

12. ACCOUNTANTS' REPORT



Yew Lee Pacific Group Berhad
(Incorporated in Malaysia)
202001036243 (1392564-D)

**ACCOUNTANTS' REPORT
ON COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2018, 2019, 2020 AND 2021**

ECOVIS MALAYSIA PLT
201404001750 (LLP0003185-LCA) & AF 001825
Chartered Accountants

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



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THE BOARD OF DIRECTORS

Yew Lee Pacific Group Berhad
No. 18, Jalan Johan 2/1
Kawasan Perindustrian Pengkalan II
31550 Pusing, Perak
Malaysia.

Kuala Lumpur, 26 April 2022

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF YEW LEE PACIFIC GROUP BERHAD (THE "COMPANY")

Opinion

We have audited the combined financial statements of the combining entities of Yew Lee Pacific Group Berhad (collectively referred to as "the Group"), which comprises the combined statements of financial position of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 of the Group, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, and notes to the combined financial statements, including a summary of significant accounting policies, as set out in this report.

The combined financial statements of the Group have been prepared solely for inclusion in the prospectus of the Company (the "Prospectus") in connection with the listing of and quotation for the entire ordinary shares of the Company on the ACE Market of Bursa Malaysia Securities Berhad (the "Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021, and of their combined financial performance and combined cash flows for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

Basis for Opinion

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

ECOVIS MALAYSIA PLT 201404001750 (LLP0003185-LCA) & AF 001825 Chartered Accountants, No 9-3, Jalan 109F, Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: kuala-lumpur@ecovis.com.my

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

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

Directors' Responsibilities for the Combined Financial Statements

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

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

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

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the 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 basis of these combined financial statements.

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

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

12. ACCOUNTANTS' REPORT (cont'd)



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

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

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

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

Restriction on Distribution and Use

This report is made solely to the Group for inclusion in the Prospectus to be issued in connection with the Listing and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes. We do not assume responsibility to any other person for the content of this report.

A handwritten signature in black ink, appearing to be "Zi".

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

A handwritten signature in black ink, appearing to be "Yong Hui Nee".

YONG HUI NEE
03283/09/2022 J
Chartered Accountant

Kuala Lumpur
20 APR 2022

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report

Combined Statements of Financial Position

	Note	2021 RM	2020 RM	2019 RM	2018 RM
Non-current assets					
Property, plant and equipment	7	10,109,530	5,500,360	4,371,174	12,650,462
Right-of-use assets	8	8,524,227	9,669,909	8,546,918	-
Investment in an associate	9	445,963	220,646	-	-
		<u>19,079,720</u>	<u>15,390,915</u>	<u>12,918,092</u>	<u>12,650,462</u>
Current assets					
Inventories	10	6,873,099	4,706,214	5,027,318	4,088,830
Trade receivables	11	9,160,214	8,932,501	6,960,934	6,992,319
Other receivables, deposits and prepayments	12	571,068	471,744	456,626	56,450
Tax recoverable		269,352	-	-	-
Fixed deposits with licensed banks	13	11,076,066	5,000,000	2,000,000	2,000,000
Cash and bank balances		8,736,774	15,011,809	10,757,114	9,801,889
		<u>36,686,573</u>	<u>34,122,268</u>	<u>25,201,992</u>	<u>22,939,488</u>
Total assets		<u>55,766,293</u>	<u>49,513,183</u>	<u>38,120,084</u>	<u>35,589,950</u>
Equity					
Share capital	14	100	-	-	-
Invested equity	14	350,000	350,000	350,000	350,000
Foreign currency translation reserve		(60,786)	(42,004)	(38,835)	-
Retained earnings	15	41,276,349	31,158,136	25,773,370	22,577,991
		<u>41,565,663</u>	<u>31,466,132</u>	<u>26,084,535</u>	<u>22,927,991</u>
Non-controlling interests	16	(283)	2,989	-	-
Total equity		<u>41,565,380</u>	<u>31,469,121</u>	<u>26,084,535</u>	<u>22,927,991</u>

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

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

	Note	2021 RM	2020 RM	2019 RM	2018 RM
Non-current liabilities					
Bank borrowings	17	7,935,502	4,379,441	4,577,869	4,680,088
Lease liabilities	18	485,210	1,002,211	451,652	348,888
Deferred tax liabilities	19	882,111	704,305	580,048	612,900
Provisions for employee benefits obligation		-	19,099	18,096	-
		<u>9,302,823</u>	<u>6,105,056</u>	<u>5,627,665</u>	<u>5,641,876</u>
Current liabilities					
Trade payables	20	2,732,593	5,237,732	3,044,718	3,254,887
Other payables and accruals	21	1,505,195	2,094,004	533,360	806,296
Bank borrowings	17	358,284	158,029	329,494	78,386
Lease liabilities	18	302,018	510,738	268,008	459,262
Tax payable		-	938,503	232,304	421,252
Dividend payable		-	3,000,000	2,000,000	2,000,000
		<u>4,898,090</u>	<u>11,939,006</u>	<u>6,407,884</u>	<u>7,020,083</u>
Total liabilities		<u>14,200,913</u>	<u>18,044,062</u>	<u>12,035,549</u>	<u>12,661,959</u>
Total equity and liabilities		<u>55,766,293</u>	<u>49,513,183</u>	<u>38,120,084</u>	<u>35,589,950</u>

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

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

	Note	2021 RM	2020 RM	2019 RM	2018 RM
Revenue	22	45,525,156	41,974,101	29,208,139	27,813,339
Cost of sales		(26,908,865)	(23,589,157)	(18,128,165)	(16,764,824)
Gross profit		18,616,291	18,384,944	11,079,974	11,048,515
Other income		807,514	649,755	468,440	443,335
Selling and distribution expenses		(336,525)	(271,791)	(129,910)	(226,224)
Administrative expenses		(6,389,579)	(5,108,052)	(4,347,841)	(4,245,171)
Other expenses		(62,278)	(88,838)	(63,125)	(119,554)
Profit from operations		12,635,423	13,566,018	7,007,538	6,900,901
Finance costs	23	(276,918)	(231,508)	(262,894)	(323,135)
Share of profit of an associate		223,965	205,978	-	-
Profit before tax	24	12,582,470	13,540,488	6,744,644	6,577,766
Tax expenses	25	(2,469,534)	(3,158,052)	(1,549,265)	(1,496,014)
Profit for the financial year		10,112,936	10,382,436	5,195,379	5,081,752
Other comprehensive income/(loss):					
<i>Item that will not be reclassified subsequently to profit or loss</i>					
- Actuarial loss on provision of employee benefits obligation		1,903	(1,884)	-	-
<i>Item that may be reclassified subsequently to profit or loss</i>					
- Foreign currency translation of foreign operations		5,108	(21,630)	(38,835)	-
- Reclassification adjustments of foreign operations		-	18,311	-	-
- Share of other comprehensive loss of an associate		(23,788)	(272)	-	-
		(16,777)	(5,475)	(38,835)	-
Total comprehensive income for the financial year		10,096,159	10,376,961	5,156,544	5,081,752
Profit attributable to:					
- Common controlling shareholders of the combining entities		10,116,348	10,382,436	5,195,379	5,081,752
- Non-controlling interest		(3,412)	-	-	-
		10,112,936	10,382,436	5,195,379	5,081,752
Total comprehensive income attributable to:					
- Common controlling shareholders of the combining entities		10,099,431	10,376,961	5,156,544	5,081,752
- Non-controlling interest		(3,272)	-	-	-
		10,096,159	10,376,961	5,156,544	5,081,752
Earnings per ordinary share ("EPS")					
- Basic	26	28.90	29.66	14.84	14.52

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)
Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Combined Statements of Changes in Equity

	Note	Attributable to the common controlling shareholders of the combining entities		Sub-total RM	Non-controlling interests RM	Total RM
		Invested equity RM	Retained earnings RM			
At 1 January 2018		350,000	19,496,239	19,846,239	-	19,846,239
Profit/Total comprehensive income for the financial year		-	5,081,752	5,081,752	-	5,081,752
Transaction with Owners:						
Dividend	27	-	(2,000,000)	(2,000,000)	-	(2,000,000)
At 31 December 2018/ 1 January 2019		350,000	22,577,991	22,927,991	-	22,927,991
Profit for the financial year		-	5,195,379	5,195,379	-	5,195,379
Other comprehensive loss		-	(38,835)	(38,835)	-	(38,835)
Total comprehensive income		-	5,195,379	5,195,379	-	5,195,379
Transaction with Owners:						
Dividend	27	-	(2,000,000)	(2,000,000)	-	(2,000,000)
At 31 December 2019/ 1 January 2020		350,000	25,773,370	26,084,535	-	26,084,535
Profit for the financial year		-	10,382,436	10,382,436	-	10,382,436
Other comprehensive loss		-	(1,884)	(1,884)	-	(1,884)
Total comprehensive income		-	10,380,552	10,378,668	-	10,378,668
Transaction with Owners:						
Change in ownership interests in a subsidiary	3(d)	-	4,214	4,214	2,989	7,203
Dividend	27	-	(5,000,000)	(5,000,000)	-	(5,000,000)
At 31 December 2020/ 1 January 2021		350,000	31,158,136	31,466,132	2,989	31,469,121

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)
 Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Combined Statements of Changes in Equity (Cont'd)

	Share capital RM	Invested equity RM	Attributable to the common controlling shareholders of the combining entities		Retained earnings RM	Foreign currency translation reserve RM	Sub-total RM	Non- controlling interests RM	Total RM
			Non-distributable	Distributable					
At 31 December 2020/ 1 January 2021 (cont'd)	-	350,000	(42,004)	31,158,136	31,466,132	2,989	31,469,121		
Profit for the financial year	-	-	-	10,116,348	10,116,348	(3,412)	10,112,936		
Other comprehensive loss	-	-	(18,782)	1,865	(16,917)	140	(16,777)		
Total comprehensive income	-	-	(18,782)	10,118,213	10,099,431	(3,272)	10,096,159		
<u>Transactions with Owners:</u>									
Issuance of shares	100	-	-	-	100	-	100		
Dividend	-	-	-	-	-	-	-		
At 31 December 2021	100	350,000	(60,786)	41,276,349	41,565,663	(283)	41,565,380		

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

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

	Note	2021 RM	2020 RM	2019 RM	2018 RM
Cash flows from operating activities					
Profit before tax		12,582,470	13,540,488	6,744,644	6,577,766
<u>Adjustments for:</u>					
Amortisation of right-of-use assets	8	587,120	551,277	504,830	-
Bad debts written off	24	-	1,600	-	-
Depreciation of property, plant and equipment	7	1,029,006	786,546	821,480	1,210,974
Finance costs	23	276,918	231,508	262,894	323,135
Gain on disposal of a subsidiary	3(c)	-	(244,349)	-	-
Gain on disposal of property, plant and equipment, net	24	(11,474)	(74,200)	(80,497)	(45,998)
Gain on termination of a lease contract	24	(2,495)	-	-	-
Impairment on trade receivables	11	-	19,025	-	107,039
Inventories written down/(back), net		(90,043)	265,500	119,002	-
Interest income		(184,008)	(101,324)	(67,516)	(62,249)
(Decrease)/Increase in provision For employee benefits obligation		(15,607)	2,330	18,153	-
Property, plant and equipment written off	24	19,483	917	63,125	12,515
Reversal of impairment on trade receivables	11	(6,000)	-	-	-
Share of result of an associate		(223,965)	(205,978)	-	-
Unrealised loss/(gain) on foreign exchange	24	32,270	(16,200)	(1,228)	(22,047)
Operating profit before working capital changes		13,993,675	14,757,140	8,384,887	8,101,135
<u>Changes in working capital:</u>					
Inventories		(2,103,229)	91,818	(1,057,490)	(860,099)
Provision for employee benefits obligation		(1,455)	7,519	-	-
Trade and other receivables		(262,118)	(2,316,342)	(373,173)	(575,124)
Trade and other payables		(3,108,420)	4,347,258	(482,981)	1,947,482
Cash generated from operations		8,518,453	16,887,393	6,471,243	8,613,394
Tax paid, net of tax refunded		(3,495,696)	(2,327,596)	(1,771,651)	(1,045,279)
Net cash generated from operating activities		5,022,757	14,559,797	4,699,592	7,568,115

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No 202001036243 (1392564-D)

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

	Note	2021 RM	2020 RM	2019 RM	2018 RM
Cash flows from investing activities					
Interest received		107,942	101,324	67,516	62,249
Disposal of stake to non-controlling interest		-	7,625	-	-
Proceed from disposal of a subsidiary, net of cash and cash equivalents disposed of	3(c)	-	104,984	-	-
Proceeds from disposal of property, plant and equipment		119,809	141,500	80,500	46,000
Purchase of property, plant and equipment	(a)	(4,987,915)	(2,167,583)	(1,115,174)	(305,294)
Purchase of right-of-use assets		(163,510)	(553,131)	(82,715)	-
Net cash used in investing activities		(4,923,674)	(2,365,281)	(1,049,873)	(197,045)
Cash flows from financing activities					
Dividends paid		(3,000,000)	(4,000,000)	(2,000,000)	(1,500,000)
Drawdown of term loans		4,011,520	-	-	-
Finance costs paid		(276,918)	(231,508)	(262,894)	(323,135)
Issuance of shares		100	-	-	-
Net movement on banker's acceptance		-	(235,000)	235,000	-
Repayment of lease liabilities		(777,223)	(327,280)	(548,546)	(619,170)
Repayment of term loans		(255,204)	(134,893)	(86,111)	(1,102,129)
Net cash used in financing activities		(297,725)	(4,928,681)	(2,662,551)	(3,544,434)
Net (decrease)/increase in cash and cash equivalents		(198,642)	7,265,835	987,168	3,826,636
Effect of foreign currency translation		(327)	(11,140)	(31,943)	-
Cash and cash equivalents at beginning of the financial year		20,011,809	12,757,114	11,801,889	7,975,253
Cash and cash equivalents at end of the financial year	(b)	19,812,840	20,011,809	12,757,114	11,801,889

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Combined Statements of Cash Flows (Cont'd)

Notes:

(a) Purchase of property, plant and equipment

	2021 RM	2020 RM	2019 RM	2018 RM
Cost of property, plant, and equipment purchased (Note 7)	4,987,915	2,167,583	1,115,174	497,294
Acquired by means of finance leases	-	-	-	(192,000)
Cash disbursed for purchase of property, plant and equipment	4,987,915	2,167,583	1,115,174	305,294

(b) Cash and cash equivalents

	2021 RM	2020 RM	2019 RM	2018 RM
Cash and bank balances	8,736,774	15,011,809	10,757,114	9,801,889
Fixed deposits with licensed banks	11,076,066	5,000,000	2,000,000	2,000,000
	19,812,840	20,011,809	12,757,114	11,801,889

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Combined Statements of Cash Flows (Cont'd)

Notes: (cont'd)

(c) Movement in financial liabilities arising from financing activities

	At 1 January RM	Movements				At 31 December RM		
		Cash flows RM	Interest paid RM	Interest expense RM	Reversal RM		Foreign exchange movement RM	New leases RM
2021								
Lease liabilities	1,512,949	(777,223)	(49,338)	49,338	(52,649)	714	103,437	787,228
Term loans	4,537,470	3,756,316	(227,580)	227,580	-	-	-	8,293,786
2020								
Banker's acceptance	235,000	(235,000)	(1,219)	1,219	-	-	-	-
Lease liabilities	719,660	(327,280)	(52,634)	52,634	(49,292)	(6,059)	1,175,920	1,512,949
Term loans	4,672,363	(134,893)	(177,655)	177,655	-	-	-	4,537,470
2019								
Banker's acceptance	-	235,000	(2,865)	2,865	-	-	-	235,000
Lease liabilities	808,150	(548,546)	(33,492)	33,492	-	(751)	460,807	719,660
Term loans	4,758,474	(86,111)	(226,537)	226,537	-	-	-	4,672,363
2018								
Banker's acceptance	-	-	(1,322)	1,322	-	-	-	-
Lease liabilities	1,235,320	(619,170)	(60,882)	60,882	-	-	192,000	808,150
Term loans	5,860,603	(1,102,129)	(260,931)	260,931	-	-	-	4,758,474

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements

1. Introduction

The combined financial statements of Yew Lee Pacific Group Berhad (the "Company") have been prepared to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and 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"), and should not be relied upon for any other purposes.

2. General information

The Company was incorporated on 10 November 2020 under the Companies Act 2016 as a private limited liability company under the name Yew Lee Pacific Group Sdn. Bhd.. On 25 August 2021, the Company was converted to a public limited liability company and assumed its current name of Yew Lee Pacific Group Berhad.

The addresses of the principal place of business and registered office of the Company are as follows:

Principal place of business

No 18, Jalan Johan 2/1,
Kawasan Perindustrian Pengkalan II,
31550 Pusing, Perak.

Registered office

Level 5, Block B, Dataran PHB,
Saujana Resort, Section U2,
40150 Shah Alam, Selangor.

3. List of combining entities and principal activities

Details of the combining entities are as follows:

<u>Name of company</u>	<u>Note</u>	<u>Country of incorporation</u>	<u>Effective equity interest</u>				<u>Principal activities</u>
			<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	
			<u>%</u>	<u>%</u>	<u>%</u>	<u>%</u>	
Yew Lee Pacific Group Berhad.		Malaysia	100	100 ⁽¹⁾	-	-	Investment holding
Yew Lee Pacific Manufacturer Sdn. Bhd. ("YLPM")		Malaysia	100	100	100	100	Manufacturing of industrial brushes
Yew Lee Pacific Holding Sdn. Bhd. ("YLPH")		Malaysia	100	100	100	100	Trading of industrial hardware and machinery parts
<u>Subsidiaries of YLPM</u>							
PT Yew Lee Indonesia ⁽²⁾	(a),(d)	Indonesia	99	99	100	-	Distribution of Industrial brushes
Yew Lee (Thailand) Company Limited ("Yew Lee Thailand") ⁽²⁾	(b),(c)	Thailand	-	-(³)	100	-	Distribution of industrial brushes

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

3. List of combining entities and principal activities (cont'd)

Notes:

- (1) As disclosed in Note 4 to the combined financial statements, the financial statements of the Company for financial period ended 31 December 2020 had not been included in the combined financial statements for the financial year ended 31 December 2020 as the Company was only incorporated on 10 November 2020 to facilitate the Listing. The Company's financial statements has been included in the combined financial statements for the financial year ended 31 December 2021.
- (2) Audited by firms other than Ecovis Malaysia PLT.
- (3) Ceased to be a subsidiary and became an associate company of YLPM in year 2020 as disclosed in Notes 3(c) and 9 to the combined financial statements.
- (a) On 9 September 2019, YLPM subscribed to 2,475 ordinary shares representing 99.00% equity interest in PT Yew Lee Indonesia for a cash consideration of Indonesian Rupiah ("IDR") 2,475,000,000 (equivalent to RM754,875). The remaining 1.00% equity interest is currently held by Mr. Ang Lee Leong, a common controlling shareholder of the Group. As such, the Group has applied the pooling of interest method of accounting and consolidated PT Yew Lee Indonesia based on 100% effective equity interest.
- (b) On 10 October 2019, YLPM subscribed to 19,998 ordinary shares representing 99.99% equity interest in Yew Lee Thailand for a cash consideration of Thai Baht ("THB") 1,999,800 (equivalent to RM288,571). The remaining 0.01% equity interest is currently held by Mr. Ang Lee Leong and his daughter, Ms. Ang Poh Yee (deemed as common controlling share by Mr. Ang Lee Leong). As such, the Group has applied the pooling of interest method of accounting and consolidated Yew Lee Thailand based on 100% effective equity interest.
- (c) On 27 March 2020, YLPM disposed-off its 55% equity interest in Yew Lee Thailand to a Thai shareholder for a consideration of THB1,100,000 (equivalent to RM158,730). Upon disposal, YLPM has lost control over Yew Lee Thailand as the majority voting rights have been transferred to the Thai shareholder, despite Yew Lee Thailand's board of directors ("Board") comprises wholly of YLPM's representatives. YLPM is only deemed to have a significant influence over the entity as the Thai shareholder, having majority shareholding, has the power to solely decide on all members' resolutions including the composition of the Board of Yew Lee Thailand. Upon the loss of control over Yew Lee Thailand, the Group derecognised the assets and liabilities of Yew Lee Thailand and the surplus arising from the disposal had been recognised in profit or loss. The remaining equity interest in Yew Lee Thailand has been subsequently equity-accounted as an associate company of YLPM.
- (i) Summary of the effects of disposal of the equity interest in Yew Lee Thailand are as follows:

	RM	RM
Recognised:		
Fair value of consideration received		158,730
Fair value of common controlling retained investment treated as an associate (Note 9)		129,870
		<hr/> 288,600
Reclassification adjustment of exchange translation reserve		(18,311)
		<hr/> 270,289

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

3. List of combining entities and principal activities (cont'd)

(c) (i) Summary of the effects of disposal of Yew Lee Thailand (cont'd)

	RM	RM
Derecognised:		
Fair value of identifiable net assets at disposal date		
- Plant and equipment	(178,167)	
- Right-of-use asset	(42,917)	
- Inventories	(78,716)	
- Trade and other receivables	(310,681)	
- Cash and bank balances	(53,746)	
- Lease liabilities	49,292	
- Trade and other payables	588,995	(25,940)
Gain on disposal of Yew Lee Thailand		<u>244,349</u>

(ii) Effect of disposal on cash flows

	RM
Consideration received in cash	158,730
Less: Cash and cash equivalents of subsidiary disposed	<u>(53,746)</u>
Net cash inflows on disposal	<u>104,984</u>

- (d) On 29 December 2020, YLPM disposed 25 ordinary shares to a Director in PT Yew Lee Indonesia for a consideration of IDR25,000,000 (equivalent to RM7,625), decreasing the Group's effective equity interest from 100% to 99%.

Effects of the decrease in the Group's effective equity interest is as follow:

	RM
Consideration received from disposals of PT Yew Lee Indonesia's shares	7,625
<u>Less:</u>	
Carrying amount of net assets disposed to non-controlling interest (1%)	<u>(2,989)</u>
Recognised in equity	<u>4,636</u>

4. Basis of preparation

The combined financial statements for the financial years ended 31 December 2018, 2019, 2020 and 2021 consist of the financial statements of the combining entities of the Company as disclosed in Note 3 to the combined financial statements, which are under the common control of Mr. Ang Lee Leong, Mr. Ang Lee Seng and Madam Chee Wai Ying throughout the reporting years (collectively referred to as the "Group"). The financial statements of the Company had not been included in the combined financial statements for the financial year ended 31 December 2020 as the Company was only incorporated on 10 November 2020 to facilitate the Listing. The assets, liabilities, income and expenses of the Company for the financial period ended 31 December 2020 are insignificant relative to those of the Group.

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

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

4. Basis of preparation (cont'd)

The combined financial statements of the Group have been prepared as if the Group has been operated as a single economic entity throughout the financial years ended 31 December 2018, 2019, 2020 and 2021.

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

The financial information as presented in the combined financial statements may not correspond with the consolidated financial statements of the Group, as the combined financial statements reflect business combinations under common control for the purpose of the Listing. Consequently, the financial information from the combined financial statements do not purport to predict the financial positions, results of operations and cash flows of the Group.

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the functional and presentation currency of the Company.

(d) Use of estimates and judgements

The preparation of the combined financial statements in conformity with MFRSs requires the Directors to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The areas involving such judgements, estimates and assumptions are disclosed in Note 6 to the combined financial statements. Although these estimates and assumptions are based on the Directors' best knowledge of events and actions, actual results may differ from these estimates.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

4. Basis of preparation (cont'd)

(e) Adoption of MFRSs and amendments to MFRSs on its mandatory effective date

The Group has adopted MFRS 9 *Financial Instruments* and MFRS 15 *Revenue from Contracts with Customers* which are effective for annual periods beginning on or after 1 January 2018 and MFRS 16 *Leases* which is effective for annual periods beginning on or after 1 January 2019.

(i) MFRS 9, Financial Instruments

MFRS 9 replaces the "incurred loss" model in MFRS 139 with an "expected credit loss" ("ECL") model in respect of impairment of financial assets. The new impairments model applies to financial assets measured at amortised cost, contract assets and debt investments measured at fair value through other comprehensive income, but not to investments in equity instruments.

The adoption of MFRS 9, *Financial Instruments* does not have material financial impact to the combined financial statements of the Group, other than trade and other receivables and cash and cash equivalents that were reclassified as loans and receivables under MFRS 139 which are now classified as amortised cost.

The following table shows the measurement categories under MFRS 139 and the new measurement categories under MFRS 9 for each class of the Group's financial assets and financial liabilities as at 1 January 2018:

	Measurement category	
	Original (MFRS 139) RM	New (MFRS 9) RM
Financial assets:		
Trade receivables	Loan and receivables	Amortised cost
Other receivables and deposits	Loan and receivables	Amortised cost
Fixed deposits with licensed banks	Loan and receivables	Amortised cost
Cash and bank balances	Loan and receivables	Amortised cost

Classification of the Group's financial liabilities remained unchanged, which are measured at amortised cost.

(ii) MFRS 15, Revenue from Contracts with Customers

MFRS 15 provides a single model for accounting for revenue arising from contracts with customers, focusing on the identification and satisfaction of performance obligation. The standard specifies that the revenue is to be recognised when control over the goods and services is transferred to the customers, moving from the transfer of risks and rewards.

The Group adopted MFRS 15, *Revenue from Contracts with Customers* retrospectively.

The adoption of MFRS 15, *Revenue from Contracts with Customers* does not have material financial impact to the combined financial statements of the Group.

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

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

4. Basis of preparation (cont'd)

(e) Adoption of MFRSs and amendments to MFRSs on its mandatory effective date (cont'd)

(iii) MFRS 16, Leases

MFRS 16 replaces the guidance in MFRS 117, *Leases*, IC Interpretation 4, *Determining Whether an Arrangement Contains a Lease*, IC Interpretation 115, *Operating Leases – Incentives* and IC Interpretation 127, *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and lease liability representing its obligations to make lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as financial or operating lease.

The Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019 ("DIA"). Under this method, MFRS 16 is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application.

The Group elected to apply the following available transition practical expedient:

- For contracts entered into before the transition date, the Group relied on its assessment made applying MFRS 117 and IC Int 4. At the DIA, the Group has elected not to reassess whether these contracts are, contain a lease;
- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- the exemption not to recognise right-of-use assets and liabilities for leases which the lease term ends within 12 months of the date of initial application;
- the exclusion of initial direct costs for the measurement of the right-of-use ("ROU") asset at the DIA;
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

The adoption of MFRS 16 has resulted in changes in accounting policies and adjustments to the financial statements as follows:

(i) Changes in accounting policies

Lessee accounting

a. Leases classified as operating leases under MFRS 117

On adoption of MFRS 16, except for short-term leases and leases of low-value assets, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

4. Basis of preparation (cont'd)

(e) Adoption of MFRSs and amendments to MFRSs on its mandatory effective date (cont'd)

(iii) MFRS 16, Leases (cont'd)

The adoption of MFRS 16 has resulted in changes in accounting policies and adjustments to the financial statements as follows: (cont'd)

(i) Changes in accounting policies (cont'd)

Lessee accounting (cont'd)

a. Leases classified as operating leases under MFRS 117 (cont'd)

The Group has applied practical expedient in MFRS 16, which allows a lease to measure ROU assets at the amount equal to the lease liability, adjusted by the amount of any material prepaid or accrued lease payments relating to that lease at the DIA.

b. Leases classified as finance leases under MFRS 117

For leases previously classified as finance leases and presented as a part of 'property, plant and equipment', the Group recognised the carrying amount of the lease asset and lease liability immediately before transition which were measured applying MFRS 117 as the carrying amount of the ROU asset and the lease liability at the DIA.

(ii) Impact of adoption of MFRS 16 as at 1 January 2019

As at DIA, the adoption of MFRS 16 has affected the following items:

	Carrying amount as at 31 December 2018 RM	Re- measurement RM	Carrying amount as at 1 January 2019 RM
Property, plant and equipment	12,650,462	(9,414,515)	3,235,947
Right-of-use assets	-	9,414,515	9,414,515

The adoption of MFRS 16 has no financial impact to the retained earnings and lease liabilities reported as at 1 January 2019.

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****4. Basis of preparation (cont'd)****(e) Adoption of MFRSs and amendments to MFRSs on its mandatory effective date (cont'd)****(iii) MFRS 16, Leases (cont'd)**

The adoption of MFRS 16 has resulted in changes in accounting policies and adjustments to the financial statements as follows: (cont'd)

(ii) Impact of adoption of MFRS 16 as at 1 January 2019 (cont'd)

The reconciliation between the operating lease commitments disclosed applying MFRS 117 at 31 December 2018 to the lease liabilities recognised at 1 January 2019 is as follows:

	At 1 January 2019 RM
Operating lease commitments disclosed as at 31 December 2018 (Note 18.2)	13,800
<u>Less:</u>	
Exemption on commitments less than 12 months from DIA	<u>(13,800)</u>
	-
Add: Lease previously classified as finance lease in MFRS 117	808,150
	-
Lease liabilities as at 1 January 2019	<u>808,150</u>

The weighted average lessee's incremental borrowing rates applied to the lease liabilities of the Group on 1 January 2019 was 3.97% per annum.

(f) MFRSs and amendments to MFRSs that have been issued but not yet effective

The following are MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group:

<u>MFRS (Including the Consequential Amendments)</u>		<u>Effective Date</u>
Amendments to MFRS 16	Covid-19 – Related Rent Concessions Beyond 30 June 2021	1 April 2021
Amendments to MFRSs	Annual Improvements to MFRSs 2018 - 2020 Cycle	1 January 2022
Amendments to MFRS 3	Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 116	Proceeds Before Intended Use	1 January 2022
Amendments to MFRS 137	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
MFRS 17 and amendments to MFRS 17	Insurance Contracts	1 January 2023

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****4. Basis of preparation (cont'd)****(f) MFRSs and amendments to MFRSs that have been issued but not yet effective (cont'd)**

The following are MFRSs and amendments to MFRSs that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective and have not been adopted by the Group: (cont'd)

<u>MFRS (Including the Consequential Amendments) (cont'd)</u>		<u>Effective Date</u>
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101	Classification of Liabilities as Current or Non-current and Disclosures of Accounting Policies	1 January 2023
Amendments to MFRS 108	Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities Arising from a Single Transaction	1 January 2023
Amendments to MFRS 10 and 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be announced

The Group plans to apply the abovementioned MFRSs and amendments to MFRSs from the beginning of the financial year where they become effective, if applicable to the Group.

The adoption of the above MFRSs and amendments to MFRSs are expected to have no material impact on the financial statements of the Group in the period of initial application.

5. Significant accounting policies

The Group applies the accounting policies set out below consistently throughout the periods presented in these combined financial statements, unless otherwise stated.

5.1 Basis of combination**(a) Combining entities**

The combined financial statements of the Group comprises the financial statements of the combining entities as disclosed in Note 3 to the combined financial statements. The financial statements used in the preparation of the combined financial statements are prepared in the same reporting date, 31 December.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entities, and are accounted for as if the Company and the combining entities are a single economic entity at the beginning of the earlier comparative period presented or, if later, at the date that common control was established.

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

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.1 Basis of combination (cont'd)

(a) Combining entities (cont'd)

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

Business combinations involving entities under common control are accounted for by applying the pooling of interest method of accounting. The assets and liabilities of the entities are reflected at their carrying amounts reported in the combined financial statements of the Group. Any difference between the consideration paid and the share capital and capital reserves of the "acquired" entity is reflected within equity as merger reserve. The statements of profit or loss and other comprehensive income reflects the results of the entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

(b) Subsidiaries and business combination

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees. Potential voting rights are considered when assessing control only when such rights are substantive.

The financial statements of subsidiaries are included in the combined financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

Other than entities under common control, the Group applies the acquisition method to account for business combinations from the acquisition date.

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

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

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

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.1 Basis of combination (cont'd)

(b) Subsidiaries and business combination (cont'd)

Where the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration is measured at its acquisition-date fair value. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured at subsequent reporting dates in accordance with MFRS 137 '*Provisions, Contingent Liabilities and Contingent Assets*', as appropriate, with the corresponding gain or loss being recognised in profit or loss.

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

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

(c) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to the common controlling shareholders of the Company and are presented separately in the combined statements of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses cause the non-controlling interest to have a deficit balance.

(d) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.1 Basis of combination (cont'd)

(e) Equity transactions with non-controlling interests

Changes in the Group's interests in a combining entities that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the combining entity. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity and attributed to the common controlling shareholders.

(f) Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the combined statements of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as a financial asset depending on the level of influence retained.

5.2 Investment in an associate

An associate is an entity over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. Dividends received or receivable from an associate are recognised as a reduction in the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interest that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in an associate includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the combined statements of comprehensive income.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's combined financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provided evidence of an impairment of the asset transferred.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.2 Investment in associate (cont'd)

When the Group ceases to equity account its associate because of a loss of significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as a financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the profit or loss.

5.3 Foreign currencies

(a) Functional and presentation currency

Items included in the financial statements of each of the entities of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The combined financial statements are presented in Ringgit Malaysia, which is the functional and presentation currency of the Company.

(b) Foreign currency transactions and balances

Transactions in foreign currencies are converted into functional currency at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of each reporting period are translated into functional currency at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost, are translated using the historical rate as of the date of acquisition, and non-monetary items, which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

(c) Foreign operations

Financial statements of foreign operations are translated at year end exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the profit or loss. All resulting translation differences are recognised as a separate component in equity.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.4 Property, plant and equipment and depreciation

All property, plant and equipment are initially measured at cost. For a purchased asset, cost comprises purchase price plus all directly attributable costs incurred in bringing the asset to its present location and condition for management's intended use. For a self-constructed asset, cost comprises all direct and indirect costs of construction (including provision for restoration and cost of major inspection) but excludes internal profits.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

All property, plant and equipment except for freehold land and capital work-in-progress, are subsequently measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Depreciation of an asset begins when it is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Freehold land has unlimited life and is not depreciated but are subject to impairment test if there is any indication of impairment. Capital work-in-progress is not depreciated until such time when the asset is available for use. All other property, plant and equipment are depreciated by allocating the depreciable amount of a significant component or of an item over the remaining useful life.

Depreciation is computed on the straight-line basis over the estimated useful lives of the assets as follows:

Leasehold lands	Over the lease period of 43 or 47 years
Buildings and improvements	Over the lease period of the lands or 50 years (2%) whichever is shorter
Plant and machinery	10% - 25%
Factory equipment and electrical installation	4% - 12.5%
Motor vehicles	12.5% - 20%
Office equipment, furniture and fittings	10% - 25%
Signboard	10%

At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (refer to Note 5.8(b) to the combined financial statements on impairment of non-financial assets).

The residual values, useful life and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consumption of the future economic benefits embodied in the items of property, plant and equipment.

Fully depreciated assets are retained in financial statements until the assets are no longer in use.

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

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are determined using first-in, first out method. The cost comprises purchase price and directly attributable costs of bringing the inventories to their present location and condition. For manufactured goods, cost includes cost of raw material, conversion costs of labour and variable and a proportion of fixed production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

5.6 Financial instruments

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

(a) Financial assets

Classification

The Group determines the classification of financial asset upon initial recognition.

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

- those to be measured at amortised cost; and
- those to be measured subsequently at fair value (either through other comprehensive income or through profit or loss).

(i) Measurement of financial asset at amortised cost

At initial recognition, the Group measures a financial asset at amortised cost at its fair value plus transactions costs that are directly attributable to the acquisition of the financial asset.

Financial assets that are debt instruments are measured at amortised cost if they are held within a business model whose objective is to collect contractual cash flows and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Subsequent to initial recognition, financial assets are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss through the amortisation process and when the financial assets are impaired or derecognised.

(ii) Measurement of financial asset subsequently at fair value

Financial assets that are debt instruments are measured at fair value through other comprehensive income (FVTOCI) if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.6 Financial instruments (cont'd)

(a) Financial assets (cont'd)

(ii) Measurement of financial asset subsequently at fair value (cont'd)

Subsequent to initial recognition, financial assets that are debt instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in other comprehensive income, except for impairment losses, exchange differences and interest income which are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

Financial assets that are debt instruments, which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL. Any gains or losses arising from the changes in fair value are recognised in profit or loss.

The Group does not have any financial assets measured at FVTOCI and FVTPL as at the end of each reporting period.

Equity instruments are classified as financial assets measured at FVTPL if they are held for trading or are designated as such upon initial recognition. Equity instruments are classified as held for trading if they are acquired principally for sale in the near term or are derivatives that do not meet the hedge accounting criteria (including separated embedded derivatives). The Group has an option to elect an irrevocable option to designate its equity instruments at initial recognition as financial assets measured at FVTOCI if the equity instruments are not held for trading.

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss for equity instruments measured at FVTPL. As for equity instruments measured at FVTOCI, any gains or losses arising from the changes in fair value are recognised in other comprehensive income and are not subsequently transferred to profit or loss.

The Group does not have any equity instrument measured at FVTPL and FVTOCI as at the end of the reporting period.

Dividend on equity instruments are recognised in profit or loss when the right to receive payment is established.

A financial asset is derecognised when the contractual right to receive cash flows from the financial asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised directly in other comprehensive income shall be recognised in profit or loss.

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or marketplace convention.

A regular way purchase or sale of financial assets shall be recognised and derecognised, as applicable, using trade date accounting.

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.6 Financial instruments (cont'd)

(b) Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and meet the definition of a financial liability.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

The Group has not designated any financial liabilities at fair value through profit or loss.

Financial liabilities classified as other financial liabilities comprises non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

Other financial liabilities are recognised initially at fair value, net of directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Gain or losses on other financial liabilities are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

Any difference between the carrying amount of financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when, and only when, there is a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

5.7 Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, cash at banks, fixed deposits with licensed banks, demand deposits, and short-term, highly liquid investments, if any, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts, and pledged deposits, if any.

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.8 Impairment

(a) Impairment of financial assets

The Group recognises an impairment loss allowance for expected credit losses on a financial asset that is measured at amortised cost.

The Group assesses at each financial year end whether there has been a significant increase in credit risk for the financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition.

In determining whether credit risk on a financial asset has increased significantly since initial recognition, the Group uses historical experience and other supportive information to assess deterioration in credit quality of a financial asset. The Group assesses whether the credit risk on a financial asset has increased significantly on an individual or collective basis. For collective basis evaluation, financial assets are grouped on the basis of similar risk characteristics.

The Group considers past loss experience and observable data such as current changes and future forecasts in economic conditions to estimate the amount of expected impairment loss. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

The amount of impairment loss (if any) is measured as the probability-weighted present value of all cash shortfalls over the expected life of the financial asset discounted at its original effective interest rate. The cash shortfall is the difference between all contractual cash flows that are due to the Group and all the cash flows that the Group expects to receive. The carrying amount of the financial asset is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance account.

The Group measures the impairment loss on financial assets other than trade receivables based on the two-step approach as follow:

(i) 12-months ECL

For a financial asset for which there is no significant increase in credit risk since initial recognition, the Group shall measure the allowance for impairment for that financial asset at an amount based on the probability of default occurring within the next 12 months considering the loss given default of that financial asset.

(ii) Lifetime ECL

For a financial asset for which there is a significant increase in credit risk since initial recognition, a lifetime ECL for that financial asset is recognised as allowance for impairment by the Group. If, in a subsequent period the significant increase in credit risk since initial recognition is no longer evident, the Group shall revert the loss allowance measurement from lifetime ECL to 12-months ECL.

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.8 Impairment (cont'd)

(a) Impairment of financial assets (cont'd)

If in a subsequent period, the credit quality improves and reverses any previously assessed significant increase in credit risk since initial recognition, then the impairment loss reverts from lifetime ECL to 12-months ECL.

For trade receivables, the Group recognises impairment loss based on simplified approach and measures impairment loss based on lifetime ECL at each reporting date until the financial assets are derecognised.

(b) Impairment of non-financial assets

The carrying amount of assets, other than those to which MFRS 136, 'Impairment of Assets' does not apply, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Goodwill that have an indefinite useful life are tested annually for impairment or more frequently if events or changes in circumstances indicate that the goodwill might be impaired.

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. Goodwill acquired in a business combination is from the acquisition date, allocate to each of the CGU or groups of CGU of the Group that are expected to benefit from the synergies of the combination giving rise to the goodwill irrespective of whether other assets or liabilities of the acquire are assigned to those units or groups of units.

Goodwill acquired in a business combination shall be tested for impairment as part of the impairment testing of CGU to which it relates. The CGU to which goodwill is allocated shall represent the lowest level within the Group at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

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

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

12. ACCOUNTANTS' REPORT (cont'd)

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Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.8 Impairment (cont'd)

(b) Impairment of non-financial assets (cont'd)

The impairment loss is recognised in profit or loss immediately.

An impairment loss on goodwill is not reversed in subsequent periods. An impairment loss for other assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

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

5.9 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sales are interrupted or completed.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

5.10 Leases

The Group as lessee

Policy applicable from 1 January 2019

The Group assesses whether a contract is or contains a lease, at inception of a contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease agreements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.10 Leases (cont'd)

The Group as lessee (cont'd)

Policy applicable from 1 January 2019 (cont'd)

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

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

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred less any incentives received.

The right-of-use asset except for capital work-in-progress, is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. Capital work-in-progress is not depreciated until such time when the asset is available for use. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the lease term or the end of the useful life of the right-of-use asset.

The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment, as follows:

Leasehold lands	Over the lease period of 43 or 47 years
Buildings and improvements	Over the remaining lease period of the lands
Plant and machinery	10% - 25%
Motor vehicles	12.5% - 20%

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

12. ACCOUNTANTS' REPORT (cont'd)

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Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.10 Leases (cont'd)

The Group as lessee (cont'd)

Policy applicable from 1 January 2019 (cont'd)

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

The Group also applies the recognition exemption to its short-term leases (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and lease of low-value assets. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

Policy applicable prior to 1 January 2019

(a) Finance lease

Finance leases, which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised, lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to the profit or loss.

Leased assets are depreciated over the estimated useful lives of the assets. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life and the lease term.

(b) Operating lease

Operating lease payments are recognised as an expense in the profit or loss on the straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis.

5.11 Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments.

Ordinary shares are recorded at the proceeds received at issuance. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim and final dividends to shareholder are recognised in equity in the period in which they are authorised for issuance.

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Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.11 Equity (cont'd)

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Group at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amounts of the assets distributed and the carrying amount of the liability in profit or loss.

All transactions with owners of the Group are recorded separately within equity.

5.12 Revenue from contracts with customers

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfers control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of tax, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract. Depending on the terms of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(a) Sales of goods

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, generally on delivery of the goods. Revenue is recognised at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods.

(b) Interest income

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

5.13 Employee benefits

(a) Short-term employee benefits

Wages, salaries, paid annual leave, bonuses and social security contributions are recognised as an expense in the year in which the associated services are rendered by employees of the Group. Short-term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plans

The Company and its subsidiaries incorporated in Malaysia make contributions to a statutory provident fund in Malaysia; and the foreign operations make contribution to their respective statutory post-employment schemes. The contributions are recognised as liabilities after deducting any contributions already paid and as expenses in the period in which the employees render their services.

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.14 Taxes

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon taxable profit and real property gains taxes payable on disposal of properties, if any.

Current income tax assets and liabilities are the expected amount to be recovered from or paid to the taxation authorities at the end of the reporting period.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

A deferred tax asset is recognised only to the extent that it is probable that taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profit.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax related to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government which have the substantive effect of actual enactment by the end of each reporting period.

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

5. Significant accounting policies (cont'd)

5.15 Earnings per ordinary share ("EPS")

Basic EPS is calculated by dividing the net profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the net profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, and the effects of all dilutive potential ordinary shares.

5.16 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker is the person or group that allocates resources and assesses the performance of the operating segments of an entity.

Segment revenue, expense, assets and liabilities are those amount resulting from the operating activities of a segment that are directly attributable to the segment and the relevant portion that can be allocated on a reasonable basis to the segment. Segment revenue, expense, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between group enterprises within a single segment.

5.17 Fair value measurement

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

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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

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5. Significant accounting policies (*cont'd*)

5.18 Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Group.

Contingent liabilities or assets are not recognised in the statements of financial position of the Group.

5.19 Related parties

A party is related to an entity (referred to as the "reporting entity") if:

- (i) A person or a close member of that person's family:
 - (a) is a member of the key management personnel of the reporting entity or of a parent of the reporting entity;
 - (b) has control or joint control over the reporting entity; or
 - (c) has significant influence over the reporting entity.
- (ii) Any one of the following condition applies:
 - (a) the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).
 - (b) either entity is an associate or joint venture of the other entity (or of a member of a group of which the other entity is a member).
 - (c) both entities are joint ventures of a third entity.
 - (d) either entity is a joint venture of a third entity and the other entity is an associate of the third entity.
 - (e) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the plan.
 - (f) the entity is controlled or jointly controlled by a person identified in (i).
 - (g) a person identified in (i)(b) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).
 - (h) the entity, or any member of a group of which it is part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.
- (iii) Directly, or indirectly through one or more intermediaries, the party:
 - (a) controls, is controlled by, or is under common control with, the Company (this includes parents, subsidiaries, fellow subsidiaries and fellow associates and joint ventures);
 - (b) has an interest in the entity that gives it significant influence over the entity; or
 - (c) has joint control over the entity.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)**5. Significant accounting policies (cont'd)****5.19 Related parties (cont'd)**

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

Close members of the family of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with entity and include:

- (i) that person's children and spouse or domestic partner;
- (ii) children of that person's spouse or domestic partner; and
- (iii) dependants of that person or that person's spouse or domestic partner.

5.20 Current versus non-current classification

Assets and liabilities in statement of financial position are presented based on current/non-current classification. An asset is current when it is:

- (i) Expected to be realised or intended to sold or consumed in normal operating cycle;
- (ii) Held primarily for the purpose of trading;
- (iii) Expected to be realised within twelve months after the reporting period; or
- (iv) Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at twelve months after the reporting period.

All other assets are classified as non-current. A liability is current when:

- (i) It is expected to be settled in normal operating cycle;
- (ii) It is held primarily for the purpose of trading;
- (iii) It is due to be settled within twelve months after the reporting period; or
- (iv) There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other liabilities are classified as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)**6. Significant accounting judgements and estimates**

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than those disclosed below.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

(a) Inventories costing

In determining the costing of inventories, management's judgement is required in determining the basis of valuation for finished goods and work-in-progress which comprise costs of raw materials, direct labour, other direct costs, and the appropriate allocation of overheads based on normal operating capacity.

(b) Written-down of inventories

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

(c) Impairment of trade receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

(d) Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its undertaking of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the year in which such determination is made.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

7. Property, plant and equipment

	Freehold lands RM	Leasehold lands RM	Buildings and improvements RM	Plant and machinery RM	Factory equipment and electrical installation RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Signboard RM	Capital work-in-progress RM	Total RM
Cost										
At 1 January 2018	236,667	2,834,952	7,180,294	7,593,230	580,618	2,884,411	790,637	10,044	-	22,110,853
Additions	-	-	-	16,000	94,035	353,642	33,617	-	-	497,294
Disposals	-	-	-	-	-	(200,388)	-	-	-	(200,388)
Written off	-	-	(750)	-	(5,492)	-	(32,855)	-	-	(39,097)
At 31 December 2018/ 1 January 2019	236,667	2,834,952	7,179,544	7,609,230	669,161	3,037,665	791,399	10,044	-	22,368,662
Effect on adoption of MFRS 16 (Note 4(e)(iii), (ii))	-	(2,834,952)	(6,345,914)	(1,096,692)	-	(1,242,608)	-	-	-	(11,520,166)
At 1 January 2019, restated	236,667	-	833,630	6,512,538	669,161	1,795,057	791,399	10,044	-	10,848,496
Additions	-	-	-	234,752	452,924	125,927	298,891	2,680	-	1,115,174
Transfer from right-of-use assets (Note 8)	-	-	-	1,096,692	-	229,530	-	-	-	1,326,222
Disposals	-	-	-	-	-	(325,144)	-	-	-	(325,144)
Written off	-	-	-	-	(3,145)	(105,030)	(1,860)	(2,188)	-	(112,223)
Exchange differences	-	-	-	(7)	(70)	(379)	(306)	-	-	(762)
At 31 December 2019/ 1 January 2020	236,667	-	833,630	7,843,975	1,118,870	1,719,961	1,088,124	10,536	-	12,851,763

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

7. Property, plant and equipment (cont'd)

	Freehold lands RM	Leasehold lands RM	Buildings and improvements RM	Plant and machinery RM	Factory equipment and electrical installation RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Signboard RM	Capital work-in-progress RM	Total RM
Cost (cont'd)										
At 31 December 2019/ 1 January 2020	236,667	-	833,630	7,843,975	1,118,870	1,719,961	1,088,124	10,536	-	12,851,763
Additions	-	-	-	1,410,288	399,456	156,181	201,658	-	-	2,167,583
Transfer from right-of-use assets (Note 8)	-	-	-	-	-	417,480	-	-	-	417,480
Disposals	-	-	-	-	-	(935,357)	-	-	-	(935,357)
Disposal of a subsidiary	-	-	-	(83,744)	-	(65,943)	(38,928)	-	-	(188,615)
Written off	-	-	-	-	-	-	(2,590)	-	-	(2,590)
Exchange differences	-	-	-	(73)	(629)	(2,725)	(2,364)	-	-	(5,791)
At 31 December 2020/ 1 January 2021	236,667	-	833,630	9,170,446	1,517,697	1,289,597	1,245,900	10,536	-	14,304,473
Additions	-	-	-	1,430,161	154,388	165,336	65,629	-	3,172,401	4,987,915
Transfer from right-of-use assets (Note 8)	-	-	-	725,004	-	120,800	-	-	-	845,804
Disposals	-	-	-	(2,259)	-	(184,427)	(21,790)	-	-	(208,476)
Written off	-	-	-	(250,595)	(20,288)	-	(27,228)	-	-	(298,111)
Exchange differences	-	-	-	(2,794)	280	-	358	-	-	(2,156)
At 31 December 2021	236,667	-	833,630	11,069,963	1,652,077	1,391,306	1,262,869	10,536	3,172,401	19,629,449

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

7. Property, plant and equipment (cont'd)

	Freehold lands RM	Leasehold lands RM	Buildings and improvements RM	Plant and machinery RM	Factory equipment and electrical installation RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Signboard RM	Capital work-in-progress RM	Total RM
Accumulated depreciation										
At 1 January 2018	-	427,530	615,346	4,746,937	337,278	2,189,085	411,793	6,225	-	8,734,194
Charge for the year	-	62,070	163,669	553,910	64,367	297,886	68,287	785	-	1,210,974
Disposals	-	-	-	-	-	(200,386)	-	-	-	(200,386)
Written off	-	-	(114)	-	(549)	-	(25,919)	-	-	(26,582)
At 31 December 2018/ 1 January 2019	-	489,600	778,901	5,300,847	401,096	2,286,585	454,161	7,010	-	9,718,200
Effect on adoption of MFRS 16 (Note 4(e)(iii), (ii))	-	(489,600)	(650,369)	(329,007)	-	(636,675)	-	-	-	(2,105,651)
At 1 January 2019, restated	-	-	128,532	4,971,840	401,096	1,649,910	454,161	7,010	-	7,612,549
Charge for the year	-	-	16,672	567,163	83,439	63,199	90,147	860	-	821,480
Transfer from right-of-use assets (Note 8)	-	-	-	329,007	-	91,812	-	-	-	420,819
Disposals	-	-	-	-	-	(325,141)	-	-	-	(325,141)
Written off	-	-	-	-	(3,044)	(42,012)	(1,856)	(2,186)	-	(49,098)
Exchange differences	-	-	-	-	-	(13)	(7)	-	-	(20)
At 31 December 2019/ 1 January 2020	-	-	145,204	5,868,010	481,491	1,437,755	542,445	5,684	-	8,480,589

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

7. Property, plant and equipment (cont'd)

	Freehold lands RM	Leasehold lands RM	Buildings and improvements RM	Plant and machinery RM	Factory equipment and electrical installation RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Signboard RM	Capital work-in-progress RM	Total RM
Accumulated depreciation (cont'd)										
At 31 December 2019/ 1 January 2020	-	-	145,204	5,868,010	481,491	1,437,755	542,445	5,684	-	8,480,589
Charge for the year	-	-	16,673	515,981	87,907	69,669	95,418	898	-	786,546
Transfer from right-of-use assets (Note 8)	-	-	-	-	-	417,477	-	-	-	417,477
Disposals	-	-	-	-	-	(868,057)	-	-	-	(868,057)
Disposal of a subsidiary	-	-	-	(2,380)	-	(5,628)	(2,440)	-	-	(10,448)
Written off	-	-	-	-	-	-	(1,673)	-	-	(1,673)
Exchange differences	-	-	-	(44)	(10)	(151)	(116)	-	-	(321)
At 31 December 2020/ 1 January 2021	-	-	161,877	6,381,567	569,388	1,051,065	633,634	6,582	-	8,804,113
Charge for the year	-	-	16,672	721,683	89,638	96,825	103,291	897	-	1,029,006
Transfer from right-of-use assets (Note 8)	-	-	-	42,292	-	26,425	-	-	-	68,717
Disposals	-	-	-	(1,063)	-	(90,051)	(9,027)	-	-	(100,141)
Written off	-	-	-	(250,593)	(4,227)	-	(23,808)	-	-	(278,628)
Exchange differences	-	-	-	(3,276)	35	-	93	-	-	(3,148)
At 31 December 2021	-	-	178,549	6,890,610	654,834	1,084,264	704,183	7,479	-	9,519,919

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

7. Property, plant and equipment (cont'd)

	Freehold lands RM	Leasehold lands RM	Buildings and improvements RM	Plant and machinery RM	Factory equipment and electrical installation RM	Motor vehicles RM	Office equipment, furniture and fittings RM	Signboard RM	Capital work-in-progress RM	Total RM
Net carrying amounts										
At 31 December 2021	236,667	-	655,081	4,179,353	997,243	307,042	558,686	3,057	3,172,401	10,109,530
At 31 December 2020	236,667	-	671,753	2,788,879	948,309	238,532	612,266	3,954	-	5,500,360
At 31 December 2019	236,667	-	688,426	1,975,965	637,379	282,206	545,679	4,852	-	4,371,174
At 1 January 2019	236,667	-	705,098	1,540,698	268,065	145,147	337,238	3,034	-	3,235,947
At 31 December 2018	236,667	2,345,352	6,400,643	2,308,383	268,065	751,080	337,238	3,034	-	12,650,462

(a) Security

Certain lands and buildings of the Group with the carrying amount of RM299,200 (2020: RM306,000; 2019: RM312,800; 2018: RM7,044,251) have been pledged as security for bank borrowings obtained from a licensed bank as disclosed in Note 17 to the combined financial statements.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad
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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

8. Right-of-use assets

Cost	Leasehold lands RM	Buildings and improvements RM	Rented properties RM	Plant and machinery RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At 1 January 2019	-	-	-	-	-	-	-
Effect on adoption of MFRS 16 (Note 4(e)(iii), (ii))	2,834,952	6,345,914	-	1,096,692	1,242,608	-	11,520,166
At 1 January 2019, restated	2,834,952	6,345,914	-	1,096,692	1,242,608	-	11,520,166
Additions	-	-	224,498	-	319,024	-	543,522
Transfer to property, plant and equipment (Note 7)	-	-	-	(1,096,692)	(229,530)	-	(1,326,222)
Exchange differences	-	-	(536)	-	(416)	-	(952)
At 31 December 2019/ 1 January 2020	2,834,952	6,345,914	223,962	-	1,331,686	-	10,736,514
Additions	-	33,210	-	725,004	889,332	81,505	1,729,051
Transfer to property, plant and equipment (Note 7)	-	-	-	-	(417,480)	-	(417,480)
Disposal of a subsidiary	-	-	(52,671)	-	-	-	(52,671)
Exchange differences	-	-	(8,932)	-	(3,749)	-	(12,681)
At 31 December 2020/ 1 January 2021	2,834,952	6,379,124	162,359	725,004	1,799,789	81,505	11,982,733
Additions	-	163,510	103,437	-	-	-	266,947
Reclassification	-	81,505	-	-	-	(81,505)	-
Transfer to property, plant and equipment (Note 7)	-	-	-	(725,004)	(120,800)	-	(845,804)
Reversal	-	-	(163,227)	-	-	-	(163,227)
Exchange differences	-	-	868	-	1,666	-	2,534
At 31 December 2021	2,834,952	6,624,139	103,437	-	1,680,655	-	11,243,183

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

8. Right-of-use assets (cont'd)

	Leasehold lands RM	Buildings and improvements RM	Rented properties RM	Plant and machinery RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Accumulated amortisation							
At 1 January 2019	-	-	-	-	-	-	-
Effect on adoption of MFRS 16 (Note 4(e)(iii),(ii))	489,600	650,369	-	329,007	636,675	-	2,105,651
At 1 January 2019, restated	489,600	650,369	-	329,007	636,675	-	2,105,651
Charge for the year	62,070	146,996	25,253	-	270,511	-	504,830
Transfer to property, plant and equipment (Note 7)	-	-	-	(329,007)	(91,812)	-	(420,819)
Exchange differences	-	-	(53)	-	(13)	-	(66)
At 31 December 2019/ 1 January 2020	551,670	797,365	25,200	-	815,361	-	2,189,596
Charge for the year	62,070	147,123	61,592	42,292	238,200	-	551,277
Transfer to property, plant and equipment (Note 7)	-	-	-	-	(417,477)	-	(417,477)
Disposal of a subsidiary	-	-	(9,754)	-	-	-	(9,754)
Exchange differences	-	-	(641)	-	(177)	-	(818)
At 31 December 2020/ 1 January 2021	613,740	944,488	76,397	42,292	635,907	-	2,312,824
Charge for the year	62,070	153,242	49,063	-	322,745	-	587,120
Transfer to property, plant and equipment (Note 7)	-	-	-	(42,292)	(26,425)	-	(68,717)
Reversal	-	-	(113,073)	-	-	-	(113,073)
Exchange differences	-	-	542	-	260	-	802
At 31 December 2021	675,810	1,097,730	12,929	-	932,487	-	2,718,956

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

8. Right-of-use assets (cont'd)

	Leasehold lands RM	Buildings and improvements RM	Rented properties RM	Plant and machinery RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Net carrying amounts							
At 31 December 2021	2,159,142	5,526,409	90,508	-	748,168	-	8,524,227
At 31 December 2020	2,221,212	5,434,636	85,962	682,712	1,163,882	81,505	9,669,909
At 31 December 2019	2,283,282	5,548,549	198,762	-	516,325	-	8,546,918
At 1 January 2019	2,345,352	5,695,545	-	767,685	605,933	-	9,414,515

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

8. Right-of-use assets (cont'd)

(a) Security

The leasehold land and building with net carrying amount of RM6,473,218 (2020: RM6,408,878; 2019: RM6,550,223) were pledged as security for bank borrowings obtained from a licensed bank as disclosed in Note 17 to the combined financial statements.

(b) Extension options

Certain rented properties contain extension options exercisable by the Group between 1 to 2 years before the end of the non-cancellable contract period. The extension options held are exercisable only by the Group and not by the lessors. The Group had included the extension options at the lease commencement date as it is reasonably certain to exercise the extension options.

9. Investment in an associate

	2021 RM	2020 RM	2019 RM	2018 RM
Unquoted shares at cost	129,870	129,870	-	-
Share of post-acquisition profits and reserves	322,037	90,776	-	-
	<u>445,963</u>	<u>220,646</u>	<u>-</u>	<u>-</u>

Name	Principal place of business	Effective equity interest (%)				Principal activity
		2021	2020	2019	2018	
Yew Lee Thailand ⁽¹⁾	Thailand	45	45	-	-	Distribution of industrial brushes

⁽¹⁾ Audited by a member of Ecovis International, which is separate and independent legal entity from Ecovis Malaysia PLT.

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

9. Investment in an associate (cont'd)

The summarised financial information of the associate, not adjusted for the proportion of ownership interest held by the Group, is as follows:

	2021 RM	2020 RM
Assets and liabilities		
Non-current assets	203,175	158,410
Current assets	2,131,439	1,388,549
Total assets	<u>2,334,614</u>	<u>1,546,959</u>
Non-current liabilities	4,219	9,636
Current liabilities	1,402,497	1,054,261
Total liabilities	<u>1,406,716</u>	<u>1,063,897</u>
Net assets	<u>927,898</u>	<u>483,062</u>
	01.01.2021 to 31.12.2021	28.03.2020 to 31.12.2020
	RM	RM
Results		
Revenue	4,878,206	2,769,019
Profit for the year	497,701	457,728
Total comprehensive income for the year	<u>444,837</u>	<u>457,123</u>
	2021 RM	2020 RM
Share of net assets of the Group @ 45%	417,554	217,378
Elimination of unrealised profits	(89,789)	(114,930)
Goodwill arising from acquisition	118,198	118,198
Carrying amount in the combined statements of financial position	<u>445,963</u>	<u>220,646</u>

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

10. Inventories

	2021	2020	2019	2018
	RM	RM	RM	RM
<u>At cost:</u>				
Raw materials	5,126,906	2,701,980	3,672,722	3,100,884
Packing materials	62,347	149,746	62,149	-
Work-in-progress	425,563	451,378	231,143	-
Finished goods	694,733	805,622	605,933	646,093
Trading goods	563,550	597,488	455,371	341,853
	<u>6,873,099</u>	<u>4,706,214</u>	<u>5,027,318</u>	<u>4,088,830</u>
<u>Recognised in profit or loss:</u>				
Inventories recognised as cost of sales	23,148,913	19,715,799	14,699,692	14,038,268
Inventories written down	43,401	285,905	119,002	-
Inventories written back	(133,444)	(20,405)	-	-

The inventories written down and written back is included in cost of sales.

11. Trade receivables

	2021	2020	2019	2018
	RM	RM	RM	RM
Trade receivables				
Gross amount	9,173,239	8,951,526	7,067,973	7,099,358
Less: Accumulated impairment losses	(13,025)	(19,025)	(107,039)	(107,039)
	<u>9,160,214</u>	<u>8,932,501</u>	<u>6,960,934</u>	<u>6,992,319</u>

(a) Movement in accumulated impairment losses on trade receivables are as follow:

	2021	2020	2019	2018
	RM	RM	RM	RM
At 1 January	19,025	107,039	107,039	-
Impairment during the year (Note 24)	-	19,025	-	107,039
Written off during the year	-	(107,039)	-	-
Reversal during the year	(6,000)	-	-	-
At 31 December	<u>13,025</u>	<u>19,025</u>	<u>107,039</u>	<u>107,039</u>

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****11. Trade receivables (cont'd)**

- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group ranges from 30 to 90 days (2020: 30 to 90 days; 2019: 30 to 90 days; 2018: 30 to 90 days). Other credit terms are assessed and approved on a case-by-case basis. They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Included in trade receivables of the Group as at 31 December 2021 is an amount of RM1,287,166 (2020: RM908,247; 2019: Nil; 2018: Nil) owing by an associate of YLPM, which has been fully repaid as of the date of this report.
- (d) The currency exposure profile of trade receivables are disclosed in Note 30.3(a)(i) to the combined financial statements.
- (e) The Group's credit risk and ageing analysis are disclosed in Note 30.3(b) to the combined financial statements.

12. Other receivables, deposits and prepayments

	2021 RM	2020 RM	2019 RM	2018 RM
Other receivables	18,874	49,395	17,648	305
Deposits	15,530	46,390	232,815	15,260
Prepayments	536,664	375,959	206,163	40,885
	<u>571,068</u>	<u>471,744</u>	<u>456,626</u>	<u>56,450</u>

13. Fixed deposits with licensed banks

Fixed deposits with licensed banks at the end of each reporting year have a maturity period between 178 and 365 days (2020: 364 and 365 days; 2019: 366 days; 2018: 365 days) and have an effective interest rate of 2.20% (2020: 1.87%; 2019: 3.85%; 2018: 4.28%) per annum.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

14. Share capital and invested equity

(a) Share capital

	2021	
	No. of shares	RM
<u>Issued and fully paid:</u>		
At the beginning of financial year	-	-
Issuance of shares*	100	100
At the end of financial year	<u>100</u>	<u>100</u>

* As disclosed in Note 4 to the combined financial statements, the financial statements of the Company had not been included in the combined financial statements for the financial year ended 31 December 2020 as the Company was only incorporated on 10 November 2020 to facilitate the Listing. The assets, liabilities, income and expenses of the Company for the financial period ended 31 December 2020 are insignificant relative to those of the Group.

The Company's financial statements are included in the combined financial statements for the financial year ended 31 December 2021. The RM100 issuance of shares above is the Company's subscriber shares on the incorporation of the Company.

(b) Invested equity

	2021	2020	2019	2018
Number of ordinary shares (units)				
<u>Issued and fully paid:</u>				
At the beginning and end of financial year	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>
Ordinary shares (RM)				
<u>Issued and fully paid:</u>				
At the beginning and end of financial year	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>	<u>350,000</u>

For the purpose of these combined financial statements, the invested equity at the end of the respective financial years are the aggregate of the share capital of YLPM and YLPH.

15. Retained earnings

The retained earnings of the Group is available for distributions by way of cash dividends or dividends in specie. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences to the Group that would result from the payment of dividends to shareholders. The dividends would not be taxable in the hands of the shareholders.

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****16. Non-controlling interests**

The summarised financial information of non-controlling interest for PT Yew Lee Indonesia has not been presented as the non-controlling interest of the subsidiary is not individually material to the Group.

17. Bank borrowings

	Note	2021 RM	2020 RM	2019 RM	2018 RM
Non-current					
<u>Secured:</u>					
Term loan I		4,065,516	4,218,230	4,404,791	4,498,991
Term loan II		150,550	161,211	173,078	181,097
Term loan III		1,151,185	-	-	-
Term loan IV		2,568,251	-	-	-
		<u>7,935,502</u>	<u>4,379,441</u>	<u>4,577,869</u>	<u>4,680,088</u>
Current					
<u>Secured:</u>					
Term loan I		152,964	147,763	86,787	71,423
Term loan II		10,608	10,266	7,707	6,963
Term loan III		65,935	-	-	-
Term loan IV		128,777	-	-	-
Banker's acceptance		-	-	235,000	-
		<u>358,284</u>	<u>158,029</u>	<u>329,494</u>	<u>78,386</u>
Total bank borrowings					
Term loan I	17.1	4,218,480	4,365,993	4,491,578	4,570,414
Term loan II	17.1	161,158	171,477	180,785	188,060
Term loan III	17.1	1,217,120	-	-	-
Term loan IV	17.1	2,697,028	-	-	-
Banker's acceptance	17.2	-	-	235,000	-
		<u>8,293,786</u>	<u>4,537,470</u>	<u>4,907,363</u>	<u>4,758,474</u>
Maturity of borrowings					
- Not later than one year		358,284	158,029	329,494	78,386
- More than one year to five years		1,566,755	689,605	425,630	354,580
- More than five years		6,368,747	3,689,836	4,152,239	4,325,508
		<u>8,293,786</u>	<u>4,537,470</u>	<u>4,907,363</u>	<u>4,758,474</u>

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

17. Bank borrowings (cont'd)

17.1 Term loans

Term loan I

Term loan I is secured by the following:

- (i) 1st party legal charges over a piece of leasehold land and a factory building of the Group as disclosed in Note 8 to the combined financial statements; and
- (ii) Joint and several guarantees provided by certain Directors of the Group.

Term loan I bears effective interest rate at 3.47% (2020: 3.47%; 2019: 4.72%; 2018: 4.97%) per annum, and is repayable by 360 monthly instalments of RM24,744 each, with adjustments made to the last instalments, commencing August 2016.

Term loan II

Term loan II is secured by the following:

- (i) 1st party charge over a freehold building of the Group as disclosed in Note 7 to the combined financial statements; and
- (ii) Joint and several guarantees provided by certain Directors of the Group.

Term loan II bears effective interest rates at 3.27% (2020: 3.27%; 2019: 4.52%; 2018: 4.77%) per annum, and is repayable by 240 monthly instalments of RM1,310 each, with adjustments made to the last instalments, commencing June 2016.

Term loan III

Term loan III is secured by the following:

- (i) Joint and several guarantees provided by certain Directors of the Group.

Term loan III bears effective interest rates at 3.40% (2020: Nil; 2019: Nil; 2018: Nil) per annum, and is repayable by 180 monthly instalments of RM9,053 each, with adjustments made to the last instalments, commencing February 2021.

Term loan IV

Term loan IV is secured by the following:

- (i) 1st party charge over a building under construction of the Group as disclosed in Note 7 to the combined financial statements; and
- (ii) Joint and several guarantees provided by certain Directors of the Group.

Term loan IV bears effective interest rates at 3.17% (2020: Nil; 2019: Nil; 2018: Nil) per annum, and is repayable by 240 monthly instalments of RM17,701 each, with adjustments made to the last instalments, commencing July 2021.

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

17. Bank borrowings (cont'd)

17.2 Banker's acceptance

Banker's acceptance is secured by the following:

- (i) 1st party legal charges over a piece of leasehold land of the Group as disclosed in Note 8 to the combined financial statements; and
- (ii) Joint and several guarantees by certain Directors of the Group.

Banker's acceptance bears an effective interest rate of Nil (2020: Nil; 2019: 3.77%; 2018: Nil) per annum.

As of the date of this report, the Group has received conditional approval from the relevant financiers to discharge the personal guarantee provided by certain Directors, subject to the fulfillment of certain terms and conditions imposed by the financiers.

18. Leases

18.1 Lease liabilities

	(Under MFRS 16) 2021 RM	(Under MFRS 16) 2020 RM	(Under MFRS 16) 2019 RM	(Under MFRS 117) 2018 RM
At 1 January	1,512,949	719,660	808,150	1,235,320
New lease liabilities in the year	103,437	1,175,920	460,807	192,000
Lease interest (Note 23)	49,338	52,634	33,492	60,882
<u>Less:</u>				
Lease payments	(826,561)	(379,914)	(582,038)	(680,052)
Disposal of a subsidiary	-	(49,292)	-	-
Reversal	(52,649)	-	-	-
Exchange differences	714	(6,059)	(751)	-
At 31 December	787,228	1,512,949	719,660	808,150

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

18. Lease (cont'd)

18.1 Lease liabilities (cont'd)

	(Under MFRS 16) 2021 RM	(Under MFRS 16) 2020 RM	(Under MFRS 16) 2019 RM	(Under MFRS 117) 2018 RM
Future lease payments payables:				
- Not later than one year	330,757	563,605	301,538	486,023
- More than one to five years	510,626	1,056,252	478,805	375,713
Total future minimum lease payments	841,383	1,619,857	780,343	861,736
Less: Future finance charges	(54,155)	(106,908)	(60,683)	(53,586)
Present value of minimum lease payments	787,228	1,512,949	719,660	808,150
Payments due within 12 months, presented as current	(302,018)	(510,738)	(268,008)	(459,262)
Non-current portion of lease liabilities	485,210	1,002,211	451,652	348,888
Present value of lease liabilities				
- Not later than one year	302,018	510,738	268,008	459,262
- More than one to five years	485,210	1,002,211	451,652	348,888
	787,228	1,512,949	719,660	808,150

(a) The net carrying amount of property, plant and equipment and right-of-use assets of the Group under lease liabilities arrangements at the end of each reporting period are as follow:

	2021 RM	2020 RM	2019 RM	2018 RM
Property, plant and equipment				
- Plant and machinery	N/A	N/A	N/A	767,685
- Motor vehicles	N/A	N/A	N/A	605,933
Right-of-use assets				
- Plant and machinery	-	682,712	-	N/A
- Rented properties	90,508	85,962	198,762	N/A
- Motor vehicles	748,168	1,163,882	516,325	N/A

(b) The Group has lease contracts for rented properties as disclosed in Note 8 to the combined financial statements with lease terms of 1 to 2 years and include extension options.

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****18. Lease (cont'd)****18.1 Lease liabilities (cont'd)**

- (c) The lease liabilities bear weighted average effective interest rate at 2.61% (2020: 3.40%; 2019: 3.65%; 2018: 3.97%) per annum.
- (d) Lease liabilities of the Group amounted to RM695,972 (2020: RM1,447,937; 2019: RM514,974; 2018: RM808,150) are secured by the Group's motor vehicles, plant and machineries and personal guarantees by certain Directors of the Group. As of the date of this report, the Group has received conditional approval from the relevant financiers to discharge the personal guarantee provided by certain Directors, subject to the fulfillment of certain terms and conditions imposed by the financiers.

18.2 Operating lease commitments

In year 2018, the Group leases property under operating lease agreement. The commitment for future lease payments under operating lease rentals as follows:

	2018 RM
Not more than one year	<u>13,800</u>

19. Deferred tax liabilities

	<i>Deferred tax liabilities</i> Property, plant and equipment and right- of-use assets RM	<i>Deferred tax assets</i> Inventories RM	<i>Intragroup unrealised profit</i> RM	Total RM
At 1 January 2018	488,500	-	-	488,500
Recognised in profit or loss (Note 25)	124,400	-	-	124,400
At 31 December 2018/ 1 January 2019	612,900	-	-	612,900
Recognised in profit or loss (Note 25)	-	-	(32,852)	(32,852)
At 31 December 2019/ 1 January 2020	612,900	-	(32,852)	580,048
Recognised in profit or loss (Note 25)	241,078	(76,228)	(40,593)	124,257
At 31 December 2020/ 1 January 2021	853,978	(76,228)	(73,445)	704,305
Recognised in profit or loss (Note 25)	141,664	5,558	30,584	177,806
At 31 December 2021	<u>995,642</u>	<u>(70,670)</u>	<u>(42,861)</u>	<u>882,111</u>

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****19. Deferred tax liabilities (cont'd)**

Present after appropriate offsetting as follows:

	2021 RM	2020 RM	2019 RM	2018 RM
Deferred tax assets	(113,531)	(149,673)	(32,852)	-
Deferred tax liabilities	995,642	853,978	612,900	612,900
	<u>882,111</u>	<u>704,305</u>	<u>580,048</u>	<u>612,900</u>

20. Trade payables

Trade payables of the Group is non-interest bearing and the normal trade credit terms granted ranges from 30 to 90 days (2020: 30 to 90 days; 2019: 30 to 90 days; 2018: 30 to 90 days).

The currency exposure profile of trade payables are disclosed in Note 30.3(a)(i) to the combined financial statements.

21. Other payables and accruals

	2021 RM	2020 RM	2019 RM	2018 RM
Other payables	781,053	101,633	41,383	65,503
Accruals	844,142	720,379	491,977	740,793
Advances received	691,053	1,271,992	-	-
	<u>1,505,195</u>	<u>2,094,004</u>	<u>533,360</u>	<u>806,296</u>

22. Revenue

	2021 RM	2020 RM	2019 RM	2018 RM
Sales of goods:				
Manufacturing segment	31,993,670	27,477,538	18,559,849	17,922,780
Trading segment	13,576,496	14,584,071	10,797,516	10,041,447
	<u>45,570,166</u>	<u>42,061,609</u>	<u>29,357,365</u>	<u>27,964,227</u>
Less: Inter-segment revenue	(45,010)	(87,508)	(149,226)	(150,888)
Revenue from external customers	<u>45,525,156</u>	<u>41,974,101</u>	<u>29,208,139</u>	<u>27,813,339</u>
Timing of revenue recognition:				
Goods transferred at a point in time	<u>45,525,156</u>	<u>41,974,101</u>	<u>29,208,139</u>	<u>27,813,339</u>

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

23. Finance costs

	2021 RM	2020 RM	2019 RM	2018 RM
Banker's acceptance interest	-	1,219	2,865	1,322
Lease liabilities interest	49,338	52,634	33,492	60,882
Term loans interest	227,580	177,655	226,537	260,931
	<u>276,918</u>	<u>231,508</u>	<u>262,894</u>	<u>323,135</u>

24. Profit before tax

Other than as disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit before tax:

	2021 RM	2020 RM	2019 RM	2018 RM
Auditors' remuneration				
Statutory audit				
- Current	51,700	44,921	29,408	14,000
- Overprovision in prior year	-	-	-	(2,000)
Amortisation of right-of-use assets (a)	587,120	551,277	504,830	-
Bad debt written off	-	1,600	-	-
Depreciation of property, plant and equipment (a)	1,029,006	786,546	821,480	1,210,974
Impairments on trade receivables (Note 11)	-	19,025	-	107,039
(Decrease)/Increase in provision for employee retirement benefits obligation	(15,607)	2,330	18,153	-
Property, plant and equipment written off	19,483	917	63,125	12,515
Lease expenses:				
- Rental of premise	580	-	-	27,000
- Short-term lease	-	-	13,800	-
- Low-value asset	2,000	1,800	2,100	-
Staff costs (a),(b)	4,691,853	3,981,034	3,233,750	2,633,130
Fixed deposits interest income	(183,712)	(92,227)	(60,344)	(62,249)
Other interest income	(296)	(9,097)	(7,172)	-
Gain on disposal of property, plant and equipment	(11,474)	(74,200)	(80,497)	(45,998)

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

24. Profit before tax (cont'd)

Other than as disclosed elsewhere in the financial statements, the following amounts have been included in arriving at profit before tax: (cont'd)

	2021 RM	2020 RM	2019 RM	2018 RM
(Gain)/loss on foreign exchange:				
- Realised	(559,211)	(131,891)	(232,464)	(302,081)
- Unrealised	32,270	(16,200)	(1,228)	(22,047)
Gain on disposal of a subsidiary	-	(244,349)	-	-
Gain on termination of a lease	(2,495)	-	-	-
Insurance compensation received	-	(5,595)	(85,608)	(10,960)
Reversal of impairment on trade Receivables (Note 11)	(6,000)	-	-	-
(a)				
<u>Expenses charged to cost of sales:</u>				
Amortisation of right-of-use assets	215,313	251,485	209,066	-
Depreciation of property, plant and equipment	812,570	566,878	618,490	795,285
Staff costs:				
- Salaries, allowances, bonus and wages	1,966,993	1,807,931	1,659,574	1,289,974
- Defined contribution plan	102,611	77,714	90,689	61,712
- Social security contribution	26,329	26,094	19,962	10,264
- Other employment benefits	7,955	4,555	8,701	5,887
<u>Expenses charged to administrative expenses:</u>				
Amortisation of right-of-use assets	371,807	299,792	295,764	-
Depreciation of property, plant and equipment	216,436	219,668	202,990	415,689
Staff costs:				
- Salaries, allowances, bonus and wages [^]	2,156,933	1,725,749	1,268,746	1,079,335
- Defined contribution plan	282,674	225,959	152,860	139,223
- Social security contribution	30,350	27,268	18,617	17,321
- Employment contribution scheme	3,428	-	-	-
- Other employment benefits	114,580	85,764	14,601	29,414

[^] After netting of wages subsidy received from Malaysia's Social Security Organisation amounted to RM28,200 (2020: RM90,000; 2019: Nil; 2018: Nil).

(b) Staff costs include other key management personnel (exclude Directors) and is disclosed in Note 29.3 to the combined financial statements.

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****25. Tax expenses**

	2021 RM	2020 RM	2019 RM	2018 RM
Income tax				
Malaysian income tax	2,654,586	3,053,957	1,578,519	1,402,000
Foreign income tax	-	256	-	-
(Over)/Underprovision in prior years	(362,858)	(20,418)	3,598	(30,386)
	<u>2,291,728</u>	<u>3,033,795</u>	<u>1,582,117</u>	<u>1,371,614</u>
Deferred tax (Note 19)				
Relating to origination and reversal of temporary differences	177,806	129,557	(32,852)	124,400
Overprovision in prior year	-	(5,300)	-	-
	<u>177,806</u>	<u>124,257</u>	<u>(32,852)</u>	<u>124,400</u>
	<u>2,469,534</u>	<u>3,158,052</u>	<u>1,549,265</u>	<u>1,496,014</u>

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

	2021 RM	2020 RM	2019 RM	2018 RM
Profit before tax	<u>12,582,470</u>	<u>13,540,488</u>	<u>6,744,644</u>	<u>6,577,766</u>
Malaysian statutory tax rate of 24%	3,019,793	3,249,717	1,618,715	1,578,664
Tax effect in respect of:				
Non-deductible expenses	93,771	238,633	139,136	67,096
Non-taxable income	(30,751)	(126,948)	(48,584)	-
Current year tax incentive claimed	(166,421)	(81,600)	(93,600)	(59,360)
Differential in tax rate for:				
- small and medium companies in Malaysia	(84,000)	(84,000)	(70,000)	(60,000)
- foreign jurisdictions	-	(12,032)	-	-
(Over)/Underprovision in prior years:				
- income tax	(362,858)	(20,418)	3,598	(30,386)
- deferred tax	-	(5,300)	-	-
	<u>2,469,534</u>	<u>3,158,052</u>	<u>1,549,265</u>	<u>1,496,014</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%; 2019: 24%; 2018: 24%) of the estimated taxable profits for the fiscal years. Tax expenses for the foreign operations are calculated at the rate prevailing in their respective jurisdictions.

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

26. Earnings per share

	2021	2020	2019	2018
(a) Basic				
Profit for the financial year attributable to common controlling shareholders of the combining entities (RM)	10,116,348	10,382,436	5,195,379	5,081,752
Weighted average number of ordinary shares in issue (including invested equity) (Unit)	350,100	350,000	350,000	350,000
Basic earning per share (RM)	28.90	29.66	14.84	14.52

(b) Diluted

The diluted earnings per ordinary share equal basic earnings per ordinary share because there were no potential dilutive ordinary shares as at the end of the reporting period.

27. Dividends

	2021 RM	2020 RM	2019 RM	2018 RM
Single tier dividend of Nil (2020: RM50; 2019: RM20; 2018: RM20) per ordinary shares recognised in YLPM in respect of:				
- Financial year ended 31 December 2020 (paid on 31 December 2020, 15 January 2021 and 3 February 2021)	-	5,000,000	-	-
- Financial year ended 31 December 2019 (paid on 13 January 2020 and 1 June 2020)	-	-	2,000,000	-
- Financial year ended 31 December 2018 (paid on 16 January 2019)	-	-	-	2,000,000
	-	5,000,000	2,000,000	2,000,000

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****28. Bank guarantees**

	2021 RM	2020 RM	2019 RM	2018 RM
Bank guarantees issued to utility supplier	<u>40,000</u>	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>

Bank guarantees issued to utility supplier is in respect of payment guarantee for utility facility.

The Group has assessed the bank guarantee contract and determined that the guarantee is not likely to be called upon by the bank.

29. Related party disclosures**29.1 Identities of related parties**

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

Related parties of the Group include:

- (i) Direct subsidiaries as disclosed in Note 3 to the combined financial statements;
- (ii) Associate of the Group as disclosed in Note 9 to the combined financial statements; and
- (iii) Key management personnel who are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the Directors of the Company, and certain members of the senior management of the Group.

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Notes to the Combined Financial Statements (Cont'd)

29. Related party disclosures (cont'd)

29.2 Related party transaction

Related party transaction has been entered under the terms agreed between the Group and the related parties.

In addition to transactions and balances detailed elsewhere in the financial statements, the Group has the following transactions with related parties during the reporting years:

	2021 RM	2020 RM	2019 RM	2018 RM
Transactions with an associate				
YLTH				
- Sales	<u>(3,147,050)</u>	<u>(1,976,192)</u>	<u>-</u>	<u>-</u>
Transaction with a Director of the Group				
Ang Lee Leong				
- Purchase of a motor vehicle	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>

29.3 Compensation of key management personnel

The remunerations of Directors and other key management personnel of the Group for the reporting years are as follows:

	2021 RM	2020 RM	2019 RM	2018 RM
Directors				
Fees	-	-	-	400,000
Salaries, allowances and bonus				
- Directors of the Group	1,413,840	1,045,100	920,400	859,400
- Directors of the subsidiary which are not Directors of the Group	83,520	121,260	-	-
Defined contribution plan	259,022	198,569	174,876	163,286
Social security contribution	4,144	3,314	3,314	3,315
Other employment benefits	5,047	379	379	379
Estimated monetary value of benefit-in-kind	71,941	52,766	49,016	55,211
Total Directors' compensation	<u>1,837,514</u>	<u>1,421,388</u>	<u>1,147,985</u>	<u>1,481,591</u>

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

29. Related party disclosures (cont'd)

29.3 Compensation of key management personnel (cont'd)

	2021 RM	2020 RM	2019 RM	2018 RM
Other key management personnel				
Salaries, allowances and bonus	153,058	35,585	-	-
Defined contribution plan	18,400	4,296	-	-
Social security contribution	829	207	-	-
Other employment benefits	1,530	380	-	-
Total key management personnel compensation	173,817	40,468	-	-
	2,011,331	1,461,856	1,147,985	1,481,591

30. Financial instruments

30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised under MFRS 9 as follows:

	2021 RM	2020 RM	2019 RM	2018 RM
Financial assets				
<u>At amortised cost:</u>				
Trade receivables	9,160,214	8,932,501	6,960,934	6,992,319
Other receivables and deposits *	15,530	46,390	249,359	15,260
Fixed deposits with licensed banks	11,076,066	5,000,000	2,000,000	2,000,000
Cash and bank balances	8,736,774	15,011,809	10,757,114	9,801,889
	28,988,584	28,990,700	19,967,407	18,809,468
Financial liabilities				
<u>At amortised cost:</u>				
Trade payables	2,732,593	5,237,732	3,044,718	3,254,887
Other payables and accruals *	1,434,415	2,014,932	515,338	795,438
Bank borrowings	8,293,786	4,537,470	4,907,363	4,758,474
Lease liabilities	787,228	1,512,949	719,660	808,150
Dividend payable	-	3,000,000	2,000,000	2,000,000
	13,248,022	16,303,083	11,187,079	11,616,949

* Excluding Goods and Services Tax, Sales and Service Tax and Value-added Tax recoverable/(payable).

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Notes to the Combined Financial Statements (Cont'd)

30. Financial instruments (cont'd)

30.2 Net gains and losses arising from financial instruments

	2021 RM	2020 RM	2019 RM	2018 RM
Net gains/(losses) arising from:				
Financial assets measured at amortised cost	175,149	86,305	68,563	(26,111)
Financial liabilities measured at amortised cost	(289,900)	(220,914)	(262,455)	(319,767)
	<u>(114,751)</u>	<u>(134,609)</u>	<u>(193,892)</u>	<u>(345,878)</u>

30.3 Financial risk management objectives and policies

The Group's financial risk management policy seeks to ensure that adequate financial resources are available for the development of the Group's business whilst managing its overall risks. The Group's policy is not to engage in any speculative transactions.

(a) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises foreign exchange currency risk and interest rate risk.

(i) Foreign currency exchange risk

Foreign currency exchange 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 transactional currency exposure arising from financial assets and liabilities that are denominated in a currency other than functional currency, are as follow:

	United States Dollar ("USD") RM	Thai Baht ("THB") RM	Singapore Dollar ("SGD") RM	Euro ("EUR") RM
2021				
Financial assets				
Trade receivables	1,890,005	-	3,915	-
Cash and bank balances	67,254	-	-	-
	<u>1,957,259</u>	<u>-</u>	<u>3,915</u>	<u>-</u>
Financial liabilities				
Trade payables	(763)	-	-	-
Other payables and accruals	(691,053)	-	-	-
	<u>(691,816)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net exposure	<u>1,265,443</u>	<u>-</u>	<u>3,915</u>	<u>-</u>

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

30. Financial instruments (cont'd)

30.3 Financial risk management objectives and policies (cont'd)

(a) Market risk (cont'd)

(i) Foreign currency exchange risk (cont'd)

Foreign currency exchange 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 transactional currency exposure arising from financial assets and liabilities that are denominated in a currency other than functional currency, are as follow: (cont'd)

	USD RM	THB RM	SGD RM	EUR RM
2020				
Financial assets				
Trade receivables	1,394,164	-	2,998	-
Cash and bank balances	3,473,033	-	-	-
	<u>4,867,197</u>	<u>-</u>	<u>2,998</u>	<u>-</u>
Financial liabilities				
Trade payables	(1,234,081)	-	(5,570)	-
Other payables and accruals	(1,271,991)	-	-	-
	<u>(2,506,072)</u>	<u>-</u>	<u>(5,570)</u>	<u>-</u>
Net exposure	<u>2,361,125</u>	<u>-</u>	<u>(2,572)</u>	<u>-</u>
2019				
Financial assets				
Trade receivables	274,874	456,046	3,712	-
Deposits	-	-	-	206,300
Cash and bank balances	913,579	-	-	-
	<u>1,188,453</u>	<u>456,046</u>	<u>3,712</u>	<u>206,300</u>
Financial liabilities				
Trade payables	(416,860)	-	(74,419)	(7,470)
Net exposure	<u>771,593</u>	<u>456,046</u>	<u>(70,707)</u>	<u>198,830</u>
2018				
Financial assets				
Trade receivables	612,609	330,084	6,079	-
Cash and bank balances	2,477,681	-	-	-
	<u>3,090,290</u>	<u>330,084</u>	<u>6,079</u>	<u>-</u>
Financial liabilities				
Trade payables	(745,715)	-	-	(1,353)
Net exposure	<u>2,344,575</u>	<u>330,084</u>	<u>6,079</u>	<u>(1,353)</u>

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****30. Financial instruments (cont'd)****30.3 Financial risk management objectives and policies (cont'd)****(a) Market risk (cont'd)****(i) Foreign currency exchange risk (cont'd)**Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit after tax to a 10% fluctuation in the foreign currency exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

	2021 RM	2020 RM	2019 RM	2018 RM
USD	96,174	179,446	58,641	178,188
THB	-	-	34,659	25,086
SGD	298	(195)	(5,374)	462
EUR	-	-	15,111	(103)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The exposure of the Group to interest rate risk arises primarily from their floating interest rate borrowings.

The interest rate profile of the Group's significant interest bearing financial instruments, based on the carrying amounts as at end of the financial year is as follows:

	2021 RM	2020 RM	2019 RM	2018 RM
Fixed rate instruments				
<i>Financial asset</i>				
Fixed deposits with licensed banks	11,076,066	5,000,000	2,000,000	2,000,000
<i>Financial liabilities</i>				
Bank borrowing	-	-	235,000	-
Lease liabilities	787,228	1,095,719	719,660	590,127
	<u>787,228</u>	<u>1,095,719</u>	<u>954,660</u>	<u>590,127</u>
Floating rate instruments				
<i>Financial liabilities</i>				
Bank borrowings	8,293,786	4,537,470	4,672,363	4,758,474
Lease liabilities	-	417,230	-	218,023
	<u>8,293,786</u>	<u>4,954,700</u>	<u>4,672,363</u>	<u>4,976,497</u>

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

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

30. Financial instruments (*cont'd*)

30.3 Financial risk management objectives and policies (*cont'd*)

(a) Market risk (*cont'd*)

(ii) Interest rate risk (*cont'd*)

Sensitivity analysis for interest rate risk

Sensitivity analysis for fixed rate instruments is not presented as fixed rate instruments are not affected by changes in interest rates.

A 100 basis points strengthening in the interest rate of floating rate instruments as at the end of each reporting year would have decreased in profit after tax by RM63,033 (2020: RM37,656; 2019: RM35,510; 2018: RM37,821). A 100 basis points weakening would have had an equal but opposite effect on the profit after tax. This assumes that all other variables remain constant.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk arises mainly from trade and other receivables. The Group manages these risks by monitoring credit ratings to each individual counterparty. The Group's objective is to seek continued growth while minimising losses incurred due to increased credit exposure.

For other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties with no history of default.

At the reporting date, the Group's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

(i) Credit risk concentration

As of 31 December 2021, 2 (2020: 2; 2019: 1; 2018: 1) of the Group's customers accounted for 38% (2020: 55%; 2019: 43%; 2018: 47%) of total outstanding trade receivables as at the end of each reporting year. Apart from this, the Group has no other significant concentration of credit risk that may arise from exposure to a single customer or to groups of customers.

(ii) Assessment of impairment losses

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt).

Trade receivables

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****30. Financial instruments (cont'd)****30.3 Financial risk management objectives and policies (cont'd)****(b) Credit risk (cont'd)****(ii) Assessment of impairment losses (cont'd)***Trade receivables (cont'd)*

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

For certain large customers or customers with a high risk of default, the Group assesses the risk of loss of each customer individually based on their financial information, past trends of payments and external credit rating, where applicable.

Also, the Group considers any trade receivables having financial difficulty or in default with significant balances outstanding for more than 180 days are deemed credit impaired and assesses for their risk of loss individually.

The expected credit loss rates are based on the payment profiles of sales over a period of 5 years from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information (if any) affecting the ability of the customers to settle their debts. The lifetime ECL allowance on the Group's trade receivables are assessed to be immaterial at the end of each reporting years.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below:

	Gross amount RM	Loss allowance RM	Carrying amount RM
2021			
Neither past due nor impaired	7,381,360	-	7,381,360
Past due, not impaired			
- 0 to 30 days	862,909	-	862,909
- 31 to 60 days	674,508	-	674,508
- 61 to 90 days	120,863	-	120,863
- > 90 days	120,574	-	120,574
Individual assessed (credit impaired)	13,025	(13,025)	-
	<u>9,173,239</u>	<u>(13,025)</u>	<u>9,160,214</u>

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

30. Financial instruments (cont'd)

30.3 Financial risk management objectives and policies (cont'd)

(b) Credit risk (cont'd)

(ii) Assessment of impairment losses (cont'd)

Trade receivables (cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables are summarised below: (cont'd)

	Gross amount RM	Loss allowance RM	Carrying amount RM
2020			
Neither past due nor impaired	7,988,194	-	7,988,194
Past due, not impaired			
- 0 to 30 days	806,988	-	806,988
- 31 to 60 days	78,609	-	78,609
- 61 to 90 days	420	-	420
- > 90 days	58,290	-	58,290
Individual assessed (credit impaired)	19,025	(19,025)	-
	<u>8,951,526</u>	<u>(19,025)</u>	<u>8,932,501</u>
2019			
Neither past due nor impaired	5,605,854	-	5,605,854
Past due, not impaired			
- 0 to 30 days	862,948	-	862,948
- 31 to 60 days	275,457	-	275,457
- 61 to 90 days	23,136	-	23,136
- > 90 days	193,539	-	193,539
Individual assessed (credit impaired)	107,039	(107,039)	-
	<u>7,067,973</u>	<u>(107,039)</u>	<u>6,960,934</u>
2018			
Neither past due nor impaired	5,782,614	-	5,782,614
Past due, not impaired			
- 0 to 30 days	869,469	-	869,469
- 31 to 60 days	146,645	-	146,645
- 61 to 90 days	57,759	-	57,759
- > 90 days	135,832	-	135,832
Individual assessed (credit impaired)	107,039	(107,039)	-
	<u>7,099,358</u>	<u>(107,039)</u>	<u>6,992,319</u>

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

30. Financial instruments (cont'd)

30.3 Financial risk management objectives and policies (cont'd)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

30. Financial instruments (cont'd)
- 30.3 Financial risk management objectives and policies (cont'd)
- (c) Liquidity risk (cont'd)

The following table set out the maturity profile of the Group's financial liabilities as at the end of each reporting year based on contractual undiscounted cash flows:

	Weighted average effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	> 5 years RM
2021						
Trade payables		2,732,593	2,732,593	2,732,593	-	-
Other payables and accruals		1,434,415	1,434,415	1,434,415	-	-
Bank borrowings	3.36%	8,293,786	11,002,201	633,696	2,534,784	7,833,721
Lease liabilities	2.61%	787,228	841,383	330,757	510,626	-
		13,248,022	16,010,592	5,131,461	3,045,410	7,833,721
2020						
Trade payables		5,237,732	5,237,732	5,237,732	-	-
Other payables and accruals		2,014,932	2,014,932	2,014,932	-	-
Bank borrowings	3.46%	4,537,470	6,329,255	312,648	1,250,592	4,766,015
Lease liabilities	3.40%	1,512,949	1,619,857	563,605	1,056,252	-
Dividend payable		3,000,000	3,000,000	3,000,000	-	-
		16,303,083	18,201,776	11,128,917	2,306,844	4,766,015

12. ACCOUNTANTS' REPORT (cont'd)

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

30. Financial instruments (cont'd)
30.3 Financial risk management objectives and policies (cont'd)
(c) Liquidity risk (cont'd)

The following table set out the maturity profile of the Group's financial liabilities as at the end of each reporting year based on contractual undiscounted cash flows: (cont'd)

	Weighted average effective rate %	Carrying amount RM	Contractual undiscounted cash flows RM	Within 1 year RM	1 - 5 years RM	> 5 years RM
2019						
Trade payables		3,044,718	3,044,718	3,044,718	-	-
Other payables and accruals		515,338	515,338	515,338	-	-
Bank borrowings	4.67%	4,907,363	8,380,442	547,648	1,250,592	6,582,202
Lease liabilities	3.65%	719,660	780,343	301,538	478,805	-
Dividend payable		2,000,000	2,000,000	2,000,000	-	-
		<u>11,187,079</u>	<u>14,720,841</u>	<u>6,409,242</u>	<u>1,729,397</u>	<u>6,582,202</u>
2018						
Trade payables		3,254,887	3,254,887	3,254,887	-	-
Other payables and accruals		795,438	795,438	795,438	-	-
Bank borrowings	4.96%	4,758,474	8,949,026	312,648	1,250,592	7,385,786
Lease liabilities	3.97%	808,150	863,736	488,023	375,713	-
Dividend payable		2,000,000	2,000,000	2,000,000	-	-
		<u>11,616,949</u>	<u>15,863,087</u>	<u>6,850,996</u>	<u>1,626,305</u>	<u>7,385,786</u>

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****30. Financial instruments (cont'd)****30.4 Fair values of financial instruments**

The carrying amounts of cash and cash equivalents, short term receivables and payables, bank borrowings are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the reporting date.

Fixed rate lease liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value, are as follows:

	Carrying amount RM	Fair value RM
31 December 2021		
Lease liabilities	<u>787,228</u>	<u>807,478</u>
31 December 2020		
Lease liabilities	<u>1,095,719</u>	<u>1,133,608</u>
31 December 2019		
Lease liabilities	<u>719,660</u>	<u>738,375</u>
31 December 2018		
Lease liabilities	<u>590,127</u>	<u>612,552</u>

Fair values of the fixed rate lease liabilities, which are determined for disclosure purposes, are estimated by discounting future contracted cash flows at the current market interest rate available to the Group for similar financial instruments.

Fair value of fixed rate lease liabilities of the Group are categorised as Level 3 in the fair value hierarchy. There is no transfer between levels in the hierarchy during the financial year.

30.5. Capital risk management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and make adjustments to it, in light of changes in economic condition. To maintain or adjust capital structure, the Group may adjust the dividend payment, return capital to shareholders or issue new shares.

No changes were made in the objective, policies and processes during the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021.

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Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)**31. Operating segments**

Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance on a regular basis. For management purposes, the Group is organised into business units based on business by product related activities and has two reportable segments, as follows:

- (a) Manufacturing segment – Consist mainly the manufacturing of industrial brushes; and
- (b) Trading segment – Consist of trading of industrial hardware and machinery parts.

The Directors monitor the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Segment revenue, expenses and results include transfer between business segments. These transfers are eliminated on consolidation. Transfer price between business segments are established on terms and conditions that are mutually agreed upon.

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****31. Operating segments (cont'd)****31.1 Business segments**

	Manufacturing segment RM	Trading segment RM	Eliminatio n RM	Total RM
2021				
Revenue				
External revenue	31,993,670	13,531,486	-	45,525,156
Inter-segment revenue	-	45,010	(45,010)	-
	<u>31,993,670</u>	<u>13,576,496</u>	<u>(45,010)</u>	<u>45,525,156</u>
Results				
Segment profit	11,744,708	889,114	1,601	12,635,423
Finance costs	(209,393)	(67,525)	-	(276,918)
Share of profit of an associate	223,965	-	-	223,965
Segment profit before tax	11,759,280	821,589	1,601	12,582,470
Tax expenses	(2,255,784)	(213,750)	-	(2,469,534)
Segment profit after tax	<u>9,503,496</u>	<u>607,839</u>	<u>1,601</u>	<u>10,112,936</u>
Segment profit include the following:				
Depreciation and amortisation	1,353,803	281,923	(19,600)	1,616,126
Loss/(Gain) on disposal of property, plant and equipment	10,525	(39,998)	17,999	(11,474)
Interest income	(164,526)	(19,482)	-	(184,008)
Inventories written down/ (back), net	(80,764)	(9,279)	-	(90,043)
Assets				
Segment assets:				
- Operating assets	42,784,241	12,535,803	286	55,320,330
- Investment in an associate	445,963	-	-	445,963
				<u>55,766,293</u>
Addition to non-current assets:				
- Capital expenditure	1,792,201	3,480,661	(18,000)	5,254,862
Liabilities				
Segment liabilities	<u>7,937,018</u>	<u>6,263,895</u>	<u>-</u>	<u>14,200,913</u>

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

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Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****31. Operating segments (cont'd)****31.1 Business segments**

	Manufacturing segment RM	Trading segment RM	Elimination RM	Total RM
2020				
Revenue				
External revenue	27,477,538	14,496,563	-	41,974,101
Inter-segment revenue	-	87,508	(87,508)	-
	<u>27,477,538</u>	<u>14,584,071</u>	<u>(87,508)</u>	<u>41,974,101</u>
Results				
Segment profit	11,521,126	2,120,891	(75,999)	13,566,018
Finance costs	(207,804)	(23,704)	-	(231,508)
Share of profit of an associate	205,978	-	-	205,978
Segment profit before tax	11,519,300	2,097,187	(75,999)	13,540,488
Tax expenses	(2,684,242)	(473,810)	-	(3,158,052)
Segment profit after tax	<u>8,835,058</u>	<u>1,623,377</u>	<u>(75,999)</u>	<u>10,382,436</u>
Segment profit include the following:				
Depreciation and amortisation	1,180,639	161,184	(4,000)	1,337,823
Loss/(Gain) on disposal of property, plant and equipment	13,798	(167,997)	79,999	(74,200)
Interest income	(92,227)	(9,097)	-	(101,324)
Inventories written down/ (back), net	198,617	66,883	-	265,500
Gain on disposal of a subsidiary	(244,349)	-	-	(244,349)
Assets				
Segment assets:				
- Operating assets	39,028,716	10,371,714	(107,893)	49,292,537
- Investment in an associate	220,646	-	-	220,646
				<u>49,513,183</u>
Addition to non-current assets:				
- Capital expenditure	3,175,513	801,121	(80,000)	3,896,634
- Addition to interest in an associate	129,870	-	-	129,870
Liabilities				
Segment liabilities	<u>13,311,333</u>	<u>4,732,729</u>	<u>-</u>	<u>18,044,062</u>

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

31. Operating segments (cont'd)

31.1 Business segments (cont'd)

	Manufacturing segment RM	Trading segment RM	Elimination RM	Total RM
2019				
Revenue				
External revenue	18,559,849	10,648,290	-	29,208,139
Inter-segment revenue	-	149,226	(149,226)	-
	18,559,849	10,797,516	(149,226)	29,208,139
Results				
Segment profit	5,865,742	1,141,796	-	7,007,538
Finance costs	(242,761)	(20,133)	-	(262,894)
Segment profit before tax	5,622,981	1,121,663	-	6,744,644
Tax expenses	(1,265,882)	(283,383)	-	(1,549,265)
Segment profit after tax	4,357,099	838,280	-	5,195,379
Segment profit include the following:				
Depreciation and amortisation	1,143,178	183,132	-	1,326,310
Gain on disposal of property, plant and equipment	(21,999)	(58,498)	-	(80,497)
Interest income	(60,344)	(7,172)	-	(67,516)
Inventories written down	119,002	-	-	119,002
Assets				
Segment assets	31,274,483	6,877,196	(31,595)	38,120,084
Addition to non-current assets				
- Capital expenditure	1,312,639	121,559	-	1,434,198
Liabilities				
Segment liabilities	9,107,164	2,928,385	-	12,035,549

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

31. Operating segments (cont'd)

31.1 Business segments (cont'd)

	Manufacturing segment RM	Trading segment RM	Elimination RM	Total RM
2018				
Revenue				
External revenue	17,922,780	9,890,559	-	27,813,339
Inter-segment revenue	-	150,888	(150,888)	-
	17,922,780	10,041,447	(150,888)	27,813,339
Results				
Segment profit	6,313,255	587,646	-	6,900,901
Finance costs	(303,948)	(19,187)	-	(323,135)
Segment profit before tax	6,009,307	568,459	-	6,577,766
Tax expenses	(1,373,988)	(122,026)	-	(1,496,014)
Segment profit after tax	4,635,319	446,433	-	5,081,752
Segment profit include the following:				
Depreciation	1,059,401	151,573	-	1,210,974
Gain on disposal of property, plant and equipment	(31,999)	(13,999)	-	(45,998)
Interest income	(62,249)	-	-	(62,249)
Assets				
Segment assets	29,795,460	5,844,103	(49,613)	35,589,950
Addition to non-current assets:				
- Capital expenditure	374,435	122,859	-	497,294
Liabilities				
Segment liabilities	9,829,893	2,832,066	-	12,661,959

12. ACCOUNTANTS' REPORT (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)**Notes to the Combined Financial Statements (Cont'd)****31. Operating segments (cont'd)****31.2 Geographical segment**

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	2021 RM	2020 RM	2019 RM	2018 RM
Revenue to external customers				
Malaysia	34,981,079	34,160,841	25,063,986	22,771,159
Thailand	3,205,112	2,833,451	1,966,617	1,768,811
Vietnam	2,632,211	2,610,070	1,386,530	2,658,445
Taiwan	2,614,154	1,006,643	-	-
Indonesia	1,507,293	832,879	310,265	202,653
Others	585,307	530,217	480,741	412,271
	<u>45,525,156</u>	<u>41,974,101</u>	<u>29,208,139</u>	<u>27,813,339</u>

31.3 Major customers

During the financial year, major customer (a single customer or a group of customers) contributing more than 10% of the Group's total revenue are amounted to RM14,592,403 (2020: RM17,133,776; 2019: RM10,985,200; 2018: RM10,354,996), which relates to 1 (2020: 1; 2019: 1; 2018: 1) customer.

32. Capital commitment

	2021 RM	2020 RM	2019 RM	2018 RM
Approved and contracted for				
Property, plant and equipment	<u>406,780</u>	<u>-</u>	<u>-</u>	<u>-</u>

33. Significant events during the reporting period

The following are the significant events during the financial year ended 31 December 2021:

- (a) The World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic on 11 March 2020. Following the declaration, the Malaysian Government has on 18 March 2020 imposed the movement control order ("MCO") under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967 and subsequently entered into various phases and reinstatement of the MCO to curb the spread of the COVID-19 pandemic in Malaysia.

On 1 June 2021, the Malaysia Government again imposed a nationwide MCO in response to the third wave of COVID-19 pandemic in the country and the escalating infection rate of the COVID-19. These orders and the resurgence of COVID-19 cases, movement restriction orders and targeted containment measures in most states have caused disruptions to business activities nationwide. On 15 June 2021, the Malaysia Government implemented Phase 1 of the National Recovery Plan.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Notes to the Combined Financial Statements (Cont'd)

33. Significant events during the reporting period (cont'd)

(a) cont'd

The Group has been granted approval by the Ministry of International Trade and Industry to continue its business activities as the business operations of the Group are classified as the supply chain of essential goods and services.

The COVID-19 outbreak has seen a surge in demand for essential personal healthcare protective equipment such as rubber gloves. As a result of the increased need for more rubber gloves during this period, the Group has also benefited from continued orders from its glove manufacturing customers.

Hence, the management is of the opinion that the overall business operations of the Group did not experience any major adverse impacts due to the COVID-19 outbreak. Nevertheless, the Group will continue to monitor the situation surrounding the pandemic and will be taking appropriate and timely measures to minimise potential adverse impact arising from the pandemic on the Group's operations.

(b) On 19 April 2021, YLPH entered into a sale and purchase agreement to acquire a property under development at a purchase consideration of RM3,180,000 (after including a rebate of RM887,800 given by the developer), which will primarily be financed via a bank borrowing facility.

(c) On 9 August 2021, the Company had entered into two conditional Share Sale and Purchase Agreements ("SSAs") to acquire the equity interest in YLPM and YLPH:

(i) Acquisition of the entire equity interest in YLPM for a total purchase consideration of RM25,898,601 which will be wholly satisfied by the issuance of 327,830,400 ordinary shares in the Company at an issue price of RM0.079 per Share; and

(ii) Acquisition of the entire equity interest in YLPH for a total purchase consideration of RM5,648,200 which will be wholly satisfied by the issuance of 71,496,200 ordinary shares in the Company at an issue price of RM0.079 per Share.

The total purchase consideration was arrived after taking into consideration of the audited net assets of YLPM and YLPH as at 31 December 2020.

The completion of the SSAs are conditional upon certain conditions precedent being obtained/fulfilled/waived, which includes the approval of Bursa Securities for the admission of the share capital of the Company to the official list of Bursa Securities for the Listing.

On 18 January 2022, the Company has completed the acquisition of YLPM and YLPH.

(d) After discovering a number of positive cases of Covid-19 infections among YLPM's factory workers and administrative employees, YLPM temporarily closed its operations from 15 September 2021 to 19 September 2021. The temporary closure did not result in material disruption to YLPM's business and operations and is not expected to have a significant impact on the financial performance of YLPM. Nevertheless, the Group will continue to take necessary steps and measures to minimise any potential adverse impact arising from the pandemic on the Group's operations.

34. 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 26 April 2022.

12. ACCOUNTANTS' REPORT (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

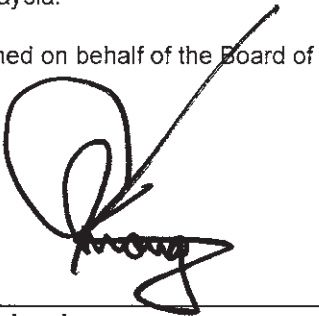
Registration No. 202001036243 (1392564-D)

Accountants' Report (Cont'd)

Statement by Directors

We, **Ang Lee Leong** and **Chee Wai Ying**, two of the Directors of **Yew Lee Pacific Group Berhad**, state that, in the opinion of the Directors, the combined financial statements set out on pages 1 to 80 are drawn up so as to give a true and fair view of the financial position of the Group as at 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 and of the financial performance and cash flows of the Group for the financial years ended 31 December 2018, 31 December 2019, 31 December 2020 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution dated **26 APR 2022**



Ang Lee Leong
Director



Chee Wai Ying
Director

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



ECOVIS MALAYSIA PLT
201404001750 (LLP0003185-LCA) & AF 001825
Chartered Accountants. Kuala Lumpur, Malaysia

Kuala Lumpur office
Phone: +603 7981 1799
Fax-No: +603 7980 4796

The Board of Directors
Yew Lee Pacific Group Berhad
Level 5, Block B, Dataran PHB,
Saujana Resort, Section U2,
40150 Shah Alam, Selangor.

Kuala Lumpur, 26 April 2022

Dear Sirs,

**YEW LEE PACIFIC GROUP BERHAD ("YEW LEE" OR "THE COMPANY") AND ITS SUBSIDIARIES
(COLLECTIVELY "THE GROUP")**

**REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL
POSITION INCLUDED IN A PROSPECTUS**

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of the Group as at 31 December 2021. The pro forma combined statements of financial position as at 31 December 2021 ("Pro Forma Combined Statements of Financial Position") together with the accompanying notes are prepared by the Board of Directors of Yew Lee ("the Directors") for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of Yew Lee on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing") and have been stamped by us for identification purposes.

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are described in the notes to the Pro Forma Combined Statements of Financial Position. The Pro Forma Combined Statements of Financial Position are prepared in accordance with the requirements of Chapter 9, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Combined Statements of Financial Position have been compiled by the Directors, for illustrative purposes only, solely to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Combined Statements of Financial Position as if the events have occurred or the transactions have been effected on 31 December 2021. As part of this process, information about the Group's financial position have been extracted by the Directors from the Group's audited combined statement of financial position as at 31 December 2021, on which an audit report has been issued by us.

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

The Directors of the Company are responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis described in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

ECOVIS MALAYSIA PLT 201404001750 (LLP0003185-LCA) & AF 001825 Chartered Accountants, No 9-3, Jalan 109F Plaza Danau 2, Taman Danau Desa, 58100 Kuala Lumpur, Malaysia Phone: +60(3) 7981 1799 Fax: +60(3) 7980 4796 E-Mail: kuala-lumpur@ecovis.com.my

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13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (*cont'd*)



Reporting Accountants' Independence and Quality Control

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

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

Reporting Accountants' Responsibility

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

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

For the 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 Combined Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Combined Statements of Financial Position.

The purpose for inclusion of the Pro Forma Combined Statements of Financial Position in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction 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 Combined 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 Directors in the compilation of the Pro Forma Combined Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

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

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)



Reporting Accountants' Responsibility (cont'd)

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

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

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

Opinion

In our opinion, the Pro Forma Combined Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This report has been prepared solely for the purpose stated above, in connection with the Listing and should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

A handwritten signature in black ink, appearing to be "Zi".

ECOVIS MALAYSIA PLT
AF 001825
Chartered Accountants

Kuala Lumpur
20 APR 2022

A handwritten signature in black ink, appearing to be "Yong Hui Nee".

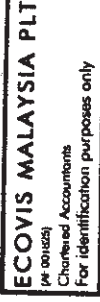
YONG HUI NEE
03283/09/2022 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)
 Registration No. 202001036243 (1392564-D)

**Pro Forma Combined Statements of Financial Position
 As at 31 December 2021**



Note	Audited as at 31 December 2021 ⁽¹⁾	Pro		
		Forma I After the Proposed Acquisitions	Forma II After Pro Forma I and Public Issue	Forma III After Pro Forma II and utilisation of proceeds
	RM	RM	RM	RM
Non-current assets				
Property, plant and equipment	10,109,530	10,109,530	10,109,530	10,482,530
Right-of-use assets	8,524,227	8,524,227	8,524,227	8,524,227
Investment in an associate	445,963	445,963	445,963	445,963
	19,079,720	19,079,720	19,079,720	19,452,720
Current assets				
Inventories	6,873,099	6,873,099	6,873,099	6,873,099
Trade receivables	9,160,214	9,160,214	9,160,214	9,160,214
Other receivables, deposits and prepayments	571,068	571,068	571,068	156,068
Tax recoverable	269,352	269,352	269,352	269,352
Fixed deposits with a licensed bank	11,076,066	11,076,066	11,076,066	11,076,066
Cash and bank balances	8,736,774	8,736,774	46,007,266	33,926,036
	36,686,573	36,686,573	73,957,065	61,460,835
Total assets	55,766,293	55,766,293	93,036,785	80,913,555

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)
 Registration No. 202001036243 (1392564-D)

**Pro Forma Combined Statements of Financial Position
 As at 31 December 2021 (Cont'd)**



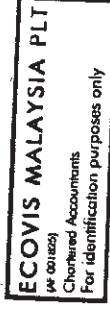
Note	Audited as at 31 December 2021 ⁽¹⁾ RM	Pro		
		Forma I After the Proposed Acquisitions RM	Forma II After Pro Forma I and Public Issue RM	Forma III After Pro Forma II and utilisation of proceeds RM
Equity				
5(d) Share capital	100	31,546,901	68,817,393	67,539,285
5(e) Invested equity	350,000	-	-	-
Foreign currency translation reserve	(60,786)	(60,786)	(60,786)	(60,786)
5(f) Merger reserve	-	(31,196,801)	(31,196,801)	(31,196,801)
5(g) Retained earnings	41,276,349	41,276,349	41,276,349	38,968,255
	41,565,663	41,565,663	78,836,155	75,249,953
	(283)	(283)	(283)	(283)
Non-controlling interests	41,565,380	41,565,380	78,835,872	75,249,670
Total equity				
	7,935,502	7,935,502	7,935,502	51,735
5(h) Bank borrowings	485,210	485,210	485,210	66,270
5(i) Lease liabilities	882,111	882,111	882,111	882,111
Deferred tax liabilities	9,302,823	9,302,823	9,302,823	1,000,116

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)
 Registration No. 202001036243 (1392564-D)

**Pro Forma Combined Statements of Financial Position
 As at 31 December 2021 (Cont'd)**



Note	Audited as at 31 December 2021 ⁽¹⁾	Pro			After Pro Forma II and utilisation of proceeds
		Forma I After the Proposed Acquisitions	Forma II and Public Issue	Forma III	
	RM	RM	RM	RM	RM
	2,732,593	2,732,593	2,732,593	2,732,593	2,732,593
	1,505,195	1,505,195	1,505,195	1,505,195	1,505,195
5(h)	358,284	358,284	358,284	195,023	195,023
5(i)	302,018	302,018	302,018	230,958	230,958
	4,898,090	4,898,090	4,898,090	4,663,769	4,663,769
	14,200,913	14,200,913	14,200,913	5,663,885	5,663,885
	55,766,293	55,766,293	93,036,785	80,913,555	80,913,555

Supplementary information:

Number of ordinary shares (units) 532,435,600
 Net assets per ordinary share (RM) 0.15
 Gearing ratio ⁽²⁾ (times) 0.11

⁽¹⁾ Extracted from Yew Lee Pacific Group Berhad's audited combined statements of financial position as at 31 December 2021.

⁽²⁾ Based on total bank borrowings and lease liabilities (excluding lease liabilities arising from the rented properties of RM91,256) as at 31 December 2021 over total equity attributable to the owners of the Company.

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)



**Notes to the Pro Forma Combined Statements of Financial Position
As at 31 December 2021 (Cont'd)**

1. Introduction

The pro forma combined statements of financial position of Yew Lee Pacific Group Berhad ("Yew Lee" or the "Company") and its subsidiaries and associate company (collectively referred as "the Group") as at 31 December 2021 ("the Pro Forma Combined Statements of Financial Position") together with the notes thereon, for which the board of directors ("the Directors") of Yew Lee are solely responsible, have been prepared for illustrative only for the purpose of 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 ("the Listing").

2. Basis of Preparation of the Pro Forma Combined Statements of Financial Position

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Combined Statements of Financial Position are as described below. The Pro Forma Combined Statements of Financial Position are prepared in accordance with the requirements of Chapter 9, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Combined Statements of Financial Position have been prepared based on the audited combined statements of financial position of the Group as at 31 December 2021, which is prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the audited combined financial statements and accounting policies of the Group.

The Pro Forma Combined Statements of Financial Position is presented in Ringgit Malaysia ("RM").

The Pro Forma Combined Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 3 to the Pro Forma Combined Statements of Financial Position had the events occurred or transactions been undertaken on 31 December 2021. The Pro Forma Combined Statements of Financial Position are not necessary indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

For the purpose of accounting for the pre-initial public offering acquisitions ("Proposed Acquisitions") as described in Note 3.1, the Group has applied the merger method of accounting as the combining entities within the Group are under common control of Mr. Ang Lee Leong, Mr. Ang Lee Seng and Madam Chee Wai Ying (collectively referred as "Vendors") before and after the Proposed Acquisitions.

The Auditors' Report of the audited combined financial statements of the Group for the financial year ended 31 December 2021 was not subject to any audit qualifications.

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)



**Notes to the Pro Forma Combined Statements of Financial Position
As at 31 December 2021 (Cont'd)**

3. Listing Scheme

The following proposals were undertaken in conjunction with, and as an integral part of the Listing:

3.1 Proposed Acquisitions

On 9 August 2021, the Company entered into two conditional share sale and purchase agreements ("SSA") with the Vendors to acquire the equity interest in Yew Lee Pacific Manufacturer Sdn. Bhd. ("YLPM") and Yew Lee Pacific Holding Sdn. Bhd. ("YLPH"):

- (i) Acquisition of the entire equity interest in YLPM for a total purchase consideration of RM25,898,601 which will wholly satisfied by issuance of 327,830,400 new ordinary shares in the Company at an issue price of RM0.079 per share; and
- (ii) Acquisition of the entire equity interest in YLPH for a total purchase consideration of RM5,648,200 which will wholly satisfied by issuance of 71,496,200 new ordinary shares in the Company at an issue price of RM0.079 per share.

The total purchase consideration was arrived after taking into consideration of the audited net assets of YLPM and YLPH as at 31 December 2020. The SSA was completed on 18 January 2022.

As disclosed in Note 2, the Group has applied the merger method of accounting for the acquisition of the combining entities. Under merger method of accounting, the difference between the cost of investment recorded by the Company (i.e. the consideration for the acquisition of the combining entities) and the share capital of the acquirees, YLPM and YLPH, are accounted for as merger reserve as follows:

	RM
New shares issued by the Company as consideration for the acquisition of:	
- YLPM	25,898,601
- YLPH	5,648,200
	31,546,801
Less: Reversal of issued and paid-up share capital as at 31 December 2021 of:	
- YLPM	(100,000)
- YLPH	(250,000)
Merger reserve	31,196,801

3.2 Initial Public Offering ("IPO")

(a) Public Issue

In conjunction with the IPO, the Company will undertake public issue of 133,108,900 new ordinary shares in the Company ("Public Issue") at an issue price of RM0.28 per share. The estimated gross proceeds to be raised from the Public Issue is RM37,270,492.

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

**Notes to the Pro Forma Combined Statements of Financial Position
As at 31 December 2021 (Cont'd)****3. Listing Scheme (cont'd)****3.2 Initial Public Offering ("IPO") (cont'd)****(b) Utilisation of Proceeds from Public Issue**

The estimated gross proceeds arising from the Public Issue of RM37,270,492 are intended to be utilised in the following manner:

	Estimated timeframe for utilisation upon Listing	Amount of proceeds	
		RM	%
Purchase of additional manufacturing machineries and equipment ⁽¹⁾	Within 12 months	10,900,000	29.25%
Construction of new warehouse space and office building ⁽¹⁾	Within 24 months	7,300,000	19.59%
Renovation of new sales office cum warehouse facility ⁽¹⁾	Within 36 months	1,800,000	4.83%
Repayment of bank borrowings, including hire purchase liabilities ⁽²⁾	Within 12 months	8,900,000	23.88%
Working capital requirements	Within 18 months	4,570,492	12.25%
Estimated listing expenses ⁽³⁾	Within 1 month	3,800,000	10.20%
		<u>37,270,492</u>	<u>100.00%</u>

Notes:

⁽¹⁾ As at the latest practicable date of 18 April 2022 ("LPD"), the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to these capital expenditures, except for the purchase of additional manufacturing machineries amounting to EUR79,511 (approximately RM373,000), of which purchase orders have been issued. Accordingly, save for the purchase of the said manufacturing machineries, the utilisation of proceeds earmarked for these capital expenditures is not reflected in the Pro Forma Combined Statements of Financial Position.

⁽²⁾ As at LPD, the total outstanding amount of the Group's bank borrowings and hire purchase liabilities is approximately RM8,909,000. While the Group intends to allocate proceeds of up to RM8,900,000 to repay these liabilities, these liabilities are subject to prevailing interest rates, drawdowns and repayments from time to time. As such, the outstanding amount of these liabilities at the point of repayment may differ from the current amount at LPD.

The Group has illustrated the utilisation of proceeds to repay bank borrowings and hire purchase liabilities amounting to RM8,537,028 in the Pro Forma Statements of Financial Position, with the surplus of proceeds earmarked for repayment of these liabilities remaining in cash and bank balances.

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)



**Notes to the Pro Forma Combined Statements of Financial Position
As at 31 December 2021 (Cont'd)**

3. Listing Scheme (cont'd)

3.2 IPO (cont'd)

(b) Utilisation of Proceeds from IPO (cont'd)

Notes (cont'd):

(3) The estimated listing expenses comprise the following:

	RM
Professional fees	2,400,000
Fees payable to authorities	70,000
Underwriting, placement and brokerage fees	930,000
Printing, advertising fees and contingencies	400,000
	<u>3,800,000</u>

Upon completion of the IPO, an estimated listing expenses of RM1,278,108, which is directly attributable to the issuance of new shares, will be offset against share capital and the remaining estimated listing expenses of RM2,521,892 will be charged out to the profit or loss.

The Group has recognised listing expenses amounting to RM213,798 in profit or loss for the financial year ended 31 December 2021 and RM415,000 of prepayment as of that date.

4. Pro forma adjustments

The Pro Forma Combined Statements of Financial Position have been prepared to show the effects of the following:

- (i) Pro forma I - After adjusting for the Proposed Acquisitions as described in Note 3.1;
- (ii) Pro forma II - After pro forma I and Public Issue as described in Note 3.2(a); and
- (iii) Pro Forma III - After pro forma II and utilisation of proceeds as described in Note 3.2(b).

5. Effects on the Pro Forma Combined Statements of Financial Position

(a) Movement in property, plant and equipment

	RM
Balance as at 31 December 2021/ pro forma I/ pro forma II	10,109,530
<u>Effects of pro forma III:</u>	
Utilisation of proceeds:	
- Purchase of additional manufacturing machineries	373,000
Pro forma III	<u>10,482,530</u>

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

ECOVIS MALAYSIA PLT (AF 001825) Chartered Accountants For identification purposes only
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**Notes to the Pro Forma Combined Statements of Financial Position
As at 31 December 2021 (Cont'd)****5. Effects on the Pro Forma Combined Statements of Financial Position (cont'd)****(b) Movement in other receivables, deposits and prepayment**

	RM
Balance as at 31 December 2021/ pro forma I/ pro forma II	571,068
<u>Effects of pro forma III:</u>	
Utilisation of proceeds:	
- Estimated listing expenses paid	(415,000)
Pro forma III	156,068

(c) Movement in cash and bank balances

	RM	RM
Balance as at 31 December 2021/ pro forma I		8,736,774
<u>Effects of pro forma II:</u>		
Public Issue		37,270,492
Pro forma II		46,007,266
<u>Effects of pro forma III:</u>		
Utilisation of proceeds:		
- Purchase of additional manufacturing machineries	(373,000)	
- Repayment of bank borrowings	(8,537,028)	
- Estimated listing expenses	(3,171,202)	(12,081,230)
Pro forma III		33,926,036

(d) Movement in share capital

	No. of shares	RM
Balance as at 31 December 2021	100	100
<u>Effects of pro forma I:</u>		
Proposed Acquisitions	399,326,600	31,546,801
Pro forma I	399,326,700	31,546,901
<u>Effects of pro forma II:</u>		
Public Issue	133,108,900	37,270,492
Pro forma II	532,435,600	68,817,393
<u>Effects of pro forma III:</u>		
Utilisation of proceeds:		
- Estimated listing expenses	-	(1,278,108)
Pro forma III	532,435,600	67,539,285

(e) Movement in invested equity

	No. of shares	RM
Balance as at 31 December 2021	350,000	350,000
<u>Effects of pro forma I:</u>		
Proposed Acquisitions	(350,000)	(350,000)
Pro forma I/ pro forma II/ pro forma III	-	-

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)**Yew Lee Pacific Group Berhad**

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)

ECOVIS MALAYSIA PLT <small>(AF 001825)</small> Chartered Accountants For identification purposes only

**Notes to the Pro Forma Combined Statements of Financial Position
As at 31 December 2021 (Cont'd)****5. Effects on the Pro Forma Combined Statements of Financial Position (cont'd)****(f) Movement in merger reserve**

	RM
Balance as at 31 December 2021	-
<u>Effects of pro forma I:</u>	
Proposed Acquisitions:	
- Merger reserve recognised upon acquisitions	(31,196,801)
Pro forma I/ pro forma II/ pro forma III	<u>(31,196,801)</u>

(g) Movement in retained earnings

	RM
Balance as at 31 December 2021/ pro forma I/ pro forma II	41,276,349
<u>Effects of pro forma III</u>	
Utilisation of proceeds:	
- Estimated listing expenses	(2,308,094)
Pro forma III	<u>38,968,255</u>

(h) Movement in bank borrowings

		RM
Balance as at 31 December 2021/ pro forma I/ pro forma II		
- current	358,284	
- non-current	7,935,502	8,293,786
<u>Effects of pro forma III</u>		
Utilisation of proceeds:		
- Repayment of bank borrowings		(8,047,028)
Pro forma III		
- current	195,023	
- non-current	51,735	246,758

(i) Movement in lease liabilities

		RM
Balance as at 31 December 2021/ pro forma I/ pro forma II		
- current	302,018	
- non-current	485,210	787,228
<u>Effects of pro forma III</u>		
Utilisation of proceeds:		
- Repayment of hire purchase liabilities		(490,000)
Pro forma III		
- current	230,958	
- non-current	66,270	297,228

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

Yew Lee Pacific Group Berhad

(Incorporated in Malaysia)

Registration No. 202001036243 (1392564-D)



**Notes to the Pro Forma Combined Statements of Financial Position
As at 31 December 2021 (Cont'd)**

Approval by the Board of Directors

Approved and adopted by the Board of Directors in accordance with a resolution dated 28 APR 2022

For and on behalf of the Board of Directors,

A handwritten signature in black ink, appearing to be "Ang Lee Leong". A long arrow points from the signature up towards the text "Approved and adopted by the Board of Directors".

Ang Lee Leong

A handwritten signature in black ink, appearing to be "Chee Wai Ying".

Chee Wai Ying

14. STATUTORY AND OTHER INFORMATION

14.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (b) Save for our Pink Form Allocations as disclosed in Section 4.3.2, as at the date 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 subsidiaries; and
 - (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the subscriber's share issued upon our incorporation and our new Shares issued/to be issued under the Acquisitions and Public Issue as disclosed in Section 6.3 and Section 4.3.1, respectively, no shares of our Company or our subsidiaries/associate company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1, 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.
- (f) None of our Group's capital is under option, or agreed conditionally or unconditionally to be put under option.

14.2 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Constitution are based on the current Listing Requirements and the Act.

(a) Remuneration of Directors

Clause 115 - Remuneration

The fees and any benefits payable to the Directors from time to time, be subject to annual shareholder approval at general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, except that any Director, who shall hold office for part only of the period in respect of which such fees are payable, shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office, PROVIDED ALWAYS that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors may not include a commission on or percentage of turnover;

14. STATUTORY AND OTHER INFORMATION (cont'd)

- (c) fees and any benefits payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 116(1) - Reimbursement

In addition to the remuneration provided under Clause 115, the Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise, howsoever, in or about the business of the Company in the course of the performance of their duties as Directors.

Clause 120 - Directors' borrowing powers

- (1) To the extent that the Act, the Listing Requirements and the Constitution allow, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party, PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party. Provided also that the Directors shall not issue any debt Securities convertible to ordinary shares without the prior approval of the Company in meeting of members.
- (2) The Directors shall cause a proper register to be kept in accordance with Section 60 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard the registration of mortgages and charges therein specified or otherwise.
- (3) Subject to the Act, if the Directors or any of them or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or other persons so becoming liable as aforesaid from any loss in respect of such liability.

(1) Voting of Directors**Clause 132 - 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 the Constitution, vested in or exercisable by the Directors generally. Subject to the Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Clause 133 - Chairman's casting vote

In case of equality of votes, the Chairman shall have a second or casting vote, except where only two (2) Directors are competent to vote on the questions at issue, or at the meeting where only two (2) Directors form the quorum.

(2) Share capital and variation of class rights**Clause 60 - Increase of share capital**

The Company may, from time to time, whether all the Shares for the time being issued shall have been fully paid up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into Shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 12 - Power to Issue Preference Shares

The Company shall have power to issue preference shares ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner as they may think fit.

Clause 13 - Rights of Preference Shareholders

- (1) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference shares and subject to the Act, preference shareholders shall have the same right as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending general meetings of the Company.
- (2) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference share, preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital of the Company or sanctioning a disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months or on a proposal to wind-up the Company or during the winding up of the Company, but shall have no other rights whatsoever.
- (3) The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.

Clause 61 – Issue of New Shares to Existing Members

Subject to any direction to the contrary that may be given by the Company in general meeting, all new Shares or other convertible Securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of such time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or Securities

14. STATUTORY AND OTHER INFORMATION (cont'd)

offered, the Directors may dispose of those Shares or Securities in such manner as they think most beneficial to the Company. The Directors may, likewise, also dispose of any new Shares or Securities which (by reason of the ratio which the new Shares or Securities bear to Shares or Securities held by persons entitled to an offer of new Shares or Securities), cannot, in the opinion of the Directors, be conveniently, offered under this Clause.

Clause 25 - Modification of Rights

If at any time the share capital of the Company, by reason of the issuance of preference shares or otherwise is divided into different classes, the repayment of such preferred capital or all or any of the rights and privilege attached to each class may subject to the provisions of Section 91 of the Act, this Constitution and the provisions of any written law, be varied, modified, commuted, affected, abrogated or dealt with by resolution passed by the holders of at least three-fourth of the issued shares of that class at a separate meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall mutatis mutandis apply to every such meeting except that the quorum hereof shall be two (2) persons at least holding or representing by proxy one third of the issued shares of the class and for an adjourned meeting one (1) person holding shares of such class.

Provided however that in the event of the necessary majority for such a resolution not having been obtained in the manner aforesaid consent in writing may be secured by members holding at least three- fourths of the issued shares of the class and such consent if obtained within two (2) months from the date of the separate meeting shall have the force and validity of a resolution duly carried. To every such resolution the provisions of Section 91 of the Act, shall with such adaptations as are necessary apply.

Alteration of Capital**Clause 62 - Alteration of Capital**

Subject to the Statutes, the Company may from time to time alter its share capital by passing a special resolution to:

- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived;
- (b) convert all or any of its issued paid-up shares into stock and reconvert that stock into paid up Shares;
- (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (d) cancel any Shares, which at the date of the passing of the resolution, which 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; or
- (e) subject to the provisions of the Constitution and the Act, convert and/or reclassify any class of Shares into any other class of Shares.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Clause 63 – Capital Reduction

The Company may by Special Resolution, reduce its share capital in accordance with Section 84 of the Act.

Clause 17 - Shares Issued for Purposes of Raising Money for the Construction of Works or Building

Subject to Section 130 of the Act and any other conditions and restrictions prescribed by the Act, if any Shares of the Company are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period, and may charge the sum so paid by way of interest to capital as part of the cost of construction of the works or buildings or the provision of plant or equipment.

(3) Transfer of securities**Clause 49 - Transfer of securities**

The transfer of any Listed Securities or class of Listed Securities in the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 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 Listed Security.

Clause 50 - Instrument of Transfer

Every instrument of transfer (for any share not being a Deposited Security) must be left for registration at the office of the Company's Registrar accompanied by the certificate of the shares comprised therein (if any) and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the instrument of transfer which is executed in accordance with the Statutes, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.

A fee not exceeding RM3.00 (excluding the stamp duty) or any amount as shall be determined from time to time by the Exchange may be charged for each transfer and shall if required by the Directors be paid before the registration thereof and retain the instrument of transfer.

Clause 51 - Person Under Disability

No shares shall in any circumstances be transferred to any minor, bankrupt or person of unsound mind.

Clause 52(1) - Refusal to Transfer

Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a Deposited Security, to a person of whom they shall not approve.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Clause 52(2) - Notice of Refusal

If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

Clause 53 - Non-Liability of the Company, its Directors and Officers in Respect of Transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

14.3 GENERAL INFORMATION

- (a) Save for the dividends paid to the shareholders of our subsidiaries in the FYEs 2018, 2019, 2020 and 2021 as disclosed in Section 11.15, purchase consideration paid to the Vendors for the Acquisitions as disclosed in Section 6.3 and our Directors' remuneration as disclosed in Section 5.2.4, 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 so paid or given, to any of our Promoters, Directors or substantial shareholders.
- (b) None of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the summarised procedures for application and acceptance are set out in Section 15.
- (d) There is no limitation on the right to own Shares including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.4 CONSENTS

- (a) The written consents of our Adviser, Financial Adviser, Sponsor, Underwriter and 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.

14. STATUTORY AND OTHER INFORMATION (cont'd)

- (b) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn.
- (c) The written consent of our 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 subsequently been withdrawn.

14.5 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at our Registered Office during normal business hours for a period of 6 months from the date of this Prospectus:

- (a) Constitution;
- (b) Audited financial statement of Yew Lee for financial period from 10 November 2020 to 31 December 2021;
- (c) Audited financial statements of YLPM for the FYEs 2018, 2019, 2020 and 2021;
- (d) Audited financial statements of YLPH for the FYEs 2018, 2019, 2020 and 2021;
- (e) Accountants' Report as set out in Section 12;
- (f) Reporting Accountants' report relating to our pro forma consolidated financial information as set out in Section 13;
- (g) IMR Report as set out in Section 7;
- (h) Material contracts as set out in Section 6.20; and
- (i) Letters of consent as set out in Section 14.4.

14.6 RESPONSIBILITY STATEMENTS

Our Directors and Promoters have seen and approved this Prospectus, and they collectively and individually accept full responsibility for the accuracy of the information contained herein, and confirm that after making all reasonable enquiries and to the best of their knowledge and belief, there are no false or misleading statements or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledge 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.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 a.m., 17 May 2022.

CLOSING OF THE APPLICATION PERIOD: 5.00 p.m., 25 May 2022.

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

LATE APPLICATIONS WILL NOT BE ACCEPTED.

15.2 METHODS OF APPLICATIONS

15.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors and employees of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

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

15.2.2 Placement

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

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

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in 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** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

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

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

15.3.2 Application by the Malaysian Public

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

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or

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

- (b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
- (a) White Application Form; or
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by eligible Directors and employees

Our eligible Directors and employees of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions in the said documents and where relevant, in this Prospectus.

15.4 APPLICATION BY WAY OF APPLICATION FORM

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

The FULL amount payable is RM0.28 for each Issue Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 721**" 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:

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

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

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

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor's 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 25 May 2022 or by such other time and date specified in any change to the date or time for closing.

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

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

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

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

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

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

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

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (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.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

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

- (i) reject Applications which:
- (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up or improper form of remittance; or

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

- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

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

15.8 OVER / UNDER-SUBSCRIPTION

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

The basis of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website <https://tiih.online> within 1 Market Day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25.0% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

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

15.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Forms

- (i) 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

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

sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

- (ii) 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.
- (iii) 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 (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by 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 (ii) above (as the case may be).

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

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

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

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (i) Our Issue Shares allotted to you will be credited into your CDS Account.
- (ii) 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.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued 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 Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

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

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one MARKET DAY** after the balloting date.

You may also check the status of your Application at the above website, **5 MARKET DAYS** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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