

7. IMR REPORT

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Date: **18 NOV 2022**

The Board of Directors

L&P Global Berhad
1328, Jalan Sungai Baong,
Furniture Industrial Estate,
14200 Sungai Bakap,
Pulau Pinang, Malaysia.

Dear Sirs/ Madams,

Independent Market Research Report on the Wooden Industrial Packaging Industry in Malaysia and Vietnam ("IMR Report")

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD ("**SMITH ZANDER**") for inclusion in the Prospectus in conjunction with the listing of L&P Global Berhad ("**L&P**") on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which L&P and its subsidiaries ("**L&P Group**") operates and to offer a clear understanding of the industry and market dynamics. As the Group is an integrated wooden industrial packaging solutions provider, the scope of work for this IMR Report will thus address the wooden industrial packaging solutions industry in Malaysia and Vietnam, being the industry in which the Group operates.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an "overall industry" perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report.

For and on behalf of SMITH ZANDER:



DENNIS TAN TZE WEN
MANAGING PARTNER

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The research for this IMR Report was completed on 18 November 2022.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has 24 years of experience in market research and strategy consulting, including over 19 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

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1 INTRODUCTION TO THE WOODEN INDUSTRIAL PACKAGING INDUSTRY

Overview

Boxes, crates and pallets are wooden industrial packaging used in facilitating the distribution of goods across the supply chain, which includes the movement and storage of raw materials, work-in-process inventory, and finished goods as well as end-to-end fulfilment of orders from point of origin to point of consumption.

Wooden industrial packaging is an integral part of supply chain management that supports efficient and cost-effective movement of goods throughout the supply chain, inventory management and space usage. It also contributes to the environmental aspect of supply chain management with the use of recyclable materials as well as reusing the wooden industrial packaging throughout the supply chain.

Besides boxes, crates and pallets, other types of wooden industrial packaging include cases, dunnage, reels, drums, load boards, skids and pallet collars. These wooden industrial packaging can be manufactured from wood, plastic or metal materials. As L&P Group is primarily involved in the manufacturing of wooden boxes, crates and pallets, wooden industrial packaging in the context of this IMR Report will thus refer to wooden boxes, crates and pallets, unless otherwise stated.

Wood materials used in the manufacturing of wooden industrial packaging comprise natural wood (e.g. hardwood and softwood) and engineered wood (e.g. plywood, laminated veneer lumber, oriented strand board and compressed wood), as well as recycled wood.

Under the International Standards for Phytosanitary Measures No. 15 ("ISPM 15"), wooden industrial packaging for cross border shipment of goods to certain countries, must meet the ISPM 15 requirements. ISPM 15 is the treating of wooden industrial packaging using heat treatment or fumigation to remove wood-related pests. The process ensures that the finished wooden industrial packaging is not a carrier of harmful insects or plant diseases. This prevents the transport and spread of insects and/or plant diseases through the use of contaminated wooden industrial packaging from one country to another, which could contaminate the plants or ecosystems of the receiving country.

Wooden industrial packaging that comply with the ISPM 15 regulation are stamped or branded with a mark of compliance. The requirement to comply with ISPM 15 applies to all wooden industrial packaging, except for those manufactured using engineered wood. This is due to engineered wood having also undergone similar processes during manufacturing that involves heat and pressure treatment to produce the engineered wood, which prevents infestation of wood-related pests and diseases. Further, wooden industrial packaging that have been treated can prevent contamination, damage and/or unpleasant odour to the goods carried due to the growth of bacteria and mould.

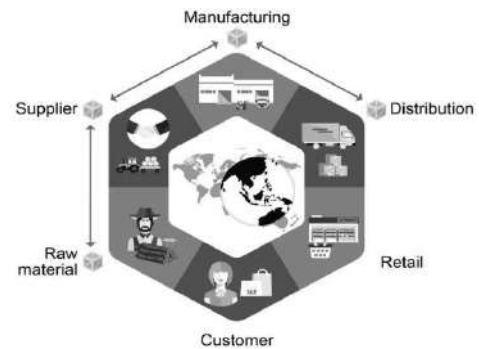
Further description on the specific uses of the respective wooden industrial packaging is as below:


- **Boxes and crates**

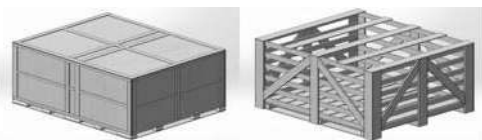
Boxes and crates are heavy duty packaging cases that are used in logistics when shipment loads are large in size, high strength packaging is needed, rigidity of packaging is required to protect the loads contained and the packaging is required to withstand stacking. Boxes and crates primarily store, protect and transport over-sized, heavy industrial goods or equipment such as engines, generators, electronics equipment, large machinery parts, and system parts of manufacturing line/plant.

Boxes and crates are primarily manufactured according to customised sizes to fit the contained loads. Customised sizes ensure that optimised protection is provided to the load to protect it from damage during transportation. Boxes and crates may be used once or multiple times to transport the same load from one location to another to undergo different manufacturing processes to produce the end product. As such, boxes and crates are generally designed to be easily assembled and disassembled to facilitate packing, and stackable to optimise storage space.

In addition, there are also specialised boxes manufactured to contain small and high value equipment such as semiconductors. Aluminium foils and foam applications may be used in the packing process as protective or insulation material to enhance the protection of the goods contained within the box.



Note:  indicates the activity within the supply chain where L&P Group's wooden industrial packaging solutions are used to support the movement of goods.



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• Pallets

Pallets are platforms or rigid frames on which goods/loads are placed and secured with strapping, stretch wrap or shrink wrap. The pallets are then moved from one location to another, or onto and from shipping containers, using forklifts or pallet jacks.



The 2 primary types of pallets manufactured are the 2-way pallet and 4-way pallet. A 2-way pallet allows for forklifts to enter from two sides while a 4-way pallet allows for forklifts to enter from all four sides. Pallets are widely used to support the logistics operations of warehouses and distribution centres as it eases the movement of heavy stacks. It is also used to facilitate warehousing and shipping activities in the storage and movement of goods through vertical stacking and/or pallet racking systems, thus enhancing space saving and optimising storage capacity within a warehouse or shipping container during shipment. Pallets are typically manufactured in standard sizes according to industry standards of respective countries. Pallets may be manufactured according to the standard dimension of 1,100mm x 1,100mm in Asia. Other sizes (e.g. 1,200mm x 1,000mm) which are customised according to individual business needs may also be found in the industry. Pallets by the dimension of 1,100mm x 1,100mm are among the 6 pallet sizes recognised by the International Organisation for Standardisation (“ISO”), based on the principal region of use and the manner in which pallets can be exchanged between regions without creating significant wastage of space on an ISO standard container.



Pallets, at the end of their lifespan, may be recycled and repaired into new pallets to be reused, or into other wooden products such as furniture and decorative products. Pallet recycling is a common industry practice and it refers to the process of collecting, dismantling, recovering usable timber and repairing/re-manufacturing into reconditioned pallets for sale. Similarly, recycled pallets that are used for export purposes are also required to undergo the ISPM 15 treatment.

Recycling of pallets provides cost savings to customers (i.e. manufacturers) as the cost incurred to purchase recycled pallets is lower than to purchase new pallets. Further, recycled pallets reduces the consumption of new timber which promotes timber sustainability and green manufacturing goals.

With the rise of the eco-conscious consumers which urges companies to use more sustainable packaging, using wood as the base material for industrial packaging enables industry players to design wooden industrial packaging solutions which enable circular supply chain practices in supply chain management. In circular supply chain, wooden industrial packaging is designed for multiple rounds of applications within the supply chain and recovered for recycling at end of life to maximise their utility and value.

Industry value chain

The industry value chain of wooden industrial packaging begins from logging activities. Logging companies engage in controlled logging activities through selective logging of mature trees and replanting within a managed forest. This promotes the preservation of the forest as well as the sustainable supply of timber, meeting existing needs without reducing the ability of future generations to meet their needs. Timber wood processors process the logs into wood planks, also known as natural wood, which are then used in the manufacturing of wooden industrial packaging.

On the other hand, engineered wood manufacturers produce engineered woods from derivative of wood products through the process of binding wood strands, particles, fibres or veneers with adhesives to form the wood. Industrial packaging manufacturers are involved in the manufacturing of the wooden industrial packaging.

Boxes and crates are typically sold to manufacturing companies to store and protect their shipment. Pallets are typically sold to manufacturing companies and logistics companies to support their warehousing and logistics activities, as well as to traders/suppliers of pallets for onwards sales.

A summary of the industry value chain is depicted below:

Core value chain	Logging companies	Timber wood processors/ Engineered wood manufacturers	Wooden industrial packaging manufacturers		Customers
Core process	<ul style="list-style-type: none"> Planting and/or logging of trees 	<ul style="list-style-type: none"> Processing of timber to obtain solid wood Manufacturing of engineered wood 	<ul style="list-style-type: none"> Manufacturing of boxes and crates Manufacturing of pallets 	<ul style="list-style-type: none"> Packing, crating and delivery services Pallet recycling Pallet rental 	<ul style="list-style-type: none"> Used by manufacturing companies Used by manufacturing companies and logistics companies Traded by traders/suppliers

Notes:

- [---] denotes the business activities of L&P Group.
- This list is not exhaustive.

Source: SMITH ZANDER

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Wooden industrial packaging manufacturers who are involved in the manufacturing of boxes and crates may also provide packing and delivery services, while those involved in pallet manufacturing may provide pallet recycling and/or pallet rental services. Packing services are provided by skilled packers/handlers to enhance the protection of goods/loads contained within the boxes and crates. In addition to having a strong box or crate, being able to secure the goods/loads with adequate blocking and bracing (i.e. using materials such as aluminium foil and foam) is crucial in preventing the goods/loads from being damaged during shipment. Wooden industrial packaging manufacturers may also offer delivery services to provide businesses with hassle-free end-to-end solutions.

Wooden industrial packaging manufacturers that are engaged in pallet recycling services collect and repair/remanufacture used pallets to produce reconditioned pallets for sale. Pallet rental is a service provided by wooden industrial packaging manufacturers to support businesses on their temporary needs for pallets (e.g. businesses that require temporary pallets for one way delivery of goods, or businesses that require additional pallets to cater for short-term influx of additional goods). For wooden industrial packaging manufacturers, they are able to retrieve and repair the pallets for future rental. This allows wooden industrial packaging manufacturers to maximise the usage of the pallets throughout its useful lifespan.

Industry Performance, Size and Growth¹

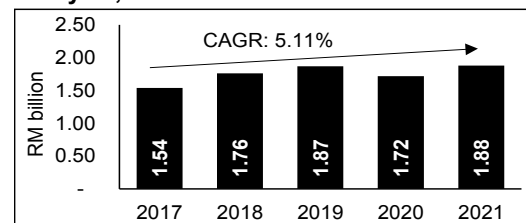
Malaysia

The performance of the wooden industrial packaging industry in Malaysia, measured in terms of manufacturing sales value, grew from RM1.54 billion in 2017 to RM1.88 billion in 2021, at a compound annual growth rate (“CAGR”) of 5.11%.

Prior to the COVID-19 pandemic, the growth of the wooden industrial packaging industry was resilient, registering a 6.25% year-on-year (“YOY”) growth in 2019. However, the industry recorded a decline of 8.02% in 2020 which was mainly a result of mandatory closures of non-essential businesses during the COVID-19 pandemic, leading to a slowdown in manufacturing activities which affected the demand for wooden industrial packaging.

The impact from the COVID-19 pandemic was similarly reflected in Malaysia’s manufacturing gross domestic product (“GDP”) which fell by 2.67% YOY and wholesale and retail trade GDP which fell by 5.63% YOY in 2020. In 2021, the wooden industrial packaging industry improved by 9.30% YOY to RM1.88 billion. Further details on the factors affecting the performance of the industry are as set out in **Chapter 2 – Key demand drivers, risks and challenges**.

Wooden industrial packaging industry, Malaysia, 2017- 2021

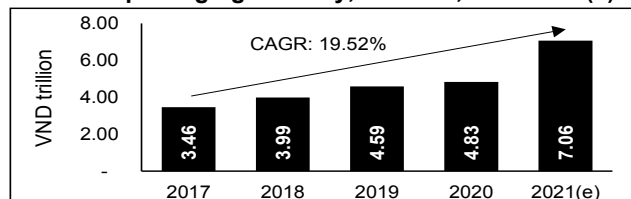


Source: SMITH ZANDER

Vietnam

The performance of the wooden industrial packaging industry in Vietnam, measured in terms of manufacturing sales value, grew from VND3.46 trillion (RM653.94 million²) in 2017 to an estimated VND7.06 trillion (RM1.28 billion³) in 2021, at a CAGR of 19.52%. Despite the outbreak of the COVID-19 pandemic and its adverse economic impact, the wooden industrial packaging industry in Vietnam continued to record a YOY growth of 5.23% in 2020.

Industrial packaging industry, Vietnam, 2017-2021(e)



Note: (e) – Estimates.

Source: SMITH ZANDER

In 2021, the wooden industrial packaging industry in Vietnam recorded a robust YOY growth of 46.17%. This is in line with the growth in Vietnam’s manufacturing GDP and wholesale and retail trade GDP as set out in **Chapter 2– Key demand drivers, risks and challenges**. Further details on the factors affecting the performance of the industry are also set out in **Chapter 2 – Key demand drivers, risks and challenges**.

¹ 5-year data is presented in this section to provide a more comprehensive illustration on the performance of the industry due to unprecedented outbreak of the COVID-19 pandemic that had affected the economic activities in 2020 and 2021.

² Exchange rate from VND to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia (“BNM”) at VND100 = RM0.0189.

³ Exchange rate from VND to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from BNM at VND100 = RM0.0181.

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2 KEY DEMAND DRIVERS, RISKS AND CHALLENGES

Key Demand Drivers

► Preference for wood over plastics as material for industrial packaging

While industrial packaging made from wood and plastics can be interchangeably used for similar applications, wood is relatively less expensive and is a sustainable product as compared to plastics. Wood may also have higher strength durability than plastics, where the varying strengths of wooden industrial packaging can be adjusted using different types of natural wood and engineered wood, and with different thickness. Further, wooden industrial packaging has better flexibility for customised designs to cater to shipping and warehousing needs, as it does not require the use of moulds during manufacturing.

Due to lower up-front cost and higher strength, wood is the most commonly used industrial packaging materials to cater to most shipping and warehousing applications, particularly in applications that do not involve contact with moist surfaces or when industrial packaging is discarded after one-time use. Further, it is estimated that approximately 90.00% of pallets worldwide are made of wood, with the remaining made of plastics and metal. The materials used for boxes and crates are primarily dependent on the type of goods carried. For example, shipping of dry goods generally uses wooden materials whereas shipping of perishable food products generally uses plastic materials.

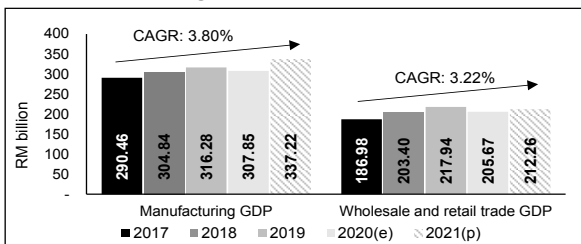
In addition, wooden pallets can be recycled, repaired and reused more than once, extending its useful lifespan. Wooden boxes and crates can also be recycled and repaired according to the needs and usage of the customer. This aids in reducing the cost incurred when manufacturing reconditioned wooden industrial packaging, thus providing cost savings to customers. When wooden industrial packaging has reached the limit of its useful lifespan, the wood can then be recycled into other products (e.g. furniture and decorative items) or to be used as biomass for power generation. Wooden industrial packaging is deemed more environmentally friendly given that wood is biodegradable, and the manufacturing process produces lower carbon emissions as compared to plastics and metal.

► Growth in the economy, international trade and e-commerce drive demand for wooden industrial packaging

Growth in the economy, international trade and e-commerce leads to increased manufacturing activities which in turn drives corresponding growth in warehousing and logistics activities. Consequently, the demand for wooden industrial packaging increases to support increased warehousing and logistics needs. Despite relatively weaker economic conditions in 2020 resulting from the COVID-19 pandemic, economic activities in Malaysia and Vietnam continued to record healthy growth from 2017 to 2021, as follows:

Malaysia

i) Manufacturing GDP and wholesale and retail trade GDP, Malaysia, 2017-2021(p)



Notes:

(e) – Estimates; (p) – Preliminary.

Sources: DOSM, SMITH ZANDER

Within the domestic economy in Malaysia, demand for wooden industrial packaging is primarily driven by the growth in the manufacturing sector and the wholesale and retail trade sector, as these sectors rely on wooden industrial packaging to support warehousing and logistics activities. Growth in the manufacturing sector, as represented by manufacturing GDP, grew from RM290.46 billion in 2017 to RM337.22 billion in 2021 at a CAGR of 3.80%.

Growth in the wholesale and retail trade sector, as represented by wholesale and retail trade GDP, grew from RM186.98 billion in 2017 to RM212.26 billion in 2021 at a CAGR of 3.22%.

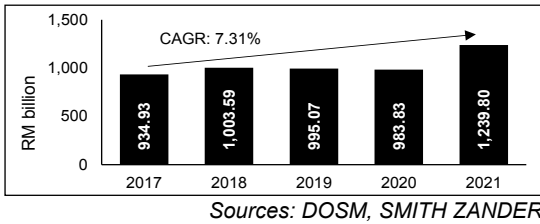
Following the COVID-19 pandemic, Malaysia’s manufacturing GDP fell by 2.67% YOY while wholesale and retail trade GDP fell by 5.63% YOY in 2020. Nonetheless, Malaysia’s manufacturing GDP and wholesale and retail trade GDP recovered in 2021, registering a YOY increase of 9.54% and 3.20% respectively. The contribution of manufacturing GDP accounted for 24.32% while the contribution of wholesale and retail trade GDP accounted for 15.31% of the country’s total GDP respectively in 2021.

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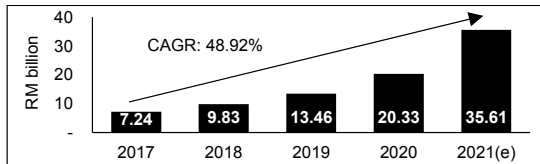


ii) International trade, Malaysia, 2017-2021



Growth in international trade also drives the demand for wooden industrial packaging in Malaysia as trade activities support increased warehousing and logistics. International trade in Malaysia, measured in terms of export value, grew from RM934.93 billion in 2017 to RM1.24 trillion in 2021 at a CAGR of 7.31%. Growth in export is driven by increased manufacturing activities and the demand for local products.

iii) E-commerce industry, Malaysia, 2017-2021(e)

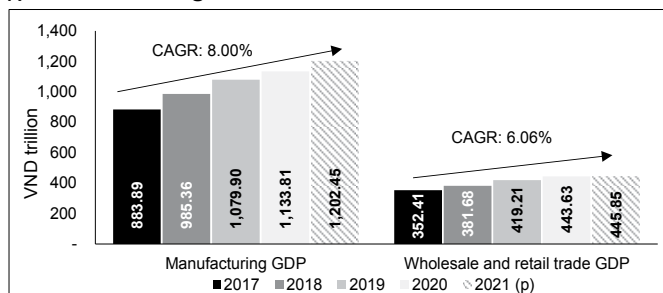


Additionally, the e-commerce industry in Malaysia, which also requires the use of wooden industrial packaging for warehousing and logistics and measured in terms of online retail sales value, increased from RM7.24 billion in 2017 to an estimated RM35.61 billion in 2021 at a CAGR of 48.92%. The outbreak of the COVID-19 pandemic in early 2020 had resulted in a shift in consumer behaviour

towards online shopping which had, in turn, boosted the growth in e-commerce in 2020 and 2021. Moving forward, as consumers adapt to the “new normal” and continue to utilise e-commerce platforms for their purchases, the demand for wooden industrial packaging to support warehousing and logistics activities is expected to increase to support the growth in e-commerce.

Vietnam

(i) Manufacturing GDP and wholesale and retail trade GDP, Vietnam, 2017-2021(p)



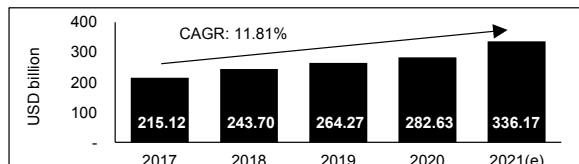
In Vietnam, growth in the manufacturing sector, as represented by manufacturing GDP, grew from VND883.89 trillion (RM167.35 billion) in 2017 to VND1,202.45 trillion (RM217.35 billion) in 2021 at a CAGR of 8.00%.

Growth in the wholesale and retail trade sector, as represented by wholesale and retail trade GDP, grew from VND352.41 trillion (RM66.72 billion) in 2017 to VND445.85 trillion (RM80.59 billion) in 2021 at a CAGR of 6.06%. In 2021, Vietnam’s manufacturing

GDP grew by 6.05% YOY, while wholesale and retail trade GDP grew by 0.50%. The contribution of manufacturing GDP accounted for 23.42% while the contribution of wholesale and retail trade GDP accounted for 8.68% of the country’s total GDP respectively in 2021.

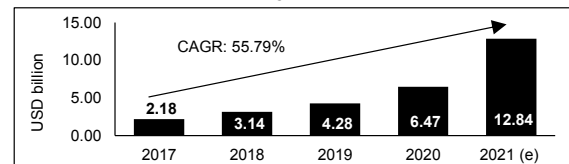
The demand for wooden industrial packaging in Vietnam can be further assessed through the growth in international trade and e-commerce activities.

ii) International Trade, Vietnam, 2017-2021(e)



International trade in Vietnam, measured in terms of export value, grew from USD215.12 billion (RM925.19 billion⁴) in 2017 to USD336.17 billion (RM1.39 trillion⁵) in 2021 at a CAGR of 11.81%.

iii) E-commerce industry, Vietnam, 2017-2021(e)



The e-commerce industry in Vietnam, measured in terms of online retail sales value, increased from USD2.18 billion (RM9.38 billion) in 2017 to an estimated USD12.84 billion (RM53.23 billion) in 2021 at a CAGR of 55.79%.

⁴ Exchange rate from USD to RM in 2017 was converted based on average annual exchange rates in 2017 extracted from published information from Bank Negara Malaysia at USD1 = RM4.3008.

⁵ Exchange rate from USD to RM in 2021 was converted based on average annual exchange rates in 2021 extracted from published information from Bank Negara Malaysia at USD1 = RM4.1454.

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► Escalating US-China trade war drives multinational companies (“MNCs”) to set up manufacturing facilities in Malaysia and Vietnam

The US-China trade war is an on-going economic conflict between US and China whereby high tariffs and trade barriers have been imposed on selected goods traded between both countries. The escalating trade tension has affected MNCs based in China exporting their products to the US due to the high tariffs imposed which could adversely impact their profit margins. If further barriers such as customs delays and imposition of additional regulatory and licensing requirements on US companies with manufacturing facilities in China are imposed by the Government of China, it may affect US companies operating in China. As a result, MNCs have begun to relocate their manufacturing facilities based in China to countries outside China, and MNCs that are planning to expand into the Asian region are exploring other countries in Asia, including countries within the Southeast Asia region. Malaysia and Vietnam are among the countries in Southeast Asia that are benefitting from this due to low labour costs, availability of resources and skilled labour, as well as ease of conducting business and favourable trade tariffs.

Total approved investments for the manufacturing sector in Malaysia grew from RM63.68 billion in 2017 to RM195.09 billion in 2021, at a CAGR of 32.30%. Total approved investments for the manufacturing sector in Malaysia increased by 113.77% in 2021 YOY, from RM91.26 billion in 2020. Approved investments for the manufacturing sector contributed 63.64% to total approved investments in Malaysia in 2021. Out of the total approved investments received by the manufacturing sector in 2021, foreign direct investments (“FDI”) accounted for RM179.60 billion (92.06%) and domestic investments accounted for RM15.49 billion (7.94%).

In Vietnam, total approved FDI for the manufacturing sector increased from USD15.88 billion (RM68.30 billion) in 2017 to USD 18.12 billion (RM75.11 billion) in 2021, at a CAGR of 3.35%. Total approved FDI for the manufacturing sector increased by 33.24% in 2021 YOY, from USD13.60 billion (RM57.14 billion) in 2020. Approved FDI for the manufacturing sector contributed 58.17% to total FDI in Vietnam in 2021.

Amongst the MNCs that have relocated their manufacturing facilities from China or are expanding their manufacturing facilities outside China, some examples of prominent MNCs are as follows:

- In 2021, Apple announced its plans to move a portion of its smartphone, tablet and accessory manufacturing from China to Vietnam and India.
- In 2021, Apple’s key supplier, Foxconn Technology Group, announced its plans to move a portion of its tablet and computer manufacturing from China to Vietnam, and to build a new manufacturing facility in Vietnam to expand its existing production capacity.
- In 2021, Lam Research Corporation commenced the operations of its new manufacturing facility in wafer fabrication equipment in Penang, Malaysia.
- In 2022, SIMMTECH Co., Ltd. commenced the operations of its new factory in the manufacturing of semiconductor packaging substrate and printed circuit boards in Penang, Malaysia.
- In 2022, TTM Technologies Inc announced its plans to set up a manufacturing facility for printed circuit boards in Penang, Malaysia.
- In 2022, Eclipse Automation Inc. announced its plans to set up a manufacturing facility for automated manufacturing equipment in Penang, Malaysia.

Key Industry Risks and Challenges

► Economic downturns, decreased trade activities and outbreak of crises may negatively impact demand for wooden industrial packaging

The growth in demand for wooden industrial packaging is dependent on a country’s economic and trade activities. As the manufacturing and trade industries are primary users of wooden industrial packaging, any economic downturns and decreased trade activities would lead to a corresponding decrease in manufacturing activities and wholesale and retail trade activities. Consequently, as manufacturing activities and wholesale and retail trade activities decline, the demand for wooden industrial packaging will also decrease due to a drop in warehousing and logistics needs.

Further, any outbreak of crises such as health pandemics (e.g. COVID-19), may also impact the demand for wooden industrial packaging. Outbreak of health pandemics may temporarily cripple a country’s economic activities when Governments impose nationwide lockdowns to curb the spread of infectious diseases. The lockdowns may result in temporary suspension of manufacturing and trade activities, thus negatively impacting the demand for wooden industrial packaging.

► Reliance on foreign workers as general labour in Malaysia

The wooden industrial packaging industry is primarily a semi-automated industry. While machinery and equipment are used to facilitate the manufacturing processes, manual labour is required to transfer intermediary products from one machine to another for different manufacturing processes, as well as for processes such as product assembly and packing services. In Malaysia, the manufacturing industry is dependent on foreign workers as a result of limited supply of local labour. Industry players therefore may face challenges in employing

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foreign labour due to the shortage of foreign workers and the time required to register foreign workers. Further, any increase in levy on foreign workers and quota restrictions may cause difficulties for industry players to employ sufficient labour and/or may also increase operating costs for industry players.

A hiring freeze on foreign workers was implemented between June 2020 and December 2021 with the aim to create more job opportunities for the local workforce in view of the adverse impact from the COVID-19 pandemic which caused higher unemployment in the country. Subsequent to the upliftment of the hiring freeze in January 2022, there is a high demand for foreign workers in Malaysia and industry players in the wooden industrial packaging industry may face challenges in securing additional foreign workers due to competition for foreign labour from other industries, which may disrupt operations due to insufficient workers.

► Wood is susceptible to pest contamination as well as fungus and mould growth

Wooden industrial packaging may be contaminated with mould and bacteria growth when exposed to moist/humid conditions, thus increasing the possibility of product contamination and jeopardising the condition of the cargo stored and transported, particularly food and pharmaceutical products. Further, mould and bacteria growth may also create unpleasant odour and sight, leading to negative customer perception which could affect a manufacturer's reputation when goods are delivered to customers on/in contaminated boxes, crates and pallets. Therefore, it is critical for industry players to ensure their wooden industrial packaging are heat treated to kill timber pest and control moisture content throughout the manufacturing process and storage.

Further, proper handling of wooden industrial packaging by customers is also critical to avoid the reintroduction of mould and bacteria into the wooden industrial packaging. Manufacturers who produce wooden industrial packaging that is compliant with the ISPM 15 standard would be better positioned to capture demand for wooden industrial packaging in the global supply chain as ISPM 15-compliant wooden industrial packaging are acceptable internationally.

► Price fluctuations, availability and quality of wood materials

Wood materials are subject to price fluctuations according to the supply and demand conditions and other factors such as production costs of wood, weather conditions, natural disasters, government regulations and general economic conditions.

Natural wood, comprising hardwood and softwood, is a commodity and its price fluctuates in accordance to the demand and supply conditions. The prices of natural wood differ by the species, specifications, grades and origin. For illustration, the average prices of general market specification ("GMS") timber in Malaysia is shown below:

GMS (Average prices)	January - December 2020 (RM/ cubic meter)			January - December 2021 (RM/ cubic meter)			January - July 2022 (RM/ cubic meter)		
	Min.	Max.	Diff.	Min.	Max.	Diff.	Min.	Max.	Diff.
Heavy hardwood	4,493	4,677	4.08%	3,537	4,626	30.80%	3,731	4,051	8.59%
Medium hardwood	2,006	2,244	11.91%	2,025	2,313	14.18%	1,713	1,908	11.35%
Light hardwood	1,865	1,907	2.27%	1,868	1,933	3.47%	1,839	1,901	3.35%

Source: The Malaysian Timber Industry Board

In Malaysia, the harvesting of logs is controlled and the annual allowable volume for harvesting is based on each state's quota stipulated by the National Land Council. Shortages may occur during bad weather conditions or tightening of restrictions on illegal harvesting. Generally, industry players source their wood materials locally and from overseas to mitigate risk of any shortage of local wood supply. However, the sourcing of timber internationally may result in higher costs due to exchange rate risk and the higher logistics costs involved.

The quality of wood is subject to price, species, specifications, grades and origin. Natural wood, in its natural state, has varied moisture content, properties and surface conditions, depending on the weather, quality of the logs during harvesting and handling. On the other hand, engineered wood is a processed wood and the moisture content, properties and surface conditions can be controlled during the production process, and hence, generally more expensive than natural wood. As engineered wood is not a commodity, there is no centralised source that tracks its prices. Given that engineered wood is produced from derivative of wood products and it can be produced using different wood materials, it can be readily available. This is in contrast to natural wood which is dependent on the supply of logs.

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7. IMR REPORT (Cont'd)

SMITH ZANDER

3 COMPETITIVE OVERVIEW

Competitive Landscape

The wooden industrial packaging industry in Malaysia and Vietnam mainly comprises manufacturers and traders of wooden industrial packaging solutions. The competition in the industry is fragmented in nature due to many small companies and businesses serving the domestic market. There are some foreign-based companies that have set up local entities to manufacture and/or trade boxes, crates and pallets, or who have developed partnerships with local manufacturers to serve local customers. Further, some logistics companies may supply wooden industrial packaging to complement their logistics services. This section focuses on industry players that are involved in the manufacturing of wooden industrial packaging as their core business as it is the principal business activity of L&P Group.

Manufacturers of boxes/crates or pallets may also provide heat treatment services to meet the ISPM 15 standards for export purposes. In addition, some industry players may provide packing and delivery services of boxes and crates, and/or recycling of pallets. Industry players generally compete in terms of the range of products and services offered, track record, reputation, product quality, product pricing and after-sales service. Geographical coverage is also an important competitive factor as the closer proximity to customer locations enable better access to service the customers, shorter delivery lead times and lower logistics cost. As such, industry players may set up manufacturing and/or storage facilities in multiple locations to capture a wider customer base.

Key Industry Players

The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that do not have online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players identified is exhaustive. In instances where industry players are exempt private companies for the latest available financial year, or industry players with no publicly available financial reports, the industry players are not included in the table as the audited financial statements of the companies are not publicly available.

The basis for selection of the key industry players in the wooden industrial packaging industry in Malaysia and Vietnam is based on the following:

- Companies involved in the manufacturing of wooden boxes/crates and pallets, being the principal business activity of L&P Group. These companies may also be involved in the provision of packing and/or delivery services as well as heat treatment services, in which L&P Group also offers;
- Companies with presence in Penang, Klang Valley and/or Johor; and companies with presence in Binh Duong in Vietnam, being the key areas of competition of L&P Group; and
- Companies with more than RM20 million revenue based on their latest available financial years.

Malaysia

Company name	Business premise	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit/(Loss) (RM million)	Gross Profit/(Loss) Margin (%)	Profit/(Loss) After Tax (RM million)	Profit/(Loss) After Tax Margin (%)
L&P Group	Penang and Johor (Malaysia); and Binh Duong Province (Vietnam)	Manufacturing of wooden boxes/crates and pallets, including the provision of packing, delivery, pallet recycling and heat treatment services	31 December 2021	120.92/ 94.89 ⁽ⁱ⁾	29.19	24.14	14.33	11.85
ETH Holdings Sdn Bhd	Klang Valley	Manufacturing/ trading of wooden boxes, crates and pallets, including the provision of packing services	31 December 2021	84.45	7.31	8.66	1.96	2.32

7. IMR REPORT (Cont'd)

SMITH ZANDER

Company name	Business premise	Products and/or services offered	Latest available financial year	Revenue (RM million)	Gross Profit/(Loss) (RM million)	Gross Profit/(Loss) Margin (%)	Profit/(Loss) After Tax (RM million)	Profit/(Loss) After Tax Margin (%)
Transpak Worldwide Sdn. Bhd	Johor, Singapore, and other countries globally	Manufacturing of wooden boxes/crates, including the provision of packing services; as well as other offerings such as factory relocation	31 December 2021	65.32	N/A ⁽ⁱ⁾	N/A ⁽ⁱⁱ⁾	3.96	6.06
EPE Packaging (Penang) Sdn Bhd	Penang, Klang Valley, Johor, Vietnam and other countries in Asia	Manufacturing of wooden boxes/crates and pallets, including the provision of delivery services; as well as other offerings such as supply of corrugated boxes and foam	31 March 2022	46.84	6.55	13.98	0.46	0.98
Lian Hup Packaging Industries Sdn Bhd/ Siri Belukar Packaging Sdn Bhd (Malaysia)/ LHT Gpac Technology (M) Sdn Bhd (collectively wholly-owned subsidiaries of LHT Holdings Limited ⁽ⁱⁱⁱ⁾)	Singapore, Klang Valley, Johor, and Vietnam	Manufacturing and trading of wooden boxes/crates and pallets, including the provision of packing, delivery and heat treatment services; as well as other offerings such as supply of timber-related products and woodchips, pallets rental, wood waste recycling	31 December 2021	38.73	10.48	27.06	3.87	9.99
Nefab (Malaysia) Sdn Bhd	Penang, Klang Valley, Vietnam and other countries globally	Manufacturing of wooden boxes/crates and pallets, including the provision of packing and delivery services; as well as other offerings such as kitting, warehousing and containerisation services	31 December 2021	27.62	11.86	42.94	2.60	9.41
TimberTech Pallet Systems Sdn Bhd	Klang Valley	Manufacturing of wooden boxes/crates and pallets, including the provision of delivery and heat treatment services	31 August 2021	21.39	1.93	9.02	(0.21)	(0.98)

Notes:

- (i) Revenue contributed by sales in Malaysia.
- (ii) N/A – Not available as gross profit is not provided in the company's annual report.
- (iii) A public listed company on Singapore Exchange.
- Latest available information as at the date of research completion.

Sources: L&P Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

Vietnam

As geographical coverage is an important competitive factor, L&P Group, with presence in Binh Duong Province in Vietnam also competes with companies involved in the manufacturing/trading of wooden boxes/crates and pallets within the region.

Examples of these companies are Viet Truong Hai Manufacturing Service Trading Production Co Ltd, Hoang Minh Dinh Wood Pallet Trading & Services Co Ltd, Thuan Hop Wood Co Ltd, Nhien Thanh Service Trading Co Ltd, Long Giang Vietnam Manufacturing Trading and Service Co Ltd, Duong Van Khoi Co Ltd; Thanh Duong Pallet Trading Co Ltd and Loscam Vietnam Co Ltd.⁶

⁶ Company names may vary from their official name due to translation. Financial information is not publicly available.

7. IMR REPORT (Cont'd)

SMITH ZANDER

Market Share**Malaysia**
5.05%

L&P Group captured a market share of 5.05%, computed based on its sales value of boxes, crates and pallets of RM94.89 million in Malaysia in the FYE 2021 against the wooden industrial packaging industry of RM1.88 billion in Malaysia in 2021.

**Vietnam**
2.04%

L&P Group captured a market share of 2.04%, computed based on its sales value of boxes and pallets of RM26.04 million in Vietnam in the FYE 2021 against the wooden industrial packaging industry of RM1.28 billion in Vietnam in 2021

Sources: L&P Group, SMITH ZANDER

4 OUTLOOK AND PROSPECTS

The performance of the wooden industrial packaging industry in Malaysia grew from RM1.54 billion in 2017 to RM1.88 billion in 2021, at a CAGR of 5.11%. Prior to the COVID-19 pandemic, the growth of the wooden industrial packaging industry was resilient, registering a 6.25% YOY growth in 2019. However, the industry recorded a decline of 8.02% in 2020 which was mainly a result of mandatory closures of non-essential businesses during the COVID-19 pandemic, leading to a slowdown in manufacturing activities which affected the demand for wooden industrial packaging. In 2021, the wooden industrial packaging industry improved by 9.30% YOY to RM1.88 billion.

In Vietnam, the performance of the wooden industrial packaging industry grew from VND3.46 trillion (RM653.94 million) in 2017 to an estimated VND7.06 trillion (RM1.28 billion) in 2021, at a CAGR of 19.52%. Despite the outbreak of the COVID-19 pandemic and its adverse economic impact, the wooden industrial packaging industry in Vietnam continued to record a YOY growth of 5.23% in 2020. In 2021, the wooden industrial packaging industry in Vietnam recorded a robust YOY growth of 46.17%. This is in line with the growth in Vietnam's manufacturing GDP and wholesale and retail trade GDP.

L&P Group is well-positioned to leverage on the growth of the wooden industrial packaging industry, which is driven by the preference for wood over plastics as material for wooden industrial packaging, as well as expected growth in manufacturing, trade and e-commerce. Further, the escalating US-China trade war is also expected to drive MNCs in setting up manufacturing facilities in Malaysia and Vietnam, which will be beneficial for L&P Group's business growth in these 2 markets.

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8. RISK FACTORS

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

8.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

8.1.1 We are dependent on First Solar as our major customer

We are dependent on First Solar which contributed 41.78%, 57.70%, 59.40% and 55.39% to our total revenue for the past 3 FYEs 2019 to 2021 and FPE 2022, respectively. Further, First Solar Vietnam is our sole customer in Vietnam which contributed 100% of our revenue generated from Vietnam operations for the past 3 FYEs 2019 to FYE 2021 and FPE 2022. All sales with First Solar are done through purchase orders and we have not entered into any long-term contracts or agreements with First Solar. Additional information on our major customers is set out in Section 6.5 of this Prospectus. On 1 October 2022, our Group has entered into a Master Supply Agreement with First Solar for the supply of boxes and crates to First Solar for Malaysia and Vietnam. The Master Supply Agreement is effective from 1 October 2022 and expires on 31 December 2025, unless terminated earlier, and it sets out the general terms and conditions governing the supply of products by our Group to First Solar for the First Solar's production of solar photovoltaic modules. The Master Supply Agreement comprises the product supply schedule(s) which are valid for the respective terms as set out in the product supply schedules. Each product supply schedule sets out, among others, the description of products, specifications, schedule term, minimum volume obligation, unit price, currency, payment terms, buffer stock and safety stock required, delivery terms and schedule as well as forecast. First Solar will place confirmed orders in the form of purchase order. Please see Section 6.4.15 of this Prospectus for further details of the Master Supply Agreement.

Any decrease in the value of orders from First Solar could have an adverse effect on our financial performance. Although they have been our customer since 2008, there is no assurance that they will continue to purchase from our Group or that demand from them will be sustained at current, or higher levels in the future.

The loss of First Solar and our inability to replace it with new customers or with additional orders from other existing customers in a timely manner could result in a loss of revenue and will have an adverse impact on our financial performance. Further, even though we may be able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and maintain and/or improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

8.1.2 We are dependent on the availability of foreign workers for our manufacturing activities

Our Group is reliant on foreign workers to carry out our manufacturing works due to the labour intensive nature of the industry, as it is difficult to hire and retain local workers. As at the LPD, we have 171 foreign workers, accounting for 46.72% of our total workforce. All of our foreign workers have valid working permits, which are renewed annually. The loss of our existing foreign workers without timely replacements may adversely disrupt our operations. The hiring of new local employees to replace the foreign workers may require some time as they may not be immediately available. Further, new employees will need time to familiarise with the operations of our machinery. In such event, our manufacturing may be affected and our deliveries may be delayed, which in turn may materially and adversely affect our business operations and financial performance.

8. RISK FACTORS (Cont'd)

Further, costs of foreign labour may continue to increase in the future as the Government continues to revise the relevant policies. On 19 March 2022, the Government announced that the national minimum wages will be revised to RM1,500 per month from 1 May 2022. As such, from 1 May 2022, our Group has revised the salary for employees earning less than RM1,500 per month to RM1,500 per month. Hence, any increase in the levy rate and minimum wages for foreign workers will increase our cost of labour which may negatively affect our financial performance should we fail to pass on the increase in cost to our customers in a timely manner.

In June 2020, the Human Resources Minister announced a hiring freeze on foreign workers with the aim to create more job opportunities for the local workforce in view of the adverse impact from the COVID-19 pandemic which is causing higher unemployment in the country. In August 2020, the Government announced an easing of the hiring freeze on foreign workers by allowing employers to hire retrenched foreign workers who are still in Malaysia, provided that these foreign workers have valid work permits and that they are being employed in the same sector that they were previously employed in. However, hiring freeze for new foreign workers in the country was extended until 31 December 2021.

In May 2022, the Government announced that approximately 150,000 applications to hire foreign workers in the construction, agriculture, plantation, manufacturing and services sectors was processed by mid-May 2022, which eased the shortage of foreign labour in these sectors. We have received an approved quota from Ministry of Human Resources on 24 May 2022 which allow us to hire an additional of up to 100 foreign workers between 24 May 2022 and 24 November 2023 for general works or as operators. Any unutilised quota after the validity period will be void and we are allowed to claim for the levy paid from the immigration office. As at LPD, we have utilised 45 out of the 100 foreign workers in relation to the aforementioned quota.

Our Group was affected by the hiring freeze as we have insufficient workforce to support our production activities during the hiring freeze period. If the hiring freeze is reimposed, we may face insufficiency of workers which may result in disruption to our operations and in turn will affect our financial performance.

8.1.3 Our business is exposed to unexpected interruptions or delays caused by equipment failures, fire, environmental factors (including natural disasters), some of which may be beyond our control, which may lead to interruptions in our operations

We rely on machinery and equipment such as the heat treatment chamber, radio frequency machines, boilers and multi-ripping machine to carry out manufacturing activities in our factories. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. Further, our factories are also subject to damages due to natural disasters such as floods or storms. As we are involved in the manufacturing of industrial packaging products, one of the main raw materials to our manufacturing activities is wood. Therefore, we are subject to higher inherent risks of fires as wood is a flammable material. In addition, as our manufacturing activities are dependent on continuous supply of electricity, any major disruptions to the supply of electricity may result in interruptions to our operations. In the event of these incidents occurring, it may result in a delay in fulfilling our customers' orders which subsequently may adversely affect our reputation and financial performance.

The occurrence of these unexpected events that are beyond our control may cause damage or destruction of all or part of our factory and machinery, resulting in interruptions to or prolonged suspension of our manufacturing activities. Any prolonged interruptions to our manufacturing activities will affect our ability in adhering to our manufacturing schedule, thus causing delays in the delivery of products to our customers. This could adversely impact our relationships with customers, financial performance and industry reputation.

For the past 3 FYEs 2019 to 2021 and FPE 2022, we have not experienced any incidents of unanticipated machinery and equipment failures or catastrophic damages as a result of fires or floods, which led to major interruptions in our operations. However, there can be no assurance that such incidents will not happen in the future.

8. RISK FACTORS (Cont'd)

8.1.4 We are dependent on our CEO, COO and key senior management personnel for continued success and the loss of their continued services may affect our business

Our continued and future success largely depends on the continuing contribution of our CEO, COO and key senior management personnel. With their corporate experience and in-depth knowledge of the industry and/or in their respective fields, they play a pivotal role in our daily business operations as well as formulating and implementing strategies to drive the growth and expansion of our Group. They are involved in overseeing our manufacturing, quality assurance and quality control, execution of growth strategies, financial and accounting functions of our Group as well as procuring new suppliers and customers, and maintaining relationships with all our suppliers and customers.

We recognise that our Group's continuing success and future growth depend significantly on the capabilities and efforts of our CEO, COO and key senior management personnel. As such, any loss of these personnel, and our inability to find a suitable replacement in a timely manner, may create an unfavourable or material impact on our Group's operations, and may eventually affect our ability to maintain and/or improve our business performance.

8.1.5 Our business and operations were impacted by the outbreak of the COVID-19 virus

Our business and operations faced temporary interruption pursuant to the outbreak of the COVID-19 virus. In Malaysia, our workforce capacity was reduced to 50% as per the SOP set out by MITI between March 2020 to August 2021. By August 2021, all of our employees were fully vaccinated and we were operating at full workforce capacity. Our operations in Vietnam were not affected as we were allowed to operate during the period of the lockdown while complying with the control measures issued by the Ministry of Industry, Vietnam.

Due to the movement restrictions during the COVID-19 pandemic, we were impacted in terms of lower sales volume due to the requirement to reduce our workforce capacity in our Sungai Bakap Factory that resulted in lower manufacturing capacity and the non-operations of some of our customers (primarily customers for boxes and crates); supply disruptions and delays in the receipt of wood materials due to the movement restrictions imposed by various countries, shortage of containers and vessel re-routing. Despite the slight reduction of sales volume during the MCO period, Phase-1 NRP up to August 2021 of the Phase-2 NRP, our sales volume increased after these movement restrictions as our customers resumed their operations and increased their purchase orders. Hence, we were able to record higher revenue growth and there was no negative impact to our revenue recognition for the FYE 2020 and FYE 2021.

Beginning 1 April 2022, Malaysia entered into the "Transition to Endemic" phase. Among the relaxed rules and SOP include the abolishment of restrictions on business operating and the abolishment of limits on the number of personnel allowed in workplace. The operations at our headquarters and factories were not impacted by the enforcement of the "Transition to Endemic" phase. Therefore, there was no material impact on our financial performance upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022. Although Vietnam has not considered COVID-19 to be an endemic disease, there has been no further restrictions imposed on our operations in Vietnam up to date. Please refer to Section 6.4.16 for additional details on the interruptions to our business and operations due to the COVID-19 pandemic.

If there is any tightening of movement restriction in the future which result in reduction of workforce or closure of our operations, there can be no assurance that our manufacturing schedule will not be materially impacted and that we will be able to fulfil our orders in a timely manner. Further, there can be no assurance that our customers will not initiate any penalty claims against our Group arising from the delay, which may result in adverse impact on our financial performance.

8. RISK FACTORS (Cont'd)

Notwithstanding that our Group had undertaken necessary precautionary measures and steps in response to the COVID-19 situation, there can be no assurance that our employees will not be infected by the COVID-19 virus. As at the LPD, there were 145 confirmed case of COVID-19 among our employees. Nevertheless, should all or a portion of our employees be quarantined as a result of infections, our business operations may be affected due to a temporary shortage of workers.

8.1.6 Our future growth depends on our ability to execute our business strategies and future plans

Our business strategies and future plans are as follows:

- (i) We plan to strengthen our presence in the Southern region by expanding our operations in Johor;
- (ii) We plan to expand our geographical presence domestically to the Klang Valley and regionally to Singapore;
- (iii) We intend to purchase new machinery to support the expansion of our business operations; and
- (iv) We plan to expand our circular supply services to offer a more comprehensive circular supply chain solution to our customers.

Please refer to Section 6.8 of this Prospectus for further information on our business strategies and future plans.

The implementation of these business strategies and future plans involves capital expenditure as well as other operating expenses such as depreciation charges, machinery and equipment maintenance costs and staff costs. The feasibility and implementation of such business strategies and future plans will also depend on, amongst others, favourable economic conditions and the timing of execution.

Our financial performance will be adversely affected if we are not able to secure sufficient orders from existing and/or new customers following the implementation of the above business strategies and future plans due to the additional costs incurred. Further, there is no assurance that the demand for our industrial packaging products will match our enlarged capacity on an immediate basis.

As such, there is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

8.1.7 We are subject to political conditions, government policies, laws and regulations as well as economic developments in the countries in which we operate

Our Group operates in Malaysia and Vietnam. Our business, prospects, financial conditions and results of operations may be affected by any adverse developments or uncertainties in political, legal, regulatory or economic conditions that are beyond our control in the countries we operate. These risks include unfavourable changes in political conditions, economic conditions, interest rates, government policies and regulations, import and export restrictions, duties and tariffs, civil unrest, methods of taxation, inflation and foreign exchange controls.

8. RISK FACTORS (Cont'd)

Any changes in these policies and conditions, as well as widespread and/or prolonged economic slowdowns in the markets we operate, may cause a decline in trade activities which consequently cause a decline in the demand for our Group's products and may have a material adverse effect on our business and financial performance. Whilst we practice prudent financial management and efficient operating procedures, there can be no assurance that any adverse economic, political, legal and/or social developments will not lead to a material adverse effect on the business performance of our Group.

8.1.8 We are exposed to foreign exchange fluctuation risks which may impact the profitability of our Group

Our wood materials are sourced from overseas in USD, VND, RMB, EUR and SGD. For the past 3 FYEs 2019 to 2021 and FPE 2022, our purchase of supplies denominated in foreign currencies contributed 61.99%, 74.65%, 79.02% and 75.65% to our Group's total purchases respectively, as detailed below:

Foreign currencies	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
USD	768	1.84	31,621	51.75	44,843	54.44	35,472	61.80
VND	25,060	60.03	13,566	22.20	15,679	19.04	6,740	11.74
RMB	-	-	324	0.53	4,396	5.34	1,214	2.11
EUR	-	-	72	0.12	158	0.19	-	-
SGD	-	-	28	0.05	7	0.01	-	-
THB	52	0.12	-	-	-	-	-	-
	25,880	61.99	45,611	74.65	65,083	79.02	43,426	75.65

For the past 3 FYEs 2019 to 2021, 100%, 98.10% and 95.95% of our revenue are billed in local currency at where we operate, i.e MYR and VND, respectively. However, since May 2022, our sales to First Solar in Malaysia, who is our major customers for the past 3 FYEs 2019 to 2021 and FPE 2022, have been revised to be billed in USD instead of MYR. Further, one of our other major customers in FPE 2022, namely Celestica Electronics (M) Sdn Bhd also billed in USD. In FPE 2022, sales to First Solar Malaysia and Celestica Electronics (M) Sdn Bhd collectively contributed approximately RM33.44 million, amounting to 39.89% to our Group's total revenue. As such, the sales to First Solar Malaysia and Celestica Electronics (M) Sdn Bhd, which are billed in USD, allow us to reduce our exposure to exchange rate fluctuations to USD moving forward.

Our sales in Vietnam were RM6.05 million, RM24.79 million, RM26.04 million and RM15.60 million for the past 3 FYEs 2019 to 2021 and FPE 2022, respectively, and contributed 9.12%, 28.07%, 21.53% and 18.61% to our Group's total revenue respectively. As the sales in Vietnam were predominantly denominated in VND, it allowed us to reduce our exposure to exchange rate fluctuations to VND. Please refer to Section 11.3.3(e) for further information on the steps taken by our Group to mitigate this risk.

Nevertheless, in the event of significant depreciation of the RM against any of the foreign currencies above will lead to higher costs of supplies or lower revenue for our Group. If we are unable to pass the increase in cost to our customers in a timely manner, our financial performance may be adversely affected due to the reduced GP margin from higher cost of supplies. Further, we are unable to accurately price in all possible future depreciation of RM which may cause our revenue to be less than originally anticipated.

8.1.9 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities.

8. RISK FACTORS (Cont'd)

As at LPD, the Group has taken up the following insurance policies:

- (i) fire insurance (which extends to cover damages caused by other perils such as earthquake, storm and flood) for our factories, stock in trade (including raw materials, goods in progress and finished goods), office equipment, furniture and fixtures, machineries, dust control system and extinguishing system with an aggregate sum insured of RM60.50 million;
- (ii) Consequential loss insurance with a total sum insured of up to RM30.1 million;
- (iii) Public liability insurance with a total sum insured of up to RM5.0 million; and
- (iv) Marine open cover insurance for our raw materials and finished goods in transit from our premises of up to RM1.0 million for any one vessel and connecting land conveyance.

However, our insurance may not be adequate to cover all losses or liabilities that we might incur in our operations. For example, while we are insured against losses resulting from fires and flood, we do not maintain insurance against losses at our factory as a result of other natural disasters.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business, financial condition and results of operations.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 We are dependent on the manufacturing and trade sectors for our continued success and growth

Our revenues are dependent on the manufacturing and trade sector. As the manufacturing and trade industries are the primary users of industrial packaging products, any economic downturn and decreased trade would lead to corresponding decreases in manufacturing activities and wholesale and retail trade activities, as businesses and consumers become more cautious in their spending.

Consequently, as manufacturing activities and wholesale and retail trade activities decline, the demand for industrial packaging products will also decrease due to a drop in warehousing and logistics activities. This would negatively affect the overall demand for our Group's products, thereby affecting our Group's financial performance and prospects.

8.2.2 We are reliant on approvals, licences, registrations and permits for our operations in the countries we operate

Our business is subject to various laws, rules and regulations. We have obtained the necessary licences and approvals from various governmental authorities for our business, as set out in Section 6.4.13.

Our business is subject to various laws, rules and regulations. For instance, the Wood-Based Enactment provides that no person is allowed to build, set up, establish, operate or maintain a wood-based industry, without a license issued by the state authority and signed by the Director of State Forestry. Pursuant to the Wood-Based Enactment, any person who contravenes any of the provisions of the Wood-Based Enactment shall, on conviction be liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 1 year or to both such fine and imprisonment. Pursuant to the Wood-Based Industries (Amendment) Enactment 2018 which was gazetted on 20 December 2018, the fine will be revised upwards to RM10,000, however this amendment has yet to come into force as at the LPD. We have obtained the necessary licences and approvals from various governmental authorities for our business, further details of which are as set out in Section 6.4.13.

8. RISK FACTORS (Cont'd)

Conducting business in Vietnam also requires us to comply with foreign laws and regulations covering many aspects of our operations, including trade laws and licensing regulations, and these laws and regulations may change, or may be updated and amended, from time to time. Much of the above changes are beyond our control.

As at the LPD, our subsidiaries, BSB and BPSB, each hold a valid manufacturing licence issued by MITI. One of the initial license conditions of BSB's manufacturing license states that the total full-time workforce of the license holder i.e. BSB must comprise at least 80% Malaysians by the year 2020. MITI had subsequently vide a circular dated 18 July 2022 provided a further extension of time to all licence holders which are subject to this condition to comply with the same by 31 December 2024. Due to the labour intensive nature of our Group's business, our Group faces difficulty in the recruitment and retention of local employees. As such, despite our Group's effort since 2017 to recruit and retain local employees, our Group is still not able to meet the requirement of 80% local employees as we only have approximately 48.80% of local employees as at the LPD. In the event the licence condition is not met by 31 December 2024, MITI may in its discretion revoke BSB's manufacturing licence and before exercising such power to revoke the licence, MITI may call upon BSB to show within such period as may be prescribed due cause why the licence should not be revoked.

MITI may also withhold or suspend the revocation of the licence if MITI is satisfied that BSB's non-compliance with the licence condition was due to some cause beyond its control and there is a reasonable prospect of such non-compliance being remedied within such period as MITI may direct. Please refer to Section 6.9.1 for further details.

The major licences, permits and approvals as aforementioned are subject to compliance with relevant conditions (if any), and laws and regulations under which they were issued. In the event of non-compliance, these licences, permits and approvals may be revoked or may not be renewed upon expiry.

Further, the relevant government authority or issuer may take action by issuing warnings, imposing penalties, suspending the licences, permits or approvals, reducing the term, imposing additional conditions or restrictions, and/or revoking the licences, permits or approvals, for any breach or non-compliance. Any revocation or failure to obtain, maintain or renew any of the licences or permits may materially and adversely affect our business operations and financial performance.

In addition, we may be required to comply with further and/or stricter requirements if there are changes to applicable laws, regulations or policies in Malaysia and Vietnam. This may affect our business operations and financial performance if we are unable to comply with the new laws, regulations or policies.

8.2.3 We are dependent on the availability and quality of wood materials as raw material for our industrial packaging products

For the past 3 FYEs 2019 to 2021 and FPE 2022, our total purchases of supplies amounted to approximately RM41.75 million, RM61.10 million, RM82.36 million and RM57.40 million, respectively. Wood materials collectively accounted for 92.79%, 93.95%, 92.99% and 90.50% of our total purchases in the past 3 FYEs 2019 to 2021 and FPE 2022, respectively.

Wood materials comprise engineered wood and natural wood which we source from local and overseas (e.g. China, Vietnam, Europe and New Zealand) sawmills, wood manufacturers and trading companies. The supply of local natural woods may be affected by rainy seasons in Malaysia, typically from June to December as well as changes in local government policy to disallow timber concessions. Further, we faced supply disruptions and delays in the receipt of wood materials due to the movement restrictions imposed by various countries, shortage of containers and vessel re-routing arising from the COVID-19 pandemic.

8. RISK FACTORS (Cont'd)

There is no assurance that we will be able to source for wood materials if there is a severe shortage of supply in the industry. In addition, we may not be able to continue sourcing wood materials at reasonable prices. In such circumstances, our business operations and financial performance could be adversely affected.

Further, the local natural wood that we purchase as raw material are porous and have not undergone heat treatment to remove moisture and timber pest by our suppliers, hence they are vulnerable to pests contamination from the growth of fungus and mould, if not properly handled and stored. While we conduct visual inspection to ensure that the incoming local natural wood meet our required quality standards and our purchase of local natural wood had reduced from 24.07% to 9.50% over the past 3 FYEs 2019 to 2021 and FPE 2022, if a substantial amount of local natural wood is affected, it may cause delays in delivery of certain products made from local natural wood to our customers as we will be requesting for replacement from our suppliers or sourcing for new batch of local natural wood from other suppliers to meet our production requirements.

8.2.4 We are susceptible to the price fluctuation of wood materials

Wood is our main raw material for the manufacturing of industrial packaging products. Wood materials contributed 92.79%, 93.95%, 92.99% and 90.50% of our total purchases in the past 3 FYEs 2019 to 2021 and FPE 2022, respectively.

Wood materials are subject to price fluctuations according to the supply and demand conditions and other factors beyond our control such as production costs of wood, weather conditions, natural disasters, government regulations and general economic conditions. Any unfavourable changes in the above factors may cause material increases in the price of wood materials, and may lead to a rise in our cost of production as well as our carrying cost for maintaining our inventories.

In Malaysia, the harvesting of logs is controlled and the annual allowable volume for harvesting is based on each state's quota stipulated by the National Land Council. Shortages may occur during bad weather conditions or tightening of restrictions on illegal harvesting. Generally, industry players source their wood materials locally and from overseas to mitigate risk of any shortage of local wood supply. However, the sourcing of timber internationally may result in higher costs due to exchange rate risk and the higher logistics costs involved.

The quality of wood is subject to price, species, specifications, grades and origin. Natural wood, in its natural state, has varied moisture content, properties and surface conditions, depending on the weather, quality of the logs during harvesting and handling. On the other hand, engineered wood is a processed wood and the moisture content, properties and surface conditions can be controlled during the production process, and hence, generally more expensive than natural wood. As engineered wood is not a commodity, there is no centralised source that tracks its prices. Given that engineered wood is produced from derivative of wood products and it can be produced using different wood materials, it can be readily available. This is in contrast to natural wood which is dependent on the supply of logs.

In the past 3 FYEs 2019 to 2021 and FPE 2022, we have experienced increase in wood material prices, however, the increase in costs did not materially impact our financial performance as we had been using more engineered wood in the manufacturing of our industrial packaging products and focused our sales on boxes and cates which use engineered wood as wood materials, and on engineered wood pallets which has higher price than natural wood pallets. The fluctuation in price of engineered wood, which comprised majority of our wood material purchases in the past 3 FYEs 2019 to 2021 and FPE 2022 (64.50%, 73.66%, 79.77% and 77.91%), were between -5.86% and 7.43%, while the average price of natural wood fluctuated between -2.66% and 42.60%. Our Group's purchases of natural wood declined over the last 3 FYEs 2019 to 2021 and FPE 2022, comprising 28.29%, 20.29%, 13.22% and 12.59% of our total purchases.

8. RISK FACTORS (Cont'd)

There is no assurance that we will be able to accurately anticipate and react to the changes in the price of wood materials. If we are unable to pass on the increase in the price of wood materials to our customers, we will bear the increasing costs and this may have a material impact on our financial performance. Please refer to Section 6.4.6 of this Prospectus for further details on our wood material purchases for the 3 past FYEs 2019 to 2021 and FPE 2022.

8.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

8.3.1 No prior market for our Shares and it is uncertain whether an active or sustainable market will develop

Prior to our IPO, there has been no prior public market for our Shares. Accordingly, there is no assurance that an active market for our Shares will develop upon Listing or, if developed, that such a market can be sustained. There is also no assurance as to the liquidity of any market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

In addition, there can be no assurance that the IPO Price will correspond to the price at which our Shares will trade on the ACE Market upon our Listing. There is also no assurance that the market price of our Shares will not decline below the IPO Price.

8.3.2 Investors in our IPO will suffer immediate dilution in NA

Our pro forma NA per Share as at 31 July 2022 of about RM0.13 after taking into account the Public Issue and after adjusting for the use of the proceeds from our IPO, is lower than the IPO Price per Share. This represents an immediate dilution in NA per Share as at 31 July 2022 of RM0.17 to our new investors.

8.3.3 Our Share price and trading volume may be volatile

The performance of Bursa Securities is dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. The sentiment is also induced by factors such as economic and political conditions and the growth potential of the various sectors of the economy. These factors constantly contribute to the volatility of share prices witnessed on Bursa Securities and this adds risks to the market price of our Shares. Nevertheless, our profitability is not dependent on the performance of Bursa Securities as our business activities have no direct correlation with the performance of securities listed on Bursa Securities.

It is expected that there will be about 9 Market Days after the close of the Public Issue before the trading of our Shares commences. We cannot assure you that there will be no event or occurrence that will have an adverse impact on the securities market (both local and foreign), our industry or us specifically during this period that would adversely affect the market price of our Shares when they begin trading.

In addition, the market price of our Shares may fluctuate significantly and rapidly in response to, amongst others, the following factors, some of which are beyond our control:

- (i) variations in our financial results and operations;
- (ii) success or failure of our CEO, Executive Directors and key senior management personnel in implementing business and growth strategies;
- (iii) gain or loss of an important business relationship;
- (iv) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

8. RISK FACTORS (Cont'd)

- (v) changes in conditions affecting the industry, the general economic conditions or stock market sentiments or other related events or factors;
- (vi) changes in market valuations and share prices of companies with similar businesses to our Group that may be listed on Bursa Securities;
- (vii) additions or departures of our CEO, Executive Directors and key senior management;
- (viii) fluctuation in stock market prices and volume;
- (ix) involvement in litigation;
- (x) changes in government policy, legislation or regulation; and/or
- (xi) general operational and business risks.

In addition, many of the risks described elsewhere in this Prospectus could materially and adversely affect the market price of our Shares. Accordingly, there can be no assurance that our Shares will not trade at prices lower than the IPO Price.

There can be no assurance that the price and trading of our Shares will not be subject to the same fluctuations.

8.3.4 The interest of our Promoters who control our Group may not be aligned with the interest of our shareholders

Our Promoters, together with Moviente, will hold in aggregate at least 71.28% of our enlarged number of issued Shares upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group including the election of Directors, the timing and payment of dividends as well as having voting control over our Group and as such, will likely influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and by relevant guidelines or regulations.

As a step towards good corporate governance, the appointment of Independent Non-Executive Directors and our Audit Committee will serve as an effective mechanism to promote good corporate governance to ensure future transactions of our Group, including related party transactions, if any, are entered into at arms' length basis, on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders. Our Audit Committee will in that sense represent the interest of the minority shareholders and general public at large.

However, there can be no assurance that the interests of our Promoters will be aligned with those of our other shareholders.

8.3.5 Uncertainty of dividend payments

It is the intention of our Board to recommend and distribute a dividend of 20% - 50% of the profit attributable to the owners of our Company. However, our ability to declare dividends to our shareholders is dependent on, among others, our future financial performance, cash flow position, capital requirements and other obligations, and our ability to implement our business plans. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there is no assurance that we will be able to pay dividends to our shareholders.

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

8. RISK FACTORS (Cont'd)

8.3.6 Failure or delay in our Listing

The occurrence of certain events, including but not limited to the following, may cause a delay in or termination of our Listing:

- (i) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations under such agreements;
- (ii) our inability to meet the public shareholding spread requirement of the Listing Requirements of having at least 25% of our enlarged number of issued Shares for which listing is sought to be held by a minimum of 200 public shareholders holding not less than 100 Shares each, at the point of our Listing; or
- (iii) the revocation of approvals from the relevant authorities prior to our Listing or admission for whatever reason.

Where prior to the issuance and allotment of our IPO Shares:

- (a) the SC issues a stop order pursuant to Section 245(1) of the CMSA, the applications shall be deemed to be withdrawn and cancelled, and we and our Offeror shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which we shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be prescribed by the SC pursuant to Section 245(7)(a) of the CMSA; or
- (b) our Listing is aborted, investors will not receive any of our IPO Shares, all monies paid in respect of all applications for our IPO Shares will be refunded free of interest.

Where subsequent to the issuance and allotment of our IPO Shares:

- (aa) the SC issues a stop order pursuant to Section 245(1) of the CMSA, any issue of our IPO Shares shall be deemed to be void and all monies received from the applicants shall be forthwith repaid and if any such money is not repaid within 14 days of the date of service of the stop order, we shall be liable to return such monies with interest at the rate of 10.0% per annum or at such other rate as may be prescribed by the SC pursuant to Section 245(7)(b) of the CMSA; or
- (bb) our Listing is aborted other than pursuant to a stop order by the SC, a return of monies to our shareholders could only be achieved by way of a cancellation of our share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:
 - the sanction of our shareholders by special resolution in a general meeting, consent by our creditors (unless dispensation with such consent has been granted by the High Court of Malaya) and the confirmation of the High Court of Malaya, in which case there can be no assurance that such monies can be returned within a short period of time or at all under such circumstances; or
 - the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from our Directors.

9. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, subject to certain exemptions, a “related party transaction” is a transaction entered into by a listed issuer or its subsidiary, which involves the interest, direct or indirect, of a related party. A “related party” is defined as a director, major shareholder or person connected with such director or major shareholder (including a person who is or was a director or major shareholder within the preceding 6 months before the transaction was entered into). “Major shareholder” means a shareholder with a shareholding of 10% or more (or 5% or more where such person is the largest shareholder in the company) of all the voting shares in the company.

9.1 RELATED PARTY TRANSACTIONS

9.1.1 Material related party transactions entered into by our Group

Save as disclosed below, our Group has not entered into nor proposes to enter into any related party transactions for the Financial Years and Period Under Review and for the subsequent financial period up to the LPD:

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction Value				
				FYE			FPE	
				2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	From 1 August 2022 to the LPD ⁽¹⁾ RM'000
1.	B Pack, Moviente and B Line as the vendors; and L&P Global as the purchaser.	Ooi Lay Pheng is common director and shareholder of L&P Global and B Pack, prior to the completion of the Acquisition of BSB. Ong Kah Hong is common director and shareholder of L&P Global and Moviente, prior to the completion of the Acquisition of BSB. Ooi Hooi Kiang is common director of L&P Global and Moviente, prior to the completion of the Acquisition of BSB. Lee Soon Swee is the director and shareholder of B Pack.	Acquisition of BSB	-	-	-	-	40,453

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction Value					
				FYE			FPE		From 1 August 2022 to the LPD ⁽¹⁾
				2019	2020	2021	2022		
				RM'000	RM'000	RM'000	RM'000	RM'000	
2.	BSB and Ooi Yuen Wei	Ooi Yuen Wei is the Promoter of our Company, and the sole proprietor of Best Golden Agency	Insurance premium paid to Best Golden Agency	236 (1.29% of our Group's NA)	112 (0.40% of our Group's NA)	138 (0.35% of our Group's NA)	95 (0.22% of our Group's NA)	36	
3.	BSB and Ooi Lay Pheng	Ooi Lay Pheng is our Executive Director / CEO, Promoter and substantial shareholder	Advances to BSB for working capital purposes	-(2)	-	-	-	-	
4.	BSB and Ooi Chang Seaw	Ooi Chang Seaw is our Promoter and is the former director and substantial shareholder of BSB ⁽⁴⁾	Advances to BSB for working capital purposes	583 ⁽³⁾ (3.18% of our Group's NA)	-	-	-	-	
			Consultancy fee paid to Ooi Chang Seaw ⁽⁶⁾	-	-	47 (0.12% of our Group's NA)	23 (0.05% of our Group's NA)	-	
			Gratuity paid to Ooi Chang Seaw ⁽⁷⁾	-	-	234 (0.59% of our Group's NA)	-	-	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction Value					
				FYE			FPE		From 1 August 2022 to the LPD ⁽¹⁾
				2019	2020	2021	2022		
				RM'000	RM'000	RM'000	RM'000	RM'000	
5.	BSB and Ooi Eng Leng	Ooi Eng Leng is our Promoter and is the former director and substantial shareholder of BSB ⁽⁵⁾	Advances to BSB for working capital purposes	50 ⁽³⁾ (0.27% of our Group's NA)	-	-	-	-	
			Consultancy fee paid to Ooi Eng Leng ⁽⁶⁾	-	-	47 (0.12% of our Group's NA)	23 (0.05% of our Group's NA)	-	
			Gratuity paid to Ooi Eng Leng ⁽⁷⁾	-	-	210 (0.53% of our Group's NA)	-	-	
6.	BSB and Ooi Hooi Kiang	Ooi Hooi Kiang is our Promoter, substantial shareholder and Non-Independent Non-Executive Chairperson	Consultancy fee paid to Ooi Hooi Kiang ⁽⁸⁾	-	-	50 (0.13% of our Group's NA)	-	-	

Notes:

- (1) The percentage is not able to be ascertained as at the LPD as the Group's audited financial statements for 1 August 2022 up to the LPD is not available.
- (2) The advances amounting to RM0.42 million is short-term in nature and was fully repaid in FYE 2019.
- (3) All the outstanding advances as at FYE 2019 are short-term in nature and were fully repaid in FYE 2020.
- (4) Ooi Chang Seaw resigned as director of BSB on 1 September 2021. On 8 October 2021, he disposed of his entire shareholding in BSB to B Pack.
- (5) Ooi Eng Leng resigned as director of BSB on 1 September 2021. On 8 October 2021, he disposed of his entire shareholding in BSB to B Pack.

9. RELATED PARTY TRANSACTIONS (Cont'd)

- (6) Consultancy fee was paid to Ooi Chang Seaw and Ooi Eng Leng for their advisory and consultancy services provided to our Group after their retirement as directors from BSB in FYE 2021.
- (7) Company cars that were previously used by Ooi Chang Seaw and Ooi Eng Leng respectively when they were directors of BSB were given to them upon their retirement from BSB in FYE 2021. This is gratuity given to them for their 38 years of service with our Group.
- (8) Consultancy fee was paid to Ooi Hooi Kiang for her advisory and consultancy services provided to our Group prior to her appointment as director in BSB in FYE 2021.

Our Directors confirm that the above transactions, save for the gratuity paid to Ooi Chang Seaw and Ooi Eng Leng, were transacted on an arm's length basis and based on normal commercial terms which are not more favourable to the related party and are not to the detriment to our minority shareholders.

After our Listing, we will be required to seek our shareholders' approval each time we enter into material related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. In the event there are any proposed related party transactions that require prior approval of our shareholders, our Directors, major shareholders and / or persons connected with them who have any direct or indirect interest in the proposed related party transactions shall abstain from deliberation and voting on resolution(s) pertaining to the respective transactions. Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions occurred within a 12-month period, are entered into with the same party or with parties related to one another or if the transactions involved the acquisition or disposal of securities of interests in one corporation / asset or of various parcels of land contiguous to each other.

Upon our Listing, the Audit and Risk Management Committee will review the terms of any related party transactions and ensure that any related party transactions (including any recurrent related party transactions) are carried out on terms not more favourable to the related party than those generally available to the third parties dealing at arm's length basis with our Group and are not to the detriment to our minority shareholders. Our Group will seek such relevant shareholders' approval where required. We will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group during the financial year and in the annual reports for the subsequent financial years.

9.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Directors have confirmed that there are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which we were a party in respect of the Financial Years and Period Under Review and up to the LPD.

9. RELATED PARTY TRANSACTIONS (Cont'd)

9.3 LOANS AND / OR FINANCIAL ASSISTANCE MADE TO OR FOR THE BENEFIT OF THE RELATED PARTIES

Our Directors have confirmed that there are no loans and / or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of the related parties for the Financial Years and Period Under Review and up to the LPD.

9.4 LOANS AND / OR FINANCIAL ASSISTANCE FROM THE RELATED PARTIES TO OUR GROUP

The following table sets out the loans and / or financial assistance (including guarantees of any kind) from related parties to our Group for the Financial Years and Period Under Review and as at the LPD:

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Outstanding amount					As at the LPD RM'000
			FYE		FPE			
			2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000		
1.	<ul style="list-style-type: none"> BSB Ooi Lay Pheng, who is our Executive Director / CEO, Promoter and substantial shareholder Lee Soon Swee, who is our Promoter and substantial shareholder Ooi Eng Leng, Ooi Chang Seaw and Ooi Yuen Wei who are our Promoters 	<p>Ooi Lay Pheng, Lee Soon Swee, Ooi Chang Seaw, Ooi Eng Leng and Ooi Yuen Wei had given personal joint and several guarantees in favour of AmBank (M) Berhad for credit facilities of RM1.00 million granted to BSB.</p> <p>Ooi Lay Pheng, Lee Soon Swee, Ooi Chang Seaw, Ooi Eng Leng and Ooi Yuen Wei had given personal joint and several guarantees in favour of AmBank Islamic (M) Berhad for credit facilities of RM1.70 million granted to BSB.</p> <p>Ooi Lay Pheng, Lee Soon Swee, Ooi Chang Seaw, Ooi Eng Leng and Ooi Yuen Wei had given personal joint and several guarantees in favour of OCBC Al-Amin Bank Berhad for credit facilities of RM0.50 million granted to BSB.</p>	-	1,000	877	746	681	
			(1)7,444	(1)7,200	1,161	1,127	1,047	
			-	-	-	-	-(2)	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Outstanding amount					As at the LPD RM'000
			FYE			FPE		
			2019	2020	2021	2022		
			RM'000	RM'000	RM'000	RM'000		
		Ooi Lay Pheng, Lee Soon Swee, Ooi Chang Seaw, Ooi Eng Leng and Ooi Yuen Wei had given personal joint and several guarantees in favour of United Overseas Bank (Malaysia) Bhd for credit facilities totalling to RM1.39 million granted to BSB.	930	930	-	-	-	-
		Ooi Lay Pheng, Lee Soon Swee, Ooi Chang Seaw, Ooi Eng Leng and Ooi Yuen Wei had given personal joint and several guarantees in favour of Hong Leong Islamic Bank Berhad for credit facilities of up to RM34.30 million granted to BSB.	-	-	19,652	29,919	24,584	
		Ooi Lay Pheng, Lee Soon Swee, Ooi Chang Seaw, Ooi Eng Leng and Ooi Yuen Wei had given personal joint and several guarantees in favour of Hong Leong Bank Berhad for a forward exchange contract facility of RM0.1 million granted to BSB.	-	-	-	-	-	-
		Ooi Lay Pheng, Ooi Chang Seaw and Ooi Eng Leng had given personal joint and several guarantees in favour of BMW Credit (Malaysia) Sdn Bhd for hire purchase facilities of RM0.93 million.	282	198	223	166	146	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Outstanding amount					As at the LPD RM'000
			FYE			FPE		
			2019	2020	2021	2022		
			RM'000	RM'000	RM'000	RM'000		
		Ooi Lay Pheng had given personal guarantee in favour of Mercedes-Benz Services Malaysia Sdn Bhd for hire purchase facility of RM0.40 million.	-	-	317	278	254	
		Ooi Lay Pheng, Lee Soon Swee, Ooi Chang Seaw, Ooi Eng Leng and Ooi Yuen Wei had given personal joint and several guarantees in favour of OCBC Al-Amin Bank Berhad for a hire purchase facility of RM0.94 million granted to BSB.	-	869	688	578	515	
		Ooi Chang Seaw, Ooi Eng Leng, Ooi Lay Pheng, Lee Soon Swee and Ooi Yuen Wei had given personal joint and several guarantees in favour of Alliance Islamic Bank Berhad for a credit facility of up to RM32.9 million granted to BSB.	-	-	-	13,281	12,947	
		Ooi Chang Seaw, Ooi Eng Leng, Ooi Lay Pheng, Lee Soon Swee and Ooi Yuen Wei had given personal joint and several guarantees in favour of Alliance Bank Malaysia Berhad for a forward foreign exchange facility of RM0.1 million granted to BSB.	-	-	-	-	-	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Outstanding amount					As at the LPD RM'000
			FYE			FPE		
			2019	2020	2021	2022		
			RM'000	RM'000	RM'000	RM'000		
		Ooi Chang Seaw, Ooi Eng Leng, Ooi Lay Pheng, Lee Soon Swee and Ooi Yuen Wei had given personal joint and several guarantees in favour of CIMB Islamic Bank Berhad for a credit facility of RM20.6 million granted to BSB.	-	-	-	8,500	10,500	
		Ooi Eng Leng had given personal guarantees in favour of Public Bank Berhad for hire purchase facilities of RM2.30 million	802	1,027	716	559	488	
		Ooi Chang Seaw had given a personal guarantee in favour of Public Bank Berhad for a hire purchase facility of RM0.18 million	82	68	35	17	6	
		Ooi Eng Leng had given personal guarantees in favour of Affin Bank Berhad for hire purchase facilities of RM0.07 million	9 ⁽³⁾	-	-	-	-	
		Ooi Lay Pheng and Ong Kah Hong had given personal joint and several guarantees in favour of BMW Credit (Malaysia) Sdn Bhd for hire purchase facilities of RM0.48 million.	-	-	-	343	286	
		Ooi Lay Pheng had given personal guarantees in favour of Public Bank Berhad for hire purchase facilities of RM1.03 million	-	-	-	692	662	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting parties and nature of relationship	Nature of transaction and purpose	Outstanding amount				As at the LPD RM'000
			FYE		FPE		
			2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	
		Ooi Lay Pheng had given personal guarantees in favour of Hong Leong Bank Berhad for hire purchase facilities of RM0.23 million	-	-	-	-	193
2.	<ul style="list-style-type: none"> BSB Ooi Eng Leng, who is our Promoter and is BSB's former director and substantial shareholder. 	Advances provided by Ooi Eng Leng to BSB for working capital purposes.	50 ⁽⁴⁾	-	-	-	-
3.	<ul style="list-style-type: none"> BSB Ooi Chang Seaw, who is our Promoter and is BSB's former director and substantial shareholder. 	Advances provided by Ooi Chang Seaw to BSB for working capital purposes.	583 ⁽⁴⁾	-	-	-	-
4.	<ul style="list-style-type: none"> BSB Ooi Lay Pheng, who is our Executive Director / CEO, Promoter and substantial shareholder 	Advances provided by Ooi Lay Pheng to BSB for working capital purposes.	-(5)	-	-	-	-

Notes:

- (1) The credit facilities granted by AmBank Islamic (M) Berhad to BSB was RM8.0 million, whereby RM6.3 million of the facilities were discharged in FYE 2021.
- (2) The facilities were cancelled in FYE 2022.
- (3) The outstanding amount for the facilities was settled in full in FYE 2020.
- (4) All the outstanding amount as at FYE 2019 are short-term in nature and the advances were fully repaid in FYE 2020.
- (5) The advances amounting to RM0.42 million is short-term in nature and was fully repaid in FYE 2019.

9. RELATED PARTY TRANSACTIONS (Cont'd)

In respect of the existing personal guarantees as set out above provided to BSB granted in favour of the respective financiers, we have obtained the relevant consents / conditional approvals (subject to the Listing) from the respective financiers to discharge the guarantees by substituting the same with a corporate guarantee from our Company after our Listing.

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9. RELATED PARTY TRANSACTIONS (Cont'd)

9.5 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST**9.5.1 Audit and Risk Management Committee review**

Our Audit and Risk Management Committee assesses the financial risk and matters relating to related party transactions and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management integrity. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflicts of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length, and are not to the detriment of the interest of our Company's minority shareholders. Amongst others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

9.5.2 Our Group's policy on related party transactions and conflicts of interest

It is the policy of our Group that all related party transactions and conflicts of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, and are based on normal commercial terms not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders.

In addition, in line with the Malaysian Code on Corporate Governance and the Corporate Governance Guide, our Directors are required to make an annual disclosure of any related party transactions and conflicts of interest with our Group and our Audit and Risk Management Committee must carry out an annual assessment of our Directors which include an assessment of such related party transactions and / or conflict of interest. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

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10. CONFLICT OF INTEREST

10.1 CONFLICT OF INTEREST

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

10.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**10.2.1 Principal Adviser, Sponsor, Sole Underwriter and Joint Placement Agent**

AIS and / or its related companies (“**Alliance Banking Group**”) form a diversified financial group and are engaged in a wide range of investment and commercial banking and credit transaction services business. The Alliance Banking Group has engaged and may in the future, engage in transactions with and perform services for L&P Global Group and / or L&P Global Group’s affiliates, in addition to the roles set out in this Prospectus. In addition, in the ordinary course of business, any member of the Alliance Banking Group may at any time offer or provide its services to or engage in any transactions (on its own account or otherwise) with any member of L&P Global Group, its shareholders, and / or its affiliates and / or any other entity or person, hold long or short positions in securities issued by L&P Global Group and / or its affiliates, and may trade or otherwise effect transactions for its own account or account of its other customer in debt or equity securities or loans of any member of L&P Global Group and / or its affiliates. This is the result of the businesses of Alliance Banking Group generally acting independently of each other and accordingly, there may be situations where parts of the Alliance Banking Group now have or in the future, may have an interest or take actions that may conflict with the interest of L&P Global Group. Nonetheless, Alliance Banking Group is required to comply with the applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities and Chinese wall between different business divisions.

For information, the total outstanding financing to L&P Global Group as at the LPD amounting to RM13.54 million represents 31.94% of the audited NA of L&P Global Group as at 31 July 2022, and 0.21% of the latest available audited consolidated NA of Alliance Bank Malaysia Berhad as at 31 March 2022.

AIS has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Joint Placement Agent to our Group in relation to the Listing as the abovementioned total outstanding financing owed by our Group is not material as compared to the consolidated NA of Alliance Bank Malaysia Berhad. The Underwriting Agreement and the Placement Agreement, which certain details are set out in Sections 4.6 and 4.7 of this Prospectus, was entered into on arm’s length basis and on market terms.

10.2.2 Solicitors to our Group as to the laws of Malaysia

Rosli Dahlan Saravana Partnership has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the solicitors to our Group as to the laws of Malaysia in relation to the Listing.

10.2.3 Solicitors to our Group as to the laws of Vietnam

Dilinh Legal has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the solicitors to our Group as to the laws of Vietnam in relation to the Listing.

10. CONFLICT OF INTEREST (Cont'd)

10.2.4 External Auditors and Reporting Accountants

BDO PLT has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the External Auditors and Reporting Accountants to our Group in relation to the Listing.

10.2.5 Independent Market Researcher

Smith Zander has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

10.2.6 Joint Placement Agent

Affin Hwang IB has confirmed that it has no existing or potential interest in the Company and there is no existing or potential conflict of interest in its capacity as the Joint Placement Agent to our Group in relation to the Listing.

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11. FINANCIAL INFORMATION**11.1 HISTORICAL AUDITED COMBINED FINANCIAL INFORMATION**

The historical audited combined financial information of our Group for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 have been extracted from the Accountants' Report set out in Section 12 of this Prospectus, which deals with the audited combined financial statements of our Group for the same Financial Years and Period Under Review. Additionally, the unaudited combined financial statements for the FPE 2021 has been prepared for comparison purpose only.

You should read the historical audited combined financial information below together with:

- Management's Discussion and Analysis of Financial Conditions and Results of Operations set out in Section 11.3 of this Prospectus; and
 - Accountants' Report set out in Section 12 of this Prospectus.
- (a) **Historical audited combined statements of profit or loss and other comprehensive income of our Group**

	<-----Audited----->			Unaudited	Audited
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2021 RM'000	FPE 2022 RM'000
Revenue	66,304	88,305	120,924	67,466	83,824
Cost of sales	(52,892)	(69,898)	(91,734)	(50,234)	(66,708)
Gross profit	13,412	18,407	29,190	17,232	17,116
Other operating income	73	230	193	126	666
Reversal of impairment losses / (Impairment losses) on trade receivables	82	14	(11)	(11)	117
Distribution costs	(1,175)	(1,815)	(2,392)	(1,319)	(1,694)
Administrative expenses	(5,515)	(4,855)	(7,424)	(3,341)	(5,363)
Finance costs	(1,228)	(1,010)	(1,356)	(725)	(771)
PBT	5,649	10,971	18,200	11,962	10,071
Tax expense	(1,256)	(1,119)	(3,870)	(2,392)	(2,130)
PAT	4,393	9,852	14,330	9,570	7,941
Other comprehensive (loss) / income:					
Foreign currency translations	(31)	(306)	497	576	334
Total comprehensive income for the financial years / periods	4,362	9,546	14,827	10,146	8,275
Earnings before interest, tax, depreciation and amortisation ("EBITDA") ⁽¹⁾	8,020	13,747	21,901	13,905	12,664
Assumed no. of Shares in issue ⁽²⁾ ('000)	560,000	560,000	560,000	560,000	560,000
Basic and diluted EPS ⁽³⁾ (Sen)	0.78	1.76	2.56	1.71	1.42
GP margin ⁽⁴⁾ (%)	20.23	20.84	24.14	25.54	20.42
EBITDA margin ⁽⁵⁾ (%)	12.10	15.57	18.11	20.61	15.11
PBT margin ⁽⁶⁾ (%)	8.52	12.42	15.05	17.73	12.01
PAT margin ⁽⁷⁾ (%)	6.63	11.16	11.85	14.18	9.47

11. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) EBITDA is calculated as follows:

	<-----Audited----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	4,393	9,852	14,330	9,570	7,941
Add: Income tax expense	1,256	1,119	3,870	2,392	2,130
Depreciation	1,167	1,796	2,407	1,257	1,832
Finance costs	1,228	1,010	1,356	725	771
Less: Interest income	(24)	(30)	(62)	(39)	(10)
EBITDA	8,020	13,747	21,901	13,905	12,664

- (2) Based on assumed number of Shares in issue of 560,000,000 after the Public Issue.
- (3) Based on PAT divided by the assumed number of Shares in issue of 560,000,000 after the Public Issue.
- (4) GP margin is calculated based on GP divided by revenue.
- (5) EBITDA margin is calculated based on EBITDA divided by revenue.
- (6) PBT margin is calculated based on PBT divided by revenue.
- (7) PAT margin is calculated based on PAT divided by revenue.

There was no share of profits of associated companies or joint ventures, and no exceptional or extraordinary items throughout the Financial Years and Period Under Review. The audited financial statements of our Group for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022 were not subject to any qualification or modification.

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11. FINANCIAL INFORMATION (Cont'd)**(b) Historical audited combined statements of financial position of our Group**

	<-----Audited----->			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
ASSETS				
Property, plant and equipment	13,260	13,136	15,523	17,261
Right-of-use assets	2,757	2,759	4,464	30,109
Deferred tax assets	-	20	52	40
Other receivables	217	344	362	409
Total non-current assets	16,234	16,259	20,401	47,819
Inventories	6,663	12,786	19,694	22,014
Trade and other receivables	15,628	21,747	29,635	33,980
Current tax assets	643	867	967	1,877
Cash and bank balances	3,480	5,650	3,407	8,945
Total current assets	26,414	41,050	53,703	66,816
Total assets	42,648	57,309	74,104	114,635
EQUITY AND LIABILITIES				
Invested equity	6,800	6,800	6,800	6,800
Reserves	11,531	21,077	32,904	35,579
Total equity	18,331	27,877	39,704	42,379
Borrowings	7,168	11,146	10,700	30,730
Lease liabilities	1,366	1,087	2,060	2,082
Deferred tax liabilities	605	650	803	1,655
Total non-current liabilities	9,139	12,883	13,563	34,467
Trade and other payables	3,520	6,869	8,202	12,615
Borrowings	10,858	8,484	10,693	23,488
Lease liabilities	800	1,171	1,654	1,618
Current tax liabilities	-	25	288	68
Total current liabilities	15,178	16,549	20,837	37,789
Total liabilities	24,317	29,432	34,400	72,256
Total equity and liabilities	42,648	57,309	74,104	114,635

11. FINANCIAL INFORMATION (Cont'd)
11.2 CAPITALISATION AND INDEBTEDNESS

The following table sets out our Group's capitalisation and indebtedness:

- (i) as at 19 October 2022 after taking into account the Acquisition of BSB but before the Public Issue and use of proceeds; and
- (ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from the Public Issue.

	(Unaudited) As at 19 October 2022 RM'000	Utilisation of Proceeds RM'000	After the Public Issue and use of proceeds RM'000
INDEBTEDNESS			
<u>Current</u>			
Secured and guaranteed:			
- Term loans	2,151	(447)	1,704
- Bank overdraft	-	-	-
- Bankers' acceptance	15,448	(3,500)	11,948
- Lease liability owing to financial institutions	663	-	663
Unsecured and unguaranteed:			
- Lease liability owing to non-financial institutions	1,018	-	1,018
	19,280	(3,947)	15,333
<u>Non-current</u>			
Secured and guaranteed:			
- Term loans	30,313	(1,053)	29,260
- Lease liability owing to financial institutions	1,422	-	1,422
Unsecured and unguaranteed:			
- Lease liability owing to non-financial institutions	430	-	430
	32,165	(1,053)	31,112
Total Indebtedness	51,445	(5,000)	46,445
CAPITALISATION			
Shareholders' equity	46,949	31,395	78,344
Total capitalisation and indebtedness	98,394	26,395	124,789
Gearing ratio (times)*	1.10	-	0.59

Note:

- * Computed based on total indebtedness divided by our shareholders' equity.

11. FINANCIAL INFORMATION (Cont'd)**11.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read together with the Accountants' Report as set out in Section 12 of this Prospectus.

The management's discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in these forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 8 of this Prospectus.

11.3.1 Overview of our operations

We are an integrated industrial packaging solutions provider where our solutions are integral parts of supply chain management that enable optimal use of industrial packaging through cost-effective and efficient movement of goods throughout the supply chain, inventory management and space usage. Our integrated industrial packaging solutions comprise the following:

- (a) Design and manufacturing of wooden industrial packaging products;
- (b) Provision of packing services;
- (c) Provision of circular supply services; and
- (d) Trading as value added services.

Our Company is principally involved in investment holding and provision of management services. The principal activities of the subsidiaries are set out as below:

Name of subsidiaries	Principal place of business/ Country of incorporation	Principal activities
BSB	Malaysia	Design and manufacture of integrated wooden based industrial packaging solutions
BPSB	Malaysia	Letting of properties
BTSB	Malaysia	Manufacture of wooden based industrial packaging solutions, provide packaging services, letting of premises
BV	Vietnam	Design and manufacture of integrated wooden based industrial packaging solutions

Our operational facilities are located at Malaysia and Vietnam. During the Financial Years and Period Under Review, our operation in Malaysia is transacted with revenue reported in RM and USD. Meanwhile, our operation in Vietnam is transacted with revenue reported in VND.

11. FINANCIAL INFORMATION (Cont'd)

For the Financial Years and Period Under Review, the average foreign currency exchange rates used in our audited combined statements of profit or loss and other comprehensive income to convert values denominated in USD and VND to RM are as follows:

	<----- Audited ----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
Exchange rate of RM per USD	RM4.1427	RM4.2016	RM4.1454	RM4.1130	RM4.2958
Change in value of USD relative to RM compared to previous FYE / FPE	0.1074 2.66%	0.0589 1.42%	(0.0562) (1.34%)	(0.1396) (3.28%)	0.1828 4.44%

	<----- Audited ----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
Exchange rate of RM per VND 1000	RM0.17834	RM0.18079	RM0.18075	RM0.17850	RM0.18679
Change in value of VND relative to RM compared to previous FYE / FPE	0.00312 1.78%	0.00245 1.37%	(0.00004) (0.02%)	(0.00407) (2.23%)	0.00829 4.64%

11.3.2 Review of operations**(a) Revenue**

Our revenue is driven by the following key factors:

- the performance of the manufacturing sector, the wholesale and retail trade sector, internal trade, e-commerce industry and the general economy which may affect the demand of our products;
- the competition from other operators that are involved in the wooden industrial packaging may affect the selling prices and sales volume of our products; and
- our ability to retain existing customers and/or secure new customers based on the quality, price competitiveness and availability and range of our products including pallets, boxes and crates.

Revenue from the sale of goods is recognised when our Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Our revenue is recognised net of any sales discounts and tax. As at the LPD, our revenue is derived from the Malaysia and Vietnam markets through our subsidiaries.

(i) Analysis of contribution to revenue by principal business activities

The analyses of our financial results for the Financial Years and Period Under Review below are segmented based on the following principal business activities:

- Design and manufacturing of boxes and crates and provision of packing services ("**Boxes and Crates**");
- Design and manufacturing of pallets ("**Pallets**");
- Provision of circular supply services ("**Circular Supply Services**"); and
- Trading as value added services ("**Trading**")

11. FINANCIAL INFORMATION (Cont'd)

The breakdown of our Group's revenue by principal business activities for the Financial Years and Period Under Review is as follows:

Principal Business Activities	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Boxes and Crates	33,041	49.83	56,591	64.09	83,262	68.85	45,069	66.80	58,651	69.97
Pallets	26,129	39.41	27,103	30.69	32,939	27.24	19,857	29.43	22,654	27.03
Circular Supply Services	3,411	5.14	2,073	2.35	1,554	1.29	916	1.36	712	0.85
Trading	3,723	5.62	2,538	2.87	3,169	2.62	1,624	2.41	1,807	2.15
Total revenue	66,304	100.00	88,305	100.00	120,924	100.00	67,466	100.00	83,824	100.00

Commentary:

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our total revenue increased by RM22.00 million or 33.18% to RM88.30 million (FYE 2019: RM66.30 million). The increase in total revenue for the FYE 2020 was mainly due to the commencement of Vietnam operation in August 2019 and had achieved up to approximately 90% of the production capacity for the full financial year of FYE 2020.

The overall increase in sales for the FYE 2020 was mainly attributable to the following factors:

- (i) increased in the sales of Boxes and Crates by RM23.55 million or 71.28% to RM56.59 million (FYE 2019: RM33.04 million), which were mainly contributed by the operations in Vietnam; and
- (ii) increased in the sales of Pallets by RM0.97 million or 3.71% to RM27.10 million (FYE 2019: RM26.13 million) mainly due to increase in sales from existing Renewable and Electronic/Semiconductor industry customers' business expansion;

Notwithstanding the above, the revenue recorded from:

- (i) Circular Supply Services decreased by RM1.34 million or 39.30% to RM2.07 million (FYE 2019: RM 3.41 million). Due to the limited number of workers during the MCO period, our Group reallocated manpower from Circular Supply Services to Boxes and Crates and Pallets which has higher volume of sales. This was also to satisfy the demand of our major and regular customers; and
- (ii) Trading decreased by RM1.18 million or 31.72% to RM2.54 million (FYE 2019: RM3.72 million) mainly due to discontinuation of the sales of certain low profit margin products.

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

For the FYE 2021, our total revenue increased by RM32.62 million or 36.94% to RM120.92 million (FYE 2020: RM88.30 million). The increase in total revenue for the FYE 2021 was mainly contributed by:

- (i) the increase in revenue generated from Malaysia operation as a result of increase in demand from our existing customers from Renewable Energy and Electronics/Semiconductor industries due to their facility expansions at Penang and Kulim; and
- (ii) Additional new models had been allocated to our Group to cater for the requirements of different range of customers' products.

The increase in sales for the FYE 2021 was mainly derived from the following products:

- (i) increased in the sales of Boxes and Crates by RM26.67 million or 47.13% to RM83.26 million (FYE 2020: RM56.59 million) mainly due to the abovementioned increase in demand from our existing customers from Renewable Energy and Electronics/Semiconductor industries;
- (ii) increased in the sales of Pallets by RM5.84 million or 21.55% to RM32.94 million (FYE 2020: RM27.10 million) mainly due to the increase in the demand for engineered wood Pallets which commanded higher selling price as compared to natural wood Pallets. This was due to the temporary disruption of supplies of natural wood during the Phase-1 NRP and Phase-2 NRP and we focused on the sale and manufacturing of products made from engineered wood instead; and
- (iii) Trading increased by RM0.63 million or 24.80% to RM3.17 million (FYE 2020: RM2.54 million) mainly due to increase in trading of engineered wood products which command higher selling price and increase in trading of packing materials.

Notwithstanding the above, the revenue recorded from Circular Supply Services decreased by RM0.52 million or 25.12% to RM1.55 million (FYE 2020: RM2.07 million) as our Group had continued to reallocate manpower from Circular Supply Services to Boxes and Crates and Pallets which has higher volume of sales.

Comparison between FPE 2021 and FPE 2022

Our Group recorded an increase in revenue of RM16.35 million or 24.23% to RM83.82 million in FPE 2022 (FPE 2021: RM67.47 million). The increase was mainly attributable to the increase in revenue generated from Malaysia operations as a result of the following:

- (i) increase in demand from our existing customers subsequent to their facilities expansions. Some of our existing customers from Renewable Energy and Electronics/Semiconductor industries had expanded their facilities gradually at Penang and Kulim in 2021 and had ramped up their production activity in 2022 which in turn had contributed positively to our Group business for the full period of FPE 2022;
- (ii) additional new models allocated to our Group to cater for the requirements of different range of customers' products, as boxes, crates and/or pallets are customised for each products of the customers based on the model specification; and

11. FINANCIAL INFORMATION (Cont'd)

- (iii) price adjustments (mainly for Malaysia operation) to accommodate for the increase in cost of raw materials. Consequently, average selling price for Pallets, Boxes and Crates increased by approximately 20% for the FPE 2022 as compared to the FPE 2021. The increase in selling price mitigated to a certain extent the increase in cost of sales for the FPE 2022 as price adjustments took effect by stages starting from Q2 of 2022.

The increase in sales for the FPE 2022 was mainly derived from the following products:

- (i) increase in the sales of Boxes and Crates by RM13.58 million or 30.13% to RM58.65 million (FPE 2021: RM45.07 million) mainly due to the abovementioned increase in demand from our existing customers from Renewable Energy and Electronics/Semiconductor industries; and
- (ii) increase in the sales of Pallets by RM2.79 million or 14.05% to RM22.65 million (FPE 2021: RM19.86 million) mainly due to the increase in the demand for engineered wood Pallets which commanded higher selling price as compared to natural wood Pallets.

(ii) Analysis of contribution to revenue by geographical region

The breakdown of our Group's revenue by geographical region for the Financial Years and Period Under Review is as follows:

Geographical region	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	60,259	90.88	63,516	71.93	94,885	78.47	52,981	78.53	68,228	81.39
Vietnam	6,045	9.12	24,789	28.07	26,039	21.53	14,485	21.47	15,596	18.61
Total revenue	66,304	100.00	88,305	100.00	120,924	100.00	67,466	100.00	83,824	100.00

Commentary: -

Comparison between FYE 2019 and FYE 2020

Malaysia Operations

For the FYE 2020, the revenue from our Malaysia operation increased by RM3.26 million or 5.41% to RM63.52 million (FYE 2019: RM60.26 million). This was mainly attributed to the increase in the sales of Boxes and Crates as a result of increase in orders from existing customers from Renewable Energy industry. Boxes and Crates increased by RM4.80 million or 17.78% to RM31.80 million (FYE 2019: RM27.00 million).

Vietnam Operations

For the FYE 2020, the revenue from our Vietnam operations increased by RM18.74 million or 309.75% to RM24.79 million (FYE 2019: RM6.05 million). This was mainly attributed to the sales of Boxes and Crates and the effect of full year operations in FYE 2020 as compared FYE 2019 which started contributing only in August 2019.

The increase in sales of Boxes and Crates was solely contributed by First Solar Vietnam Manufacturing Co Ltd ("**First Solar Vietnam**").

11. FINANCIAL INFORMATION (Cont'd)Comparison between FYE 2020 and FYE 2021Malaysia Operations

For FYE 2021, the revenue from our Malaysia operations increased by RM31.37 million or 49.39% to RM94.89 million (FYE 2020: RM 63.52 million). Revenue generated from our top 3 customers from Renewable Energy and Electronics/Semiconductor industries increased by RM25.05 million in FYE 2021 as our customers' new plants at Penang and Kulim came into operation and allocated BSB with additional new models.

Vietnam Operations

For the FYE 2021, the revenue from our Vietnam operations increased by RM1.25 million or 5.04% to RM26.04 million (FYE 2020: RM24.79 million). The revenue was mainly attributed from the sales of Boxes and Crates due to increase in demand by First Solar Vietnam.

First Solar Vietnam continued to be the sole contributor for the sales in Vietnam. The revenue from our Vietnam operations for the FYE 2020 and FYE 2021 was relatively consistent, depending on the purchase orders received from First Solar Vietnam. Our Group is currently in the midst of negotiation with few potential customers in Vietnam, which is expected to contribute positively to our Vietnam operations. If necessary, we will expand the manufacturing facilities of our Vietnam operations by renting an additional factory in close proximity to our existing Vietnam Factory.

Comparison between FPE 2021 and FPE 2022Malaysia Operations

For the FPE 2022, the revenue from our Malaysia operations increased by RM15.25 million or 28.78% to RM68.23 million (FPE 2021: RM52.98 million). This was mainly attributed to the sales generated from Renewable Energy and Electronics/Semiconductor industries which increased by RM15.10 million in FPE 2022 as our customers' new plants came into operation and allocated BSB with additional new models.

Vietnam Operations

For the FPE 2022, the revenue from our Vietnam operations increased by RM1.12 million or 7.73% to RM15.60 million (FPE 2021: RM14.48 million). This was mainly attributed to the sales of Boxes and Crates. First Solar Vietnam Manufacturing Co Ltd continued to be the sole contributor for the sales in Vietnam.

(b) Cost of sales

Our cost of sales comprises mainly for the following:

- Raw material

Costs of raw material are the main component of our cost of sales and mainly consists of engineered wood and natural wood that are used in our manufacturing of Pallets and Boxes and Crates. We sourced natural wood locally and engineered wood were imported mainly from Vietnam and China.

11. FINANCIAL INFORMATION (Cont'd)

- Direct labour
Direct labour expenses mainly consist of salaries, wages, allowances, bonuses, EPF and other workers' related expenses for the manufacturing line.
- Factory overhead
Factory overhead mainly consists of depreciation charges and upkeep for plant, machinery and equipment used for our manufacturing activities, diesel and engine oil, electricity and water charges, and indirect labour salary costs.

The major factors affecting our cost of sales, GP and GP margin include, inter alia, the following:

- Fluctuation in the prices of raw materials and our ability to pass on the increase in cost to customers;
- Freight charges for importing raw materials;
- Productivities and salary costs;
- Factory overhead;
- Product sales mix composition; and
- Our pricing strategy and ability to continually source and purchase alternative quality raw materials to manufacture our products which meet the requirements of our customers

(i) Analysis of cost of sales by cost component

A breakdown of our cost of sales by cost component for the Financial Years and Period Under Review is as follows:

Type of cost component	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials	41,255	78.00	57,983	82.95	76,610	83.51	41,882	83.37	55,222	82.78
Direct labour	5,747	10.86	5,713	8.17	6,976	7.61	4,050	8.06	5,025	7.53
Factory overhead	5,890	11.14	6,202	8.88	8,148	8.88	4,302	8.57	6,461	9.69
Total cost of sales	52,892	100.00	69,898	100.00	91,734	100.00	50,234	100.00	66,708	100.00

Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our total cost of sales increased by RM17.01 million or 32.16% to RM69.90 million (FYE 2019: RM52.89 million). The increase in total cost of sales for the FYE 2020 was in line with the increase in revenue of 33.18%.

The costs of raw materials increased by RM16.72 million or 40.52% to RM57.98 million (FYE 2019: RM41.26 million) mainly due to increase in manufacturing activities from our Vietnam operations and one-off import duty incurred for the purchase of raw materials in Malaysia of approximately RM2.91 million. In the FYE 2020, the Group incurred a bill of claim from Royal Malaysian Customs Department for the said amount of RM2.91 million, being the shortfall of customs duty payable due to unintentional use of incorrect tariff code. Please refer to Section 6.9.1(ix) of this Prospectus for further information on the one-off import duty. Excluding the one-off RM2.91 million of import duty, the increase in cost of raw materials would be RM13.81 million or 33.47% which was in tandem with increase in revenue.

11. FINANCIAL INFORMATION (Cont'd)

Despite the increase in manufacturing activities in Vietnam, our Group's direct labour expenses decreased by RM0.04 million or 0.70% to RM5.71 million (FYE 2019: RM5.75 million) mainly due to:

- (i) the increase in the use of engineered wood in Malaysia which was less labour intensive as compared to natural wood; and
- (ii) the lower labour costs in Vietnam as compared to Malaysia.

As compared to costs of raw materials, factory overhead increased only by RM0.31 million or 5.26% to RM6.20 million (FYE 2019: RM5.89 million) mainly attributed to the lower operating cost in Vietnam Factory.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our total cost of sales increased by RM21.83 million or 31.23% to RM91.73 million (FYE 2020: RM69.90 million). The increase in total cost of sales for the FYE 2021 was in line with the increase in revenue of 36.94%.

The cost of raw materials increased by RM18.63 million or 32.13% to RM76.61 million (FYE 2020: RM57.98 million) mainly due to increase in purchase of engineered wood as a result of increasing manufacturing activities and volume of sales.

The direct labour cost increased by RM1.27 million or 22.24% to RM6.98 million (FYE 2020: RM5.71 million) mainly due to increase in manufacturing activities in Malaysia to meet our customers' demand.

The factory overhead increased by RM1.95 million or 31.45% to RM8.15 million (FYE 2020: RM6.20 million) as a result of:

- (i) increase in indirect labour cost by RM1.10 million or 43.65% to RM3.62 million for the FYE 2021 (FYE 2020: RM2.52 million). Workforce for production support, such as production engineers and supervisory staff, was increased as part of the Group's strategies in optimising production processes to cater for upcoming business expansion plan and expected increase in revenue; and
- (ii) increase in depreciation on right-of-use assets by RM0.55 million or 87.30% to RM1.18 million (FYE 2020: RM0.63 million). This was mainly derived from the recognition of lease liability upon commencement of tenancy agreements for Johor Branch, Perai Branch and Kulim Branch in January, June and December 2021, respectively.

Comparison between FPE 2021 and FPE 2022

Our Group's cost of sales increased by RM16.48 million or 32.81% to RM66.71 million for the FPE 2022 (FPE 2021: RM50.23 million). The increase was mainly attributable to:

- (i) the increase in cost of raw materials by RM13.34 million or 31.85% to RM55.22 million (FPE 2021: RM41.88 million) which was mainly due to the increase in revenue and increase in material cost by approximately 14% as a result of:
 - the increase in timber price per tonne; and
 - the strengthening of USD against RM. Average exchange rate of RM/USD has been strengthened by 4.44% from RM4.1130/USD1.00 for FPE 2021 to RM4.2958/USD1.00 for the FPE 2022.

11. FINANCIAL INFORMATION (Cont'd)

- (ii) the increase in direct labour cost by RM0.98 million or 24.20% to RM5.03 million (FPE 2021: RM4.05 million) which was mainly due to the implementation of minimum wages hike by 25% from RM1,200 per month to RM1,500 per month with effect from 1 May 2022. The increase in direct labour cost was also in tandem with the increase in revenue; and
- (iii) the increase in factory overhead by RM2.16 million or 50.23% to RM6.46 million (FPE 2021: RM4.30 million) as a result of:
- increase in indirect labour cost by RM1.07 million or 60.11% to RM2.85 million for the FPE 2022 (FPE 2021: RM1.78 million). Workforce for production support, such as production engineers and supervisory staff, was increased as part of the Group's strategies in optimising its production processes to cater for upcoming business expansion plan and expected increase in revenue;
 - increase in depreciation on property, plant and equipment by RM0.15 million or 40.54% to RM0.52 million for the FPE 2022 (FPE 2021: RM0.37 million) upon completion of Sungai Bakap Factory's retrofit in the FPE 2022; and
 - increase in depreciation on right-of-use assets by RM0.28 million or 47.46% to RM0.87 million for the FPE 2022 (FPE 2021: RM0.59 million). This was mainly derived from the recognition of lease liability upon commencement of tenancy agreements for Perai Branch and Kulim Branch in June 2021 and December 2021, respectively. The tenancy agreements for Perai Branch and Kulim Branch have been terminated upon completion of acquisition of the properties in July 2022.

(ii) Analysis of GP and GP margins by principal business activities

The breakdown of our Group's GP and GP margin by principal business activities for the Financial Years and Period Under Review are as follows:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
GP	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Boxes and Crates	7,726	57.61	13,683	74.34	22,034	75.48	12,551	72.83	13,679	79.92
Pallets	3,306	24.65	2,914	15.83	5,237	17.94	3,663	21.26	2,687	15.70
Circular Supply Services	1,893	14.11	1,170	6.36	965	3.31	546	3.17	390	2.28
Trading	487	3.63	640	3.47	954	3.27	472	2.74	360	2.10
Total GP	13,412	100.00	18,407	100.00	29,190	100.00	17,232	100.00	17,116	100.00
GP margin		%		%		%		%		%
Boxes and Crates		23.38		24.18		26.46		27.85		23.32
Pallets		12.65		10.75		15.90		18.45		11.86
Circular Supply Services		55.50		56.44		62.10		59.61		54.78
Trading		13.08		25.22		30.10		29.06		19.92
Overall GP margin		20.23		20.84		24.14		25.54		20.42

11. FINANCIAL INFORMATION (Cont'd)Comparison between FYE 2019 and FYE 2020

Our overall GP for the FYE 2020 increased by RM5.00 million or 37.29% to RM18.41 million (FYE 2019: RM13.41 million) which was mainly contributed by the increase in GP from the sales of Boxes and Crates and Trading.

In spite of the RM1.83 million import duty, being partial import duty absorbed by Boxes and Crates, we recorded an increase in GP from the sales of Boxes and Crates by RM5.95 million or 76.97% to RM13.68 million (FYE 2019: RM7.73 million) which were in line with the increase in revenue subsequent to the commencement of Vietnam operation. GP for Trading increased by RM0.15 million or 30.61% to RM0.64 million (FYE 2019: RM0.49 million) mainly due to decrease in sales of low profit margin products.

However, such increase was partly offset by the decrease in GP from the following:

- (i) the sales of Pallets by RM0.40 million or 12.08% to RM2.91 million (FYE 2019: RM3.31 million) as Pallets absorbed approximately RM1.08 million of the total one-off import duty charge; and
- (ii) Circular Supply Services by RM0.72 million or 38.10% to RM1.17 million (FYE 2019: RM1.89 million).

Despite the one-off import duty charges in the FYE 2020, our overall GP margin improved marginally from 20.23% in the FYE 2019 to 20.84% in the FYE 2020 mainly due to the higher contribution in GP from Boxes and Crates and Trading.

Notwithstanding the above, the GP margin from the sales of Pallet decreased from 12.65% in the FYE 2019 to 10.75% in the FYE 2020 as Pallets absorbed approximately RM1.08 million of the total one-off import duty charge of RM2.91 million. Excluding the one-off RM1.08 million of import duty, the GP margin for Pallets would have been 14.72% for the FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our overall GP for the FYE 2021 increased by RM10.78 million or 58.56% to RM29.19 million (FYE 2020: RM18.41 million) which was mainly contributed by the increase in GP from the sales of Boxes and Crates and Pallets.

We recorded an increase in GP from the sales of Boxes and Crates by RM8.35 million or 61.04% to RM22.03 million (FYE 2020: RM13.68 million) and the GP from the sales of Pallets increased by RM2.33 million or 80.07% to RM5.24 million (FYE 2020: RM2.91 million) which were in line with the increase in the revenue from the sales of Boxes and Crates and engineered wood Pallets from Renewable Energy and Electronics/Semiconductor industries customers.

Our overall GP margin improved from 20.84% for the FYE 2020 to 24.14% for the FYE 2021. The overall GP margin for the FYE 2020 would be 24.14% after excluding the one-off import duty of RM2.91 million. There was no significant change in overall GP margin for the FYE 2021 as compared to the adjusted overall GP margin for the FYE 2020. Our Group was granted exemption vide a letter dated 14 February 2020 by MIDA for the import duty in respect of the raw materials of LVL pallets. This exemption was effective from 16 January 2020 to 15 January 2022, and was subsequently extended until to 15 January 2025 vide a letter dated 30 December 2021 by MIDA.

11. FINANCIAL INFORMATION (Cont'd)

Likewise, for the FYE 2020, the adjusted GP margin excluding the one-off import duty for Boxes and Crates and Pallets would be 27.41% and 14.72%, respectively. There was no significant change in GP margin for Boxes and Crates and Pallets for the FYE 2021 of 26.46% and 15.90%, respectively, as compared to their respective adjusted GP margin for the FYE 2020.

Comparison between FPE 2021 and FPE 2022

Our Group's overall GP decreased by RM0.11 million or 0.64% to RM17.12 million for the FPE 2022 (FPE 2021: 17.23 million) mainly due to the decrease in GP from the sales of Pallets by RM0.97 million or 26.50% to RM2.69 million (FPE 2021: RM3.66 million). However, such decrease was offset by the increase in GP from the sales of Boxes and Crates by RM1.13 million or 9.00% to RM13.68 million (FPE 2021: RM12.55 million).

Despite the increase in revenue, our Group's overall GP for FPE 2022 had decreased. This was mainly contributed by the increase in cost of sales as discussed in Section 11.3.2(b)(i) of this Prospectus. The increase in cost of sales was partially offset by the adjustment in selling price of products for FPE 2022. Consequently, the overall GP margin decreased to 20.42% for the FPE 2022 as compared to 25.54% for the FPE 2021.

For the FPE 2022, Boxes and Crates' GP margin reduced to 23.32% (FPE 2021: 27.85%) and Pallets' GP margin reduced to 11.86% (FPE 2021: 18.45%). The impact of increase in cost of sales was higher for Pallets as compared to Boxes and Crates mainly due to higher price hike for natural wood and higher cost incurred for labour intensive production of natural wood pallet.

(iii) Analysis of GP and GP margins by geographical region

The breakdown of our Group's GP and GP margin by geographical region for the Financial Years and Period Under Review are as follows:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
GP	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	11,075	82.58	8,776	47.68	19,664	67.37	11,716	67.99	11,726	68.51
Vietnam	2,337	17.42	9,631	52.32	9,526	32.63	5,516	32.01	5,390	31.49
Total GP	13,412	100.00	18,407	100.00	29,190	100.00	17,232	100.00	17,116	100.00
GP margin		%		%		%		%		%
Malaysia		18.38		13.82		20.72		22.11		17.19
Vietnam		38.66		38.85		36.58		38.08		34.56
Overall GP margin		20.23		20.84		24.14		25.54		20.42

Commentary:

Generally, our Vietnam operations record higher GP margin compared to our Malaysia operations. In our Vietnam operations, we source engineered wood from the local suppliers, which results in lower costs of raw materials as compared to our Malaysia operations whereby engineered wood is imported from Vietnam or China. The labour costs in Vietnam is also comparatively lower. In addition, our Vietnam operations concentrate only on the production of single model of Boxes and Crates, which increase production efficiency.

11. FINANCIAL INFORMATION (Cont'd)Comparison between FYE 2019 and FYE 2020

For the FYE 2020, the GP from our Malaysia operations decreased by RM2.30 million or 20.76% to RM8.78 million (FYE 2019: RM11.08 million), due to GP margin from our Malaysia operations decreased from 18.38% in the FYE 2019 to 13.82% in the FYE 2020 mainly attributable to the one-off import duty charges of RM2.91 million. Excluding the one-off RM2.91 million of import duty, the GP margin would have been 18.40% in the FYE 2020 (FYE 2019: 18.38%).

For the FYE 2020, the GP from our Vietnam operations increased by RM7.29 million or 311.54% to RM9.63 million (FYE 2019: RM2.34 million) mainly due to full year operations for our Vietnam Factory. Our Vietnam Factory commenced operations in August 2019. There is no significant change in GP margin for FYE 2019 and FYE 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, the GP from our Malaysia operations increased by RM10.88 million or 123.92% to RM19.66 million (FYE 2020: RM8.78 million). The GP margin from our Malaysia operations improved from 13.82% in the FYE 2020 to 20.72% in the FYE 2021 mainly due to:

- (i) the increase in sales of Boxes and Crates to customers from Renewable Energy and Electronics/Semiconductor industries using engineered wood in which the manufacturing process involved less labour; and
- (ii) the Malaysia operation enjoyed the cost advantage as the scale of production increased in order to fulfil the increasing order received from customers.

For the FYE 2021, the GP from our Vietnam operations decreased by RM0.10 million or 1.04% to RM9.53 million (FYE 2020: RM9.63 million) and the GP margin from our Vietnam operations decreased from 38.85% in the FYE 2020 to 36.58% in the FYE 2021 mainly due to increase in labour cost.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, the GP from our Malaysia operations increased by RM0.01 million or 0.09% to RM11.73 million (FPE 2021: RM11.72 million). Despite the increase in revenue, the GP remained fairly consistent due to the increase in cost of sales as discussed in Section 11.3.2(b)(i) of this Prospectus and strengthening of USD against RM.

For the FPE 2022, the GP from our Vietnam operations decreased by RM0.13 million or 2.36% to RM5.39 million (FPE 2021: RM5.52 million) mainly due to material price increase. Our Group will review and monitor closely the prices of its products, depending on the market condition and development, to take into account, among others, the effects of changes in inflation, and adjust the product prices accordingly from time to time, when appropriate, to manage the GP margin effectively.

11. FINANCIAL INFORMATION (Cont'd)**(c) Other operating income**

The breakdown of our other operating income for the Financial Years and Period Under Review is as follows:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
(Loss)/Gain on foreign exchange-realised	(17)	(23.29)	178	77.39	126	65.29	87	69.05	457	68.62
Gain on foreign exchange-unrealised	-	-	9	3.91	-	-	-	-	199	29.88
Gain on disposal of fixed assets	(1)47	64.38	-	-	-	-	-	-	-	-
Rental income ⁽²⁾	19	26.03	13	5.65	5	2.59	-	-	-	-
Interest income ⁽³⁾	24	32.88	30	13.05	62	32.12	39	30.95	10	1.50
Total	73	100.00	230	100.00	193	100.00	126	100.00	666	100.00

Notes:

- (1) Gain on disposal of fixed assets recorded in the FYE 2019 are from the disposal of motor vehicle, including van and forklift.
- (2) Rental income are from renting out of a double-storey shop office located at No. 49, Jalan Sungai Duri, Taman Seruling Emas, 14200 Sungai Jawi, Pulau Pinang not used by our operation.
- (3) Interest income are from placement of excess fund in fixed deposit.

Commentary: -Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded an increase in other operating income by RM0.16 million or 228.57% to RM0.23 million (FYE 2019: RM0.07 million). The increase in other operating income was mainly due to increase in gain on foreign exchange – realised of RM0.20 million.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded a decrease in other operating income by RM0.04 million or 17.39% to RM0.19 million (FYE 2020: RM0.23 million). The decrease in other operating income was mainly due to decrease in gain on foreign exchange - realised by RM0.05 million

The decrease in other operating income was partly offset by the increase in interest income by RM0.03 million.

11. FINANCIAL INFORMATION (Cont'd)Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our Group recorded an increase in other operating income by RM0.54 million or 415.38% to RM0.67 million (FPE 2021: RM0.13 million) mainly attributable to the increase in gain on foreign exchange - realised by RM0.37 million or 411.11% to RM0.46 million (FPE 2021: RM0.09). In addition, our Group also recorded a gain on foreign exchange – unrealised of RM0.20 million in the FPE 2022 (FPE 2021: Nil).

Such increase was mainly derived from the increase in revenue denominated in USD from Malaysia. For the FPE 2022, The contribution of revenue denominated in USD to our Group's total revenue has increased to 24.46% for the FPE 2022 from 3.20% for the FPE 2021.

(d) Impairment losses / Reversal of impairment losses on trade receivables

Our Group recognises allowance for impairment losses for trade receivables based on the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

No expected credit loss is recognised arising from other receivables as it is negligible.

(e) Distribution costs

The breakdown of our distribution costs for the Financial Years and Period Under Review is as follows:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Advertisement	90	7.66	135	7.44	122	5.10	23	1.74	35	2.07
Transportation	798	67.91	1,427	78.62	2,035	85.08	1,167	88.48	1,436	84.77
Petrol	21	1.79	13	0.72	12	0.50	7	0.53	9	0.53
Road tax and Insurance	79	6.72	80	4.41	62	2.59	30	2.27	96	5.67
Toll fee and parking tickets	52	4.43	46	2.53	57	2.38	32	2.43	37	2.18
Upkeep of Motor Vehicles	135	11.49	114	6.28	104	4.35	60	4.55	81	4.78
Total	1,175	100.00	1,815	100.00	2,392	100.00	1,319	100.00	1,694	100.00

Commentary: -Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded an increase in distribution costs by RM0.64 million or 54.24% to RM1.82 million (FYE 2019: RM1.18 million) mainly due to increase in transportation expenses by RM0.63 million or 78.75% to RM1.43 million (FYE 2019: RM0.80 million) upon Vietnam plant came into full year operation in FYE 2020.

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

For the FYE 2021, our Group recorded an increase in distribution costs by RM0.57 million or 31.32% to RM2.39 million (FYE 2020: RM1.82 million) mainly due to increase in transportation expenses by RM0.61 million or 42.66% to RM2.04 million (FYE 2020: RM1.43 million) which is in tandem with the increase in revenue in particular increase in Boxes and Crates which are bulkier in size.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our Group recorded an increase in distribution costs by RM0.37 million or 28.03% to RM1.69 million (FPE 2021: RM1.32 million) mainly due to increase in transportation expenses by RM0.27 million or 23.08% to RM1.44 million (FPE 2021: RM1.17 million) which was in tandem with the increase in revenue.

(f) Administrative expenses

The breakdown of our administrative expenses for the Financial Years and Period Under Review is as follows:

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Employee benefit ⁽¹⁾	2,889	52.38	2,202	45.36	2,641	35.57	1,821	54.51	1,891	35.26
Depreciation ⁽²⁾	471	8.54	517	10.65	578	7.79	293	8.77	416	7.76
Directors' remuneration ⁽³⁾	697	12.64	725	14.93	1,163	15.67	377	11.28	510	9.51
Travelling ⁽⁴⁾	473	8.58	265	5.46	148	1.99	73	2.18	218	4.06
Legal and professional fee ⁽⁵⁾	377	6.84	236	4.86	1,539	20.73	171	5.12	1,436	26.78
Office Supplies ⁽⁶⁾	359	6.51	472	9.72	500	6.73	238	7.12	356	6.64
Upkeep of premises	78	1.41	112	2.31	133	1.79	63	1.89	100	1.86
General administrative expenses ⁽⁷⁾	171	3.10	326	6.71	722	9.73	305	9.13	436	8.13
Total	5,515	100.00	4,855	100.00	7,424	100.00	3,341	100.00	5,363	100.00

Notes:

- (1) Employee benefits consists mainly salary related costs i.e. salaries and bonuses, contribution to defined contribution plans, insurance and Human Resource Development Fund.
- (2) Depreciation consists of depreciation of property, plant and equipment used for administrative office other than for production and depreciation on right-of-use assets.
- (3) Directors' remuneration consists mainly of directors' fee, salary, EPF, SOCSO contribution, bonus and gratuity for directors.
- (4) Travelling consists mainly of business travelling for both local and abroad.
- (5) Legal and professional fee consists mainly of legal and professional fees incurred for incorporation of Vietnam operation, obtaining banking facilities and engagement in corporate exercise.
- (6) Office supplies consists mainly of printing and stationery, telephone and upkeep of office equipment.

11. FINANCIAL INFORMATION (Cont'd)

- (7) General administrative expenses consist mainly of audit fee, entertainment and bank charges.

Commentary:Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded a decrease in administrative expenses by RM0.66 million or 11.96% to RM4.86 million (FYE 2019 RM5.52 million).

The decrease in administrative expenses was mainly due to the following factors:

- (i) decrease in employee benefit by RM0.69 million or 23.88% to RM2.20 million (FYE 2019: RM2.89 million) mainly due to reduction in annual dinner expense, training expenses and overtime in the pandemic time in FYE 2020.
- (ii) decrease in travelling expenses by RM0.20 million or 42.55% to RM0.27 million (FYE 2019: RM0.47 million) as travelling was halted after imposition of MCO arising from Covid-19; and
- (iii) decrease in legal and professional fee by RM0.14 million or 36.84% to RM0.24 million (FYE 2019: RM0.38 million). In FYE 2019, our Group incurred fees for setting up our Vietnam operation and legal fee for additional banking facilities obtained.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded an increase in administrative expenses by RM2.56 million or 52.67% to RM 7.42 million (FYE 2020: RM4.86 million).

The increase in administrative expenses was mainly due to the following factors:

- (i) increase in employee benefit by RM0.44 million or 20.00% to RM2.64 million (FYE 2020: RM2.20 million) as our Company increased its administrative management team workforce in order to achieve administration effectiveness within the Group;
- (ii) increase in directors' remuneration of RM0.43 million or 58.90% to RM1.16 million (FYE 2020: RM0.73 million) arising from gratuity paid to two retired directors;
- (iii) increase in legal and professional fee of RM1.30 million or 541.67% to RM1.54 million (FYE 2020: RM0.24 million) mainly attributable to the following:
 - legal and professional incurred for the corporate exercise, including IPO and additional financing for capital expenditure; and
 - legal fee incurred for the refinancing to raise fund for working capital in supporting business growth ("**Refinancing Scheme**"). Our business had been expanding in the past financial years. During the Financial Years and Period Under Review, our Group's business was growing at a CAGR of approximately 35.05%. In anticipation of future business growth and working capital requirements, our Group took on the Refinancing Scheme to re-structure the financial obligations in FYE 2021 which allowed our Group to benefit from lower interest rate financing. In addition, we achieved higher efficiency in the value of properties charged and at the same time managed to increase the amount of bank facilities.

11. FINANCIAL INFORMATION (Cont'd)Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our Group recorded an increase in administrative expenses by RM2.02 million or 60.48% to RM5.36 million (FPE 2021: RM3.34 million).

The increase in administrative expenses was mainly due to the following factors:

- (i) increase in legal and professional fee by RM1.27 million or 747.06% to RM1.44 million (FPE 2021: RM0.17 million) mainly attributed to the following:
 - professional fee incurred for the IPO corporate exercise amounted to RM0.84 million; and
 - legal fee (including stamp duty) incurred for obtaining the new financing facilities to finance the acquisition of Perai Branch and Kulim Branch and the working capital requirement for business expansion amounted to RM0.41 million;
- (ii) increase in travelling expenses on sales, marketing and sourcing activities by RM0.15 million or 214.29% to RM0.22 million (FPE 2021: RM0.07 million) upon gradual relaxation of Covid-19 travel bans;
- (iii) Increase in directors' remuneration by RM0.13 million or 34.21% to RM0.51 million (FPE 2021: RM0.38 million) upon appointment of new directors for our Group.

(g) Finance costs

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

	<-----Audited----->						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bankers' acceptances interest ⁽¹⁾	96	7.82	74	7.33	119	8.78	57	7.86	317	41.12
Bank overdraft interest ⁽¹⁾	502	40.88	417	41.29	313	23.08	210	28.97	63	8.17
Lease liabilities interest ⁽²⁾	132	10.75	129	12.77	182	13.42	106	14.62	158	20.49
Term loans interest ⁽³⁾	498	40.55	390	38.61	742	54.72	352	48.55	233	30.22
Total	1,228	100.00	1,010	100.00	1,356	100.00	725	100.00	771	100.00

Notes:

- (1) Bankers' acceptances and overdraft are utilised for working capital purposes.
- (2) Lease liabilities are utilised to fund the purchase of passenger vehicles, commercial vehicles and equipment.
- (3) Term loans are generally utilised to acquire new premises and to raise fund for working capital purposes in supporting business growth, including the Refinancing Scheme taken on in FYE 2021.

11. FINANCIAL INFORMATION (Cont'd)**Commentary:**Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded a decrease in finance costs by RM0.22 million or 17.89% to RM1.01 million (FYE 2019: RM1.23 million). The decrease in the finance costs was mainly due to decrease in overdraft and term loan interests by RM0.08 million and RM0.11 million, respectively as a result of:

- Deferment of term loan principal and interest payment granted by financial institutions commencing 1 April 2020 under an automatic six-months moratorium ordered by Bank Negara Malaysia; and
- Reduction in utilisation of bank overdraft. Bank overdraft reduced from RM8.38 million as at 31 December 2019 to RM5.83 million as at 31 December 2020.

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded an increase in finance costs of RM0.35 million or 34.65% to RM1.36 million (FYE 2020: RM1.01 million). The increase in the finance costs was mainly due to increase in term loan interests by RM0.35 million as a result of full year finance cost incurred for RM4.94 million of new term loans and financing facilities drawdown in the last quarter of FYE 2020 for working capital purposes.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our Group recorded an increase in finance costs by RM0.04 million or 5.48% to RM0.77 million (FPE 2021: RM0.73 million). The increase was primarily attributable to:

- (i) the increase in bankers' acceptance interest by RM0.26 million or 433.33% to RM0.32 million (FPE 2021: RM0.06 million). As at 31 July 2022, bankers' acceptance increased to RM21.21 million as compared to RM2.68 million as at 31 July 2021.

Under the Refinancing Scheme, our Group was able to achieve higher efficiency in the value of its property charged and had obtained trade financing facilities up to RM22.00 million (FPE 2021: RM3.95 million). Upon which, in order to finance the increasing working capital requirement as a result of increasing revenue, our Group had utilised bankers' acceptance which was at lower interest rate as compared to bank overdraft; and

- (ii) the increase in lease liabilities to finance the purchase of forklift and lorries.

Such increase was offset by the followings:

- (i) the decrease in bank overdraft interest by RM0.15 million or 71.43% to RM0.06 million (FPE 2021: RM0.21 million) as our Group reduced the utilisation of bank overdraft which was subject to higher interest rate as compared to bankers' acceptance; and
- (ii) the decrease in term loans interest by RM0.12 million or 34.29% to RM0.23 million (FPE 2021: RM0.35 million) upon full drawdown of Refinancing Scheme in December 2021 which allowed our Group to benefit from lower interest rate of financing.

11. FINANCIAL INFORMATION (Cont'd)

(h) Income Tax Expense

The breakdown of our income tax expense for the Financial Years and Period Under Review is set out below:

	<-----Audited----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
Group Tax expense (RM'000)	1,256	1,119	3,870	2,392	2,130
Group Effective tax rate (%)	22.23	10.20	21.26	20.00	21.15
Malaysia operations					
Effective tax rate (%)	31.84	40.87	29.85	26.76	30.37
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00
Vietnam operations					
Effective tax rate (%)	-	(0.24)	10.04	9.99	10.03
Statutory tax rate (%)	20.00	20.00	20.00	20.00	20.00

Malaysia Operations

Our effective tax rate for the FYE 2019 was 7.84% more than the statutory tax rate mainly due to following:

- (i) Interest restriction approximately 15.80% on PBT (exclude dividend from subsidiary company); and
- (ii) Higher non-deductible expenses such as legal and professional fee mainly due to setting up of Vietnam operation of approximately RM0.22 million.

Our effective tax rate for the FYE 2020 was 16.87% more than the statutory tax rate mainly due to following:

- (i) Interest restriction approximately 26.52% on PBT (exclude dividend from subsidiary company); and
- (ii) Higher non-deductible expenses which included unrealised loss on foreign exchange of approximately RM0.10 million.

Our effective tax rate for the FYE 2021 was 5.85% more than the statutory tax rate mainly due to following:

- (i) Interest restriction approximately 7.27% on PBT (exclude dividend from subsidiary company); and
- (ii) Higher non-deductible expenses such as legal and professional fee included legal fee on banking facilities of approximately RM0.37 million.

Our effective tax rate for the FPE 2022 was 6.37% more than the statutory tax rate mainly due to following:

- (i) Higher non-deductible expenses such as legal and professional fee included legal fees on banking facilities of approximately RM0.41 million; and

11. FINANCIAL INFORMATION (Cont'd)

- (ii) Increase in deferred tax liabilities as a result of temporary differences between accounting depreciation and corresponding tax allowances arising mainly from the acquisition of leasehold properties of Perai Branch and Kulim Branch.

Note:

Interest restriction refers to restriction of interest expense deductible against gross business income. A portion of the interest expenses incurred were disallowed as the total amount of investments and loans is less than the total amount of borrowed money.

Vietnam Operations

Our Vietnam operation did not incur any tax expenses in the FYE 2019 and FYE 2020 as BV enjoyed a 100% corporate tax exemption for the first 2 years of operation. Our effective tax rate for the FYE 2020 was (0.24%) mainly due the recognition of deferred tax assets of RM0.02 million

Our effective tax rate for the FYE 2021 and FPE 2022 were 9.96% and 9.97% less than the statutory tax rate as BV is entitled for a 50% corporate tax exemption for its third to sixth year of operation.

(i) PBT, PBT margin, PAT and PAT margin

The PBT, PBT margin, PAT, and PAT margin for the Financial Years and Period Under Review is set out below:

	<-----Audited----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
PBT (RM'000)	5,649	10,971	18,200	11,962	10,071
PAT (RM'000)	4,393	9,852	14,330	9,570	7,941
PBT margin (%)	8.52	12.42	15.05	17.73	12.01
PAT margin (%)	6.63	11.16	11.85	14.18	9.47

Commentary:Comparison between FYE 2019 and FYE 2020

For the FYE 2020, our Group recorded an increase in PBT by RM5.32 million or 94.16% to RM10.97 million (FYE 2019: RM5.65 million) and an increase in PAT by RM5.46 million or 124.37% to RM 9.85 million (FYE 2019: RM4.39 million). This was mainly due to the increase in GP upon our Vietnam operations achieved a full financial year of operation in FYE 2020 and the increase in sales of Boxes and Crates which provided higher profit margin and GP.

Our PBT margin improved from 8.52% for the FYE 2019 to 12.42% for the FYE 2020 as our Group enjoyed economies of scales when fixed costs were spread over larger scale of production as the business grew.

In addition, our PAT margin also improved from 6.63% for the FYE 2019 to 11.16% for the FYE 2020 mainly due to profit from Vietnam operations are 100% exempted from taxation for the first two years of operation.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2020 and FYE 2021

For the FYE 2021, our Group recorded an increase in PBT by RM7.23 million or 65.91% to RM18.20 million (FYE 2020: RM10.97 million) and an increase in PAT by RM4.48 million or 45.48% to RM14.33 million (FYE 2020: RM9.85 million). Our PBT margin improved from 12.42% for the FYE 2020 to 15.05% for the FYE 2021.

This was mainly due to the increase in sales of Boxes and Crates which command better profit margin and higher GP.

Our PAT margin also improved marginally from 11.16% for the FYE 2020 to 11.85% for the FYE 2021 mainly due to only 50% of profit from Vietnam operation are exempted from taxation in the third to sixth year of operation.

Comparison between FPE 2021 and FPE 2022

For the FPE 2022, our Group recorded a decrease in PBT by RM1.89 million or 15.80% to RM10.07 million (FPE 2021: 11.96 million) and a decrease in PAT by RM1.63 million or 17.03% to RM7.94 million (FPE 2021: RM9.57 million).

Despite the increase in revenue, our Group's PBT and PAT had decreased mainly due to:

- (i) the decrease in GP as discussed in Section 11.3.2(b)(ii) above;
- (ii) the strengthening of USD against RM; and
- (iii) the increase in administrative expenses of which approximately RM1.25 million was one-off expenses incurred on IPO corporate exercise and legal fee (including stamp duty) incurred to obtain banking facilities for the acquisition of Perai Branch and Kulim Branch. Our Group's PBT and PAT for FPE 2022 would have been RM11.32 million and RM9.19 million, respectively after adjusted for such one-off expenses of RM1.25 million.

Likewise, our PBT margin and PAT margin reduced to 12.01% and 9.47% for the FPE 2022 as compared to 17.73% and 14.18% for the FPE 2021, respectively.

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11. FINANCIAL INFORMATION (Cont'd)**11.3.3 Significant factors materially affecting our operations and financial results**

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

(a) Dependent on the availability of foreign workers

Our Group is reliant on foreign workers to carry out our manufacturing works due to the labour intensive nature of the industry, as it is difficult to hire and retain local workers. The loss of our existing foreign workers without timely replacements may adversely disrupt our operations. The hiring of new local employees to replace the foreign workers may require some time as they may not be immediately available. Further, new employees will need time to familiarise with the operations of our machinery. In such event, our manufacturing may be affected and our deliveries may be delayed, which in turn may materially and adversely affect our business operations and financial performance.

(b) Impact of materials price fluctuation

Materials cost is main component of our cost of sales which account for approximately 78.00% to 83.51% of our cost of sales for the Financial Years and Period Under Review. Hence, fluctuation in material price will have direct impact to our profitability. Our raw materials are mainly natural wood sourced locally and engineered wood imported from China and Vietnam. These materials are subjected to price fluctuation as determined by global commodity market. Hence, any fluctuation in the prices of our material costs would affect our cost of sales as well as our financial performance.

(c) Competition

Our major customers are mainly MNCs. Hence, maintaining our status in the pre-approved vendor listing is critical. On yearly basis, we will negotiate with the customers on our yearly allocation and pricing. From year to year, we would need to compete with other approved vendors for the yearly allocation. The yearly allocation, not only affect our financial performance, but also our production planning and procurement planning.

Beside pricing, ability to provide our customers just in time delivery of our goods, quality and safety of our products and ability to provide alternative solutions on timely basis are also key determining factors in securing higher proportion of allocation.

We have been able to maintain our competitive edge by providing good services, maintaining low rejection rate and providing confidence in dealing with us.

(d) Impact of interest rates

As at 31 July 2022, our Group has gearing ratio of 1.37 times. Total finance costs for the FPE 2022 represent approximately 1% of total revenue. Total borrowings stand at RM57.92 million which consist of term loans, lease liabilities and bankers' acceptance with interest rates ranging from 2.17% to 7.68% per annum.

Our Group aims to manage interest costs at optimum level to ensure the effect to our financial performance is minimised. We also constantly reviewing our bank facilities interest rates are at competitive level.

(e) Impact of foreign exchange rate fluctuations

We are exposed to foreign exchange risk as our wood materials are sourced from overseas, which accounted for 61.99%, 74.65%, 79.02% and 75.65% of our purchase of supplies in the past 3 FYEs 2019 to 2021 and FPE 2022. In the FYEs 2019 to 2021, 100%, 98.10% and 95.95% of our revenue are billed in local currency at where we operate, i.e MYR and VND, respectively.

11. FINANCIAL INFORMATION (Cont'd)

Our purchases in USD had been increasing during the Financial Years and Period Under Review, which increased from 1.84% for the FYE 2019 to 61.80% for the FPE 2022. In view of the increasing exposure to foreign exchange risk in USD, we had negotiated with one of our major customers, namely First Solar, and had revised our sales to First Solar in Malaysia to be billed in USD instead of MYR starting from May 2022 onward. Prior to that, our sales to First Solar was billed in MYR and VND in Malaysia and Vietnam, respectively. However, the raw materials of the products that we supply to First Solar, which is mainly engineered wood, is mainly imported and denominated in USD and / or VND. Hence, such revision is expected to create a natural hedge against the foreign exchange risk, including the strengthening of USD against RM since April 2022.

In addition, the sales to another one of our new and major customers in FPE 2022, namely Celestica Electronics (M) Sdn Bhd ("**Celestica**"), is also billed in USD. This is also expected to reduce our exposure to exchange rate fluctuations to USD as engineered wood is the main raw material used in the products that we supply to Celestica, which is mainly imported and denominated in USD as well.

The gain / (loss) of foreign exchange recorded during the Financial Years and Period Under Review is set out below:

	<-----Audited----->			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Gain on foreign exchange - realised	-	178	126	87	457
Gain on foreign exchange - unrealised	-	9	-	-	199
(Loss) on foreign exchange - realised	(17)	-	-	-	-
(Loss) on foreign exchange - unrealised	-	(100)	(24)	-	-

For the FPE 2022, our Group recorded a total gain on foreign exchange of RM0.66 million, which was mainly derived from the increase in revenue denominated in USD from Malaysia. The contribution of revenue denominated in USD to our Group's total revenue has increased to 24.46% for the FPE 2022 from 3.20% for the FPE 2021.

Please refer to Section 8.1.8 of this Prospectus for further information on the impact of foreign exchange rate fluctuations.

(f) Impact of inflation

There was no material impact of inflation on our Group's financial results for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022. The areas that inflation may affect our financial performance include increase in material cost and labour cost. While the Board believes that it will be able to pass on any future increases in the aforementioned costs to customers, there can be no assurance this will be the case and our financial performance will not be materially affected by inflation in the future.

(g) Economic, political and/or legal environment

Risk relating to economic, political and/or legal conditions which may materially affect our operations are set out in Section 8.1.7 of this Prospectus.

As we continue to expand our business, our operations and financial performance are expected to be affected by economic, political and/or legal conditions in the countries where we have business operations. However, our financial performances for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 were not materially impacted.

11. FINANCIAL INFORMATION (Cont'd)

Although we will continue to comply with legal and regulatory frameworks in Malaysia and countries we have operations, there is no assurance that introduction of new law or other economic, political and legal conditions will not have adverse effect on our business operations and financial performance.

(h) Dependency of major customers

Our Group is dependent on one of our major customers, namely First Solar group of companies ("**First Solar**") who contributes significantly to our Group's revenue. First Solar contributed 41.78%, 57.70%, 59.40% and 55.39% to the total revenue of our Group for the past 3 FYE 2019 to FYE 2021 and FPE 2022. The main reason for the increase in percentage of revenue from First Solar was mainly due to the customers facility expansion in Vietnam and Malaysia during the Financial Years and Period Under Review as well as additional new models allocated to our Group.

Customers normally allocate among few suppliers and our percentage of allocation is negotiated on yearly basis. There is no assurance we will be allocated the same percentage every year. The customers typically place order that last 1 to 3 months. If these customers reduce their orders, we may not be able to secure replacement orders from other customers on timely basis and contribute similar proportion of revenue.

11.3.4 Liquidity and capital resources

Our operations are funded through cash generated from our operating activities, credit extended by our suppliers, credit facilities granted by financial institutions as well as our existing cash and bank balances.

As at 31 July 2022, our Group has cash and short-term deposits of RM8.95 million, available credit facilities of RM51.00 million, of which RM29.00 million has yet to be utilised and working capital of RM29.03 million, being the difference between current assets of RM66.82 million and current liabilities of RM37.79 million.

Our Group's working capital requirements are expected to increase in tandem with the expansion of our Group's business. Based on the above and after taking into consideration of our funding requirements for our committed capital expenditure, existing level of cash and bank balances, expected cash flows to be generated from our operations, credit facilities available, the impact of COVID-19 and MCO on our operations, the dividend declared and paid up to the FPE 2022 and the estimated net proceeds from the Public Issue, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

Cash flow

The table below sets out the summary of our Group's historical audited combined statements of cash flows for the Financial Years and Period Under Review:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	836	2,371	4,523	2,031
Net cash used in investing activities	(2,415)	(768)	(3,462)	(28,086)
Net cash from / (used in) financing activities	1,953	3,184	(1,244)	35,315
Net changes in cash and cash equivalents	374	4,787	(183)	9,260
Effects of exchange rate changes on cash and cash equivalents	(14)	(76)	120	53

11. FINANCIAL INFORMATION (Cont'd)

Cash and cash equivalents at the beginning of the financial years / period	(5,492)	(5,132)	(421)	(484)
Cash and cash equivalents at the end of the financial years / period *	(5,132)	(421)	(484)	8,829

Note:

* Cash and cash equivalents comprise the following as at the end of the financial years / period:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Cash and bank balances	3,248	3,323	3,161	8,829
Deposits with licensed banks	232	2,327	246	116
As per combined statements of financial position	3,480	5,650	3,407	8,945
Less:				
Deposits pledged to a licensed bank	(232)	(239)	(246)	(116)
Bank overdraft	(8,380)	(5,832)	(3,645)	-
As per combined statements of cash flows	(5,132)	(421)	(484)	8,829

Prior to the Refinancing Scheme, bank overdraft was used to finance working capital purposes mainly for purchase of raw materials due to its flexibility in nature. Gradually, our Group has substituted the utilisation of bank overdraft with bankers' acceptance, which has been more cost effective due to the lower interest rate, to finance working capital purposes.

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

Commentary:

Net cash from operating activities

FYE 2019

For the FYE 2019, our operating cash flows before working capital changes were RM7.90 million. After adjusting for the following key items, our net cash from our operating activities was RM0.84 million:

- (i) Increase in inventories of RM0.74 million due to increase in purchase of raw material as Vietnam started operation in August 2019;
- (ii) Increase in trade and other receivables of RM3.13 million due to Vietnam started to generate sales since August 2019 with 60 days credit terms;
- (iii) Decrease in trade and other payables of RM1.21 million due to increase in repayment paid to suppliers and repayment of amount owing to directors of RM0.56 million;
- (iv) Net interest payment of RM1.07 million;

11. FINANCIAL INFORMATION (Cont'd)

- (v) Tax payment of RM1.86 million; and
- (vi) Tax refunded of RM0.95 million.

FYE 2020

For the FYE 2020, our operating cash flows before working capital changes were RM13.83 million. After adjusting for the following key items, our net cash from our operating activities was RM2.37 million:

- (i) Increase in inventories of RM6.20 million due to higher purchase of raw materials as our Company built up its buffer stocks in anticipation of supply shortages and revenue growth;
- (ii) Increase in trade and other receivables of RM6.41 million due to increase in sales and in prepayments to suppliers in order to secure the purchase orders;
- (iii) Increase in trade and other payables of RM3.31 million due to the one-off import duty payable to customs of RM2.91 million;
- (iv) Net interest payment of RM0.85 million; and
- (v) Tax payment of RM1.31 million.

FYE 2021

For the FYE 2021, our operating cash flows before working capital changes were RM22.39 million. After adjusting for the following key items, our net cash from our operating activities was RM4.52 million:

- (i) Increase in inventories of RM6.75 million due to higher purchase of raw materials in tandem with increase in revenue;
- (ii) Increase in trade and other receivables of RM7.72 million due to increase in sales and in prepayments to suppliers to secure the purchase orders;
- (iii) Increase in trade and other payables of RM1.26 million due to increase in purchases of raw materials in tandem with increase in revenue;
- (iv) Net interest payment of RM1.11 million; and
- (v) Tax payment of RM3.55 million.

FPE 2022

For the FPE 2022, our operating cash flows before working capital changes were RM12.35 million. After adjusting for the following key items, our net cash from our operating activities was RM2.03 million:

- (i) Increase in inventories of RM2.18 million due to increase in purchase of raw materials in tandem with the increase in revenue;
- (ii) Increase in trade and other receivables of RM3.90 million due to increase in sales and in prepayments to suppliers to secure the purchase orders;
- (iii) Decrease in trade and other payables of RM1.28 million due to increase in repayment to suppliers;

11. FINANCIAL INFORMATION (Cont'd)

- (iv) Net interest payment of RM0.60 million; and
- (v) Tax payment of RM2.36 million.

Net cash used in investing activities**FYE 2019**

Our Group recorded net cash used in investing activities of RM2.42 million for the FYE 2019. This was mainly attributed to the purchase of property, plant and equipment amounted to RM2.47 million which was partly offset by the proceeds received from disposal of property, plant and equipment amounted to RM0.05 million.

The purchase of property, plant and equipment mainly consists of purchase of silo at the Sungai Bakap Factory amounted to RM1.33 million and purchase of plant and machinery, motor vehicle and office equipment in Vietnam for new start-up operation amounted to RM0.80 million.

FYE 2020

Our Group recorded net cash used in investing activities of RM0.77 million for the FYE 2020. This was mainly attributed to the purchase of property, plant and equipment amounted to RM0.75 million and additions of right-of-use assets amounted to RM0.07 million. This was partly offset by the proceeds received from disposal of right-of-use assets amounted to RM0.05 million.

FYE 2021

Our Group recorded net cash used in investing activities of RM3.46 million for the FYE 2021. This was mainly attributed to the following:

- (i) purchase of property, plant and equipment amounted to RM3.42 million consists mainly of purchase of Heat Treatment Chamber of RM1.00 million as a replacement to the Heat Treatment Chamber purchased in 2005 which was obsolete and capital work in progress of RM1.94 million on retrofit of Sungai Bakap Factory;
- (ii) additions of right-of-use assets amounted to RM0.13 million; and
- (iii) proceeds received from disposal of property, plant and equipment amounted to RM0.09 million.

FPE 2022

Our Group recorded net cash used in investing activities of RM28.09 million for the FPE 2022. This was mainly attributed to the following:

- (i) purchase of right-of-use assets amounted to RM25.79 million which consists mainly the acquisition of Perai Branch and Kulim Branch; and
- (ii) purchase of property, plant and equipment amounted to RM2.30 million.

Net cash from / (used in) financing activities**FYE 2019**

Our Group recorded net cash from financing activities of RM1.95 million mainly due to the following:

- (i) drawdown of bankers' acceptances of RM12.15 million for working capital purposes mainly for purchase of raw materials;

11. FINANCIAL INFORMATION (Cont'd)

- (ii) drawdown of term loans of RM5.42 million for working capital purposes mainly to finance the capital investment and operation of newly setup subsidiary in Vietnam, namely BV;
- (iii) repayment of bankers' acceptances of RM12.16 million and term loans of RM2.68 million; and
- (iv) repayment of lease liabilities of RM0.78 million.

FYE 2020

Our Group recorded net cash from financing activities of RM3.18 million mainly due to the following:

- (i) drawdown of bankers' acceptances of RM6.06 million and term loans of RM4.94 million, both for working capital purposes mainly to finance the purchase of raw materials to build up buffer stocks in anticipation of growing orders from customers and increase in raw materials prices;
- (ii) repayment of bankers' acceptances of RM6.50 million and term loans of RM0.36 million; and
- (iii) repayment of lease liabilities of RM0.96 million.

FYE 2021

Our Group recorded net cash used in financing activities of RM1.24 million mainly due to the following:

- (i) drawdown of bankers' acceptances of RM22.12 million for working capital purposes mainly for purchases of raw materials. The increase in drawdown of bankers' acceptances was due to the Refinancing Scheme undertaken in substitution of bank overdraft to finance the increasing requirement for working capital;
- (ii) drawdown of term loans of RM9.34 million as BSB exercised the Refinancing Scheme;
- (iii) repayment of bankers' acceptances of RM17.45 million and term loans of RM10.06 million;
- (iv) repayment of lease liabilities of RM2.19 million; and
- (v) payment of single tier interim dividend of RM3.00 million to the shareholders.

FPE 2022

Our Group recorded net cash from financing activities of RM35.32 million mainly due to the following:

- (i) drawdown of bankers' acceptance of RM21.21 million to finance the working capital requirement of our Group mainly for purchase of raw materials;
- (ii) drawdown of new term loans of RM22.02 million in July 2022 to finance the acquisition of Perai Branch and Kulim Branch;
- (iii) repayment of bankers' acceptances of RM6.02 million and term loans of RM0.74 million;
- (iv) repayment of lease liabilities of RM1.28 million; and
- (v) increase in deposits with licensed bank by RM0.13 million.

11. FINANCIAL INFORMATION (Cont'd)

Cash and cash equivalents**FYE 2019**

Our Group recorded a negative balance of cash and cash equivalents of RM5.49 million at the beginning of the FYE 2019. This was mainly attributed to the increase of trade receivables and inventories in tandem with the growth of our business particularly in the last quarter of 2018. Our revenue had increased by RM12.14 million or 28.93% to RM54.11 million for the FYE 2018 (FYE 2017: RM41.97 million) and our inventories and trade and other receivables had increased by RM2.44 million and RM2.25 million, respectively, for the FYE 2018.

The cash and cash equivalents had improved marginally at the end of the FYE 2019, with negative balance of RM5.13 million which was mainly due to the improvement in cash flows from operating activities. This was partly offset by the investment in property, plant and equipment, including purchase of silo at the Sungai Bakap Factory amounted to RM1.33 million and purchase of plant and machinery, motor vehicle and office equipment in Vietnam for new start-up operation amounted to RM0.80 million.

FYE 2020

The cash and cash equivalents had further improved at the end of the FYE 2020, with small negative balance of RM0.42 million. The improvement was mainly attributed to the increase in net cash from operating activities by RM1.53 million or 182.14% to RM2.37 million for the FYE 2020 (FYE 2019: RM0.84 million). In addition, our Group had increased bank borrowings as business grew. The net amount of bank financing for the FYE 2020 was RM3.19 million as compared to RM1.96 million for the FYE 2019.

FYE 2021

The cash and cash equivalents at the end of the FYE 2021 had reduced marginally to a small negative balance of RM0.48 million. Our net cash from operating activities had increased by RM2.15 million or 90.72% to RM4.52 million for the FYE 2021 (FYE 2020: RM2.37 million). However, the increase was offset by the investment in property, plant and equipment for the retrofit of Sungai Bakap Factory of RM1.94 million and the payment of single tier interim dividend of RM3.00 million to the shareholders.

FPE 2022

Our Group recorded cash and cash equivalents of RM8.83 million for the FPE 2022. This was mainly attributable to the net drawdown of bankers' acceptances of RM15.19 million pursuant to the Refinancing Scheme undertaken by our Group in substitution of bank overdraft to finance the increasing requirement for working capital.

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11. FINANCIAL INFORMATION (Cont'd)**11.3.5 Borrowings**

As at 31 July 2022, our total outstanding borrowings amounted to RM57.92 million which consists of term loans, bankers' acceptances and lease liabilities, can be analysed further as follows:

Type of borrowings	Tenure	Effective interest rates (per annum)	Payable within 12 months	Payable after 12 months	Total
			RM'000	RM'000	
Term loans	5 to 20 years	3.42% to 7.68%	2,283	30,730	33,013
Bankers' acceptance	< 120 days	2.44% to 4.41%	21,205	-	21,205
Lease liabilities owing to financial institutions	4 to 5 years	2.17% to 4.71%	658	1,397	2,055
Lease liabilities owing to non-financial institutions	2 to 3 years	7.14% to 7.39%	960	685	1,645
Total borrowings			25,106	32,812	57,918
Gearing ratio as at 31 July 2022 (times)*					1.37

Note:

- * Computed based on total borrowings over our pro forma shareholders' equity (after the Acquisition of BSB but before the Public Issue and use of proceeds) as at 31 July 2022 of RM42.38 million.

The breakdown of our total outstanding borrowings as at 31 July 2022 is set out below:

	RM'000
Under 1 year	25,106
1 to 5 years	11,253
More than 5 years	21,559
Total borrowings	57,918

As at the LPD, all our bank borrowings are secured (except for certain lease liabilities owing to non-financial institutions), interest bearing and denominated in RM. Our credit facilities are secured by charge over our property, plant and equipment and personal joint and several guarantee by certain of our Directors and shareholders of immediate holding company of L&P Global, which would be replaced with our Company's corporate guarantees after our Listing. We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during the Financial Years and Period Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

The short-term banking facilities available to our Group include bankers' acceptances, which are generally used for working capital purposes. The long-term banking facilities of our Group include term loans and lease liabilities, which are used for the acquisition of motor vehicles, equipment and premises.

As at the LPD, we have not breached any terms and conditions or covenants associated with our credit arrangements or bank borrowings, which can materially affect our business operations, financial position or results of operations or the investment by holders of securities in our Group.

11. FINANCIAL INFORMATION (Cont'd)**11.3.6 Type of financial instruments used**

As at the LPD, save for bank borrowings as disclosed in Section 11.3.5 of this Prospectus, we do not use any other financial instruments.

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

Our cash and bank balances were denominated in RM, USD, THB, VND and RMB as summarised in the following table:

	<-----Audited----->			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Cash and bank balances	3,248	3,323	3,161	8,829
<u>Denominated in:</u>				
- RM	302	2,405	625	1,897
- USD	1,487	472	680	5,123
- VND	1,458	445	1,856	1,783
- RMB	-	-	-	13
- Others	1	1	-	13
Deposits with licensed banks	232	2,327	246	116
<u>Denominated in:</u>				
- RM	232	239	246	116
- VND	-	2,088	-	-
	3,480	5,650	3,407	8,945

As at the LPD, we do not use any financial instrument for hedging purposes.

11.3.7 Treasury policies and objectives

We finance our operations through internally generated funds as well as external sources of funds, such as shareholders' funds, credit term from suppliers as well as short-term and long-term bank borrowings.

The primary objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

Our Group has not entered into any interest rate swap to hedge against fluctuations in interest rates. Our Group manage its exposure to interest rate movements by maintaining a combination of both fixed-rate and floating-rate borrowings.

11. FINANCIAL INFORMATION (Cont'd)

11.3.8 Material commitment

As at the LPD, save as disclosed below, our Board, after having made all reasonable enquiries, confirm that there is no other material commitment which upon becoming enforceable, may have a material impact on the financial position of our Group:

	Amount RM'000
Contracted but not provided for:	
Capital expenditure for retrofitting and renovation of Perai Branch	1,124

11.3.9 Material contingent liabilities

Save as disclosed below, as at the LPD, our Board is not aware of any contingent liabilities, which upon becoming enforceable may have a material impact on the financial performance and position of our Group:

	Amount RM'000
Unsecured	
Corporate guarantee given to banks for credit facilities granted to our Group	42,850

(The rest of this page has been intentionally left blank.)

11. FINANCIAL INFORMATION (Cont'd)

11.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as follows:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Average trade receivables turnover period (days)	73	66	59	63
Average trade payables turnover period (days)	14	11	14	12
Average inventories turnover period (days)	43	51	65	66
Current ratio (times)	1.74	2.48	2.58	1.77
Gearing ratio (times)	1.10	0.79	0.63	1.37

Trade receivables

A summary of our trade receivables for the Financial Years and Period Under Review is set out below:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Revenue	66,304	88,305	120,924	83,824
Average trade receivables ⁽¹⁾	13,226	15,926	19,543	24,759
Average trade receivables turnover period (days) ⁽²⁾	73	66	59	63

Notes:

- (1) Average trade receivables was derived based on the average sum of the opening balances and closing balances of trade receivables of the respective financial years / period net of impairment loss.
- (2) Computed based on average trade receivables of the respective financial years / period over the revenue of the respective financial years / period, multiplied by 365 / 212 days.

The credit period granted to our customers ranges from cash terms to 90 days from the date of invoice. Other credit terms to our customers are assessed and approved on a case-by-case basis by taking into consideration various factors such as the business relationship with our customers, the customers' payment history and creditworthiness as well as transaction volume while new customers are subject to our credit verification and assessment process.

Our average trade receivables turnover period for the Financial Years and Period Under Review range from 59 days to 73 days which fell within the credit period granted to our customers. The trade receivables turnover period has been improving from 73 days in the FYE 2019 to 63 days in the FPE 2022 as the Group enhanced its credit control management by tightening trade credit granted and debts monitoring processes.

11. FINANCIAL INFORMATION (Cont'd)

As at 31 July 2022, the trade receivables of our Group amounted to RM27.84 million, the ageing analysis in respect of trade receivables are analysed as follows:

	<-----Exceed credit period by----->				Total RM'000
	Within credit period RM'000	1 – 30 days RM'000	31 – 60 days RM'000	More than 60 days RM'000	
Trade receivables	24,736	2,716	325	64	27,841
Less: Impairment losses	(43)	(39)	(36)	(64)	(182)
Net trade receivables	24,693	2,677	289	-	27,659
% of total trade receivables	89.28	9.68	1.04	-	100.00
Subsequent collections up to the LPD	24,630	2,673	289	-	27,592
Outstanding net trade receivables	63	4	-	-	67

Up to the LPD, we have collected RM27.59 million or 99.76% of the total net trade receivables outstanding as at 31 July 2022. We are in the process of collecting the remaining amount of RM0.07 million. Our Board is of the opinion that the remaining amount of RM0.07 million is recoverable after taking into consideration these customers' credentials, payment track record as well as our relationship with them.

As part of our credit control policy, we closely monitor our aging report and assess the collectability of trade receivables on an individual customer basis regularly. For any trade receivables which have exceeded the normal credit period granted, we will follow up with calls and send reminders and where appropriate, provide for specific impairment on those trade receivables where recoverability are uncertain based on our dealings with the customers.

Trade payables

A summary of our trade payables for the Financial Years and Period Under Review is set out below:

	<-----Audited----->			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Cost of sales	52,892	69,898	91,734	66,708
Average trade payables ⁽¹⁾	1,975	2,120	3,408	3,853
Average trade payables turnover period (days) ⁽²⁾	14	11	14	12

Notes:

- (1) Average trade payables was derived based on the average sum of the opening balances and closing balances of trade payables of the respective financial years / period.
- (2) Computed based on average trade payables of the respective financial years / period over the cost of sales of the respective financial years / period, multiplied by 365 / 212 days.

11. FINANCIAL INFORMATION (Cont'd)

The normal credit period extended by our suppliers ranges from cash terms to 60 days.

Our average trade payables turnover period for the Financial Years and Period Under Review range from 11 days to 14 days which fell within the credit period extended by our suppliers to us. It is our practice to make prompt payments to our suppliers in order to safeguard the continuity of supplies at more favourable terms and pricing.

As at 31 July 2022, the trade payables of our Group amounted to RM3.50 million, the ageing of which are analysed as follows:

	<-----Exceed credit period by----->				Total RM'000
	Within credit period RM'000	1 – 30 days RM'000	31 – 60 days RM'000	More than 60 days RM'000	
Trade payables	3,503	-	-	-	3,503
% of total trade payables	100.00	-	-	-	100.00
Subsequent payments up to the LPD	3,503	-	-	-	3,503
Outstanding trade payables	-	-	-	-	-

Up to the LPD, we have settled all of our outstanding trade payables as at 31 July 2022. As at the LPD, there is no dispute in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment from us during the Financial Years and Period Under Review.

Inventories

A summary of our inventories for the Financial Years and Period Under Review is set out below:

	<-----Audited----->			
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FPE 2022 RM'000
Cost of sales	52,892	69,898	91,734	66,708
Average inventories ⁽¹⁾	6,295	9,725	16,240	20,854
Average inventories turnover period (days) ⁽²⁾	43	51	65	66

Notes:

- (1) Average inventories was derived based on the average sum of the opening balances and closing balances of inventories of the respective financial years / period.
- (2) Computed based on average inventories of the respective financial years / period over the cost of sales of the respective financial years / period, multiplied by 365 / 212 days.

11. FINANCIAL INFORMATION (Cont'd)

Our inventories comprise the following:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Raw materials ⁽¹⁾	3,853	8,831	14,743	16,950
Work-in-progress ⁽²⁾	923	1,562	1,603	1,577
Finished goods ⁽³⁾	1,340	1,550	1,926	2,456
Indirect materials ⁽⁴⁾	295	431	636	846
Goods in transit ⁽⁵⁾	252	412	786	185
Total inventories	6,663	12,786	19,694	22,014

Notes:

- (1) Raw materials consist mainly of natural wood and engineered wood that are used in our manufacturing of Pallets and Boxes and Crates.
- (2) Work-in-progress inventories are partially completed materials within the manufacturing cycle.
- (3) Finished goods consist of goods that have completed the manufacturing process which have yet to be sold or distributed to the customers such as the Pallets and Boxes and Crates.
- (4) Indirect materials consist of nails and packing materials.
- (5) Goods in transit refers to trading goods that have been shipped by the suppliers but have yet to reach our premises based on the freight on board basis.

Our inventories are determined using weighted average cost method and stated at the lower of cost and estimated selling price less costs to complete and sell. Due to the nature of our business, it is important for us to maintain a certain level of inventories to ensure availability of stocks and varieties of products to meet our customers' demand and delivery lead time requirements.

Our average inventories turnover period had increased from 43 days in the FYE 2019 to 66 days in the FPE 2022. This was mainly attributable to the higher purchase of raw materials as the Company built up its buffer stocks in anticipation of supply shortages and revenue growth. The 66 days inventory turnover period in the FPE 2022 is in line with our sourcing strategy to maintain approximately 2 months' worth of wood material inventory.

Our inventories have long shelf life. In addition, currently we perform full physical stock count monthly to identify inconsistency in terms of quantity to the inventory system. Damaged and/or non-sellable inventories are written-off in accordance to our inventory management policy.

Current ratio

A summary of our current ratio for the Financial Years and Period Under Review is set out below:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Current assets	26,414	41,050	53,703	66,816
Current liabilities	15,178	16,549	20,837	37,789
Current ratio (times)	1.74	2.48	2.58	1.77

11. FINANCIAL INFORMATION (Cont'd)

Current ratio measures the liquidity position of our Group to meet our short-term obligations. The liquidity position of our Group has been manageable as reflected in the current ratio for the Financial Years and Period Under Review which has been fairly consistent ranging between 1.74 times and 2.58 times.

Our current ratio increased from 1.74 times as at 31 December 2019 to 2.48 times and 2.58 times as at 31 December 2020 and 31 December 2021, respectively mainly attributable to:

- the increase in trade receivables which is aligned with the increase in revenue;
- the increase in inventory as per the Group's inventory management policy; and
- the improved financial performance of the Group.

Our current ratio decreased from 2.58 times as at 31 December 2021 to 1.77 times as at 31 July 2022 mainly due to the increase in utilisation of bankers' acceptance to finance the working capital requirement of our Group. Bankers' acceptance and bank overdraft outstanding as at 31 July 2022 were RM21.21 million and nil as compared to RM6.02 million and RM3.65 million as at 31 December 2021, respectively. This represented a net increase of RM11.54 million.

Gearing ratio

A summary of our gearing ratio for the Financial Years and Period Under Review is set out below:

	<-----Audited----->			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Total loans and borrowings	20,192	21,888	25,107	57,918
Shareholders' equity	18,331	27,877	39,704	42,379
Gearing ratio (times)	1.10	0.79	0.63	1.37

Our gearing ratio had decreased from 1.10 times as at 31 December 2019 to 0.63 times as at 31 December 2021 mainly due to the increase in shareholders' equity as a result of improved financial performance of the Group.

Subsequently, our Group's gearing ratio had increased from 0.63 times as at 31 December 2021 to 1.37 times as at 31 July 2022. In addition to the increase in bankers' acceptance mentioned above, the full drawdown of term loans of RM22.02 million to finance the completion of acquisition of Perai Branch and Kulim Branch in July 2022 had also contributed the increase in gearing ratio. Term loans outstanding had increased by RM21.28 million from RM11.73 million as at 31 December 2021 to RM33.01 million as at 31 July 2022.

11.5 TREND INFORMATION

As at the LPD, to the best of the knowledge and belief of our Board, the financial conditions and operations of our Group have not been and are not expected to be affected by any of the following:

- known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in this section and in Sections 6 and 8 of this Prospectus;
- material commitment for capital expenditure save as disclosed in Section 11.3.8 of this Prospectus;

11. FINANCIAL INFORMATION (Cont'd)

- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save for those that had been disclosed in this section and in Sections 6 and 8 of this Prospectus;
- (d) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for those that had been discussed in this section and in Sections 6 and 8 of this Prospectus.
- (e) known circumstances, trends, demands, commitments, events or uncertainties that are reasonably likely to make the historical financial statements not indicative of the future financial performance and position, save for those that had been disclosed in this section and in Sections 6 and 8 of this Prospectus.

11.6 ORDER BOOK

Due to the nature of our business, our Group does not maintain an order book.

11.7 SIGNIFICANT CHANGES

Save for the prolonged COVID-19 pandemic and as disclosed in this Prospectus, there are no significant changes that have occurred, which may have a material effect on our financial position and results subsequent to the FPE 2022 and up to the LPD. Please refer to Section 6.4.16 of this Prospectus for further details on the impact of the prolonged COVID-19 pandemic on our business and financial performance.

11.8 DIVIDEND POLICY

It is our Directors' policy to allow our shareholders to participate in the profits of our Group as well as leaving adequate reserves for the future growth of our Group.

It is the intention of our Board to recommend and distribute a dividend of 20% - 50% of the profit attributable to the owners of our Company. Our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors, such as profits recorded and excess of funds not required to be retained for working capital of our business. Our Directors will take into consideration, among others, the following factors when recommending dividends for approval by our shareholders or when declaring any dividends:

- (i) the availability of adequate reserves and cash flows. As an investment holding company, our income, and therefore our ability to pay dividends, depends on the dividends or other distributions received from our subsidiaries;
- (ii) our operating cash flow requirements and financing commitments;
- (iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;
- (iv) our Company is solvent as the Act requires;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) prior written consent from financial institutions, where required.

11. FINANCIAL INFORMATION (Cont'd)

However, investors should note that the intention to recommend dividends should not be treated as a legal obligation on our Company to do so. The level of dividends should also not be treated as an indication of our Company's future dividend policy. There can be no assurance that dividends will be paid out in the future or on timing of any dividends that are to be paid in the future. In determining dividends in respect of subsequent financial years, consideration will be given to maximising shareholders' value. Save for certain financial covenants which our subsidiaries are subject to, there is no dividend restriction being imposed on our Group currently.

In addition, our ability to declare and pay interim dividends as well as to recommend final dividends are subject to the discretion of our Board. We will also need to obtain our shareholders' approval for any final dividend for the year.

No inference should or can be made from any of the statements above as to our actual future profitability and our ability to pay dividends in the future.

As at LPD, our Company has no intention to declare further dividends prior to the Listing. The dividends declared and paid for the past FYE 2019 to FYE 2021, FPE 2022 and up to the LPD are as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>	<u>1 August 2022 up to the LPD</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Dividends declared	-	*3,000	-	5,600	-
Dividends paid	-	-	3,000	-	5,600

Note:

- * The dividend amounted to RM3.00 million for the FYE 2020 was declared by the Company in FYE 2021.

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11. FINANCIAL INFORMATION (Cont'd)**11.9 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

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

The Board of Directors
L&P Global Berhad
 (formerly known as Berjayapak International Holdings Sdn. Bhd.)
 No. 1328, Jalan Sungai Baong
 Furniture Industrial Estate
 14200 Sungai Bakap
 Pulau Pinang

Date: 18 NOV 2022

Our ref: BDO/LBT/TZH/sjh

Dear Sirs

**L&P Global Berhad ("L&P Global" or "the Company") and its subsidiaries ("L&P Global Group" or "the Group") (formerly known as Berjayapak International Holdings Sdn. Bhd.)
 Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 July 2022 ("This Report")**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group prepared by the Board of Directors of the Company ("Board of Directors"). The Pro Forma Consolidated Statements of Financial Position as at 31 July 2022 together with the accompanying notes thereon, for which we have stamped for the purpose of identification only, have been prepared for inclusion in the prospectus of the Company ("the Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of L&P Global on the ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and are specified in Rule 3.12B(1) of the ACE Market listing requirements and paragraph 9.18, 9.20 and 9.22 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors to illustrate the impact of the events or transactions as set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position on the Group's financial position as at 31 July 2022 as if the events have occurred or the transactions have been undertaken on 31 July 2022. As part of this process, information about the financial position of the Group has been extracted by the Board of Directors from the financial statements of L&P Global Berhad, Berjayapak Sdn. Bhd., Bejay Timber Sdn. Bhd., Bejay Presswood Sdn. Bhd. and Berjayapak Vietnam Company Limited for the financial period ended 31 July 2022, which have been audited.

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

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

Our Independence and Quality Control

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

11. FINANCIAL INFORMATION (Cont'd)**Our Independence and Quality Control (continued)**

The 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 Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position.

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

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated 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 Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those whom those reports or opinion were addressed by us at the dates of their issue.

The purpose for inclusion of the Pro Forma Consolidated Statements of Financial Position in the Prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions as at 31 July 2022, would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the Notes to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- (a) The related pro forma adjustments give appropriate effect to those criteria; and
- (b) The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

11. FINANCIAL INFORMATION (Cont'd)



Reporting Accountants' Responsibility (continued)

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

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

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

Opinion

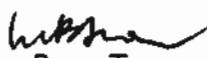
In our opinion, the Pro Forma Consolidated Statements of Financial Position of the Group have been compiled, in all material respects, on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This Report has been prepared solely for the purpose stated above, in connection with the listing of and quotation for the entire enlarged issued share capital of L&P Global on the ACE Market of Bursa Malaysia Securities Berhad. As such, this Report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this Report contrary to the aforesaid purpose.

Yours faithfully,


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


Lee Beng Tuan
03271/07/2024 J
Chartered Accountant

11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME**1.1 Introduction**

The Pro Forma Consolidated Statements of Financial Position of L&P Global Berhad (“L&P Global” or “the Company”) and its subsidiaries, namely Berjayapak Sdn. Bhd., Bejay Timber Sdn. Bhd., Bejay Presswood Sdn. Bhd. and Berjayapak Vietnam Company Limited (collectively referred to as “L&P Global Group” or “the Group”) as at 31 July 2022 together with the notes thereon, for which the Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of L&P Global on the ACE Market of Bursa Malaysia Securities Berhad (“Listing”).

1.2 Basis of Preparation

The Pro Forma Consolidated Statements of Financial Position of the Group have been prepared on the basis consistent with the format of the financial statements of the Group as at 31 July 2022 and the accounting policies adopted by the Group, in accordance with Malaysian Financial Reporting Standards (“MFRSs”), International Financial Reporting Standards (“IFRSs”) and the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The Pro Forma Consolidated Statements of Financial Position are combined using merger method as the Company and its subsidiaries are under common control by the same parties, both before and after the acquisition of the Group, and control is not transitory. When the merger method is used, the difference between the cost of investment recorded by the Company and the share capital of Berjayapak Sdn. Bhd. (“BSB”) is accounted for as merger reserves in the Pro Forma Consolidated Statements of Financial Position.

The audited financial statements of BSB and its subsidiaries for the financial period ended 31 July 2022 were not subject to any audit qualification, modification or disclaimer.

The Pro Forma Consolidated Statements of Financial Position of the Group comprise Pro Forma Statements of Financial Position as at 31 July 2022, adjusted for the impact of the events or transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position.

Due to its nature, the Pro Forma Consolidated Statements of Financial Position is not necessarily indicative of the financial position of the Group that would have attained had the effects of the transactions as set in Note 1.3 actually occurred at the respective dates. Further, such information does not predict the Group’s future financial position.

1.3 Listing Scheme

In conjunction with and as an integral part of Listing, the Company had proposed, amongst others, to undertake the following transactions.

1.3.1 Acquisition

The Company had on 15 March 2022 entered into a conditional share sale agreement to acquire the entire issued share capital of BSB of RM6,800,000 comprising 6,800,000 ordinary shares from B Pack Holdings Sdn. Bhd., Moviente Sdn. Bhd. and B Line Sdn. Bhd. (“Acquisition of BSB”). The Acquisition of BSB was wholly satisfied via the issuance of 446,999,990 new ordinary shares of the Company (“Shares”) at an issue price of RM0.0905 per share which was then issued to B Pack Holdings Sdn. Bhd., Moviente Sdn. Bhd. and B Line Sdn. Bhd..

The total purchase consideration of RM40.45million was arrived at on a “willing-buyer willing-seller” basis and represents the audited net assets of BSB as at 31 December 2021. The Acquisition of BSB was completed on 9 November 2022.



11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)

1.3 Listing Scheme

1.3.2 Initial Public Offering (“IPO”)

(a) Public issue and offer for sale

Public issue of 113,000,000 new Shares and an offer for sale of 33,800,000 existing Shares, representing 20.17% and 6.03% respectively of the enlarged number of issued shares of the Company, at an issue/offer price of RM0.30 per share.

(b) Listing

Admission to the Official List of Bursa Securities and the listing of and quotation for the Company’s entire enlarged issued share capital of RM74,353,509 comprising 560,000,000 shares on the ACE Market of Bursa Securities.

1.3.3 Employee Share Option Scheme (“ESOS”)

In conjunction of the Listing, the Company will implement an ESOS of up to ten percent (10%) of the total number of issued Shares at any point in time during the existence of the ESOS, to be granted to the eligible Directors and employees of the Group.

The ESOS will be administered by the ESOS Committee of the Group and will be governed by the By-Laws.

The ESOS is not illustrated in the Pro Forma Consolidated Statements of Financial Position as the ESOS options under the ESOS have yet to be granted as of the date of this report.

1.3.4 Utilisation of Proceeds from IPO as per Prospectus

As per Prospectus, the gross proceeds from the IPO of RM33,900,000 are expected to be utilised in the following manner:

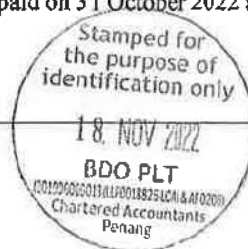
	RM
Capital expenditure	10,000,000
Business expansion	2,000,000
Partial repayment of bank borrowings	5,000,000
Working capital	13,000,000
Estimated listing expenses #	3,900,000
	33,900,000

The estimated listing expenses totaling RM3,900,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM1,362,300 had been incurred and charged to the profit or loss of the Group as of 31 July 2022. A total of RM844,500 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM1,693,200 are assumed to be attributable to the Listing and as such, will be expensed off to the statement of profit or loss and other comprehensive income.

1.4 Other Material Transaction

Distribution of Dividend

BSB had declared single tier interim dividend on 31 July 2022 and paid on 31 October 2022 and 8 November 2022.



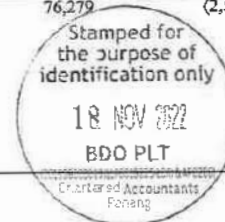
11. FINANCIAL INFORMATION (Cont'd)

L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2022

The pro forma Consolidated statements of financial position ("SOFP") of the Group as at 31 July 2022 has been prepared for illustrative purposes only to show the effects on the audited Consolidated SOFP of L&P Global as at 31 July 2022 based on the assumptions that the transactions as set out in Note 1.3 and Note 1.4 to the pro forma Consolidated information had been effected on 31 July 2022.

	Note	As at 31 July 2022 RM'000	Adjustments for Acquisition and Other Material Transaction RM'000	Pro Forma I Upon completion of the Acquisition and Other Material Transaction RM'000	Adjustments for IPO RM'000	Pro Forma II After IPO RM'000	Adjustments for Utilisation of Proceeds from the IPO RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds from the IPO RM'000
ASSETS								
Non-current assets								
Property, plant and equipment		-	17,261	17,261	-	17,261	-	17,261
Right-of-use assets		-	30,109	30,109	-	30,109	-	30,109
Deferred tax assets		-	40	40	-	40	-	40
Trade and other receivables		-	409	409	-	409	-	409
		-	47,819	47,819	-	47,819	-	47,819
Current assets								
Inventories		-	22,014	22,014	-	22,014	-	22,014
Trade and other receivables		-	33,980	33,980	-	33,980	-	33,980
Current tax asset		-	1,877	1,877	-	1,877	-	1,877
Cash and bank balances	2.2.1	*	3,345	3,345	33,900	37,245	(7,538)	29,707
		-	61,216	61,216	33,900	95,116	(7,538)	87,578
TOTAL ASSETS		*	109,035	109,035	33,900	142,935	(7,538)	135,397
EQUITY AND LIABILITIES								
Equity attributable to owners of the parent								
Share capital	2.2.2	*	40,453	40,453	33,900	74,353	(844)	73,509
Merger reserve	2.2.3	-	(33,653)	(33,653)	-	(33,653)	-	(33,653)
Exchange translation reserve		-	494	494	-	494	-	494
(Accumulated loss)/Retained earnings	2.2.4	(1,646)	36,731	35,085	-	35,085	(1,694)	33,391
		(1,646)	44,025	42,379	33,900	76,279	(2,538)	73,741



11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2022 (continued)

	Note	As at 31 July 2022 RM'000	Adjustments for Acquisition and Other Material Transaction RM'000	Pro Forma I Upon completion of the Acquisition and Other Material Transaction RM'000	Adjustments for IPO RM'000	Pro Forma II After IPO RM'000	Adjustments for Utilisation of Proceeds from the IPO RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds from the IPO RM'000
LIABILITIES								
Non-current liabilities								
Borrowings	2.2.5	-	30,730	30,730	-	30,730	(1,265)	29,465
Lease liabilities		-	2,082	2,082	-	2,082	-	2,082
Deferred tax liabilities		-	1,655	1,655	-	1,655	-	1,655
		-	34,467	34,467	-	34,467	(1,265)	33,202
Current liabilities								
Trade and other payables	2.2.6	1,646	5,369	7,015	-	7,015	-	7,015
Borrowings	2.2.5	-	23,488	23,488	-	23,488	(3,735)	19,753
Lease liabilities		-	1,618	1,618	-	1,618	-	1,618
Current tax liabilities		-	68	68	-	68	-	68
		1,646	30,543	32,189	-	32,189	(3,735)	28,454
TOTAL LIABILITIES		1,646	65,010	66,656	-	66,656	(5,000)	61,656
TOTAL EQUITY AND LIABILITIES		*	109,035	109,035	33,900	142,935	(7,538)	135,397
Net assets (RM'000)		(1,646)		42,379		76,279		73,741
Number of ordinary shares assumed in issue ('000)		*		447,000		560,000		560,000
Net assets attributable to equity holders per ordinary share (RM)		(1,646,000)		0.09		0.14		0.13

* Less than RM1,000.



11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

**2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2022
(continued)**

2.1 Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position

2.1.1 Pro Forma I

Pro Forma I is stated after incorporating the effects of the acquisition and other material transaction as set out in Note 1.3.1 and Note 1.4 to the Pro Forma Consolidated Statements of Financial Position.

2.1.2 Pro Forma II

Pro Forma II is stated after incorporating the effects of Pro Forma I and effect after the completion of the IPO as set out in Note 1.3.2 to the Pro Forma Consolidated Statements of Financial Position.

2.1.3 Pro Forma III

Pro Forma III is stated after incorporating the effects of Pro Forma II and effect after the utilisation of proceeds from the IPO as set out in Note 1.3.4 to the Pro Forma Consolidated Statements of Financial Position.



11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2022
(continued)

2.2 Notes to the Pro Forma Consolidated Statements of Financial Position

2.2.1 Cash and Bank Balances

The movements of cash and bank balances are as follows:

	RM'000
As at 31 July 2022	*
Adjustments for	
- Acquisition	8,945
- Distribution of dividend	(5,600)
Pro Forma I	3,345
IPO	33,900
Pro Forma II	37,245
Utilisation of proceeds from the IPO	
- Estimated listing expenses	(2,538)
- Repayment of bank borrowings	(5,000)
Pro Forma III	29,707

* Less than RM1,000.

2.2.2 Share Capital

The movements of share capital are as follows:

	RM'000
As at 31 July 2022	*
Adjustment for acquisition	40,453
Pro Forma I	40,453
IPO	33,900
Pro Forma II	74,353
Utilisation of proceeds from the IPO	
- Estimated listing expenses	(844)
Pro Forma III	73,509

* Less than RM1,000.



Upon completion of the Listing Scheme as mentioned in Note 1.3.1 and Note 1.3.2 to the Pro Forma Consolidated Statements of Financial Position respectively, the enlarged issued share capital of the Company will be RM73,509,009 comprising 560,000,000 Shares.

11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2022 (continued)

2.2 Notes to the Pro Forma Consolidated Statements of Financial Position (continued)

2.2.3 Merger reserve

The movements of merger reserve are as follows:

	RM'000
As at 31 July 2022	-
Adjustment for acquisition	<u>(33,653)</u>
Pro Forma I	(33,653)
IPO	<u>-</u>
Pro Forma II	(33,653)
Utilisation of proceeds from the IPO	<u>-</u>
Pro Forma III	<u>(33,653)</u>

2.2.4 (Accumulated Loss)/Retained Earnings

The movements of (accumulated loss)/retained earnings are as follows:

	RM'000
As at 31 July 2022	(1,646)
Adjustment for acquisition	<u>36,731</u>
Pro Forma I	35,085
IPO	<u>-</u>
Pro Forma II	35,085
Utilisation of proceeds from the IPO	
- Estimated listing expenses	<u>(1,694)</u>
Pro Forma III	<u>33,391</u>



11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2022
(continued)

2.2 Notes to the Pro Forma Consolidated Statements of Financial Position (continued)

2.2.5 Borrowings

The movements of borrowings are as follows:

	RM'000
As at 31 July 2022	-
Adjustment for acquisition	54,218
Pro Forma I	54,218
IPO	-
Pro Forma II	54,218
Utilisation of proceeds from the IPO	
- Repayment of bank borrowings	(5,000)
Pro Forma III	49,218

2.2.6 Trade and other payables

The movements of trade and other payables are as follows:

	RM'000
As at 31 July 2022	1,646
Adjustments for	
- Acquisition	10,969
- Distribution of dividend	(5,600)
Pro Forma I	7,015
IPO	-
Pro Forma II	7,015
Utilisation of proceeds from the IPO	-
Pro Forma III	7,015





11. FINANCIAL INFORMATION (Cont'd)

*L&P Global Berhad (Registration No. 202101028085 (1428385-M))
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
Pro Forma Consolidated Statements of Financial Position*

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of the Company in accordance with a resolution dated **18 NOV 2022**


.....
(Ooi Lay Pheng)
Director


.....
(Ong Kah Hong)
Director

Penang

18 NOV 2022



12. ACCOUNTANTS' REPORT



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10050 Penang
Malaysia
SST No: P11-1809-32000112

The Board of Directors
L&P Global Berhad
(formerly known as Berjayapak International Holdings Sdn. Bhd.)
No. 1328, Jalan Sungai Baong
Furniture Industrial Estate
14200 Sungai Bakap
Pulau Pinang

Date: 18 NOV 2022
Our ref: LBT/TZH/sjh

Dear Sir/Madam

Reporting Accountants' Opinion on the Combined Financial Information Contained in the Accountants' Report ("this report") of L&P Global Berhad ("L&P Global" or "the Company") (formerly known as Berjayapak International Holdings Sdn. Bhd.)

Opinion

We have audited the combined financial information of L&P Global and its combining entities as defined in Note 2 (collectively referred to as the "Group") which comprise the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 July 2022 of the Group, and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and for the financial period ended 31 July 2022 and notes to the combined financial statements, including a summary of significant accounting policies as set out in this report (collectively referred to herein as "the Combined Financial Statements").

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

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 July 2022, and of their financial performance and their cash flows for each of the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021 and for the financial period ended 31 July 2022 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

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

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

Directors' Responsibility for the Combined Financial Statements

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)



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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)

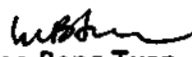


Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

Other Matters

- (a) The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flow and relevant notes to the combined financial statements for the financial period ended 31 July 2021 has not been audited.
- (b) This report has been prepared solely to comply with Appendix 3B, Part A of the Listing Requirements and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus in connection with the Listing and for no other purposes. We do not assume responsibility to any other person for the content of this report.


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


Lee Beng Tuan
03271/07/2024 J
Chartered Accountant

Penang
Dated: 18 NOV 2022

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

**ACCOUNTANT'S REPORT****COMBINED STATEMENTS OF FINANCIAL POSITION**

The audited combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 July 2022 are set out below:

	Note	31.7.2022 Audited RM'000	31.12.2021 Audited RM'000	31.12.2020 Audited RM'000	31.12.2019 Audited RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	6	17,261	15,523	13,136	13,260
Right-of-use assets	7	30,109	4,464	2,759	2,757
Deferred tax assets	8	40	52	20	-
Other receivables	9	409	362	344	217
		<u>47,819</u>	<u>20,401</u>	<u>16,259</u>	<u>16,234</u>
Current assets					
Inventories	10	22,014	19,694	12,786	6,663
Trade and other receivables	9	33,980	29,635	21,747	15,628
Current tax assets		1,877	967	867	643
Cash and bank balances	11	8,945	3,407	5,650	3,480
		<u>66,816</u>	<u>53,703</u>	<u>41,050</u>	<u>26,414</u>
TOTAL ASSETS		<u>114,635</u>	<u>74,104</u>	<u>57,309</u>	<u>42,648</u>
EQUITY AND LIABILITIES					
Equity attributable to the common controlling shareholders of the Group					
Invested equity	12	6,800	6,800	6,800	6,800
Reserves	13	35,579	32,904	21,077	11,531
TOTAL EQUITY		<u>42,379</u>	<u>39,704</u>	<u>27,877</u>	<u>18,331</u>
LIABILITIES					
Non-current liabilities					
Borrowings	14	30,730	10,700	11,146	7,168
Lease liabilities	7	2,082	2,060	1,087	1,366
Deferred tax liabilities	8	1,655	803	650	605
		<u>34,467</u>	<u>13,563</u>	<u>12,883</u>	<u>9,139</u>
Current liabilities					
Trade and other payables	15	12,615	8,202	6,869	3,520
Borrowings	14	23,488	10,693	8,484	10,858
Lease liabilities	7	1,618	1,654	1,171	800
Current tax liabilities		68	288	25	-
		<u>37,789</u>	<u>20,837</u>	<u>16,549</u>	<u>15,178</u>
TOTAL LIABILITIES		<u>72,256</u>	<u>34,400</u>	<u>29,432</u>	<u>24,317</u>
TOTAL EQUITY AND LIABILITIES		<u>114,635</u>	<u>74,104</u>	<u>57,309</u>	<u>42,648</u>

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

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

The combined statements of profit or loss and other comprehensive income for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below:

		1.1.2022 to 31.7.2022 Audited RM'000	1.1.2021 to 31.7.2021 Unaudited RM'000	1.1.2021 to 31.12.2021 Audited RM'000	1.1.2020 to 31.12.2020 Audited RM'000	1.1.2019 to 31.12.2019 Audited RM'000
Revenue	16	83,824	67,466	120,924	88,305	66,304
Cost of sales		<u>(66,708)</u>	<u>(50,234)</u>	<u>(91,734)</u>	<u>(69,898)</u>	<u>(52,892)</u>
Gross profit		17,116	17,232	29,190	18,407	13,412
Other operating income		666	126	193	230	73
Reversal of impairment losses/ (impairment losses) on trade receivables	9(c)	117	(11)	(11)	14	82
Distribution costs		(1,694)	(1,319)	(2,392)	(1,815)	(1,175)
Administrative expenses		(5,363)	(3,341)	(7,424)	(4,855)	(5,515)
Finance costs	17	<u>(771)</u>	<u>(725)</u>	<u>(1,356)</u>	<u>(1,010)</u>	<u>(1,228)</u>
Profit before tax		10,071	11,962	18,200	10,971	5,649
Tax expense	19	<u>(2,130)</u>	<u>(2,392)</u>	<u>(3,870)</u>	<u>(1,119)</u>	<u>(1,256)</u>
Profit for the financial periods/years		7,941	9,570	14,330	9,852	4,393
Other comprehensive income/(loss)						
Item that may be reclassified subsequently to profit or loss						
Foreign currency translations		<u>334</u>	<u>575</u>	<u>497</u>	<u>(306)</u>	<u>(31)</u>
Total comprehensive income		<u>8,275</u>	<u>10,146</u>	<u>14,827</u>	<u>9,546</u>	<u>4,362</u>

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

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

The combined statements of profit or loss and other comprehensive income for the financial years ended 31 December 2019, 31 December 2020 and 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below (continued):

		1.1.2022 to 31.7.2022 Audited RM'000	1.1.2021 to 31.7.2021 Unaudited RM'000	1.1.2021 to 31.12.2021 Audited RM'000	1.1.2020 to 31.12.2020 Audited RM'000	1.1.2019 to 31.12.2019 Audited RM'000
	Note					
Profit attributable to common controlling shareholders of the Group		7,941	9,570	14,330	9,852	4,393
Total comprehensive income attributable to common shareholders of the Group		8,275	10,146	14,827	9,546	4,362
Earnings per ordinary share the Group						
Basic and diluted (sen)	21	1.42	1.71	2.56	1.76	0.78

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12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

The combined statements of changes in equity for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below:

<u>Audited</u>	Note	Invested equity RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2019		6,800	-	7,169	13,969
Profit for the financial year		-	-	4,393	4,393
Other comprehensive loss, net of tax		-	(31)	-	(31)
Total comprehensive income		-	(31)	4,393	4,362
Balance as at 31 December 2019		6,800	(31)	11,562	18,331
<u>Audited</u>					
Balance as at 1 January 2020		6,800	(31)	11,562	18,331
Profit for the financial year		-	-	9,852	9,852
Other comprehensive loss, net of tax		-	(306)	-	(306)
Total comprehensive income		-	(306)	9,852	9,546
Balance as at 31 December 2020		6,800	(337)	21,414	27,877
<u>Audited</u>					
Balance as at 1 January 2021		6,800	(337)	21,414	27,877
Profit for the financial year		-	-	14,330	14,330
Other comprehensive income, net of tax		-	497	-	497
Total comprehensive income		-	497	14,330	14,827
Transaction with common controlling shareholders: Dividend	20	-	-	(3,000)	(3,000)
Balance as at 31 December 2021		6,800	160	32,744	39,704

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

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

The combined statements of changes in equity for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below (continued):

<u>Unaudited</u>	Note	Invested equity RM'000	Exchange translation reserve RM'000	Retained earnings RM'000	Total equity RM'000
Balance as at 1 January 2021		6,800	(337)	21,415	27,878
Profit for the financial period		-	-	9,569	9,569
Other comprehensive income, net of tax		-	576	-	576
Total comprehensive income		-	576	9,569	10,145
Transaction with common controlling shareholders:					
Dividend	20	-	-	(3,000)	(3,000)
Balance as at 31 July 2021		<u>6,800</u>	<u>239</u>	<u>27,984</u>	<u>35,023</u>
<u>Audited</u>					
Balance as at 1 January 2022		6,800	160	32,744	39,704
Profit for the financial period		-	-	7,941	7,941
Other comprehensive income, net of tax		-	334	-	334
Total comprehensive income		-	334	7,941	8,275
Transaction with common controlling shareholders:					
Dividend	20	-	-	(5,600)	(5,600)
Balance as at 31 July 2022		<u>6,800</u>	<u>494</u>	<u>35,085</u>	<u>42,379</u>

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12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS**

The combined statements of cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below:

		1.1.2022 to 31.7.2022 Audited RM'000	1.1.2021 to 31.7.2021 Unaudited RM'000	1.1.2021 to 31.12.2021 Audited RM'000	1.1.2020 to 31.12.2020 Audited RM'000	1.1.2019 to 31.12.2019 Audited RM'000
	Note					
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before tax		10,071	11,962	18,200	10,971	5,649
Adjustments for:						
Depreciation of:						
- property, plant and equipment	6	808	548	965	958	699
- right-of-use assets	7	1,024	709	1,442	838	468
(Reversal of impairment loss)/ impairment loss on trade receivables	9(e)	(117)	11	11	(14)	(82)
Interest expenses	17	771	725	1,356	1,010	1,228
Interest income		(10)	(39)	(62)	(30)	(24)
Gain on lease termination	7(a)	(2)	-	(1)	-	-
Loss/(Gain) on disposal of:						
- property, plant and equipment		3	-	8	-	(37)
- right-of-use assets		-	-	-	12	-
Unrealised (gain)/loss on foreign exchange		(199)	-	24	91	-
Written off of right-of-use assets	7	-	-	444	-	-
Operating profit before changes in working capital		12,349	13,916	22,387	13,836	7,901
Increase in inventories		(2,174)	(4,838)	(6,749)	(6,201)	(746)
Increase in trade and other receivables		(3,900)	(1,589)	(7,717)	(6,409)	(3,129)
(Decrease)/ Increase in trade and other payables		(1,279)	46	1,263	3,305	(1,207)
Cash generated from operations		4,996	7,535	9,184	4,531	2,819

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

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

The combined statements of cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below (continued):

		1.1.2022 to 31.7.2022 Audited RM'000	1.1.2021 to 31.7.2021 Unaudited RM'000	1.1.2021 to 31.12.2021 Audited RM'000	1.1.2020 to 31.12.2020 Audited RM'000	1.1.2019 to 31.12.2019 Audited RM'000
CASH FLOWS FROM OPERATING ACTIVITIES	Note					
Cash generated from operations brought forward		4,996	7,535	9,184	4,531	2,819
Interest received		10	39	62	30	24
Interest paid		(613)	(619)	(1,174)	(881)	(1,096)
Tax refunded		-	-	-	-	951
Tax paid		(2,362)	(517)	(3,549)	(1,309)	(1,862)
Net cash from operating activities		<u>2,031</u>	<u>6,438</u>	<u>4,523</u>	<u>2,371</u>	<u>836</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of:						
- property, plant and equipment	6	(2,300)	(151)	(3,418)	(752)	(2,473)
- right-of-use assets		(25,787)	(4)	(132)	(73)	-
Proceeds from disposal of:						
- property, plant and equipment		1	-	88	-	58
- right-of-use assets		-	-	-	57	-
Net cash used in investing activities		<u>(28,086)</u>	<u>(155)</u>	<u>(3,462)</u>	<u>(768)</u>	<u>(2,415)</u>

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

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

The combined statements of cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below (continued):

	Note	1.1.2022 to 31.7.2022 Audited RM'000	1.1.2021 to 31.7.2021 Unaudited RM'000	1.1.2021 to 31.12.2021 Audited RM'000	1.1.2020 to 31.12.2020 Audited RM'000	1.1.2019 to 31.12.2019 Audited RM'000
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend paid	20	-	-	(3,000)	-	-
Drawdown of:						
- bankers acceptances		21,205	-	22,120	6,059	12,150
- term loans		22,018	-	9,342	4,942	5,420
Repayment of:						
- bankers acceptances		(6,015)	(1,350)	(17,455)	(6,494)	(12,155)
- term loans		(738)	(679)	(10,057)	(355)	(2,675)
- lease liabilities	7	(1,285)	(1,113)	(2,187)	(961)	(780)
Proceeds from invested equity		-	-	*	-	-
Net changes in deposits with licensed banks		130	(1)	(7)	(7)	(7)
Net cash from/ (used in) financing activities		35,315	(3,143)	(1,244)	3,184	1,953
Net changes in cash and cash equivalents		9,260	3,140	(183)	4,787	374
Effects of exchange rate changes on cash and cash equivalents		53	130	120	(76)	(14)
Cash and cash equivalents at beginning of financial periods/ years		(484)	(421)	(421)	(5,132)	(5,492)
Cash and cash equivalents at end of financial periods/ years	11(f)	8,829	2,847	(484)	(421)	(5,132)

* Less than RM1,000

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

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

The combined statements of cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below (continued):

Reconciliation of Liabilities Arising from Financing Activities

<u>Audited</u>	Bankers' acceptances (Note 14) RM'000	Term loans (Note 14) RM'000	Lease liabilities (Note 7) RM'000
Balance as at 1 January 2019	1,790	5,116	-
Effects of adoption of MFRS 16	-	-	1,474
Cash flows	(5)	2,745	(780)
Non-cash flows:			
Additions in lease liabilities	-	-	1,332
Unwinding of interest (Note 7)	-	-	132
Currency translation differences	-	-	8
Balance as at 31 December 2019	<u>1,785</u>	<u>7,861</u>	<u>2,166</u>
<u>Audited</u>			
Balance as at 1 January 2020	1,785	7,861	2,166
Cash flows	(435)	4,587	(961)
Non-cash flows:			
Additions in lease liabilities	-	-	945
Unwinding of interest (Note 7)	-	-	129
Currency translation differences	-	-	(21)
Balance as at 31 December 2020	<u>1,350</u>	<u>12,448</u>	<u>2,258</u>
<u>Audited</u>			
Balance as at 1 January 2021	1,350	12,448	2,258
Cash flows	4,665	(715)	(2,187)
Non-cash flows:			
Additions in lease liabilities	-	-	3,427
Unwinding of interest (Note 7)	-	-	182
Currency translation differences	-	-	56
Lease termination	-	-	(22)
Balance as at 31 December 2021	<u>6,015</u>	<u>11,733</u>	<u>3,714</u>

12. ACCOUNTANTS' REPORT (Cont'd)

L&P GLOBAL BERHAD
(FORMERLY KNOWN AS BERJAYAPAK INTERNATIONAL HOLDINGS SDN. BHD.)
(Incorporated in Malaysia)

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

The combined statements of cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial periods ended 31 July 2021 and 31 July 2022 are set out below (continued):

Reconciliation of Liabilities Arising from Financing Activities (continued)

	Bankers' acceptances (Note 14) RM'000	Term loans (Note 14) RM'000	Lease liabilities (Note 7) RM'000
<u>Unaudited</u>			
Balance as at 1 January 2021	1,350	12,448	2,258
Cash flows	(1,350)	(679)	(1,113)
Non-cash flows:			
Additions in lease liabilities	-	-	1,931
Unwinding of interest (Note 7)	-	-	106
Currency translation differences	-	-	41
Lease termination	-	-	-
Balance as at 31 July 2021	<u>-</u>	<u>11,769</u>	<u>3,222</u>
<u>Audited</u>			
Balance as at 1 January 2022	6,015	11,733	3,714
Cash flows	15,190	21,280	(1,285)
Non-cash flows:			
Additions in lease liabilities	-	-	1,161
Unwinding of interest (Note 7)	-	-	158
Currency translation differences	-	-	64
Lease termination	-	-	(112)
Balance as at 31 July 2022	<u>21,205</u>	<u>33,013</u>	<u>3,700</u>

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12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

1. CORPORATE INFORMATION

The Company was incorporated in Malaysia under the Companies Act 2016 on 30 August 2021 as a private limited liability company. On 22 March 2022, the Company converted its legal form from a private limited liability company to a public limited liability company.

The registered office of the Company is located at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.

The principal place of business of the Company is located at 2619, Lorong Perusahaan 8D Kawasan Perusahaan Prai, 13600 Prai, Penang.

On 27 January 2022, the Company had changed its name from Berjayapak International Holdings Sdn. Bhd. to L&P Global Sdn. Bhd..

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

The principal activity of the Company is investment holding and provision of management services. The principal activities of the combining entities are set out in Note 5 to the combined financial statements.

2. BASIS OF PREPARATION

The combined financial statements of the Group consist of the financial statements of L&P Global Berhad and the consolidated financial statements of Berjayapak Sdn. Bhd. and its subsidiaries (collectively referred to as the "Other Combining Entities"), on a combined basis, which are prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and based on the Guidance Note on "Combined Financial Statements" issued by the Malaysian Institute of Accountants in relation to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

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 common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

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

Berjayapak Sdn. Bhd., Bejay Timber Sdn. Bhd. and Bejay Presswood Sdn. Bhd. previously applied Malaysian Private Entities Reporting Standard ("MPERS") whereas Berjayapak Vietnam Company Limited previously applied Vietnamese Accounting Standards and Vietnamese Accounting System during the financial years ended 31 December 2019 and 31 December 2020.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

2. BASIS OF PREPARATION (continued)

The financial statements for the financial years ended 31 December 2019 and 31 December 2020 were re-prepared by Management to comply with MFRSs and IFRSs and were re-audited by BDO PLT for the purpose of inclusion in the prospectus in connection with the Listing and should not be relied upon for any other purpose.

The Group has consistently applied the same accounting policies in its opening MFRS combined statements of financial position as at 1 January 2019 and throughout all financial period/years presented, as if these policies had always been in effect. Comparative figures in these financial statements have been restated to give effect to these changes and Note 30.2 of this combined financial statements disclose the impact of the transition to MFRSs on the reported financial position, financial performance and cash flows of the Group for the financial period/years then ended.

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

Company	Relevant Financial Year/Period	Auditor
L&P Global Berhad	Financial period from 30 August 2021 (Date of Incorporation) to 31 December 2021	BDO PLT
	Financial period from 1 January 2022 to 31 July 2022	BDO PLT
Berjayapak Sdn. Bhd.	Financial year ended ("FYE") 31 December 2019	BDO PLT
	FYE 31 December 2020	BDO PLT
	FYE 31 December 2021	BDO PLT
	Financial period from 1 January 2022 to 31 July 2022	BDO PLT
Bejay Timber Sdn. Bhd.	FYE 31 December 2019	BDO PLT
	FYE 31 December 2020	BDO PLT
	FYE 31 December 2021	BDO PLT
	Financial period from 1 January 2022 to 31 July 2022	BDO PLT
Bejay Presswood Sdn. Bhd.	FYE 31 December 2019	BDO PLT
	FYE 31 December 2020	BDO PLT
	FYE 31 December 2021	BDO PLT
	Financial period from 1 January 2022 to 31 July 2022	BDO PLT
Berjayapak Vietnam Company Limited	Financial period from 1 April 2019 (Date of Incorporation) to 31 December 2019	BDO Audit Services Company Limited
	FYE 31 December 2020	BDO Audit Services Company Limited
	FYE 31 December 2021	BDO Audit Services Company Limited
	Financial period from 1 January 2022 to 31 July 2022	BDO Audit Services Company Limited

There were no audited financial statements for L&P Global Berhad for the financial years ended 31 December 2019 and 31 December 2020 as the Company was only incorporated on 30 August 2021.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

2. BASIS OF PREPARATION (continued)

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 Basis of accounting**

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

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

3.2 Basis of combinations**3.2.1 Basis of consolidation**

The consolidated financial statements of the Group incorporate the financial statements of Berjayapak Sdn. Bhd. and all its subsidiaries. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

Intragroup balances, transactions, income and expenses are eliminated on consolidation. Unrealised gains arising from transactions with associates and joint venture are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.2 Basis of combinations (continued)****3.2.1 Basis of consolidation (continued)**

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of the subsidiaries are changed to ensure consistency with the policies adopted by the Group.

Non-controlling interest represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the combined statement of profit or loss and other comprehensive income and within equity in the combined statement of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interest. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial period/year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Changes in the Company owners' ownership interest in a subsidiary 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 subsidiary. 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 owners of the parent.

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) The aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) The previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiaries are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiaries at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under MFRS 9 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in associate or joint venture.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.2 Basis of consolidation and business combination (continued)****3.2.2 Business combinations under common control**

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

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

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

3.2.3 Business combinations not under common control

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

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.2 Basis of consolidation and business combination (continued)****3.2.3 Business combinations not under common control (continued)**

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

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

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

3.3 Property, plant and equipment and depreciation

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

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

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

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

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

Buildings	2%
Plant and machinery	10% - 33%
Motor vehicles	10%
Furniture and fittings	10%
Office equipment	10% - 33%
Renovation	10%

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.3 Property, plant and equipment and depreciation (continued)**

Freehold land has unlimited useful life and is not depreciated.

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

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

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

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

3.4 Leases**The Group as lessee**

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

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

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.4 Leases (continued)**The Group as lessee (continued)***Right-of-use asset***

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

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

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

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

Motor vehicles	4 - 5 years
Plant and machinery	5 years
Factory building	1 - 5 years
Hostel	2 years
Leasehold land	27 - 42 years
Buildings	27 - 42 years

Lease liability

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.5 Investment in subsidiaries**

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

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

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

3.6 Impairment of non-financial assets

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

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

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

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

The impairment loss is recognised in profit or loss immediately.

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

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

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

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.7 Inventories**

Inventories are determined using weighted average cost method and stated at the lower of cost and estimated selling price less costs to complete and sell.

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

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

3.8 Financial instruments

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

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

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

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

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12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8 Financial instruments (continued)****(a) Financial assets**

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

The Group determines the classification of financial assets upon initial recognition. The measurement for each classification of financial assets are as below:

(i) Financial assets at amortised cost

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

Subsequent to initial recognition, financial assets are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss through the amortisation process. Financial assets are carried net of impairment losses, if any.

(ii) Financial assets measured at fair value

Financial assets that are debt instruments are measured at Fair Value Through Other Comprehensive Income ("FVTOCI"), if they are held within a business model whose objectives are to collect contractual cash flows and selling the financial assets, and have contractual terms of financial assets which give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

Financial assets that are debt instruments which do not satisfy the requirements to be measured at amortised cost or FVTOCI are measured at FVTPL.

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

Subsequent to initial recognition, financial assets that are equity instruments are measured at fair value. Any gains or losses arising from the changes in fair value are recognised in profit or loss. Dividends on equity instruments are recognised in profit or loss when the Group's right to receive payment is established.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8 Financial instruments (continued)****(a) Financial assets (continued)**

A financial asset is derecognised when the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in profit or loss.

Cash and bank balances are measured at amortised cost. Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three (3) months or less and are used by the Group and the Company in the management of their short term commitments. For the purpose of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

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

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

(b) Financial liabilities

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

Financial liabilities are recognised in the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities measured at FVTPL or financial liabilities measured at amortised cost.

(i) Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This includes derivatives entered into by the Group that does not meet the hedge accounting criteria. Derivative liabilities are initially measured at fair value and subsequently stated at fair value, with any resultant gains or losses recognised in profit or loss except for when the Group's own credit risk increases or decreases and which is recognised in other comprehensive income. Net gains or losses on derivatives include exchange differences.

(ii) Financial liabilities measured at amortised cost

Financial liabilities are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

For financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised and through the amortisation process.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8 Financial instruments (continued)****(b) Financial liabilities (continued)**

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

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

(c) Financial guarantee contract

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the combined statements of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

(d) 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 classified as equity instruments.

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

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.9 Financial instruments (continued)****(d) Equity (continued)**

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at the end of each reporting period and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution.

On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

3.9 Impairment of financial assets

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

The Group recognises allowance for impairment losses for trade receivables based on the simplified approach in accordance with MFRS 9 *Financial Instruments* and measures the allowance for impairment loss based on a lifetime expected credit loss from initial recognition.

The Group recognises allowance for impairment losses for other receivables based on the three-stage general approach within MFRS 9 using the forward-looking expected credit loss model.

At the end of each reporting period, the Group assesses whether there has been a significant increase in credit risk for financial assets other than trade receivables by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

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

The carrying amount of the financial asset is reduced through the use of an allowance for impairment loss account and the amount of impairment loss is recognised in profit or loss. When a financial asset becomes uncollectible, it is written off against the allowance for impairment loss account.

3.10 Borrowing costs

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.10 Borrowing costs (continued)**

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.

3.11 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties, if any.

Taxes in the combined statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

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

(b) Deferred tax

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority on either:

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.11 Income taxes (continued)****(b) Deferred tax (continued)**

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 period/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.

3.12 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligations and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.13 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where the inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.14 Employee benefits****(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

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

(b) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

3.15 Foreign currencies**(a) Functional and presentation currency**

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

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into Ringgit Malaysia at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into Ringgit Malaysia 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 the end of the reporting period exchange rates with respect to their assets and liabilities, and at exchange rates at the dates of the transactions with respect to the statements of profit or loss and other comprehensive income. All resulting translation differences are recognised as a separate component of equity.

12. ACCOUNTANTS' REPORT (Cont'd)

NOTES TO THE COMBINED FINANCIAL STATEMENTS
31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.16 Revenue recognition****(a) Sale of goods**

The Group recognises revenue from contracts with customers for the sale of goods based on the five-step model as set out below:

- (i) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (ii) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (iii) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (iv) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- (v) Recognise revenue when (or as) the Group satisfies a performance obligation.

The Group satisfies a performance obligation and recognise revenue at the point in time.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

Revenue is measured at the fair value of consideration received or receivable.

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

(b) Other income**(i) Interest income**

Interest income is recognised as it accrues, using the effective interest method.

(ii) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.

(iii) Dividend income

Dividend income is recognised when the right to receive payment is established.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES (continued)**3.17 Operating segments**

Operating segments are defined as components of the Group that:

- (a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) The combined reported profit of all operating segments that did not report a loss; and
 - (ii) The combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial period/year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

3.18 Earnings per share**(a) Basic**

Basic earnings per shares for the financial period/years is calculated by dividing the profit for the financial period/years attributable to common controlling shareholders of the Group by the expected number of ordinary shares of the Company upon completion of the Listing.

(b) Diluted

Diluted earnings per shares for the financial period/years is calculated by dividing the profit for the financial period/years attributable to common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company upon completion of the Listing, adjusted for the effects of dilutive potential ordinary shares.

12. ACCOUNTANTS' REPORT (Cont'd)**NOTES TO THE COMBINED FINANCIAL STATEMENTS
31 JULY 2022, 31 JULY 2021, 31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019****3. SIGNIFICANT ACCOUNTING POLICIES (continued)****3.19 Fair value measurements**

The fair value of an asset or a liability (except for lease transactions) is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

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