.

12.5.5 Gearing ratio

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

	Audited			
	As at 31 December 2021	As at 31 December 2022	As at 31 December 2023	As at 30 April 2024
	RM'000	RM'000	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000
Total borrowings (including interest-bearing lease liabilities)	17,223	23,036	27,662	27,662
Total equity attributable to owners of our Group	5,178	11,467	35,032	50,000
Gearing ratio (times)	3.33	2.01	0.79	0.55

Our Group's gearing ratio decreased from 3.33 times as at 31 December 2021 to 2.01 times and 0.79 times as at 31 December 2022 and 31 December 2023, respectively.

Our gearing ratio improved from 3.33 times as at 31 December 2021 to 2.01 times as at 31 December 2022 mainly due to the increase in our total equity from our retained earnings arising from the improved PAT levels recorded during FYE 2022, although our overall borrowings (including interest-bearing lease liabilities) increased by RM5.82 million.

Our gearing ratio decreased further to 0.79 times as at 31 December 2023 mainly due to the continued overall increase in our total equity from our retained earnings arising from the significant improvement in our overall PAT levels recorded during FYE 2023 despite the increase in our total borrowings by approximately 20.05% or RM4.62 million. The increase in borrowings (including interest-bearing lease liabilities) was mainly due to the additional drawdown of bankers' acceptances and trade financing to finance our working capital requirements.

Our gearing ratio improved further to 0.55 times as at 30 April 2024 mainly due to the continued overall increase in our total equity from our retained earnings arising from the continued improvement in our overall PAT levels recorded during FPE 2024 of RM14.97 million.

12. FINANCIAL INFORMATION (CONT'D)

12.6 TREND INFORMATION

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

- (a) revenue contribution from the manufacturing of PKS has been the main revenue contributor for our business. We expect this segment to continue contributing significantly to our revenue in future;
- (b) the main components of our cost of sales are raw materials consumed. 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 labour costs; and
- (c) we achieved a GP margin of 8.07%, 10.50%, 13.71% and 21.95% for FYE 2021, FYE 2022, FYE 2023 and FPE 2024, 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:

- (i) 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, Section 7 and Section 8 of this Prospectus;
- (ii) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in this section, Section 7 and Section 8 of this Prospectus;
- (iii) 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, Section 7 and Section 8 of this Prospectus;
- (iv) material commitments for capital expenditure as set out in Section 12.4.5 of this Prospectus; and
- (v) 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 Section 12.9 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the biomass fuel industry as set out in the IMR report in Section 8, our Group's competitive strengths as set out in Section 7.19 and our business strategies and prospects as set out in Section 7.20 of this Prospectus.

Save as disclosed in Section 12.9, there are no other factors which are likely to have a material effect on our financial conditions and results of operations or cause our Group's historical financial statements to be not necessarily indicative of our future financial performance.

Since 2020, due to the outbreak of COVID-19 pandemic, the Government of Malaysia imposed various MCOs and lockdown measures which impacted most of the economic sectors and activities, especially those operating in non-essential services.

12. FINANCIAL INFORMATION (CONT'D)

Despite the impact of the COVID-19 pandemic, we did not experience any cancellation or reduction in purchase orders from our customers. We also did not experience any claims arising from delayed delivery during this period.

12.7 ORDER BOOK

Our Group is primarily involved in the manufacturing of PKS as well as manufacturing and trading of wood pellets. Due to the nature of our business, we do not maintain an order book.

Our biomass fuel products are primarily sold to customers who have issued a purchase order to our Group. As at the LPD, we have entered into separate memorandum of understanding with two (2) of our major customers for the manufacturing of 560,000 MT of PKS (as disclosed in Section 7.22 of this Prospectus) and additional 160,000 MT of PKS with other customers, giving a cumulative 720,000 MT and 710,000 MT of PKS, which shall be delivered in FYE 2024 and FYE 2025, respectively. However, the selling prices of these PKS have not been determined at this juncture and shall be negotiated at a separate date, after taking into consideration the specifications of PKS to be manufactured, overall demand and supply conditions, availability of raw materials as well as the average selling price of PKS to our other customers at the point of delivery.

12.8 DIVIDENDS

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiary, present or future. Our subsidiary will require its 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. Moving forward, the payment of dividends or other distributions by our subsidiary will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective board of directors deem relevant.

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 and any final dividends for the year are subject to shareholders' approval. 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.

There were no dividends declared and paid during the Financial Years/Period Under Review as well as there are no other pre-IPO dividends proposed to be declared or paid up to our listing date.

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12. FINANCIAL INFORMATION (CONT'D)

12.9 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE

Our Group's business operations and financial conditions have been and will continue to be affected by internal and external factors including, but not limited to, the following:

(i) Disruptions in our manufacturing activities

As at the LPD, the manufacturing of biomass fuel products are carried out at our Port Klang Factory and Kapar Factory. Our manufacturing activities are dependent on the continued operation of our factories. Our Group's manufacturing activities could be disrupted or delayed due to unforeseeable circumstances such as natural disasters, fires, floods or outbreaks of diseases, which may result in the damage to, and/or destruction of all or part of our manufacturing plants, machineries and equipment, or manufactured products, and/or disruptions to our operations. Our Group's manufacturing processes are also dependent on a consistent supply of electricity.

Our machinery and equipment, including our PKS and wood pellet production lines, are prone to unforeseen failures, damages, and sub-standard performance. Despite regular maintenance, unexpected breakdowns can still occur, potentially halting or delaying our manufacturing activities.

During the Financial Years/Period Under Review, we had to temporarily ceased the operation of our wood pellet production line since January 2023 as there was a need to replace a key machinery part in the wood pellet production line. The wood pellet production line is expected to resume by second half of 2024. Thus, in the FYE 2023, we had to trade wood pellets sourced from third-party suppliers to cater to existing orders. Nevertheless, our Group's financial performance was not adversely impacted as we were able to focus on the manufacturing of PKS.

Please refer to Section 9.1.1 of this Prospectus for further details on the risk pertaining to dependency on manufacturing activities.

(ii) Exposure to supply disruptions and price fluctuations of unprocessed PKS and wood residues

Being a manufacturing company, our Group is dependent on the raw materials mainly for processing of our biomass fuel products, namely unprocessed PKS and wood residues. Unprocessed PKS and wood residues are the major cost component in the manufacturing of biomass fuel products. For the Financial Years/Period Under Review, purchase of unprocessed PKS and wood residues constituted between 92.64% and 95.52% of our total cost of sales.

Generally, the availability and prices of unprocessed PKS and wood residues fluctuate according to factors such as weather conditions. Any major supply disruptions of these materials would disrupt our production and delivery schedules. Meanwhile, fluctuations in prices of these materials could impact our production costs which could then adversely impact our profit margins and/or selling prices of our biomass fuel products.

In the event of any unforeseen circumstances, there could possibly be major supply disruptions which would in turn disrupt our productions and delivery schedules. Even though the Company has a steady supply of specified volumes from supply contracts with suppliers, there is no assurance that we will not face any supply disruptions. Similarly, there would be no assurance that the fluctuations of the prices would be effectively transferred to our customers, without affecting our selling prices and profit margins.

Please refer to Section 9.1.2 of this Prospectus for further details on the risk pertaining to supply disruptions and price fluctuations of raw materials.

12. FINANCIAL INFORMATION (CONT'D)**(iii) Dependency on contracts signed with our major customers and major supplier**

As at the LPD, our Group's business or profitability is materially dependent on the contracts as set out in Section 7.22 of this Prospectus. Our Group is dependent on our major customers, namely PT Orion Apac Indonesia and Customer B as our Group entered into long term contracts with them and we anticipate that they will purchase up to a total of 560,000 MT of PKS in FYE 2024, in which case, each of them will contribute at least 20.0% of our orderbook for FYE 2024.

We are also dependent on our major supplier, Biotechnology Sensational Sdn Bhd, with whom our Group has entered into a long-term contract. Biotechnology Sensational Sdn Bhd accounted for more than 20.00% of our Group's total value of purchases in FYE 2021 and FYE 2022. The termination or loss of any of our abovementioned contracts with the major customers will have material adverse impact to our business, financial condition, results of operations and prospects. In addition, while we may procure unprocessed PKS from other suppliers, the termination or loss of our contract with one of our major supplier, Biotechnology Sensational Sdn Bhd and our inability to promptly source the quantity of unprocessed PKS required within the time span that we require, could lead to delays in delivery of our PKS to customers, and this could adversely impact our business and financial performance.

Please refer to Section 9.1.4 of this Prospectus for further details on the risk pertaining to supply disruptions and price fluctuations of raw materials.

(iv) Dependency on ability to secure new orders and contracts

Generally, our Group secures contracts on a spot contract basis with a tenure of less than 1 year, other than 3 long term contracts of more than 3 years secured with some customers.

While our Group continuously maintains current relationship with our existing customers and expanding networks with new ones, there would be no guarantee that we are able to secure new orders, or even maintain existing ones. This would in turn severely impact our Group's financial performance and business performance.

Please refer to Section 9.1.5 of this Prospectus for further details on the risk pertaining to dependency on ability to secure new orders.

(v) Impact from fluctuations in foreign exchange rates

We are exposed to the risk of foreign exchange fluctuations as part of our revenue and purchases are transacted in foreign currencies. Although our Group has maintain foreign currency accounts and have foreign exchange line of credit, there is no assurance that the company's operations may not be severely affected by any adverse fluctuations in foreign exchange rates in the future.

Please refer to Section 9.1.6 of this Prospectus for further details on the risk pertaining to fluctuations in foreign exchange rates.

(vi) Sufficiency of insurance coverage for all losses and liabilities

Our Groups' operations may be covered for certain unforeseen incidents such as fire, flood and accidents that are able to insure our losses. However, the limited amount insured may not completely cover our losses or damages done to our business operations. Furthermore, we are not protected against any unfortunate events such as wars, riots, acts of terrorism, acts of Gods and outbreak of diseases. The excess of the damage or losses that insurance does not provide for would adversely impact our Groups' financial performance and operations.

12. FINANCIAL INFORMATION (CONT'D)

Please refer to Section 9.1.7 of this Prospectus for further details on the risk pertaining to insufficient insurance coverage for losses and liabilities.

(vii) Impacts of credit risk

The Group faces credit risks as its financial performance depends on customers' ability to pay, with credit periods typically ranging from 30 to 90 days. This exposes the Group to credit risks related to trade receivables, which could be influenced by unforeseeable events such as economic downturns. Delays in payment could impact cash flow and working capital, potentially affecting financial performance. The Group cannot guarantee the absence of significant impairment losses or bad debts in the future.

Please refer to Section 9.1.9 of this Prospectus for further details on the credit risk.

(viii) COVID-19 pandemic

Our business operations were affected by the economic and other disruptions related to the COVID-19 pandemic in Malaysia, where our production lines were restricted from operating during certain periods. While the COVID-19 pandemic did not have an adverse effect on our financial performance in FYE 2022, there can be no assurance that the COVID-19 pandemic or any other pandemic or epidemic will not have an effect in the future.

Please refer to Section 7.16 of this Prospectus for further details on the impact from COVID-19.

12.10 SIGNIFICANT CHANGES

Our Directors are not aware of any significant changes that has occurred which may have a material effect on our financial position and results since the date of our audited financial statements for FYE 2023 and FPE 2024.

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13. ACCOUNTANTS' REPORT



The Board of Directors
Elridge Energy Holdings Berhad
61-2, Jalan Radin Tengah
Bandar Baru Sri Petaling
57000 Kuala Lumpur

16 July 2024

Dear Sirs/Madam,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS/PERIOD ENDED 31 DECEMBER 2021, 31 DECEMBER 2022, 31 DECEMBER 2023 AND 30 APRIL 2024 CONTAINED IN THE ACCOUNTANTS' REPORT OF ELRIDGE ENERGY HOLDINGS BERHAD ("EEHB" OR THE "COMPANY")

OPINION

We have audited the Combined Financial Statements of Elridge Energy Holdings Berhad and its combining entity (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period ended 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024, and notes to the Combined Financial Statements, including material accounting policy information (together, the "Combined Financial Statements") as set out on pages 5 to 78.

The historical Combined Financial Statements have been prepared for inclusion in the prospectus of the Company 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 ("Bursa Securities") (the "Listing"). This report is prepared for the purpose of complying with the ACE Market Listing Requirements of Bursa Securities and Chapter 10, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying Combined Financial Statements give a true and fair view of the financial position of the Group as at 31 December 2021, 31 December 2022 and 31 December 2023 and 30 April 2024 and of their financial performance and cash flows for each of the financial years/period ended 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

13. ACCOUNTANTS' REPORT (CONT'D)**BASIS FOR OPINION**

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

DIRECTORS' RESPONSIBILITIES FOR THE COMBINED FINANCIAL STATEMENTS

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF COMBINED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Combined Financial Statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. 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.

13. ACCOUNTANTS' REPORT (CONT'D)**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF COMBINED FINANCIAL STATEMENTS (CONTINUED)**

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

- identify and assess the risks of material misstatement of the Combined Financial Statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our 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;
- 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 represents the underlying transactions and events in a manner that achieves true and fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express and 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 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.

13. ACCOUNTANTS' REPORT (CONT'D)



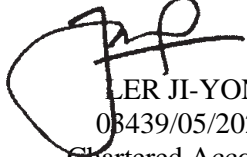
OTHER MATTERS

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and related notes to the combined financial statements for the financial period ended 30 April 2023 has not been audited.

RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the Prospectus of EEHB in connection with the Listing. 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.


HLB LER LUM CHEW PLT
201906002362 & AF 0276
Chartered Accountants


LER JI-YONG
03439/05/2025 J
Chartered Accountant

16 July 2024
Kuala Lumpur

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION

	←	As at		→	
	Note	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	3	6,429,108	5,961,896	5,972,118	10,517,194
Right-of-use assets	4	3,565,859	123,737	21,284,970	19,212,260
Investment properties	5	2,688,000	2,632,000	2,576,000	2,557,333
		<u>12,682,967</u>	<u>8,717,633</u>	<u>29,833,088</u>	<u>32,286,787</u>
Current Assets					
Inventories	6	9,608,310	4,609,476	20,952,870	19,861,933
Trade receivables	7	28,427,319	6,145,921	14,237,814	15,988,774
Other receivables, deposits and prepayments	8	16,026,656	40,753,402	7,008,607	7,853,633
Fixed deposits	9	5,249,673	5,338,405	5,462,732	5,506,831
Cash and bank balances		2,530,304	24,422,483	46,300,747	45,271,127
		<u>61,842,262</u>	<u>81,269,687</u>	<u>93,962,770</u>	<u>94,482,298</u>
TOTAL ASSETS		<u>74,525,229</u>	<u>89,987,320</u>	<u>123,795,858</u>	<u>126,769,085</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	←	As at		→	
	Note	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the combining entities					
Invested equity	11	7,300,000	7,300,000	7,300,000	7,300,000
Share capital	11	-	-	-	1,000
Reserves	12	(2,122,180)	4,167,267	27,732,314	42,699,270
TOTAL EQUITY		<u>5,177,820</u>	<u>11,467,267</u>	<u>35,032,314</u>	<u>50,000,270</u>
Non-Current Liabilities					
Lease liabilities	13	3,188,537	91,107	15,594,441	13,583,526
Deferred tax liabilities	14	-	-	742,686	742,686
		<u>3,188,537</u>	<u>91,107</u>	<u>16,337,127</u>	<u>14,326,212</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

	←	As at		→	
	Note	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Current Liabilities					
Trade payables	15	17,463,157	24,891,337	16,693,538	10,293,453
Other payables	16	31,581,957	30,413,109	20,949,614	13,797,317
Current tax liabilities		5,952	16,829	1,370,123	4,820,217
Borrowings	17	16,566,451	22,952,263	27,600,633	27,609,203
Amount due to a Director	18	50,000	90,000	-	-
Lease liabilities	13	491,355	65,408	5,812,509	5,922,413
		<u>66,158,872</u>	<u>78,428,946</u>	<u>72,426,417</u>	<u>62,442,603</u>
TOTAL LIABILITIES		<u>69,347,409</u>	<u>78,520,053</u>	<u>88,763,544</u>	<u>76,768,815</u>
TOTAL EQUITY AND LIABILITIES		<u>74,525,229</u>	<u>89,987,320</u>	<u>123,795,858</u>	<u>126,769,085</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	←	Financial years/periods ended					→
		Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.4.2023 RM	Audited 1.1.2024 to 30.4.2024 RM	
Note							
Revenue	19	115,114,485	144,439,724	335,250,677	87,775,762	117,656,627	
Cost of sales		(105,817,910)	(129,276,881)	(289,281,655)	(78,129,924)	(91,825,865)	
Gross profit		<u>9,296,575</u>	<u>15,162,843</u>	<u>45,969,022</u>	<u>9,645,838</u>	<u>25,830,762</u>	
Other operating income	20	1,315,903	1,609,642	334,287	145,897	54,904	
Net (loss)/gain on loss allowance of trade receivables		(192,262)	613,826	(61,198)	(331,988)	-	
Selling and administrative expenses		(7,759,741)	(8,864,569)	(16,343,994)	(4,265,642)	(5,171,958)	
Operating profit		<u>2,660,475</u>	<u>8,521,742</u>	<u>29,898,117</u>	<u>5,194,105</u>	<u>20,713,708</u>	
Finance cost		(879,419)	(2,167,371)	(1,918,480)	(305,122)	(956,767)	
Profit before taxation	21	<u>1,781,056</u>	<u>6,354,371</u>	<u>27,979,637</u>	<u>4,888,983</u>	<u>19,756,941</u>	

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONTINUED)

	←	Financial years/periods ended				→
		Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.4.2023 RM	
	Note					
Profit before taxation	21	1,781,056	6,354,371	27,979,637	4,888,983	19,756,941
Taxation	22	(38,815)	(64,924)	(4,414,590)	-	(4,789,985)
Profit after taxation/ Total comprehensive income for the financial year/period		<u>1,742,241</u>	<u>6,289,447</u>	<u>23,565,047</u>	<u>4,888,983</u>	<u>14,966,956</u>
Profit after taxation/Total comprehensive income for the financial year/period attributable to: - Owners of the combining entities		<u>1,742,241</u>	<u>6,289,447</u>	<u>23,565,047</u>	<u>4,888,983</u>	<u>14,966,956</u>
Earnings per ordinary share (sen):						
- Basic	23	0.25	0.90	3.37	0.70	2.14
- Diluted	23	0.25	0.90	3.37	0.70	2.14

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	<u>Non-distributable</u>			<u>Distributable</u>	Total RM
		Invested equity RM	Share capital RM	Capital reserves RM	(Accumulated losses)/ Retained earnings RM	
At 1 January 2021		7,300,000	-	296,308	(4,160,729)	3,435,579
Profit after taxation/Total comprehensive income for the financial year		-	-	-	1,742,241	1,742,241
At 31 December 2021		<u>7,300,000</u>	-	<u>296,308</u>	<u>(2,418,488)</u>	<u>5,177,820</u>
At 1 January 2022		7,300,000	-	296,308	(2,418,488)	5,177,820
Profit after taxation/Total comprehensive income for the financial year		-	-	-	6,289,447	6,289,447
At 31 December 2022		<u>7,300,000</u>	-	<u>296,308</u>	<u>3,870,959</u>	<u>11,467,267</u>
At 1 January 2023		7,300,000	-	296,308	3,870,959	11,467,267
Profit after taxation/Total comprehensive income for the financial year		-	-	-	23,565,047	23,565,047
At 31 December 2023		<u>7,300,000</u>	-	<u>296,308</u>	<u>27,436,006</u>	<u>35,032,314</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	<u>Non-distributable</u>			<u>Distributable</u>	Total RM
		Invested equity RM	Share capital RM	Capital reserves RM	(Accumulated losses)/ Retained earnings RM	
At 1 January 2024		7,300,000	-	296,308	27,436,006	35,032,314
Profit after taxation/Total comprehensive income for the financial period		-	-	-	14,966,956	14,966,956
Issuance of share capital		-	1,000	-	-	1,000
At 30 April 2024		<u>7,300,000</u>	<u>1,000</u>	<u>296,308</u>	<u>42,402,962</u>	<u>50,000,270</u>
Unaudited						
At 1 January 2023		7,300,000	-	296,308	3,870,959	11,467,267
Profit after taxation/Total comprehensive income for the financial period		-	-	-	4,888,983	4,888,983
At 30 April 2023		<u>7,300,000</u>	<u>-</u>	<u>296,308</u>	<u>8,759,942</u>	<u>16,356,250</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

	←	Financial years/periods ended				→
		Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.4.2023 RM	
	Note					
Cash Flows From Operating Activities						
Profit before taxation		1,781,056	6,354,371	27,979,637	4,888,983	19,756,941
<i>Adjustments for:</i>						
Bad debts written off		-	104,836	-	-	-
Deposits forfeited		-	36,566	4,400	-	-
Depreciation of investment properties		56,000	56,000	56,000	18,667	18,667
Depreciation of property, plant and equipment		592,538	626,899	666,554	215,128	360,596
Depreciation of right-of-use assets		632,190	276,127	927,866	37,158	2,072,710
Gain on lease modification		-	(109,710)	(1,175)	-	-
Net loss/(gain) on loss allowance of trade receivable		192,262	(613,826)	61,198	331,988	-
Other payable written back		(90,496)	-	-	-	-
Gain on disposal of property, plant and equipment		-	(283)	(409)	-	(46)
Gain on disposal of right-of-use assets		-	(87,810)	-	-	-
(Gain)/loss on foreign exchange – unrealised (net)		(524)	(82,830)	(493,492)	1,385,912	313,671
Goods and Services Tax written off		11,575	-	-	-	-
Interest income		(168,945)	(93,867)	(150,251)	(2,110)	(54,858)
Interest expenses		876,429	2,167,371	1,918,480	305,122	956,767
Operating profit before working capital changes		3,882,085	8,633,844	30,968,808	7,180,848	23,424,448

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	←	Financial years/periods ended			→
	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.4.2023 RM	Audited 1.1.2024 to 30.4.2024 RM
Changes in working capital:					
Decrease/(Increase) in inventories	7,527,100	4,998,834	(16,343,394)	(7,148,978)	1,090,937
(Increase)/Decrease in trade and other receivables	(2,040,405)	(1,972,924)	25,587,304	(21,143,404)	(2,421,871)
(Decrease)/Increase in trade and other payables	(17,558,703)	6,204,121	(15,238,459)	6,811,131	(18,443,572)
Increase/(Decrease) in amount owing to a director	50,000	40,000	(90,000)	(90,000)	-
Increase/(Decrease) in amount owing to related parties	2,974,357	55,211	(2,103,565)	4,516,435	-
Cash (used in)/generated from operations	(5,165,566)	17,959,086	22,780,694	(9,873,968)	3,649,942
Interest paid	(672,131)	(2,058,846)	(1,744,854)	(300,149)	(567,806)
Interest received	168,945	93,867	150,251	2,110	54,858
Tax paid	(38,815)	(54,047)	(2,318,610)	(8,325)	(1,339,891)
Net cash (used in)/from operating activities	<u>(5,707,567)</u>	<u>15,940,060</u>	<u>18,867,481</u>	<u>(10,180,332)</u>	<u>1,797,103</u>
Cash Flows From Investing Activities					
Acquisition of property, plant and equipment (a)	(16,626)	(160,004)	(677,993)	-	(542,470)
Proceeds from disposal of right-of-use assets	-	587,000	-	-	-
Proceeds from disposal of property, plant and equipment	-	600	1,626	-	13,269
Net cash (used in)/from investing activities	<u>(16,626)</u>	<u>427,596</u>	<u>(676,367)</u>	<u>-</u>	<u>(529,201)</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	←	Financial years/periods ended				→
	Audited 1.1.2021 to 31.12.2021	Audited 1.1.2022 to 31.12.2022	Audited 1.1.2023 to 31.12.2023	Unaudited 1.1.2023 to 30.4.2023	Audited 1.1.2024 to 30.4.2024	
Note	RM	RM	RM	RM	RM	
Cash Flows From Financing Activities						
Drawdown / (Repayments) from borrowings, net :-						
– Bankers' acceptance	(b) 382,526	1,942,557	12,295,879	(1,797,662)	1,423,314	
– Supplier financing	(b) 6,771,062	(2,714,259)	(4,072,689)	2,435,715	-	
– Invoice financing	(b) -	4,349,610	(971,016)	93,886	(2,428,556)	
– Trust receipts	(b) (1,088,019)	(1,147,396)	(1,138,350)	1,495,849	(868,788)	
– Unsecured loan	(b) -	4,455,800	(4,455,800)	(4,455,800)	-	
– Trade Financing	(b) -	-	2,990,346	-	1,882,600	
Issuance of share capital	-	-	-	-	1,000	
Interest paid	(b) (204,298)	(108,525)	(173,626)	(4,973)	(388,961)	
Repayment of lease liabilities	(b) (539,023)	(746,862)	(837,488)	(31,556)	(1,901,011)	
Net cash from/(used in) financing activities	<u>5,322,248</u>	<u>6,030,925</u>	<u>3,637,256</u>	<u>(2,264,541)</u>	<u>(2,280,402)</u>	
Net changes in cash and cash equivalents	(401,945)	22,398,581	21,828,370	(12,444,873)	(1,012,500)	
Cash and cash equivalents at the beginning of the financial year/period	7,680,898	7,279,477	29,760,888	29,760,888	51,763,479	
Effects of foreign exchange differences	524	82,830	174,221	(724,627)	26,979	
Cash and cash equivalents at the end of the financial year/period	10 <u>7,279,477</u>	<u>29,760,888</u>	<u>51,763,479</u>	<u>16,591,388</u>	<u>50,777,958</u>	

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS

(a) Analysis of acquisition of property, plant and equipment

	Financial years/periods ended				
	← Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.4.2023 RM	→ Audited 1.1.2024 to 30.4.2024 RM
Cash	16,626	160,004	677,993	-	542,470
Other payable	-	-	-	-	4,376,425
	<u>16,626</u>	<u>160,004</u>	<u>677,993</u>	<u>-</u>	<u>4,918,895</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELDRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

NOTES TO THE COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities :-

	←	Financial years/periods ended			→
	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.4.2023 RM	Audited 1.1.2024 to 30.4.2024 RM
Reconciliation of financing activities					
Balance b/f	14,219,297	19,745,843	23,108,778	23,108,778	49,007,583
<u>Non cash changes</u>					
Interest expense	204,298	108,525	173,626	4,973	388,961
Addition of lease liabilities	-	86,204	22,132,201	135,085	-
Termination of lease liabilities	-	(2,862,719)	(44,278)	-	-
<u>Cash flows</u>					
Drawdown of borrowings	58,651,621	77,315,052	117,910,828	32,052,706	41,469,819
Repayment of borrowings	(52,586,052)	(70,428,740)	(113,262,458)	(34,280,718)	(41,461,249)
Repayment of lease liabilities	(743,321)	(855,387)	(1,011,114)	(36,529)	(2,289,972)
Balance c/f	<u>19,745,843</u>	<u>23,108,778</u>	<u>49,007,583</u>	<u>20,984,295</u>	<u>47,115,142</u>

The accompanying accounting policies and explanatory notes form an integral part of these Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. General Information and Listing Scheme**

This report has been prepared solely to comply with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Elridge Energy Holdings Berhad (“EEHB” or “the Company”) in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (hereinafter defined as “the Listing”) and should not be relied upon for any other purposes.

EEHB was incorporated on 10 January 2024 as a public limited company in Malaysia under Companies Act 2016 to facilitate the Listing and its principal activity is investment holding.

For the purpose of listing (the “Listing”), EEHB has entered into a share sale agreement on 31 January 2024 to undertake the proposed acquisition of Bio Eneco Sdn. Bhd. (“BESB”) (the “Acquisition”) as disclosed in Note 30 to the Combined Financial Statements. Following the completion of the Acquisition on 10 July 2024, BESB had become a wholly-owned subsidiary of EEHB.

EEHB and BESB (collectively known as the “Group”) are incorporated and domiciled in Malaysia.

BESB was incorporated on 25 July 2011 as a private limited company and is principally involved in the manufacturing and trading of biomass fuel products.

The addresses of the registered office of both the Company and BESB is located at Level 7, Menara Milenium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur, Wilayah Persekutuan.

The address of the principal place of business of both the Company and BESB is located at 61-2, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur.

In conjunction with the Listing, the Company will undertake an initial public offering comprising a public issue of 350,000,000 new Shares in the Company (“Public Issue”) and offer for sale of 350,000,000 existing Shares in the Company at an issue/offer price of RM0.29 per Share.

Upon completion of the Listing, the enlarged issued share capital of RM136,480,979 comprising 2,000,000,000 ordinary shares in the Company will be listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information****(a) Basis of preparation**

As part of a corporate reorganisation implemented for the Listing, the Company was incorporated as a special purpose vehicle for the purpose of acquiring BESB. The Group resulted therefrom is regarded as a continuing entity resulting since the management of both entities which took part in the Acquisition which were controlled by the Directors before and immediately after the Acquisition. Consequently, immediately after the Acquisition, there was a continuation of the control over entities' financial and operating policy decisions and risks that existed prior to the Acquisition. The Acquisition has been accounted for as an acquisition under common control in a manner similar to pooling of interests. Accordingly, the Combined Financial Statements for the financial years ended 31 December 2021, 31 December 2022 and 31 December 2023 and financial period ended 30 April 2024 ("the relevant reporting periods") have been prepared comprise of the financial statements of the combining entity which were under common control throughout the relevant reporting periods. The ultimate control of the Group before and after completion of the Listing Scheme (as described in Note 1 to the Combined Financial Statements) lies with Mr Yeo Hock Cheong, the promoter, substantial shareholder and executive Director/CEO of the Group.

The Combined Financial Statements are the combination or aggregation of the financial statements of EEHB and BESB for the relevant reporting periods as follows:

<u>Companies</u>	<u>Relevant reporting period</u>	<u>Accounting standards applied</u>	<u>Auditors</u>
EEHB	Financial period from 10 January 2024 (date of incorporation) to 30 April 2024	Malaysian Financial Reporting Standards ("MFRS")	HLB Ler Lum Chew PLT
BESB	Financial year ended ("FYE") 31 December 2021 FYE 31 December 2022 FYE 31 December 2023 FPE 30 April 2024	MFRS	HLB Ler Lum Chew PLT

No financial statements were available for EEHB for FYEs 2021, 2022 and 2023 as the Company was incorporated on 10 January 2024.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Preparation and Material Accounting Policy Information (Continued)

(a) Basis of preparation (continued)

The audited financial statements used to prepare the Combined Financial Statements are not subject to any audit qualifications, modifications or disclaimers.

The Combined Financial Statements for the relevant reporting periods have been prepared in accordance with MFRSs and International Financial Reporting Standards ("IFRSs"), and based on the Guidance Note on "Accountant's Report by Reporting Accountant" issued by the Malaysian Institute of Accountants.

The Combined Financial Statements have been prepared under the historical cost convention except as disclosed in Material Accounting Policy Information.

The preparation of Combined Financial Statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Combined Financial Statements, and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Combined Financial Statements are disclosed in Note 2(b).

The Group has consistently applied the same accounting policies in its Combined Financial Statements for the relevant reporting periods, as if these policies had always been in effect.

Accounting standard and amendments to accounting standards that are applicable for the Group in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2025

- Amendments to MFRS 121, "Lack of Exchangeability"

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10, "Financial Statements" and MFRS 128, "Investments in Associates and Joint Ventures" (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The adoption of the accounting standard and amendments to accounting standards are not expected to have any significant impact to the Combined Financial Statements of the Group.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(b) Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the Combined Financial Statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Loss allowance of trade receivables

The Group uses an allowance matrix to calculate expected credit losses ("ECLs") for trade receivables.

The allowance matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast and economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs of the Group's trade receivables is disclosed in Note 27.

(ii) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Such extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that it will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. Significant judgements are used in determining the lease term over the extension or termination option.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(c) Borrowing costs**

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

(d) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Group expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(e) Operating segments

For management purpose, the Group is organised into operating segment based on their business activities. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Chief Executive Officer of the Group, to make decisions about resources to the allocated to the segments and assess the segment performance.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(f) Property, plant and equipment****(i) Recognition and measurement**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

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

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

(ii) Depreciation and impairment

Freehold land is not depreciated as it has an infinite life.

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost to their residual values over their estimated useful lives as follows:

Equipment	10% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Plant and machinery	10% - 20%
Office equipment	10% - 15%
Renovation	10% - 20%

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Preparation and Material Accounting Policy Information (Continued)

(f) Property, plant and equipment (continued)

(ii) Depreciation and impairment (continued)

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period and adjusted as appropriate.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(g) Investment properties

Investment properties are held for long term rental yield or for capital appreciation or both and are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Building is depreciated on a straight-line basis to write off the cost over its estimated useful life at annual rate of 2%.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the combined statements of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(h) Impairment of non-financial assets (continued)**

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Financial assets**(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(i) Financial assets (continued)****(ii) Recognition and initial measurement**

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(iii) Subsequent measurement**Debt instruments**

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset:

- **Amortised cost**

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(i) Financial assets (continued)****(iii) Subsequent measurement (continued)**Debt instruments (continued)

- FVOCI

Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

- FVTPL

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

The Group subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Group's right to receive payments is established.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(i) Financial assets (continued)****(iv) Impairment**

The Group recognises an allowance for ECLs for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

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

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

The Group considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(j) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Preparation and Material Accounting Policy Information (Continued)

(j) Financial liabilities (continued)

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the combined statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

The cost of finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Provision for inventory obsolescence is made when an item has been identified as obsolete or excess inventory. The identification of an item as obsolete is done on an item by item basis after proper analysis has been conducted.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Preparation and Material Accounting Policy Information (Continued)

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with financial institutions which have an insignificant risk of changes in value. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(n) Equity instruments

(i) Share capital

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(ii) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(o) Current and deferred income tax (continued)**

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the Combined Financial Statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Employee benefits**(i) Short-term employee benefits**

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. Basis of Preparation and Material Accounting Policy Information (Continued)

(q) Revenue and income recognition

- (i) Revenue from contracts with customers is measured based on the consideration specified in the contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Group recognises revenue when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Sale of biomass products

Revenue from sale of biomass products including palm kernel shell and wood pellets is recognised at the point in time when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods. The Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods before transferring them to the customers.

- (ii) Other revenue and income

Revenue and income from other sources are recognised as follows:

Rental income

Rental income is recognised on a straight-line basis over the tenure of the lease.

Interest income

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

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(r) Leases****(i) Accounting by lessee**

Leases are recognised as right-of-use assets and a corresponding liability at the commencement date on which the leased asset is available for use by the Group.

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that the lease will be extended or terminated.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. 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.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. Basis of Preparation and Material Accounting Policy Information (Continued)****(r) Leases (continued)****(ii) Accounting by lessor**

The Group determines at lease inception whether each lease is a finance lease or operating lease. To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee.

Operating leases

The Group classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Group recognises lease payments received under operating leases as lease income on a straight-line basis over the lease term.

(s) Foreign currency**(i) Functional and presentation currency**

Items included in the Combined Financial Statements of the Group are measured using the currency of the primary economic environment in which the Group operates (the "functional currency"). The Combined Financial Statements are presented in Ringgit Malaysia, which is also the Group's functional currency.

(ii) Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. Property, Plant and Equipment

	Freehold land RM	Equipment RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Renovation RM	Total RM
<u>Cost</u>								
At 1 January 2021	1,800,000	165,454	125,529	118,000	9,306,380	192,713	239,398	11,947,474
Reclassification from right-of-use assets	-	-	-	-	537,900	-	-	537,900
Addition	-	-	2,276	-	-	1,130	13,220	16,626
At 31 December 2021	1,800,000	165,454	127,805	118,000	9,844,280	193,843	252,618	12,502,000
Addition	-	1,626	1,359	-	101,664	55,355	-	160,004
Disposal	-	-	-	-	-	(567)	-	(567)
At 31 December 2022	1,800,000	167,080	129,164	118,000	9,945,944	248,631	252,618	12,661,437
Addition	-	269,432	47,767	-	76,000	156,717	128,077	677,993
Disposal	-	-	-	(118,000)	(590)	(3,129)	-	(121,719)
At 31 December 2023	1,800,000	436,512	176,931	-	10,021,354	402,219	380,695	13,217,711
Addition	-	6,120	2,670	-	4,714,435	13,245	182,425	4,918,895
Disposal	-	-	(10,350)	-	(1,350)	(1,950)	(2,648)	(16,298)
At 30 April 2024	1,800,000	442,632	169,251	-	14,734,439	413,514	560,472	18,120,308

13. ACCOUNTANTS' REPORT (CONT'D)

ELDRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. Property, Plant and Equipment (Continued)

	Freehold land RM	Equipment RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Renovation RM	Total RM
<u>Accumulated depreciation</u>								
At 1 January 2021	-	138,076	71,830	117,999	4,757,683	101,116	145,728	5,332,432
Reclassification from right-of-use assets	-	-	-	-	147,922	-	-	147,922
Charge for the financial year	-	7,139	7,245	-	543,894	20,781	13,479	592,538
At 31 December 2021	-	145,215	79,075	117,999	5,449,499	121,897	159,207	6,072,892
Charge for the financial year	-	6,348	7,318	-	580,671	20,685	11,877	626,899
Disposal	-	-	-	-	-	(250)	-	(250)
At 31 December 2022	-	151,563	86,393	117,999	6,030,170	142,332	171,084	6,699,541
Charge for the financial year	-	14,212	9,769	-	593,653	32,195	16,725	666,554
Disposal	-	-	-	(117,999)	(590)	(1,913)	-	(120,502)
At 31 December 2023	-	165,775	96,162	-	6,623,233	172,614	187,809	7,245,593
Charge for the financial year	-	12,288	3,848	-	316,856	16,401	11,203	360,596
Disposal	-	-	(836)	-	(67)	(163)	(2,009)	(3,075)
At 30 April 2024	-	178,063	99,174	-	6,940,022	188,852	197,003	7,603,114

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. Property, Plant and Equipment (Continued)

	Freehold land RM	Equipment RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Renovatio n RM	Total RM
Net carrying amount								
At 31 December 2021	1,800,000	20,239	48,730	1	4,394,781	71,946	93,411	6,429,108
At 31 December 2022	1,800,000	15,517	42,771	1	3,915,774	106,299	81,534	5,961,896
At 31 December 2023	1,800,000	270,737	80,769	-	3,398,121	229,605	192,886	5,972,118
At 30 April 2024	1,800,000	264,569	70,077	-	7,794,417	224,662	363,469	10,517,194

Freehold land with carrying amount of RM1,800,000 (31.12.2023: RM1,800,000; 31.12.2022: RM1,800,000; 31.12.2021: RM1,800,000) is pledged to a licensed bank as security for borrowings as disclosed in Note 17 to the Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**4. Right-of-Use Assets**

	Premises RM	Motor vehicle RM	Plant & machinery RM	Total RM
<u>Cost</u>				
At 1 January 2021	3,345,766	920,800	537,900	4,804,466
Reclassification to property, plant and equipment	-	-	(537,900)	(537,900)
31 December 2021	3,345,766	920,800	-	4,266,566
Additions	86,204	-	-	86,204
Disposal	-	(747,800)	-	(747,800)
Termination of leases	(3,285,708)	-	-	(3,285,708)
At 31 December 2022	146,262	173,000	-	319,262
Additions	22,132,201	-	-	22,132,201
Termination of leases	(82,613)	-	-	(82,613)
At 31 December 2023	22,195,850	173,000	-	22,368,850
Additions	-	-	-	-
Termination of leases	-	-	-	-
At 30 April 2024	<u>22,195,850</u>	<u>173,000</u>	<u>-</u>	<u>22,368,850</u>
<u>Accumulated depreciation</u>				
At 1 January 2021	-	122,307	94,132	216,439
Charge for the year	394,240	184,160	53,790	632,190
Reclassification to property, plant and equipment	-	-	(147,922)	(147,922)
At 31 December 2021	394,240	306,467	-	700,707
Charge for the year	212,884	63,243	-	276,127
Disposal	-	(248,610)	-	(248,610)
Termination of leases	(532,699)	-	-	(532,699)
At 31 December 2022	74,425	121,100	-	195,525
Charge for the year	893,266	34,600	-	927,866
Termination of leases	(39,511)	-	-	(39,511)
At 31 December 2023	928,180	155,700	-	1,083,880
Charge for the year	2,061,177	11,533	-	2,072,710
Termination of leases	-	-	-	-
At 30 April 2024	<u>2,989,357</u>	<u>167,233</u>	<u>-</u>	<u>3,156,590</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**4. Right-of-Use Assets (Continued)**

	Premises RM	Motor vehicle RM	Plant & machinery RM	Total RM
Carrying amount				
At 31 December 2021	<u>2,951,526</u>	<u>614,333</u>	<u>-</u>	<u>3,565,859</u>
At 31 December 2022	<u>71,837</u>	<u>51,900</u>	<u>-</u>	<u>123,737</u>
At 31 December 2023	<u>21,267,670</u>	<u>17,300</u>	<u>-</u>	<u>21,284,970</u>
At 30 April 2024	<u>19,206,493</u>	<u>5,767</u>	<u>-</u>	<u>19,212,260</u>

Included in carrying amount of motor vehicle as at 31 December 2021 is an amount of RM188,053 held in trust by a director.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**5. Investment Properties**

	Leasehold land RM	Leasehold building RM	Total RM
<u>Cost</u>			
At 1 January 2021 / 31 December 2021 / 31 December 2022 / 31 December 2023 / 30 April 2024	<u>1,568,000</u>	<u>1,232,000</u>	<u>2,800,000</u>
<u>Accumulated depreciation</u>			
At 1 January 2021	31,360	24,640	56,000
Charge for the year	<u>31,360</u>	<u>24,640</u>	<u>56,000</u>
At 31 December 2021	62,720	49,280	112,000
Charge for the year	<u>31,360</u>	<u>24,640</u>	<u>56,000</u>
At 31 December 2022	94,080	73,920	168,000
Charge for the year	<u>31,360</u>	<u>24,640</u>	<u>56,000</u>
At 31 December 2023	125,440	98,560	224,000
Charge for the period	<u>10,453</u>	<u>8,214</u>	<u>18,667</u>
At 30 April 2024	<u>135,893</u>	<u>106,774</u>	<u>242,667</u>
Carrying amount			
At 31 December 2021	<u>1,505,280</u>	<u>1,182,720</u>	<u>2,688,000</u>
At 31 December 2022	<u>1,473,920</u>	<u>1,158,080</u>	<u>2,632,000</u>
At 31 December 2023	<u>1,442,560</u>	<u>1,133,440</u>	<u>2,576,000</u>
At 30 April 2024	<u>1,432,107</u>	<u>1,125,226</u>	<u>2,557,333</u>

Investment properties comprise buildings on leasehold land that are leased to a third party.

Rental income of Nil (31.12.2023: NIL; 31.12.2022: RM88,000; 31.12.2021: RM90,150) was generated from the investment properties during the year as disclosed in Note 20 to the Financial Statements. The direct operating expenses arising from the said investment properties amounted to RM3,052 (31.12.2023: RM2,374; 31.12.2022: RM2,916; 31.12.2021: RM2,838), mainly comprise quit rent and assessment expense.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**5. Investment Properties (Continued)**

Information about the fair value hierarchy of the Group's investment properties are as follows:

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
At fair value				
Leasehold land	1,568,000	1,568,000	1,568,000	1,568,000
Leasehold building	1,232,000	1,232,000	1,332,000	1,332,000
	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,900,000</u>	<u>2,900,000</u>

Fair value information

The Group's investment properties are valued based on sale comparison approach and unobservable inputs and classified in Level 2 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 27 to the Financial Statements.

During the current financial year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Group's properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**6. Inventories**

	←	As at		→
	Audited	Audited	Audited	Audited
	31.12.2021	31.12.2022	31.12.2023	30.4.2024
	RM	RM	RM	RM
At cost :-				
Raw materials	4,160,904	2,094,331	1,941,600	2,481,497
Finished goods	5,447,406	2,515,145	19,011,270	17,380,436
	<u>9,608,310</u>	<u>4,609,476</u>	<u>20,952,870</u>	<u>19,861,933</u>
Recognised in profit and loss :-				
Inventories recognised as cost of sales	<u>99,265,815</u>	<u>123,050,370</u>	<u>276,323,922</u>	<u>85,069,592</u>

7. Trade Receivables

	←	As at		→
	Audited	Audited	Audited	Audited
	31.12.2021	31.12.2022	31.12.2023	30.4.2024
	RM	RM	RM	RM
Trade receivables	29,068,495	6,173,271	14,326,362	16,077,322
Less: Loss allowance	(641,176)	(27,350)	(88,548)	(88,548)
	<u>28,427,319</u>	<u>6,145,921</u>	<u>14,237,814</u>	<u>15,988,774</u>

The Group's trade credit terms range 30 days to 90 days (31.12.2023: 30 days to 90 days; 31.12.2022: 30 days to 90 days; 31.12.2021: 30 days to 90 days).

The reconciliation of movement in the loss allowance accounts are as follows:

	RM
At 1 January 2021	448,914
Charge for the financial year	192,262
At 31 December 2021/ 1 January 2022	<u>641,176</u>
Reversal of loss allowance	(613,826)
At 31 December 2022	27,350
Charge for the financial year	61,198
At 31 December 2023	88,548
Charge for the financial period	-
At 30 April 2024	<u>88,548</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**8. Other Receivables, Deposits and Prepayments**

	← As at →			
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Other receivables	58,900	32,600	-	864,754
Trade deposits	14,401,676	37,980,833	-	-
Deposits	1,470,650	2,648,267	6,944,869	6,987,192
Prepayments	95,430	91,702	63,738	1,687
	<u>16,026,656</u>	<u>40,753,402</u>	<u>7,008,607</u>	<u>7,853,633</u>

Other credit terms are assessed and approved on a case-by-case basis. Included in deposit are amount of RM2,245,925 and NIL (31.12.2023: RM 2,245,925 and NIL; 31.12.2022: RM423,000 and RM349,000; 31.12.2021: RM423,000 and NIL) being deposit paid to bank in respect of customer's performance guarantee and deposit to related company respectively.

9. Fixed deposits

The fixed deposits have been pledged to licensed banks for banking facilities granted to the Group (Note 17). Deposits of the Group have maturity of 365 days (31.12.2023: 365 days; 31.12.2022: 365 days; 31.12.2021: 365 days). The interest rates of deposits of the Group as at reporting date ranging from 1.90% - 3.10% (31.12.2023: 1.90% - 3.10%; 31.12.2022: 1.00% - 2.30%; 31.12.2021: 1.00% - 1.85%) per annum.

10. Cash and Bank Balances

	← As at →			
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Fixed deposits (Note 9)	5,249,673	5,338,405	5,462,732	5,506,831
Cash and bank balances	<u>2,530,304</u>	<u>24,422,483</u>	<u>46,300,747</u>	<u>45,271,127</u>
Cash and cash equivalents as per Combined Statements of Financial Position	7,779,977	29,760,888	51,763,479	50,777,958
Bank overdraft (Note 17)	<u>(500,500)</u>	-	-	-
Cash and cash equivalents as per Combined Statements of Cash Flows	<u>7,279,477</u>	<u>29,760,888</u>	<u>51,763,479</u>	<u>50,777,958</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. Share Capital and Invested Equity

(a) Share Capital

	← Financial years/period ended →			
	Audited 31.12.2021 Units	Audited 31.12.2022 Units	Audited 31.12.2023 Units	Audited 30.4.2024 Units
Share capital				
Issued and fully paid				
At beginning /end of the financial year/period	-	-	-	1,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>
	← Financial years/period ended →			
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Issued and fully paid				
At beginning /end of the financial year/period	-	-	-	1,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,000</u>

(b) Invested Equity

	← Financial years/period ended →			
	Audited 31.12.2021 Units	Audited 31.12.2022 Units	Audited 31.12.2023 Units	Audited 30.4.2024 Units
Invested equity				
Issued and fully paid				
At beginning /end of the financial year/period	7,000,000	7,000,000	7,000,000	7,000,000
	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
	RM	RM	RM	RM
Issued and fully paid				
At beginning /end of the financial year/period	7,300,000	7,300,000	7,300,000	7,300,000
	<u>7,300,000</u>	<u>7,300,000</u>	<u>7,300,000</u>	<u>7,300,000</u>

The invested equity at the end of the respective financial years/period comprises the issued and paid-up ordinary shares of BESB.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

12. Reserves

	←	Financial years/period ended		→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Capital reserves	296,308	296,308	296,308	296,308
Retained earnings/ (Accumulated losses)	<u>(2,418,488)</u>	<u>3,870,959</u>	<u>27,436,006</u>	<u>42,402,962</u>
	<u>(2,122,180)</u>	<u>4,167,267</u>	<u>27,732,314</u>	<u>42,699,270</u>

13. Lease Liabilities

As at 31.12.2021	Motor vehicle RM	Premises RM	Total RM
Minimum finance lease payments :-			
Repayable within 1 years	191,058	481,524	672,582
Repayable within 1 years to 2 years	179,257	440,524	619,781
Repayable within 2 years to 5 years	381,154	1,237,572	1,618,726
Repayable more than 5 years	-	1,615,719	1,615,719
	<u>751,469</u>	<u>3,775,339</u>	<u>4,526,808</u>
Less : Financing charges	<u>(95,301)</u>	<u>(751,615)</u>	<u>(846,916)</u>
	<u>656,168</u>	<u>3,023,724</u>	<u>3,679,892</u>
Present value of finance lease liability :-			
Repayable within 1 years	146,707	344,648	491,355
Repayable within 1 years to 2 years	148,765	306,265	455,030
Repayable within 2 years to 5 years	360,696	929,966	1,290,662
Repayable more than 5 years	-	1,442,845	1,442,845
	<u>656,168</u>	<u>3,023,724</u>	<u>3,679,892</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**13. Lease Liabilities (Continued)**

As at 31.12.2022	Motor vehicle RM	Premises RM	Total RM
Minimum finance lease payments :-			
Repayable within 1 years	26,173	45,600	71,773
Repayable within 1 years to 2 years	26,173	30,400	56,573
Repayable within 2 years to 5 years	38,822	-	38,822
	<u>91,168</u>	<u>76,000</u>	<u>167,168</u>
Less : Financing charges	(7,135)	(3,518)	(10,653)
	<u>84,033</u>	<u>72,482</u>	<u>156,515</u>
Present value of finance lease liability :-			
Repayable within 1 years	22,712	42,696	65,408
Repayable within 1 years to 2 years	23,850	29,786	53,636
Repayable within 2 years to 5 years	37,471	-	37,471
	<u>84,033</u>	<u>72,482</u>	<u>156,515</u>
As at 31.12.2023	Motor vehicle RM	Premises RM	Total RM
Minimum finance lease payments :-			
Repayable within 1 years	26,173	6,843,734	6,869,907
Repayable within 1 years to 2 years	26,123	6,617,938	6,644,061
Repayable within 2 years to 5 years	13,086	10,199,983	10,213,069
	<u>65,382</u>	<u>23,661,655</u>	<u>23,727,037</u>
Less : Financing charges	(3,941)	(2,316,146)	(2,320,087)
	<u>61,441</u>	<u>21,345,509</u>	<u>21,406,950</u>
Present value of finance lease liability :-			
Repayable within 1 years	23,849	5,788,660	5,812,509
Repayable within 1 years to 2 years	24,987	5,897,161	5,922,148
Repayable within 2 years to 5 years	12,605	9,659,688	9,672,293
	<u>61,441</u>	<u>21,345,509</u>	<u>21,406,950</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. Lease Liabilities (Continued)

As at 30.4.2024	Motor vehicle RM	Premises RM	Total RM
Minimum finance lease payments :-			
Repayable within 1 years	26,174	6,843,734	6,869,908
Repayable within 1 years to 2 years	26,173	6,166,346	6,192,519
Repayable within 2 years to 5 years	4,366	8,370,326	8,374,692
	<u>56,713</u>	<u>21,380,406</u>	<u>21,437,119</u>
Less : Financing charges	(2,774)	(1,928,406)	(1,931,180)
	<u>53,939</u>	<u>19,452,000</u>	<u>19,505,939</u>
Present value of finance lease liability :-			
Repayable within 1 years	24,230	5,898,183	5,922,413
Repayable within 1 years to 2 years	25,367	5,553,954	5,579,321
Repayable within 2 years to 5 years	4,342	7,999,863	8,004,205
	<u>53,939</u>	<u>19,452,000</u>	<u>19,505,939</u>

During the prior year financial year ended 31 December 2023, the Group reassessed its lease liability due to an early termination of building lease. Accordingly, a remeasurement of RM1,175 (31.12.2022: RM109,710; 31.12.2021: RM Nil) is recognised in profit or loss.

The effective interest rates of the finance lease liabilities as at the reporting date are as follows :-

	Audited 31.12.2021	Audited 31.12.2022	Audited 31.12.2023	Audited 30.4.2024
Finance lease liabilities	<u>2.01% - 4.87%</u>	<u>4.87%</u>	<u>4.87%</u>	<u>4.87%</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. Deferred tax liabilities

	← Financial years/period ended →			
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
At 1 January	-	-	-	742,686
Recognised in profit or loss (Note 22)	-	-	742,686	-
At 31 December	<u>-</u>	<u>-</u>	<u>742,686</u>	<u>742,686</u>

These are in respect of estimated deferred tax liability arising from temporary differences as follows:

	← Financial years/period ended →			
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Deferred tax assets				
Deductible temporary differences in respect of expenses	<u>-</u>	<u>-</u>	<u>(21,252)</u>	<u>(21,252)</u>
Deferred tax liabilities				
Difference between carrying amounts of right-of-use assets and their tax base	-	-	18,682	(58,923)
Plant and equipment - capital allowances in excess of depreciation	<u>-</u>	<u>-</u>	<u>745,256</u>	<u>822,861</u>
	<u>-</u>	<u>-</u>	<u>763,938</u>	<u>763,938</u>
	<u>-</u>	<u>-</u>	<u>742,686</u>	<u>742,686</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**14. Deferred tax liabilities (Continued)**

Deferred tax assets have not been recognised in respect of the following items:-

	← Financial years/period ended →			
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Property, plant and equipment	(2,333,197)	(2,644,559)	-	-
Unutilised capital allowances	126,198	-	-	-
Unutilised industrial building allowances	35,445	-	-	-
Unabsorbed business losses	21,016,109	14,737,632	-	-
Others	713,374	26,705	-	-
	<u>19,557,929</u>	<u>12,119,778</u>	<u>-</u>	<u>-</u>
Potential tax benefits calculated at 24% tax rate (31.12.2023: 24%; 31.12.2022: 24%; 31.12.2021: 24%)	<u>4,693,903</u>	<u>2,908,747</u>	<u>-</u>	<u>-</u>

The unabsorbed tax losses, unutilised capital allowances and unutilised industrial building allowances are subject to agreement with the Inland Revenue Board. On the other hand, effective from year of assessment 2019 as announced in the Annual Budget 2022, the unabsorbed tax losses of the Group as at 31 December 2018 and thereafter will be available for carry forward for a period of consecutive 10 years. Upon expiry of the 10 years, the unabsorbed tax losses will be disregarded.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**15. Trade Payables**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Trade payables	<u>17,463,157</u>	<u>24,891,337</u>	<u>16,693,538</u>	<u>10,293,453</u>

The trade credit terms granted to the Group range from 30 to 90 days (31.12.2023: 30 to 90 days; 31.12.2022: 30 to 90 days, 31.12,2021: 30 to 90 days).

16. Other Payables

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Amount due to related company	2,048,354	2,103,565	-	-
Other payables	3,991,024	2,252,745	2,830,593	6,688,630
Trade deposits	25,126,012	25,206,012	16,119,199	5,962,602
Deposits received	24,000	24,000	-	-
Accruals	362,567	826,787	1,999,822	1,146,085
Provision for restoration	30,000	-	-	-
	<u>31,581,957</u>	<u>30,413,109</u>	<u>20,949,614</u>	<u>13,797,317</u>

The amount due to related company pertains mainly to payables and payments on behalf. The outstanding amounts are unsecured, interest free and payable on demand.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

17. Borrowings

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Current				
Bankers' acceptance	3,162,531	5,105,088	17,400,967	18,824,281
Invoice financing	-	4,349,610	3,378,594	950,038
Supplier financing	6,786,948	4,072,689	-	-
Trust receipts	6,116,472	4,969,076	3,830,726	2,961,937
Bank overdraft	500,500	-	-	-
Unsecured loan	-	4,455,800	-	-
Trade financing	-	-	2,990,346	4,872,947
	<u>16,566,451</u>	<u>22,952,263</u>	<u>27,600,633</u>	<u>27,609,203</u>
<u>Maturity of borrowings</u>				
Within one year	<u>16,566,451</u>	<u>22,952,263</u>	<u>27,600,633</u>	<u>27,609,203</u>

The effective interest rates of the borrowings as at the reporting date are as follows :-

	Audited 31.12.2021	Audited 31.12.2022	Audited 31.12.2023	Audited 30.4.2024
Bankers' acceptance	2.75% - 3.05%	3.32% - 4.05%	4.10% - 4.40%	3.74% - 4.40%
Invoice financing	-	4.52% - 5.09%	5.00% - 5.15%	4.93% - 4.96%
Supplier financing	7.08%	8.37% - 8.40%	-	-
Trust receipts	6.81%	7.56% - 7.81%	5.85% - 7.10%	7.05% - 7.10%
Bank overdraft	6.81%	-	-	-
Unsecured loan	-	2% on monthly basis	-	-
Trade Financing	-	-	<u>6.95% - 7.10%</u>	<u>6.95% - 7.10%</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**17. Borrowings (Continued)**

The bankers' acceptance, invoice financing, trust receipts and bank overdraft of the Group are secured by the following:-

- First party legal charge over freehold land of the Group;
- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPPB) under Pemulih Government Guarantee Scheme-I (PGGS-i) for RM3,600,000;
- Sinking Fund (SF) deposits build-up for RM41,667 until the facility is fully secured upon expiry of SJPP guarantee cover period;
- Fixed deposits and sinking fund deposits of the Group; and
- Irrevocable, unconditional, joint and several guarantee by current and former Directors of the Group.

The supplier financing of the Group are secured by the following:-

- Cash Collateral Agreement and Guarantee Agreement;
- Cash Collateral Agreement pertaining to the Sinking Fund. Placement on cash based on 5% deduction against collection of sales proceed until it reaches RM3,000,000 only;
- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPPB) under Government Guarantee Scheme – Prihatin (“GGS-Prihatin”), with guarantee limit of up to RM4,000,000.

The unsecured loan is provided by a licensed investment bank, the limit of the loan is assessed and approved on a case-by-case basis. During the previous financial year, the Group obtained an unsecured loan of USD1,000,000 equivalents to RM4,455,800. The repayment of the loan is 30 days from the drawdown date and interest rate of 2% per thirty-days period.

The trade financing of the Group are secured as follows:-

- First party legal charge over freehold land of the Group;
- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan (“SJPP”) Berhad under Pemulih Government Guarantee Scheme for guarantee coverage 80% of the multi trade facilities.
- Irrevocable, unconditional, joint and several guarantee by current and former Directors of the Group.

18. Amount due to a Director

Amount due to a Director is non-trade, unsecured, non-interest bearing and repayable upon demand.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

19. Revenue

Breakdown of revenue recognised from contracts with customers is as follows:

	←	Financial years/periods ended			→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Revenue recognised from contracts with customers:					
Sales of biomass product	<u>115,114,485</u>	<u>144,439,724</u>	<u>335,250,677</u>	<u>87,775,762</u>	<u>117,656,627</u>
Timing of revenue recognition					
At point in time	<u>115,114,485</u>	<u>144,439,724</u>	<u>335,250,677</u>	<u>87,775,762</u>	<u>117,656,627</u>

The information on the breakdown of revenue by geographical market is disclosed in Note 26 to the Combined Financial Statements.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. Other Operating Income

Included in other operating income are:

	Financial years/periods ended				
	← Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	→ Audited 30.4.2024 RM
Gain on disposal of property, plant and equipment	-	283	409	-	46
Gain on disposal of right-of-use assets	-	87,810	-	-	-
Gain on foreign exchange (net) :-					
- Realised	965,788	575,142	69,952	31,287	-
- Unrealised	524	82,830	-	-	-
Gain on lease modification	-	109,710	1,175	-	-
Interest income	168,945	93,867	150,251	2,110	54,858
Rental income derived from:					
- Investment properties	90,150	88,000	-	-	-
- Short term lease	-	572,000	112,500	112,500	-
Debts written off	90,496	-	-	-	-
	<u>1,315,903</u>	<u>1,609,642</u>	<u>334,287</u>	<u>145,897</u>	<u>54,904</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELDRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

21. Profit Before Taxation

Profit before taxation is derived at after charging:

	←	Financial years/periods ended			→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Auditors' remuneration					
- current year	38,000	38,000	68,000	22,667	27,667
- over provision in prior financial year/period	(18,000)	-	-	-	-
- non-audit fee	-	-	70,500	-	70,500
Bad debts written off :-					
– Trade receivables	-	46,536	-	-	-
– Non-trade receivables	-	58,300	-	-	-
Deposits forfeited	-	36,566	4,400	-	-
Depreciation of investment properties	56,000	56,000	56,000	18,667	18,667
Depreciation of property, plant and equipment	592,538	626,899	666,554	215,128	360,596
Depreciation of right-of-use assets	632,190	276,127	927,866	37,158	2,072,710
Short term lease	3,208,548	3,144,047	4,087,742	1,136,649	957,107
Loss on foreign exchange (net):-					
- Unrealised	-	-	493,492	1,385,912	313,671
- Realised	-	-	-	-	676,063
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>676,063</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. Taxation

	←	Financial years/periods ended			→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Current taxation:					
- Current year	-	30,329	3,547,499	-	4,789,985
- Under provision in prior financial year/period	38,815	34,595	124,405	-	-
Taxation	<u>38,815</u>	<u>64,924</u>	<u>3,671,904</u>	-	<u>4,789,985</u>
Deferred tax:					
- Origination and reversal of temporary differences	-	-	742,686	-	-
Taxation for the financial year/period	<u>38,815</u>	<u>64,924</u>	<u>4,414,590</u>	-	<u>4,789,985</u>

Malaysian income tax is calculated at the statutory tax rate of 24% (31.12.2023: 24%; 31.12.2022: 24%; 31.12.2021: 24%) of the estimated assessable profit for the financial year/period.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. Taxation (Continued)

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

	←	Financial years/periods ended			→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Profit before taxation	1,781,056	6,354,371	27,979,637	4,888,983	19,756,941
Taxation at statutory tax rate of 24% (31.12.2023: 24%; 31.12.2022: 24%; 31.12.2021: 24%)	427,453	1,525,049	6,715,113	1,173,356	4,741,666
Tax effects of :-					
– Non-deductible expenses	163,210	41,400	456,392	444,167	48,319
– Unrecognised tax credits	(590,663)	(1,536,120)	(2,881,320)	(1,617,523)	-
Under provision of current taxation in prior financial year	38,815	34,595	124,405	-	-
Taxation for the financial year/period	38,815	64,924	4,414,590	-	4,789,985

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. Earnings per Ordinary Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares in issue during the financial years.

	←	Financial years ended			→
	Audited 31.12.2021	Audited 31.12.2022	Audited 31.12.2023	Unaudited 30.04.2023	Audited 30.4.2024
Profit (RM)	1,742,241	6,289,447	23,565,047	4,888,983	14,966,956
Weighted average number of ordinary shares in issue	7,000,000	7,000,000	7,000,000	7,000,000	7,001,000
Basic earnings per share (sen)	<u>0.25</u>	<u>0.90</u>	<u>3.37</u>	<u>0.70</u>	<u>2.14</u>

The diluted earnings per share equals the basic earnings per share as there were no dilutive potential ordinary shares during the financial years/periods.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. Staff Cost Included Directors' Remuneration

	←	Financial years/periods ended			→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Staff cost (excluding Directors' and key management remunerations)					
Salary, bonus and other emoluments	1,229,104	722,466	2,022,209	484,676	490,500
Defined contribution plan	163,837	112,487	162,349	55,872	117,939
Other expenses	210,736	308,035	255,542	108,333	86,140
	<u>1,603,677</u>	<u>1,142,988</u>	<u>2,440,100</u>	<u>648,881</u>	<u>694,579</u>
Directors' and key management remunerations (Note 25)					
Director's fee	180,000	180,000	396,000	132,000	55,500
Emoluments	733,785	773,985	1,662,908	481,200	763,685
Defined contribution plan	87,768	91,872	193,162	54,528	89,388
Other expenses	3,693	3,851	5,117	1,545	1,932
	<u>1,005,246</u>	<u>1,049,708</u>	<u>2,257,187</u>	<u>669,273</u>	<u>910,505</u>
Total staff costs	<u>2,608,923</u>	<u>2,192,696</u>	<u>4,697,287</u>	<u>1,318,154</u>	<u>1,605,084</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. Significant Related Party Transaction

For the purposes of these Combined Financial Statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly 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 significant related party balance as at financial year ended are disclosed in other notes to the Combined Financial Statements.

In addition to the information detailed elsewhere in the Combined Financial Statements, set out below are other significant related party transactions:-

	←	Financial years/periods ended			→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
<u>Companies in which certain</u>					
<u>Directors have financial interests :-</u>					
Rental and storage expenses	1,646,713	1,320,255	-	-	-
Management fee	336,000	-	-	-	-
Commission and allowances	120,000	120,000	-	-	-
Consultation fee	60,000	60,000	-	-	-
	_____	_____	_____	_____	_____

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions negotiated and agreed by the related parties.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. Significant Related Party Transaction (Continued)

Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. Remuneration of key management personnel are disclosed as follows:-

	←	Financial years/periods ended			→
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Directors of EEHB:-					
- Fees	-	-	-	-	55,500
- Emoluments	420,000	460,000	1,015,000	255,000	516,000
- Defined contribution plan	50,400	55,200	123,600	30,600	60,000
- Others	923	963	1,641	386	772
	<u>471,323</u>	<u>516,163</u>	<u>1,140,241</u>	<u>285,986</u>	<u>632,272</u>
Other key senior management personnel of EEHB:-					
- Emoluments	313,785	313,985	590,908	202,200	247,685
- Defined contribution plans	37,368	36,672	69,562	23,928	29,389
- Others	2,770	2,888	3,476	1,159	1,159
	<u>353,923</u>	<u>353,545</u>	<u>663,946</u>	<u>227,287</u>	<u>278,233</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. Significant Related Party Transaction (Continued)

Key management personnel compensation (Continued)

	← Financial years/periods ended →				
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Other Director of BESB:-					
- Fees	180,000	180,000	396,000	132,000	-
- Emoluments	-	-	57,000	24,000	-
	<u>180,000</u>	<u>180,000</u>	<u>453,000</u>	<u>156,000</u>	<u>-</u>
 Total	 <u>1,005,246</u>	 <u>1,049,708</u>	 <u>2,257,187</u>	 <u>669,273</u>	 <u>910,505</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. Segment Information

The primary activities of the Group are manufacturing of biomass fuel products, particularly palm kernel shells and wood pellets which are substantially within a single business segment. 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 (1) reportable segment.

Major customers

The following are the major customers with revenue equal or more than 10 per cent of the Group's revenue:-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.4.2023 RM	Audited 30.4.2024 RM
Company A	24,849,556	*	*	*	*
Company B	23,525,668	*	*	*	*
Company C	-	19,079,254	93,082,039	25,750,420	37,112,310
Company D	12,410,287	-	-	*	*
Company E	13,844,758	15,360,958	37,508,837	*	*
Company F	17,058,833	*	*	*	*
Company G	*	*	55,192,301	19,826,296	29,256,184
Company H	*	*	49,989,392	15,473,034	26,739,894
Company I	-	*	49,476,463	*	*

* During the financial years/periods, the revenue for this customer was less than 10% of the Group's revenue.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. Segment Information (Continued)

Geographical Information

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. No geographical information presented for segment as these assets are entirely located in Malaysia.

The following table provides an analysis of the Group's revenue by geographical segments:-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Revenue Audited 31.12.2023 RM	Unaudited 30.04.2023 RM	Audited 30.4.2024 RM
Malaysia	74,063,271	67,290,316	16,806,410	16,590,251	8,021,051
China	12,410,287	-	-	-	-
Indonesia	-	30,349,669	119,545,106	25,750,420	37,112,310
Japan	17,900,990	24,093,998	86,985,300	10,135,760	16,527,188
South Korea	1,328,928	-	-	-	-
Singapore	9,411,009	22,705,741	105,181,694	35,299,331	55,996,078
Thailand	-	-	6,732,167	-	-
	<u>115,114,485</u>	<u>144,439,724</u>	<u>335,250,677</u>	<u>87,775,762</u>	<u>117,656,627</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments**

The following table analyses the financial assets and financial liabilities of the Group by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis:

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
<u>Financial assets at amortised cost</u>				
Trade receivables	28,427,319	6,145,921	14,237,814	15,988,774
Other receivables and deposits	15,931,226	40,661,700	6,944,869	7,851,946
Fixed deposits	5,249,673	5,338,405	5,462,732	5,506,831
Cash and bank balances	2,530,304	24,422,483	46,300,747	45,271,127
	<u>52,138,522</u>	<u>76,568,509</u>	<u>72,946,162</u>	<u>74,618,678</u>
<u>Financial liabilities at amortised cost</u>				
Trade payables	17,463,157	24,891,337	16,693,538	10,293,453
Other payables	31,581,957	30,413,109	20,949,614	13,797,317
Amount due to a Director	50,000	90,000	-	-
Borrowings	16,566,451	22,952,263	27,600,633	27,609,203
Lease liabilities	3,679,892	156,515	21,406,950	19,505,939
	<u>69,341,457</u>	<u>78,503,224</u>	<u>86,650,735</u>	<u>71,205,912</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management**

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of loss that arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Group's associations to business partners with good credit rating.

At each reporting date, the Group assesses whether any of the trade receivables are credit impaired.

The gross carrying amounts of credit impaired receivables are written off (either partially or full) when there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to write-off. Nevertheless, receivables that are written off could still be subject to enforcement activities.

There are no significant changes as compared to the previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the combined statements of financial position.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management (continued)****(i) Trade receivables (continued)**Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

The Group's major concentration of credit risk relates to the amount owing by two customer (31.12.2023: two customers; 31.12.2022: one customer; 31.12.2021: three customers) which constitutes approximately 72% (31.12.2023: 82%; 31.12.2022: 77%; 2021: 74%) of its trade receivables as at the end of the reporting period.

The credit risk concentration profile of the Group's trade receivables at the reporting date is as follows:

By country:	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Malaysia	22,426,900	1,413,542	216,160	65,836
Indonesia	171,287	4,759,729	5,884,200	4,365,395
South Korea	568,451	-	-	-
Singapore	5,901,857	-	5,790,800	5,829,317
Japan	-	-	677,887	5,816,774
Thailand	-	-	1,757,315	-
	<u>29,068,495</u>	<u>6,173,271</u>	<u>14,326,362</u>	<u>16,077,322</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management (continued)****(i) Trade receivables (continued)**Recognition and measurement of impairment loss

The Group uses an allowance matrix to measure Expected Credit Losses (“ECLs”) of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 90 days (31.12.2023: 90 days; 31.12.2022: 90 days; 31.12.2021: 90 days) as applicable to the Group will be considered as credit impaired.

The Group will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Group will also commence legal proceeding against the customers.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature.

	Gross amount RM	Loss allowance RM	Carrying value RM
31.12.2021			
Not past due	28,891,485	(464,166)	28,427,319
Past due			
- Between 1 - 90 days	-	-	-
- Between 91 - 180 days	-	-	-
- More than 180 days	177,010	(177,010)	-
	<u>29,068,495</u>	<u>(641,176)</u>	<u>28,427,319</u>
31.12.2022			
Not past due	6,173,271	(27,350)	6,145,921
Past due			
- Between 1 – 90 days	-	-	-
- Between 91 – 180 days	-	-	-
- More than 180 days	-	-	-
	<u>6,173,271</u>	<u>(27,350)</u>	<u>6,145,921</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management (continued)****(i) Trade receivables (continued)**

	Gross amount RM	Loss allowance RM	Carrying value RM
31.12.2023			
Not past due	14,326,362	(88,548)	14,237,814
Past due			
- Between 1 - 90 days	-	-	-
- Between 91 - 180 days	-	-	-
- More than 180 days	-	-	-
	<u>14,326,362</u>	<u>(88,548)</u>	<u>14,237,814</u>
30.4.2024			
Not past due	16,077,322	(88,548)	15,988,774
Past due			
- Between 1 – 90 days	-	-	-
- Between 91 – 180 days	-	-	-
- More than 180 days	-	-	-
	<u>16,077,322</u>	<u>(88,548)</u>	<u>15,988,774</u>

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

(iii) Other receivables and deposits

Other receivables and deposits are neither past due nor impaired. The Group believes that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (Continued)

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from trade and other payables, borrowings and lease liabilities.

Cash flow forecasting is performed by monitoring the Group's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

	Carrying amount RM	Effective interest rate %	Contractual undiscounted cash flows RM	Below 1 year RM	Between 1 and 5 years RM
As at 31.12.2021					
Financial liabilities					
Trade payables	17,463,157	-	17,463,157	17,463,157	-
Other payables	31,581,957	-	31,581,957	31,581,957	-
Borrowings	16,566,451	2.75 - 7.08	16,806,874	16,806,874	-
Lease liabilities	3,679,892	2.01 - 4.87	4,526,808	672,582	3,854,226
	<u>69,291,457</u>		<u>70,378,796</u>	<u>66,524,570</u>	<u>3,854,226</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (Continued)

Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount RM	Effective interest rate %	Contractual undiscounted cash flows RM	Below 1 year RM	Between 1 and 5 years RM
As at 31.12.2022					
Financial liabilities					
Trade payables	24,891,337	-	24,891,337	24,891,337	-
Other payables	30,413,109	-	30,413,109	30,413,109	-
Borrowings	22,952,263	3.32 - 24.00	29,573,480	29,573,480	-
Lease liabilities	156,515	4.87 - 5.47	167,168	71,773	95,395
	<u>78,413,224</u>		<u>85,045,094</u>	<u>84,949,699</u>	<u>95,395</u>
As at 31.12.2023					
Financial liabilities					
Trade payables	16,693,538	-	16,693,538	16,693,538	-
Other payables	20,949,614	-	20,949,614	20,949,614	-
Borrowings	27,600,633	4.10 - 7.10	28,024,870	28,024,870	-
Lease liabilities	21,406,950	4.87 - 5.64	23,727,037	6,869,907	16,857,130
	<u>86,650,735</u>		<u>89,395,059</u>	<u>72,537,929</u>	<u>16,857,130</u>

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (Continued)

Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount RM	Effective interest rate %	Contractual undiscounted cash flows RM	Below 1 year RM	Between 1 and 5 years RM
As at 30.4.2024					
Financial liabilities					
Trade payables	10,293,453	-	10,293,453	10,293,453	-
Other payables	13,797,317	-	13,797,317	13,797,317	-
Borrowings	27,609,203	3.74 - 7.10	28,129,209	28,129,209	-
Lease liabilities	19,505,939	4.87 - 5.64	21,437,119	6,869,908	14,567,211
	<u>71,205,912</u>		<u>73,657,098</u>	<u>59,089,887</u>	<u>14,567,211</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management (continued)**Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Group financial position and cash flows.

(i) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from borrowings. The Group does not hedge the interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instrument, based on carrying amount as at the end of the financial year/period are as follows:

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Fixed rate instrument				
<u>Financial asset</u>				
Fixed deposit	5,249,673	5,338,405	5,462,732	5,506,831
<u>Financial liabilities</u>				
Lease liabilities	(656,168)	(84,033)	(61,441)	(53,939)
	<u>4,593,505</u>	<u>5,254,372</u>	<u>5,401,291</u>	<u>5,452,892</u>
Floating rate instrument				
<u>Financial liabilities</u>				
Borrowings	(16,566,451)	(22,952,263)	(27,600,633)	(27,609,203)
	<u>(16,566,451)</u>	<u>(22,952,263)</u>	<u>(27,600,633)</u>	<u>(27,609,203)</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management (continued)**Market risk (continued)

(i) Interest rate risk (continued)

Interest rate risk sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and profit net of tax by the amounts shown below, assuming all other variables remain constant.

	← Financial years ended →			
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Floating rate instruments				
Increase by 100 basis points	(125,905)	(174,437)	(209,765)	(209,830)
Decrease by 100 basis points	<u>125,905</u>	<u>174,437</u>	<u>209,765</u>	<u>209,830</u>

(ii) 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 has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the functional currency, primarily United States Dollars ("USD") and Singapore Dollar ("SGD"). Foreign currencies denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management (continued)**

(ii) Foreign currency risk (continued)

The net unhedged financial assets and liabilities of the Group that are not denominated in the functional currencies are as follows:-

	Denominated in	
	SGD	USD
	RM	RM
<u>31.12.2021</u>		
Trade receivables	5,901,857	739,738
Cash and bank balances	-	15,790
Other payables	-	(24,431,012)
	<u>5,901,857</u>	<u>(23,675,484)</u>
<u>31.12.2022</u>		
Trade receivables	-	4,759,729
Cash and bank balances	2,209	19,181,750
Trade payables	-	(971,129)
Other payables	-	(24,431,012)
	<u>2,209</u>	<u>(1,460,662)</u>
<u>31.12.2023</u>		
Trade receivables	-	14,110,202
Cash and bank balances	33,599	21,003,149
Other payables	-	(16,119,119)
	<u>33,599</u>	<u>18,994,232</u>
<u>30.4.2024</u>		
Trade receivables	-	16,011,487
Cash and bank balances	33,797	23,641,286
Other payables	-	(5,962,602)
	<u>33,797</u>	<u>33,690,171</u>

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. Financial Instruments (Continued)****Financial risk management (continued)**Sensitivity analysis for foreign currency risk

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies as at the end of the reporting period, with all other variables held constant:-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Effects on profit after taxation and equity				
SGD/RM:				
- strengthened by 10%	448,541	168	2,554	2,569
- weakened by 10%	(448,541)	(168)	(2,554)	(2,569)
USD/RM:				
- strengthened by 10%	(1,799,337)	(111,010)	1,443,562	2,560,453
- weakened by 10%	1,799,337	111,010	(1,443,562)	(2,560,453)

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

27. Financial Instruments (Continued)

Financial risk management (continued)

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of long-term borrowings carried on the combined statements of financial position reasonably approximates fair value as it is a floating rate instruments that is re-priced to market interest rates on or near the reporting date.

The aggregate fair value of other financial assets and liabilities carried on the combined statements of financial position approximates its carrying value and the Group does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

The Group uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. Capital Management

The Group's objectives when managing capital is to maintain a strong capital base and safeguard the Group's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain a low gearing ratio.

The gearing ratio at end of the reporting periods were as follows :-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Audited 30.4.2024 RM
Borrowings	16,566,451	22,952,263	27,600,633	27,609,203
Lease liabilities	656,168	84,033	61,441	53,939
Total borrowings	<u>17,222,619</u>	<u>23,036,296</u>	<u>27,662,074</u>	<u>27,663,142</u>
Total equity	5,177,820	11,467,267	35,032,314	50,000,270
Gearing ratio (times)	<u>3.33</u>	<u>2.01</u>	<u>0.79</u>	<u>0.55</u>

29. Capital Commitments

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	As at Audited 31.12.2023 RM	Audited 30.4.2024 RM
Contracted but not provided for:-				
- Purchase of property, plant and equipment	-	-	2,329,800	-

13. ACCOUNTANTS' REPORT (CONT'D)**ELRIDGE ENERGY HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**30. Significant Events During and After the Reporting Period**

On 31 January 2024, EEHB entered into a conditional share sale agreement with the BESB Vendors (as listed in the table below) to acquire the entire equity interest in BESB for a total purchase consideration of RM34,979,979 ("Proposed Acquisition").

The total purchase consideration of RM34,979,979 for the Proposed Acquisition was arrived at after taking into consideration the audited net assets of BESB as at 31 December 2023 amounting to RM35,032,314 and shall be satisfied by the issuance of 1,649,999,000 new ordinary shares to the Vendors at an issue price of RM RM0.0212 per share.

The details of the Vendors and the number of Shares issued to them are as follows:

BESB Vendors	Shareholding in BESB		Purchase consideration (RM)	No. of shares to be issued
	No. of BESB Shares	%		
Yeo Hock Cheong	2,380,000	34.01	11,893,183	560,999,200
Mikro MSC Berhad	1,750,000	25.00	8,744,996	412,499,800
Bio Eneco Holding Sdn Bhd	1,400,000	20.00	6,995,996	329,999,800
Koh Xian Kai	320,000	4.57	1,599,086	75,428,600
Steven Djunaidi	320,000	4.57	1,599,086	75,428,600
Ang Kian Siong (Hong Jianqiang)	320,000	4.57	1,599,086	75,428,600
Almuhaysini Ali				
Abdullah	255,000	3.64	1,274,273	60,107,200
Cao Yu	255,000	3.64	1,274,273	60,107,200
Total	7,000,000	100.00	34,979,979	1,649,999,000

The acquisition is conditional upon, amongst others, the approval of Bursa Malaysia Securities Berhad being obtained for the listing of and quotation for the entire enlarged issued share capital of EEHB on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing").

Following the completion of the Acquisition on 10 July 2024, BESB had become a wholly-owned subsidiary of EEHB.

31. Approval of Combined Financial Statements

The Combined Financial Statements have been approved for issue in accordance with a resolution of the Board of Directors on 16 July 2024.

13. ACCOUNTANTS' REPORT (CONT'D)

ELRIDGE ENERGY HOLDINGS BERHAD

(Incorporated in Malaysia)

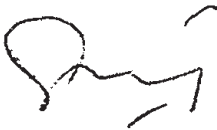
STATEMENT BY DIRECTORS

We, Yeo Hock Cheong and Salihudin Bin Mohd Razali, being two of the directors of Elridge Energy Holdings Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 5 to 78 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines – Issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as of 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024 and of their financial performance and cash flows for the financial years/period then ended 31 December 2021, 31 December 2022, 31 December 2023 and 30 April 2024.

Signed in accordance with a resolution of the directors dated 16 July 2024.



Yeo Hock Cheong



Salihudin Bin Mohd Razali

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023



The Board of Directors
Elridge Energy Holdings Berhad
61-2, Jalan Radin Tengah
Bandar Baru Sri Petaling
57000 Kuala Lumpur

Date: 16 July 2024

Dear Sirs,

Elridge Energy Holdings Berhad (“EEHB” or the “Company”)
Report on the Compilation of Pro Forma Statements of Financial Position as at 30 April 2024

We have completed our assurance engagement to report on the compilation of the Pro Forma Statements of Financial Position of Elridge Energy Holdings Berhad (“EEHB”) and its combining entity, namely Bio Eneco Sdn. Bhd. (hereinafter referred to as the “Group”) prepared by the Board of Directors of the Company. The Pro Forma Statements of Financial Position consists of the Statements of Financial Position as at 30 April 2024 together with the accompanying notes thereon, for which we have stamped for the purpose of identification.

The Pro Forma Statements of Financial Position have been prepared for inclusion in the Prospectus of EEHB in connection with the listing of and quotation for the entire issued share capital of EEHB on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

The applicable criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Statements of Financial Position are set out in the Notes thereon to the Pro Forma Statements of Financial Position. The Pro Forma Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”).

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in the Notes to the Pro Forma Statements of Financial Position as at 30 April 2024 as if the events or transactions have been in existence on 30 April 2024.

As part of this process, information about the financial position of the Group has been extracted by the Board of Directors of the Company from the Group’s Accountants’ Report as at 30 April 2024, which are audited by us.

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HLB Ler Lum Chew PLT (201906002362 & AF 0276) is an independent member of HLB International, the global advisory and accounting network.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)



The Board of Directors' Responsibilities

The Board of Directors of the Company is responsible for compiling the Pro Forma Statements of Financial Position on the basis as described in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

Reporting Accountants' Independence and Quality Control

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.

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly, the firm is required to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirement, professional standards and applicable legal and regulatory requirement.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis described in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

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 Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis set out in Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

For purpose 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 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 Statements of Financial Position.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)



Reporting Accountants' Responsibility (Continued)

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

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

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

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

The engagement also involves evaluating the overall presentation of the Pro Forma 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 Statements of Financial Position of the Group as at 30 April 2024 have been compiled, in all material respects, on the basis as described in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)



Other Matter

This report has been prepared solely for the purpose stated above, in connection with the Listing. 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.

A handwritten signature in black ink, appearing to read 'HLB LER LUM CHEW C'.

HLB LER LUM CHEW PLT
201906002362 & AF 0276
Chartered Accountants

A handwritten signature in black ink, appearing to read 'LER JI-YONG'.

LER JI-YONG
03439/05/2025 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The Pro Forma Statements of Financial Position of Elridge Energy Holdings Berhad (“EEHB” or the “Company”) and its combining entity, Bio Eneco Sdn. Bhd. (hereinafter referred to as the “Group”) as at 30 April 2024 (“Pro Forma SOFP”) together with the notes thereon, for which the Board of Directors of the Company (“the Directors”) are solely responsible, has been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus of the Company to be issued in conjunction 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 (“Listing”) and should not be relied upon for any other purposes.

1.2 Basis of preparation

The Pro Forma SOFP have been prepared based on the Group’s Accountants’ Report (the “Accountants’ Report”) as at 30 April 2024, which was prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”), International Financial Reporting Standards (“IFRS”) and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma SOFP together with the notes thereon, have been prepared solely to illustrate the impact of the events or transactions as set out in Note 2 to the Pro Forma SOFP as at 30 April 2024 as if the events or transactions have been in existence on 30 April 2024. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors of the Company from the Accountants’ Report for the financial period ended 30 April 2024.

The Accountants’ Report used in the preparation of this Pro Forma SOFP for the financial period ended 30 April 2024 were not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma SOFP are not necessarily indicative of the financial position that would have been attained had the effects of the transactions as set out in Note 2 actually occurred at the respective dates. The Pro Forma SOFP have been prepared for illustrative purpose only, and because of this nature, may not give a true picture of the actual effects of the transactions on the Group’s future financial position.

2. LISTING SCHEME

In conjunction with and as an integral part of the Listing, the Company was incorporated on 10 January 2024 and undertook the following:-

**Stamped for the purpose
of identification to our
report/letter dated**

16 JUL 2024

**HLB LER LUM CHEW PLT 1
201906002362 & AF 0276
Chartered Accountants**

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position

2. LISTING SCHEME (CONTINUED)

2.1 Corporate reorganisation

2.1.1 Acquisition of subsidiary, Bio Eneco Sdn Bhd ("BESB")

By a conditional share sale agreement dated 31 January 2024, the Company acquired the entire issued share capital of BESB for a total purchase consideration of RM34,979,979 to be fully satisfied by the issuance of 1,649,999,000 new ordinary shares of the Company ("EEHB Shares" or "Shares"), at an issue price of RM0.0212 each to the vendors of BESB in the manner as set out in the Prospectus.

The purchase consideration is arrived at after taking into consideration the audited net assets of BESB as at 31 December 2023 of RM35.03 million.

2.2 Listing exercise

In conjunction with the Listing, the Company will undertake an initial public offering comprising a public issue of 350,000,000 new Shares in the Company ("Public Issue") and offer for sale of 350,000,000 existing Shares in the Company at an issue/offer price of RM0.29 per Share.

Upon completion of the Listing, the enlarged issued share capital of RM136,480,979 comprising 2,000,000,000 ordinary shares in the Company will be listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

Proposed Utilisation of Proceeds

The estimated gross proceeds from the Public Issue of RM101,500,000 will accrue entirely to the Group and are planned to be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation upon Listing	RM'000	Percentage of gross proceeds %
Capital expenditure for the following:			
- Construction of new factory and warehouse ⁽¹⁾	Within 36 months	47,000	46.31
• Land acquisition cost	Within 15 months	20,000	19.71
• Construction cost	Within 36 months	27,000	26.60
- Purchase of new machineries and equipment ⁽²⁾	Within 18 months	21,141	20.82
Working capital ⁽³⁾	Within 12 months	27,059	26.66
Estimated listing expenses ⁽⁴⁾	Within 3 months	6,300	6.21
Total		<u>101,500</u>	<u>100.00</u>

**Stamped for the purpose
of identification to our
report/letter dated**

16 JUL 2024

**HLB LER LUM CHEW PLT 2
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Chartered Accountants**

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

2. LISTING SCHEME (CONTINUED)**2.2 Listing exercise (continued)***Notes:*

- (1) *The Group intends to utilise RM47,000,000 of its IPO proceeds to fund the construction of new factory and warehouse in Kuantan as the effort to further strengthen its geographical presence in the eastern region of Peninsular Malaysia. As at the latest practicable date of the Prospectus, the Group has yet to enter into any contractual binding agreements or issued any purchase orders in relation to the above capital expenditure. Accordingly, the utilisation is not reflected in the Pro Forma SOFP.*
- (2) *The Group intends to utilise RM21,141,000 of its IPO proceeds to expand its operations to (i) Pasir Gudang, Johor, (ii) Lahad Datu, Sabah and (iii) Kuantan, Pahang by purchasing new machineries and equipment to set up operation facilities in rented premises in Johor and Sabah and in the new factory and warehouse in Kuantan. As at the latest practicable date of the Prospectus, the Group has yet to enter into any contractual binding agreements or issued any purchase orders in relation to the above capital expenditure. Accordingly, the utilisation is not reflected in the Pro Forma SOFP.*
- (3) *The Group intends to utilise RM27,059,000 of its IPO proceeds to fund its working capital requirements. As at the latest practicable date of the Prospectus, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders for the working capital. Accordingly, the utilisation is not reflected in the Pro Forma SOFP.*
- (4) *The estimated listing expenses totalling RM6,300,000 to be borne by the Company comprise underwriting fees, placement fees, brokerage fees, professional fees and miscellaneous expenses relating to the IPO and the Listing. As of 30 April 2024, RM1,311,000 had been incurred and charged to profit or loss of the Group, of which RM1,063,000 has been paid. Upon completion of the Listing, a total of RM2,820,000 of the estimated listing expenses 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 RM2,169,000 will be expensed off to the profit or loss.*

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2024

			Pro Forma I		Pro Forma II		Pro Forma III	
	Note	As at 30 April 2024 RM	Adjustments for Acquisition of BESB RM	After Acquisition of BESB RM	Adjustments for listing exercise RM	After Pro Forma I and listing exercise RM	Adjustments for utilisation of proceeds RM	After Pro Forma II and utilisation of proceeds RM
ASSETS								
Non-current assets								
Property, plant and equipment		10,517,194	-	10,517,194	-	10,517,194	-	10,517,194
Right-of-use assets		19,212,260	-	19,212,260	-	19,212,260	-	19,212,260
Investment properties		2,557,333	-	2,557,333	-	2,557,333	-	2,557,333
		32,286,787	-	32,286,787	-	32,286,787	-	32,286,787
Current assets								
Inventories		19,861,933	-	19,861,933	-	19,861,933	-	19,861,933
Trade receivables		15,988,774	-	15,988,774	-	15,988,774	-	15,988,774
Other receivables, deposits and prepayments		7,853,633	-	7,853,633	-	7,853,633	-	7,853,633
Fixed deposit		5,506,831	-	5,506,831	-	5,506,831	-	5,506,831
Cash and bank balances	3.2.1	45,271,127	-	45,271,127	101,500,000	146,771,127	(5,237,000)	141,534,127
		94,482,298	-	94,482,298	101,500,000	195,982,298	(5,237,000)	190,745,298
TOTAL ASSETS		126,769,085	-	126,769,085	101,500,000	228,269,085	(5,237,000)	223,032,085

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2024 (CONTINUED)

	Note	As at 30 April 2024 RM	Adjustments for Acquisition of BESB RM	Pro Forma I After Acquisition of BESB RM	Adjustments for listing exercise RM	Pro Forma II After Pro Forma I and listing exercise RM	Adjustments for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
EQUITY AND LIABILITIES								
Equity attributable to owners of the parent								
Share capital	3.2.2	1,000	34,979,979	34,980,979	101,500,000	136,480,979	(2,820,000)	133,660,979
Invested equity	3.2.2	7,300,000		7,300,000	-	7,300,000	-	7,300,000
Reserves	3.2.2	42,699,270	(34,979,979)	7,719,291	-	7,719,291	(2,169,000)	5,550,291
TOTAL EQUITY		50,000,270	-	50,000,270	101,500,000	151,500,270	(4,989,000)	146,511,270
Non-current liabilities								
Lease liabilities		13,583,526	-	13,583,526	-	13,583,526	-	13,583,526
Deferred tax liabilities		742,686	-	742,686	-	742,686	-	742,686
		14,326,212	-	14,326,212	-	14,326,212	-	14,326,212

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2024 (CONTINUED)

	Note	As at 30 April 2024 RM	Adjustments for Acquisition of BESB RM	Pro Forma I After Acquisition of BESB RM	Adjustments for listing exercise RM	Pro Forma II After Pro Forma I and listing exercise RM	Adjustments for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
EQUITY AND LIABILITIES (continued)								
Current liabilities								
Trade payables		10,293,453	-	10,293,453	-	10,293,453	-	10,293,453
Other payables		13,797,317	-	13,797,317	-	13,797,317	(248,000)	13,549,317
Current tax liabilities		4,820,217	-	4,820,217	-	4,820,217	-	4,820,217
Borrowings		27,609,203	-	27,609,203	-	27,609,203	-	27,609,203
Amount due to a Director		-	-	-	-	-	-	-
Lease liabilities		5,922,413	-	5,922,413	-	5,922,413	-	5,922,413
		62,442,603	-	62,442,603	-	62,442,603	(248,000)	62,194,603
TOTAL LIABILITIES		76,768,815	-	76,768,815	-	76,768,815	(248,000)	76,520,815
TOTAL EQUITY AND LIABILITIES		126,769,085	-	126,769,085	101,500,000	228,269,085	(5,237,000)	223,032,085

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2024 (CONTINUED)

		Pro Forma I		Pro Forma II		Pro Forma III		
	Note	As at 30 April 2024 RM	Adjustments for Acquisition of BESB RM	After Acquisition of BESB RM	Adjustments for listing exercise RM	After Pro Forma I and listing exercise RM	Adjustments for utilisation of proceeds RM	After Pro Forma II and utilisation of proceeds RM
Net assets (RM)		50,000,270	-	50,000,270	101,500,000	151,500,270	(4,989,000)	146,511,270
Number of Shares assumed in issue		1,000	1,649,999,000	1,650,000,000	350,000,000	2,000,000,000	-	2,000,000,000
Net assets attributable to equity holders per Share (Sen)		Not applicable		3.03		7.58		7.33
Gearing ratio (times)		0.55		0.55		0.18		0.19

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2024 (CONTINUED)

3.1 Pro Forma adjustments to the Pro Forma Statements of Financial Position

3.1.1 Pro Forma I

Pro Forma I incorporates the effects of Acquisition of BESB as set out in Note 2.1.1.

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the effects of the proceeds from Public Issue as set out in Note 2.2.

3.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the effects of utilisation of proceeds as set out in Note 2.2.

3.2 Notes to the Pro Forma Statements of Financial Position as at 30 April 2024

Effects on Pro forma Statements of Financial Position

3.2.1 Cash and bank balances

	Note	RM
As at 30 April 2024		45,271,127
Acquisition of BESB	2.1.1	<u>-</u>
Pro Forma I		45,271,127
Proceeds from the Public Issue	2.2	<u>101,500,000</u>
Pro Forma II		146,771,127
Estimated listing expenses	2.2	<u>(5,237,000)</u>
Pro Forma III		<u>141,534,127</u>

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 APRIL 2024 (CONTINUED)

Effects on Pro forma Statements of Financial Position (continued)

3.2. Notes to the Pro Forma Statements of Financial Position as at 30 April 2024 (continued)

3.2.2 Share capital, reserves and retained earnings

	Note	Share capital RM	Invested equity RM	Reorganisation reserve RM	Capital reserve RM	Distributable (Accumulated losses)/ Retained earnings RM	Total equity RM
Balance as at 30 April 2024		1,000	7,300,000	-	296,308	42,402,962	50,000,270
Ordinary shares issued pursuant to the acquisition of BESB	2.1.1	34,979,979	-	(34,979,979)	-	-	-
Pro Forma I		34,980,979	7,300,000	(34,979,979)	296,308	42,402,962	50,000,270
Proceeds from the Public Issue	2.2	101,500,000	-	-	-	-	101,500,000
Pro forma II		136,480,979	7,300,000	(34,979,979)	296,308	42,402,962	151,500,270
Estimated listing expenses attributable to IPO	2.2	(2,820,000)	-	-	-	-	(2,820,000)
Estimated other listing expenses	2.2	-	-	-	-	(2,169,000)	(2,169,000)
Pro Forma III		133,660,979	7,300,000	(34,979,979)	296,308	40,233,962	146,511,270

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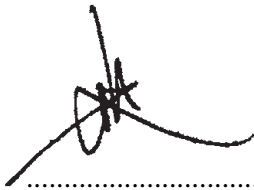
14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Elridge Energy Holdings Berhad in accordance with a resolution dated 16 July 2024.

Signed on behalf of the Board of Directors.



.....
Yeo Hock Cheong
Director



.....
Salihudin bin Mohd Razali
Director

Kuala Lumpur
16 July 2024

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16 JUL 2024

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15. STATUTORY AND OTHER INFORMATION

15.1 EXTRACTS OF OUR 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 herein or the context otherwise requires.

15.1.1 Remuneration, voting and borrowing powers of Directors

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

(i) Remuneration of Directors

Clause 21.4 – Remuneration

“The Directors shall be paid by way of remuneration for their services such fixed sum as shall from time to time be determined by the Company in meeting of Members, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine 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 and which shall not exceed the amount approved by the shareholders in general meeting;
- (b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors and any benefits payable to Directors shall be subject to annual approval by an Ordinary Resolution at a meeting of Members;
- (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; and
- (e) the fees and/or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of Securities.”

Clause 21.5 – Reimbursement

“In addition to the remuneration provided under Clause 21.4, each Director shall be paid such reasonable travelling, hotel and other expenses as he shall incur in attending and returning from meetings of the Directors or any committee of the Directors or meeting of Members or which they may otherwise incur in connection with the business of the Company.”

Clause 22.3 – Remuneration of Managing Director

“The remuneration of a Managing Director or Managing Directors shall be fixed by the Directors, and may be by way of fixed salary or commission or participation in profits or by any or all of those modes, but shall not include a commission on or percentage of turnover but it may be a term of his appointment that he shall receive pension, gratuity or other benefits upon his retirement.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)

(ii) Borrowing powers of Directors**Clause 23.2 – Directors' borrowing powers**

- (a) “The Directors may from time to time at their discretion raise or borrow such sums of money as they think proper and may secure the repayment of such sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture stock or any mortgage or guarantee, charge or security on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being and borrow any money or mortgage or charge any of the Company's or the subsidiaries' 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 any subsidiary, associated or other companies or persons. Provided that the Directors shall not issue any debt securities convertible to ordinary shares without the prior approval of the Company in meeting of members.
- (b) Any debentures, debenture stock, bonds or other securities may be issued with any special privileges as to redemption, surrender, drawings, allotment of Shares, attending and voting at meeting of members of the Company, appointment of Directors and 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 in its ordinary course of business, 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 other persons so becoming liable as aforesaid from any loss in respect of such liability.
- (d) 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 Section 352 of the Act as regards the registration of mortgages and charges therein specified or otherwise.”

Clause 23.3 – Guarantee

“The Directors may exercise all the powers of the Company to guarantee payment of money payable under contract obligations of any subsidiary company or companies with or without securities.”

(iii) Voting powers of Directors**Clause 24.7 – Proceedings of meeting**

“A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes of the Directors present and each Director having one (1) vote and determination by a majority of Directors shall for all purposes deemed as a decision from the Board.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)

Clause 24.8 – Chairman’s casting vote

“In case of an equality of votes, the chairman shall have a second or casting vote provided always that the chairman of a meeting at which only two (2) Directors form a quorum or at which only two (2) Directors are competent to vote on the questions at issue, shall not have a second or casting vote.”

15.1.2 Changes to share capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

The provisions in the Constitution dealing with changes in share capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights are as follows:

Clause 15.1 – Company may alter its capital in certain ways

“Subject to the Applicable Laws, the Company may from time to time by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into Shares of larger amount than its existing shares;
- (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the others or any other of such shares;
- (c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;
- (d) convert all or any of its issued Shares into stock and reconvert that stock into paid up Shares; and
- (e) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of Shares into any other class of Shares.”

Clause 15.2 – Power to reduce capital

“The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.”

Clause 15.4 – Purchase of own Shares

“Subject to the provisions of the Act and/or the Applicable Laws, the Company may, with the sanction of an Ordinary Resolution of the Members in meeting of Members, purchase its own Shares and make payment in respect of the purchase and/or give financial assistance to any person for the purpose of purchasing its own Shares on such date(s), terms and manner as may be determined from time to time by the Directors. Any Shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and/or the Applicable Laws. The provision of Clauses 15.1 and 15.2 hereof shall not affect the power of the Company to cancel any Shares or reduce its share capital pursuant to any exercise of the Company’s power under this Clause.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)**Clause 16.1 – Increase of share capital**

“Subject to all Applicable Laws, the Company may from time to time, whether all the Shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation of new Shares, such new capital to be of such amount and to be divided into Shares of such respective amounts and (subject to any special rights for the time being attached to any existing class of shares) to carry such preferential, deferred or other special rights (if any) or to be subject to such conditions or restrictions (if any), in regard to dividend, return of capital, voting or otherwise, as the Company by the resolution authorising such increase may direct.”

Clause 17 – Variation on Rights

“If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of seventy-five per centum (75%) of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the Shares of that class. To every such separate meeting the provisions of this Constitution relating to meeting of Members shall mutatis mutandis apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy at least one-third (1/3) of the issued shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.”

15.1.3 Transfer of shares

The provisions in the Constitution in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:

Clause 11.1 – Transfer in writing and to be left at the Office

“For the purpose of registration of a transfer of Shares that are not Deposited Securities, every instrument of transfer which is executed in accordance with the Applicable Laws, shall be left at the Office together with such fee not exceeding RM3.00 or as the Directors may determine, where a share certificate has been issued for the Share to be transferred, the certificate of the Shares and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Shares, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as the Member within thirty (30) days from receipt of such duly executed and stamped instrument of transfer.”

Clause 11.2 – Transfer of Securities

“The transfer of any Deposited Security shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but 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 Deposited Security.”

Clause 11.5 – Directors may refuse registration of transfer

“Subject to the provisions of the Act, the SICDA, 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.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)**Clause 11.6 – Closing of registration of transfers**

“The registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine but not exceeding in the whole thirty (30) days in any calendar year. In relation to the closure, the Company shall give written notice in accordance with the Rules to the Central Depository to issue the relevant appropriate Record of Depositors.

The Company shall before close such register:

- (a) give notice of such intended book closure (in the case of the register) in accordance with Section 55 of the Act; and
- (b) give notice of such intended closure to the Exchange for such period as prescribed by the Exchange or the Applicable Laws before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.”

Clause 11.7 – Limitation of liability

“Neither the Company nor the Directors nor any of its officers shall incur any liability for authorising or causing the registering or acting upon a transfer of Securities apparently made by sufficient parties, although the same may by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and the transferee, be liable to be set aside, and notwithstanding that, the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the Securities transferred, or otherwise in defective manner. In every such case, the person registered as the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.”

15.2 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one (1) class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the allocation to the Eligible Parties as disclosed in Sections 4.3.1(b) and 4.3.4 of this Prospectus:
 - (i) no Director 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 subsidiary; and
 - (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiary.
- (c) Save as disclosed in Sections 4.3.1 and 6.1 of this Prospectus respectively, no Shares have been issued or are proposed to be issued in cash or otherwise, within the past two (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.

15. STATUTORY AND OTHER INFORMATION (CONT'D)**15.3 CHANGES IN SHARE CAPITAL OF OUR GROUP**

- (a) The changes in the share capital of our Company since our incorporation on 10 January 2023 are disclosed in Section 6.1 of this Prospectus.
- (b) As at the LPD, the issued share capital of BESB is RM7,300,000 comprising 7,000,000 ordinary shares. The changes in the issued share capital of BESB from incorporation and up to the LPD are as follows:

<u>Date of Allotment</u>	<u>No. of Shares Allotted</u>	<u>Type of Issue / Consideration</u>	<u>Cumulative share capital (RM)</u>
25 July 2011	2	RM2/ Cash	2
24 February 2012	599,998	RM599,998/ Cash	600,000
20 April 2012	100,000	RM100,000/ Cash	700,000
28 December 2012	700,000	RM1,000,000/ Cash	1,700,000
25 January 2019	1,600,000	RM1,600,000/ Otherwise than cash	3,300,000
30 December 2019	4,000,000	RM4,000,000/ Otherwise than cash	7,300,000

As at the LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in BESB. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.4 GENERAL INFORMATION

- (a) Save for the Directors' remuneration and benefits as disclosed in Section 5.2.4 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 Promoters, Directors or substantial shareholders.
- (b) None of our Directors or substantial shareholders has 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.
- (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 and acceptance of our Shares are set out in Section 16 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.

15. STATUTORY AND OTHER INFORMATION (CONT'D)

15.5 CONSENTS

- (a) The written consents of the Principal Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary 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 issuance 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 on the Compilation of Pro Forma Statements of Financial Position as at 30 April 2024 in the form and context in which they are contained in this Prospectus have been given before the issuance 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 have been given before the issuance of this Prospectus and have not been subsequently withdrawn.

15.6 DOCUMENTS AVAILABLE 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 six (6) months from the date of this Prospectus:

- (a) Constitution;
- (b) Audited interim financial statements of EEHB from the date of incorporation up to 30 April 2024;
- (c) Audited financial statements of BESB for FYEs 2021 to 2023;
- (d) Accountants' Report as set out in Section 13 of this Prospectus;
- (e) Reporting Accountants' Report on the Compilation of Pro Forma Statements of Financial Position as at 30 April 2024 as set out in Section 14 of this Prospectus;
- (f) IMR Report as set out in Section 8 of this Prospectus;
- (g) Material contracts as set out in Section 6.3 of this Prospectus; and
- (h) Letters of consent as set out in Section 15.5 of this Prospectus.

15.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders 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.

KAF IB 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.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10:00 A.M., **6 AUGUST 2024**

CLOSING OF THE APPLICATION PERIOD: 5:00 P.M., **12 AUGUST 2024**

In the event there is any change to the Closing Date or time, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia, and make an announcement on Bursa Securities’ website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS**16.2.1 Application by the Malaysian Public and the Eligible Parties**

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application	Application Method
Applications by Eligible Parties	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

16.2.2 Application by selected investors via private placement

Types of Application	Application Method
Applications by Bumiputera investors approved by MITI	MITI will directly contact the Bumiputera investors. The Bumiputera investors should follow MITI’s instructions.
Applications by selected investors	The Placement Agent will contact the selected investors directly. The selected investors should follow the Placement Agent’s instructions

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of 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 (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO 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.

16.3.2 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; 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;
 - (ii) Electronic Share Application; or
 - (iii) Internet Share Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3.3 Application by Eligible Parties

The Eligible Parties will be provided with Pink Application Forms and letters from us detailing their respective allocations as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Parties must follow the notes and instructions in those documents and where relevant, in this Prospectus.

16.4 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 RM0.29 for each Issue Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 775**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

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 12 August 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 White Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

16.5 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.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

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

16.6 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 Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, GCS International Securities Sdn. Bhd. (formerly known as CGS-CIMB Securities Sdn. Bhd.), Malacca Securities Malaysia Sdn Bhd and Moomoo Securities Malaysia Sdn Bhd,. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firm (unless waived) for each Internet Share Application.

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

16.7 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 16.9 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.

16.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Board to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Board will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of Issue Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> **within one (1) Market Day** after the balloting date. Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's 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 our 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).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Parties, subject to the reallocation provisions as set out in Section 4.3.5 of this Prospectus, any of the abovementioned Issue Shares not subscribed for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 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:-

16.9.1 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 ten (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 ten (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 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).

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.9.2 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 or Participating Securities Firm of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution or Participating Securities Firm (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (b) You may check your account on the 5th 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 Participating Securities Firm (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 or Participating Securities Firm will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institution or Participating Securities Firm will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

16.10 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 the 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.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**16.11 ENQUIRIES**

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

Mode of Application	Parties to Direct the Enquiries
Application Form	Issuing House Enquiry Services at telephone number +603 - 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution, Participating Securities Firm and Authorised Financial Institution

The results of the allocation of the Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website at <https://tiih.online>, within one (1) Market Day after the balloting date.

You may also check the status of your Application at the above website, five (5) Market Days after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs as 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.

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