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Creating Winning Business Solutions

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30 November 2023

The Board of Directors
TSA Group Berhad
Lot 3998, Jalan 6/2A
Taman Industri Selesa Jaya
43300 Balakong
Selangor

Dear Sirs/Madams

Independent Assessment of the Stainless Steel Industry in Malaysia

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

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

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

Yours sincerely

Wooi Tan
Managing Director

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

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Date of report: 30 November 2023

INDEPENDENT ASSESSMENT OF THE STAINLESS STEEL INDUSTRY IN MALAYSIA

1. INTRODUCTION

- TSA Group Berhad together with its subsidiaries (TSA Group) is involved in trading, manufacturing and processing of metal products, mainly of stainless steel. TSA Group's largest revenue contributor is in the trading of rolled metal products such as plates, bars, coils, pipes, channels, angles and hardware, followed by the manufacturing of stainless steel pipes, and processing of stainless steel plates and bars in Malaysia, which shall form the focus of this report. All data and information in this report refer to Malaysia unless stated otherwise, and GDP refers to nominal GDP unless stated otherwise.

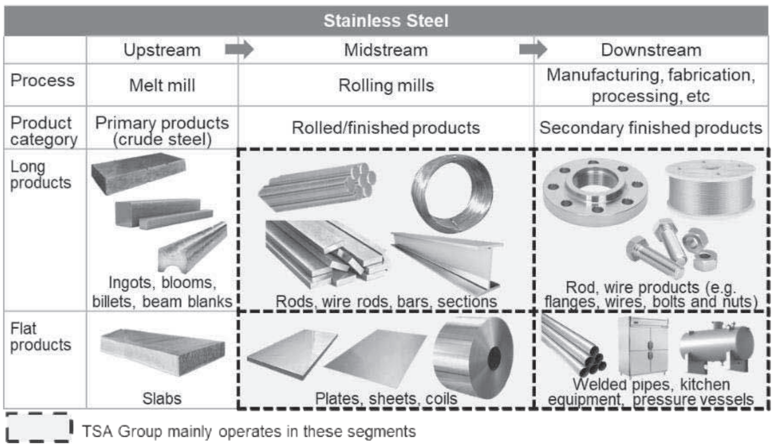
2. STAINLESS STEEL INDUSTRY

- Stainless steel is largely iron alloyed or mixed with several other metals and elements. The two main alloying metals are chromium which accounts for between 10% to 20% by weight, while some popular grades of stainless steel also incorporate a large percentage of nickel between 8% to 13% by weight. Other alloying elements include molybdenum, manganese and silicon.

- Alloying enables changes to the characteristics and properties of a metal. By adding chromium, iron which oxidises or rusts easily becomes stainless steel that is highly resistant to corrosion and rust. Further, the addition of nickel makes the stainless steel easy to form and weld, remaining ductile and able to withstand a wide range of temperatures. Nickel-containing grades of stainless steel make up a large portion of stainless steel and the most common are grades 304 and 316, which have approximately 8% and 11% nickel by weight, respectively. Stainless steel grade is a standardised numbering system that indicates the composition by weight of iron and alloying elements.

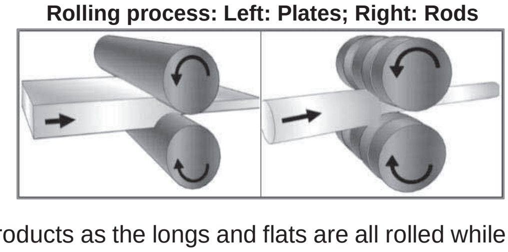
2.1 Structure for the stainless steel industry

- The stainless steel industry starts with the exploration and extraction of iron ores which are converted to primary products comprising long products such as ingots, blooms, billets and beam blanks, as well as flat products such as slabs. The conversion process also includes alloying with other metals and elements to obtain the desired properties of the primary products.



- The primary long products are reheated (if it is not an integrated upstream and midstream mill) and through a process of rolling, the ingots, blooms and billets become rods, wire rods and bars while beam blanks become sections and channels. Similarly, the primary flat products, slabs, are reheated and rolled to become plates, sheets and coils. At this stage, they are commonly referred to as hot-rolled products as the longs and flats are all rolled while they are still very hot at approximately 1,100 degrees Celcius. The rolling process uses a series of opposing rollers to reduce the thickness of flat products, and the diameters of long products.

Rolling process: Left: Plates; Right: Rods



- Due to the wide range of stainless steel alloys and dimensions, steel mills are not able to provide the full range of thickness and width of flats or diameters of longs for each alloy of stainless steel. As such, the next step is to further roll these longs and flats to their desired thickness and diameter according to the specifications of the customers. This process is commonly rolled without reheating and thus they are referred to as cold-rolled products. Plates, sheets and coils come in different widths and are cold-rolled to thinner thickness, which is then used to manufacture metal products such as pipes, food processing and display equipment, processing equipment such as boilers and pressure vessels, utensils and cutleries, bathroom accessories and fittings, architectural applications, and machinery, equipment and automotive parts.

- Wires are cold drawn from wire rods and used for, among others, springs, welding materials, medical devices and hardware. Stainless steel rods are used for, among others, shipbuilding, machine and equipment, automotive, construction materials, and parts and components.

- Flat products are mostly used in the manufacturing industries while longs are commonly used in the construction industries, although some manufacturing industries, particularly the machinery and equipment industries would also use long products.

- TSA Group is involved in the trading and processing of flat products such as plates, sheets and coils, and long products such as bars, channels and angles. TSA Group also manufactures stainless steel pipes that use flat products, namely coils, as input materials.

2.2 Stainless steel groups

- Stainless steel can be further segmented into five groups as follows:

Group	Description
Austenitic	The most commonly used stainless steel class contains high chromium and nickel, and low carbon. Used in a wide range of applications such as automotive trim, food and beverage equipment, medical devices and industrial equipment due to their strength, formability and superior corrosion resistance.
Ferritic	Contains high chromium and low carbon, but little or no nickel. Widely used in the automobile industry and nuclear reactors due to their magnetic properties.
Duplex	Made of approximately 50% austenite and 50% ferrite, resulting in great toughness and superior corrosion resistance, but with poor formability and machinability. Typically used in machinery and equipment for chemical processing, transport and storage, marine environment, and pulp and paper manufacturing.
Martensitic	Contains high chromium and carbon, and low nickel. Typically used in applications that require good heat distribution, such as heat exchangers.
Precipitation-hardening	Contains chromium and nickel, with the addition of one or more precipitation-hardening elements such as aluminium, titanium, niobium, molybdenum and copper. Typically used in the aerospace, oil and gas, and nuclear industries for its high strength and good formability.

- There are various stainless steel grades according to their alloying composition which affects their physical properties and applications. Grade 304 stainless steel is the most versatile and widely used austenitic stainless steel grade due to its excellent corrosive resistance, followed by grade 316 austenitic stainless steel with higher corrosive resistance that caters for more corrosive environments. Some applications of grade 304 stainless steel include dishwashers, refrigerators, commercial food processing equipment, fasteners, tanks and containers, as well as machinery parts.

3. PERFORMANCE OF THE STAINLESS STEEL INDUSTRY IN MALAYSIA

3.1 Imports and exports of rolled products

- In 2022, the import value of rolled products comprised 82.6% and 17.4% of flat and long products respectively, while the export value of rolled products comprised 95.4% and 4.6% of flat and long products respectively. The large majority of the imported and exported flat rolled products are for a width

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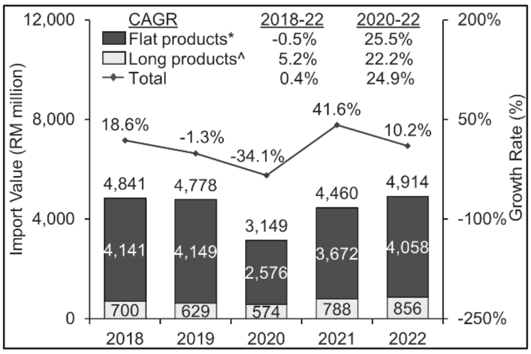
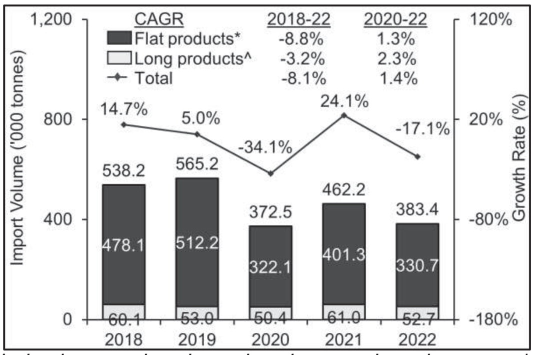
of more than 600mm, comprising mostly plates, sheets and coils of various thicknesses. These products are commonly the key input materials for the manufacture of flat-finished products such as pipes, food processing equipment, machinery, equipment and automotive parts.

Import value of rolled products



Import volume of rolled products

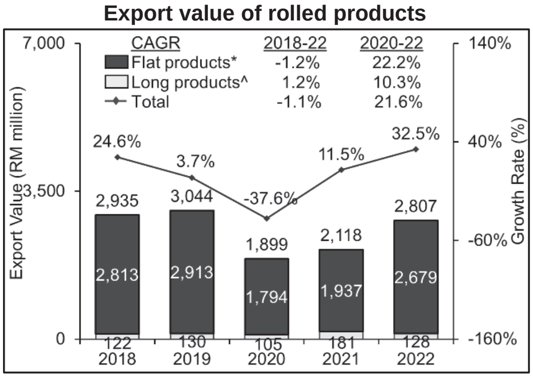


** Mainly includes plates, sheets and coils; ^ Mainly includes bars, rods, wire rods, wires, angles, shapes and sections. CAGR = compound annual growth rate (Source: Department of Statistics Malaysia (DOSM); Vital Factor analysis)*

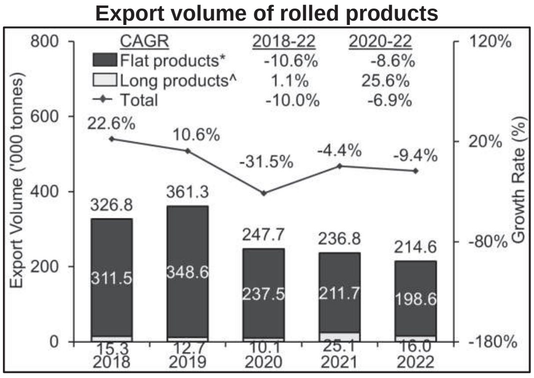
- In 2022, the import value of rolled products grew by 10.2% to RM4.9 billion, contributed by the growth of 10.5% and 8.7% from flat and long products respectively. The top three importing countries were Indonesia, China and Taiwan, accounting for 47.0%, 16.7% and 12.6% of the import value of rolled products respectively in 2022. For the first 9 months of 2023, import value of rolled products declined by 28.5% to RM2.9 billion compared to RM4.0 billion for the first 9 months of 2022, mainly attributed to the falling global stainless steel prices since the second quarter of 2023.

- In 2022, import volume declined by 17.1% to 383,400 tonnes, contributed by the decline of 17.6% and 13.5% from flat and long products respectively. The import volume of flat products remained low in 2021 and 2022 compared to pre-COVID-19 pandemic levels, partly due to reduced demand resulting from a slowdown of Malaysia's production of stainless steel products amid high global stainless steel prices and sea freight rates in 2021.

Export value of rolled products



Export volume of rolled products



** Mainly includes plates, sheets and coils; ^ Mainly includes bars, rods, wire rods, wires, angles, shapes and sections. (Source: DOSM; Vital Factor analysis)*

- In 2022, the export value of rolled products grew by 32.5%, contributed by a growth of 38.3% and a decline of 29.1% from flat and long products respectively. The top three destination countries were India, Spain and Italy which accounted for 17.3%, 10.2% and 9.4% of the export value of rolled products respectively in 2022. For the first 9 months of 2023, export value of rolled products declined by 47.0% to RM1.2 billion compared to RM2.3 billion for the first 9 months of 2022, mainly attributed to weak global demand amid the uncertain outlook coupled with the falling global stainless steel prices.

- In 2022, export volume of rolled products declined by 9.4% to 214,600 tonnes, contributed by the decline of 6.2% and 36.2% from flat and long products respectively. In 2022, export value increased mainly due to the increase in stainless steel prices, despite the decline in export volume.

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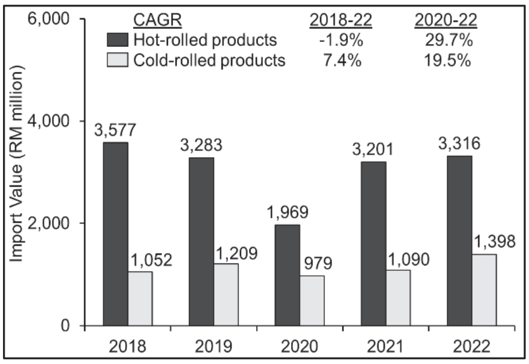
3.2 Imports and exports of hot-rolled and cold-rolled products

- Rolled products are categorised into hot-rolled and cold-rolled products. Hot-rolled products are products that have undergone rolling at high temperatures. There is no production of hot-rolled products in Malaysia, and all hot-rolled products are imported. Cold-rolled products use hot-rolled products as input materials, and they will undergo rolling at room temperature. Despite there is production of cold-rolled products in Malaysia, there is no production data available for cold-rolled products. Cold-rolling is carried out to roll the flat and long products into a wide range of thicknesses for different widths, and diameters respectively as required. Commonly cold-rolled products are used as input materials for manufacturing and fabrication works.

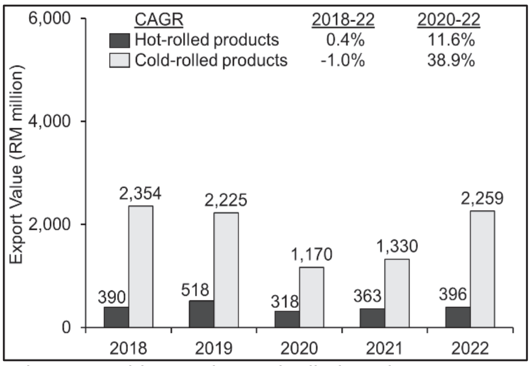
- Generally, hot-rolled products have high malleability due to the hot-rolling processes, while cold-rolled products can produce a wider range of dimensions as they can be precision manufactured.

- In 2022, import values of hot-rolled and cold-rolled products grew by 3.6% and 28.3% respectively. In 2022, the majority of the rolled products imported were hot-rolled products, accounting for 70.3% of the import value. For the first 9 months of 2023, import value of hot-rolled products declined by 35.1% to RM1.8 billion compared to RM2.8 billion for the first 9 months of 2022, while import value of cold-rolled products declined by 17.2% to RM0.9 billion compared to RM1.1 billion for the first 9 months of 2022.

Import value of rolled products*



Export value of rolled products*



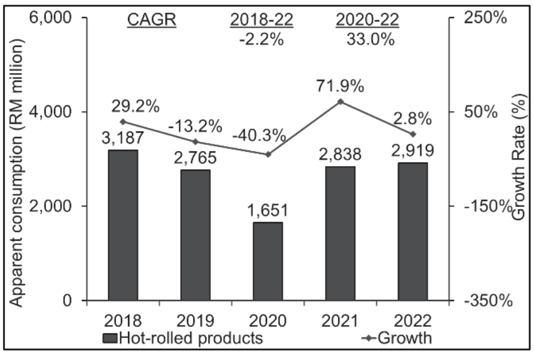
Note: The sum of the hot-rolled and cold-rolled products does not add up to the total rolled products
** Mainly include bars, rods, wire rods, wires, angles, shapes, sections, plates, sheets and coils. (Source: DOSM)*

- In 2022, export values of hot-rolled and cold-rolled products grew by 9.2% and 69.9% respectively. In 2022, the majority of the rolled products exported were cold-rolled products, accounting for 85.1% of the total export value. For the first 9 months of 2023, export value of hot-rolled products declined by 43.6% to RM164.6 million compared to RM291.9 million for the first 9 months of 2022, while export value of cold-rolled products declined by 49.8% to RM1.0 billion compared to RM1.9 billion for the first 9 months of 2022.

- In 2022, apparent consumption of hot-rolled products in Malaysia grew by 2.8% to RM2.9 billion, partly attributed to the high global stainless steel prices. For the first 9 months of 2023, apparent consumption of hot-rolled products declined by 34.1% to RM1.6 billion compared to RM2.5 billion for the first 9 months of 2022.

- In 2022, the import value of cold-rolled products comprised 75.4% and 24.6% of flat and long products respectively, while the export value of cold-rolled products comprised 96.4% and 3.6% of flat and long products respectively.

Apparent consumption* value of hot-rolled products



**As there are no production of hot-rolled stainless steel in Malaysia, apparent consumption is based on imports less exports. (Source: Vital Factor analysis)*

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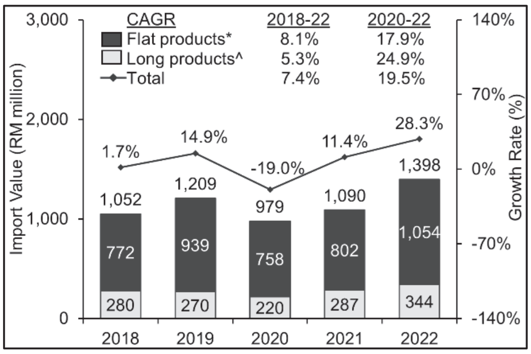
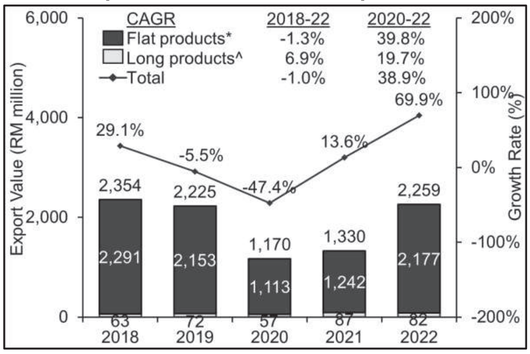
- In 2022, the import value of cold-rolled flat and long products grew by 31.4% and 19.6% respectively, while the export value of cold-rolled flat and long products grew by 75.2%, and declined by 6.4% respectively.

Import value of cold-rolled products



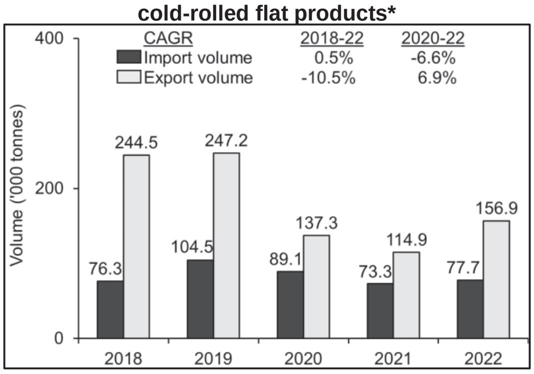
Export value of cold-rolled products



** Mainly includes plates, sheets and coils; ^ Mainly bars, wires, angles, shapes and sections. (Source: DOSM)*

- In 2021, import and export volumes of cold-rolled flat products declined by 17.7% and 16.3% respectively. The decline was mainly due to curtailed global and domestic production of stainless steel products amid high global stainless steel prices. In 2022, import and export volumes of cold-rolled flat products grew by 6.1% and 36.6% respectively.

Import and export volumes of cold-rolled flat products*



** Mainly includes plates, sheets and coils. (Source: Vital Factor analysis)*

3.3 Imports and exports of stainless steel tubes and pipes

- Generally, stainless steel tubes and pipes can be used for the following applications:
  - ornamental and architectural applications, such as grilles, gates, window frames and railing systems;
  - specialised applications by industry sectors such as the automotive industry used in the manufacture of mufflers, bull-bars and grille guards; or
  - for industrial applications such as process piping for the oil, gas, petrochemicals and chemical industries, water piping, food and beverage processing and others.

- Additionally, stainless steel tubes and pipes are commonly manufactured in either welded or seamless form. Seamless tubes and pipes are thinner, lighter, able to withstand higher pressure and more expensive compared to welded tubes and pipes. TSA Group manufactures welded ornamental tubes and pipes which will form the focus of discussions below.

- In 2022, the import value of welded stainless steel tubes and pipes (excluding line pipes, and casing and tubing pipes) grew by 6.4%, where the major sources were China, Korea and Taiwan accounting for 72.9%, 9.8% and 4.5% of the import value of welded stainless steel tubes and pipes respectively. In 2022, the export value of welded stainless steel tubes and pipes grew by 8.1%, where the major destinations were Indonesia, Canada and Thailand accounting for 34.8%, 20.2%, and 14.3% of the export value respectively. For the first 9 months of 2023, import value of welded stainless steel tubes and pipes declined by 36.8% to RM40.1 million compared to RM63.5 million for the first 9 months of 2022, while export value declined by 51.1% to RM51.7 million compared to RM105.6 million for the first 9 months of 2022.

- In 2022, import and export volumes of welded stainless steel tubes and pipes declined by 30.7% and 25.8% respectively, which indicates the overall decline in demand for stainless steel tubes and pipes, partially due to high stainless steel prices.

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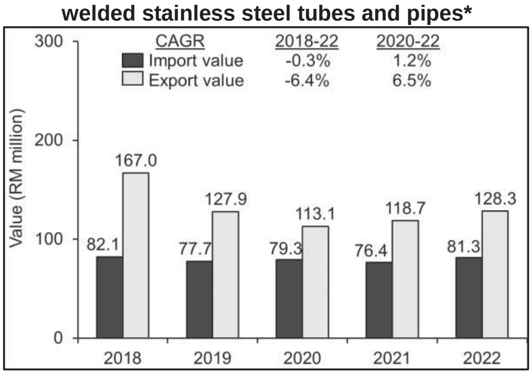
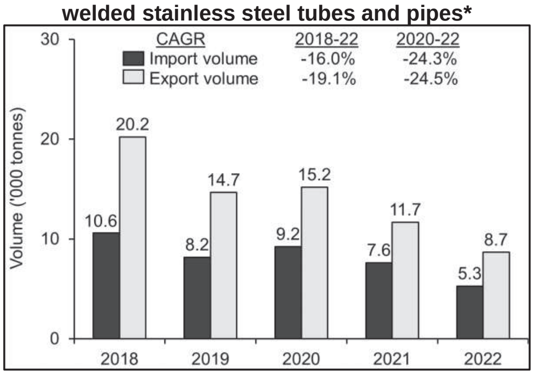
Import and export values of welded stainless steel tubes and pipes*



Import and export volumes of welded stainless steel tubes and pipes*



** Excluding line pipes, and casing and tubing pipes (Source: DOSM; Vital Factor analysis)*

4. PERFORMANCE OF THE STAINLESS STEEL INDUSTRY IN SINGAPORE

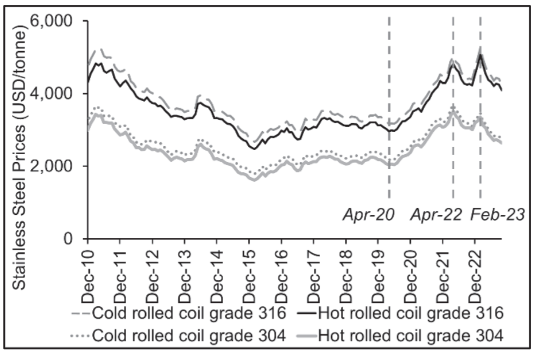
- TSA Group's Singapore market represents approximately 10% of its total revenue, mainly in the trading of stainless steel rolled products. Between 2018 and 2022, Singapore's import value of rolled products grew at a CAGR of 10.6% from USD267.8 million in 2018 to USD401.1 million in 2022, while export value of rolled products also grew at a CAGR of 10.6% from USD158.4 million in 2018 to USD237.0 million in 2022. In 2022, Singapore's import value of rolled products grew by 11.7% compared to USD359.0 million in 2021, while export value of rolled products grew by 1.2% compared to USD234.1 million in 2021. In 2022, Singapore's import value of cold-rolled products grew by 10.3% to USD107.6 million, while export value of cold-rolled products grew by 1.5% to USD48.6 million. *(Source: Vital Factor analysis)*

5. SUPPLY AND PRICING EFFECTS OF KEY RAW MATERIALS

5.1 Asian stainless steel prices

- Malaysia's stainless steel industry is affected by global stainless steel prices, particularly in Asia as stainless steel prices may differ based on regions. Generally, prices for stainless steel grade 316 are more expensive than grade 304. Cold-rolled products are also more expensive than hot-rolled products. This is because cold-rolled products use hot-rolled products as input materials for further manufacturing processes.

Asian stainless steel prices, by month



Asian stainless steel prices

USD/tonne	CR coil grade 316	HR coil grade 316	CR coil grade 304	HR coil grade 304
Apr-20	3,158	2,961	2,175	2,041
Apr-22	5,016	4,826	3,680	3,514
Growth Apr/20-22	58.8%	63.0%	69.2%	72.2%
Dec-10	4,706	4,317	3,257	2,999
Dec-20	3,561	3,356	2,524	2,380
Dec-21	4,487	4,297	3,216	3,068
Dec-22	4,677	4,511	3,303	3,198
Feb-23	5,267	5,067	3,461	3,353
Oct-23	4,244	4,096	2,747	2,634

HR = Hot-rolled; CR = cold-rolled. **Note**: The chart indicates the highest price points between Dec 2010 and Oct 2023 was on April 2022, except grade 316 products with highest price point on Feb 2023. *(Source: Vital Factor analysis)*

- Since 2011, stainless steel prices in Asia have been on a declining trend up until 2020. Overall, stainless steel prices in Asia have been increasing from April 2020 to April 2022, being the highest price points between December 2010 and December 2022, except hot-rolled and cold-rolled coil grade 316 with the highest price point on February 2023. The increase in Asian stainless steel prices was mainly attributed to the increase in stainless steel demand resulting from global economic recovery and rising raw material prices (particularly nickel for austenitic stainless steel grades). Additionally, the stainless steel supply chain was disrupted arising from containment measures due to the COVID-19 pandemic. The higher growth in stainless steel prices in Asia for grade 304 compared to grade 316 between April 2020 and April 2022 was attributed to the lower price of grade 304 compared to grade 316, which drove the demand for grade 304.

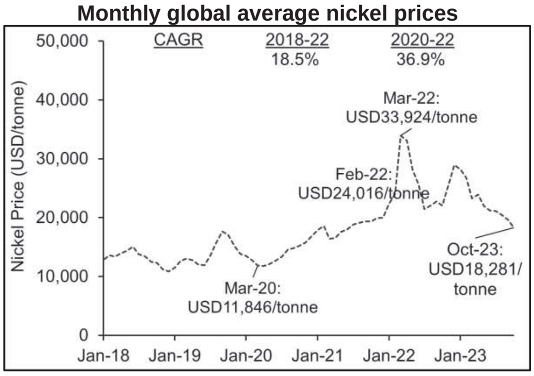
- After April 2022, Asian stainless steel prices began to decline, before increasing from December 2022 onwards up to February 2023. This increasing trend was mainly due to rising demand from China following the relaxation of China's border restrictions, rising molybdenum prices that affect stainless steel grade 316 the most, as well as the ongoing Russia-Ukraine conflict. In October 2023, Asian stainless steel prices declined compared to February 2023.

5.2 Global nickel prices

- TSA Group manufactures stainless steel pipes mainly of austenitic grades, which contain the most proportion of nickel among the various grades of stainless steel. Thus, global prices of nickel would have an impact on TSA Group.

- Between 2020 and 2022, the global average nickel prices grew at a CAGR of 36.9%. The global average nickel prices have been increasing gradually since March 2020 due to strong nickel demand from the stainless steel sector in China and increasing nickel use in batteries for electronic vehicles. Additionally, the supply of nickel was disrupted due to containment measurements in various countries following the COVID-19 pandemic.

Monthly global average nickel prices



(Source: Vital Factor analysis)

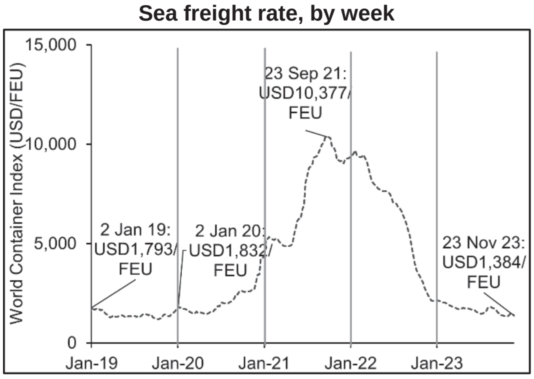
- In March 2022, the global average nickel prices surged by 41.3% to USD33,924/tonne from USD24,016/tonne in February 2022, driven by further supply concerns from the Russian-Ukraine conflict as Russia is one of the major producers of nickel. The global average nickel prices eventually declined and reached USD18,281/tonne in October 2023.

5.3 Sea freight rate

- TSA Group imports input materials and products from foreign countries and exports its products to foreign countries. As such, sea freight rates would have an impact on TSA Group's operations.

- The global supply chain disruption prompted by the COVID-19 pandemic, combined with the US-China trade war led to higher sea freight rates, which in turn led to higher input prices for global traders since July 2020. The sea freight rate generally kept increasing from USD1,832/forty-foot equivalent unit (FEU) on 2 January 2020 to USD10,377/FEU on 23 September 2021, recording a growth of 466.4% within this period. Following the gradual relaxing of containment measures in various countries, the sea freight rate declined by 86.7% to USD1,384/FEU on 23 November 2023. The falling freight rates were mainly due to the easing supply of empty containers, falling global trading demand amid global uncertainties, continuing Russia-Ukraine conflict, inflationary pressures and tightening in global financial conditions.

Sea freight rate, by week



(Source: Vital Factor analysis)

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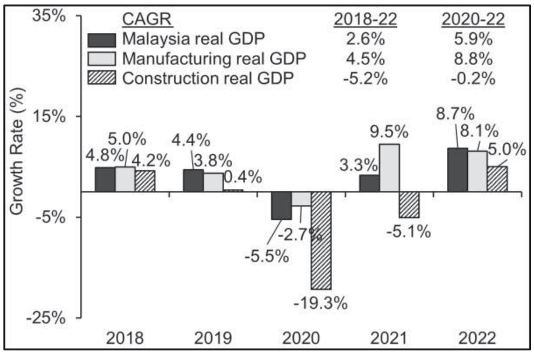
6. DEMAND DEPENDENCIES

- The stainless steel industry provides intermediate inputs to the construction industry and manufacturing sector such as the electrical and electronics, automotive, furniture, machinery, equipment and metal fabrication industries. TSA Group is involved in supplying stainless steel products to the construction as well as manufacturing industries. As such, the performance of these industries as well as the general economy of Malaysia would impact TSA Group.

- The real Gross Domestic Product (GDP) of Malaysia's economy indicates the economic output without the impact of price inflation. In 2022, the real GDP of Malaysia's economy, the manufacturing sector and the construction industry grew by 8.7%, 8.1% and 5.0% respectively. In 2022, Malaysia's economy was driven by domestic demand and an improved labour market resulting from the increase in household spending, investment and tourism, as well as robust external demand. For the first 9 months of 2023, the real GDP of Malaysia's economy, the manufacturing sector and the construction industry grew by 3.9%, 1.1% and 7.0% respectively compared to the corresponding periods in 2022.

Real GDP



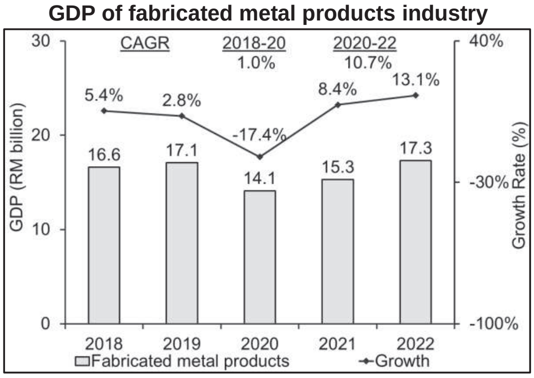
(Source: DOSM)

- Overall, the real GDP of Malaysia's economy is expected to expand between 4.0% and 5.0% in 2023, at a more moderate pace amid a challenging external environment. Growth will mainly be driven by domestic demand, supported by the continued recovery in the labour market and the realisation of multi-year investment projects across key economic sectors such as electrical and electronic sector, and information and communication technologies sector particularly for cloud computing and data centres. Meanwhile, the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activities. *(Source: Bank Negara Malaysia (BNM))*.

- Malaysia's fabricated metal (all types including carbon and stainless steel) products industry covers machines, parts and structures for various industries including the offshore oil and gas industry, civil construction and industrial mechanical and electrical, and processing plants *(Source: Malaysian Investment Development Authority)*.

- In 2022, the GDP of the manufacturing sector accounted for 23.5% of Malaysia's GDP, while the GDP of the fabricated metal products industry accounted for 4.1% of the GDP of the manufacturing sector *(Source: DOSM)*. In 2022, the GDP of the fabricated metal products industry grew to RM17.3 billion representing a growth of 13.1% compared to 2021. For the first 9 months of 2023, the GDP of the fabricated metal products industry grew by 8.1% to RM13.9 billion compared to the corresponding periods in 2022.

GDP of fabricated metal products industry



(Source: DOSM)

7. COMPETITION LANDSCAPE

- The stainless steel industry in Malaysia is diversified where manufacturers of stainless steel produce a wide range of intermediate and finished products for use across various industries. These companies in the industry range from local small and medium-sized enterprises to large-scale domestic and international corporations. In 2021, there were 273 iron and steel-based product manufacturers registered with the Department of Mineral and Geoscience Malaysia *(Latest available statistics)*.

- The companies listed below are some of the operators within the industry and are selected for their involvement in the trading of stainless steel products, and/or manufacturing of stainless steel pipes, and/or processing of stainless steel products, and availability of financial information. They are listed in descending order of revenue and the list is not exhaustive.

Operators in the industry	Activities			FYE(1)	Rev (2) *(RM mil)*	GP(2) *(RM mil)*	GP Margin *(%)*	NP/(NL) (2) *(RM mil)*	NP/(NL) Margin *(%)*
	T	M	P						
TSA Group	√	√	√	**Dec-22**	**357.3**	**79.8**	**22.3**	**40.7**	**11.4**
Pantech (4)	√	√		Feb-23	342.1	89.1	26.1	49.0	14.3
Prestar Precision Tube (3)	√	√	√	Dec-22	306.8	1.6	0.5	(5.9)	(1.9)
K. Seng Seng (5)	√	√	√	Dec-22	192.7	27.7	14.4	1.8	0.9
Hanwa Steel Centre (6)	√		√	Dec-22	170.6	10.6	6.2	(2.6)	(1.5)
Kanzen Tetsu S/B	√	√	√	Dec-22	129.5	7.5	5.8	3.6	2.8
Sin Lian Tat Hardware S/B	√		√	Sep-22	79.8	10.3	12.9	3.1	3.9
Supreme Steelmakers (7)	√		√	Dec-22	71.5	15.5	21.7	7.4	10.3
Taik Bee Hardware S/B (8)	√	√	√	Dec-22	61.6	n.a.	n.a.	1.9	3.0
Hoto Stainless Steel (9)	√	√	√	Mar-23	34.9	1.0	3.0	(2.0)	(5.7)

T = trading of stainless steel products; M = manufacturing of stainless steel pipes; P = processing of stainless steel products; FYE = financial year ended; Rev = revenue; mil = million; GP = gross profit; NP = net profit after tax; NL = net loss after tax; S/B = Sdn Bhd; Berhad = Bhd; n.a. = information not available

(1) Latest available audited financial information from annual reports, Companies Commission of Malaysia and TSA Group.
(2) Revenue is derived from activities as marked and may also include other business activities and products.
(3) Prestar Precision Tube S/B is a subsidiary of Prestar Resources Berhad, a listed entity on Bursa Securities.
(4) Pantech Stainless & Alloy Industries S/B is a subsidiary of Pantech Group Holdings Berhad, a listed entity on Bursa Securities. It manufactures stainless steel process pipes and fittings.
(5) K. Seng Seng Corporation Bhd is a listed entity on Bursa Securities.
(6) Hanwa Steel Centre (M) S/B is a subsidiary of Hanwa Co. Ltd, a listed entity on the Tokyo Stock Exchange.
(7) Supreme Steelmakers S/B is a subsidiary of Leon Fuat Berhad, a listed entity on Bursa Securities.
(8) A subsidiary of Choo Bee Metal Industries Bhd, a listed entity on Bursa Securities.
(9) Hoto Stainless Steel Industries S/B is a subsidiary of Excel Metal Industries S/B, whose ultimate holding company is RMJ Resources Pte Ltd in Singapore.

8. MARKET SIZE AND SHARE

- TSA Group's revenue is primarily contributed by stainless steel products mainly of cold-rolled stainless steel. As there are no production figures available for cold-rolled stainless steel products in Malaysia, import market size and share of TSA Group's imports are provided below instead.

2022-Cold-rolled	Import market size (a)	TSA Group's imports (b) (3)	TSA Group's import market share (c)
Stainless steel products (1)			
Import value (RM million)	1,398	148	11%
Flat stainless steel products (2)			
Import value (RM million)	1,054	139	13%
Import volume ('000 tonnes)	78	11	14%

Source: (a) DOSM; (b) TSA Group; (c) (b/a) x 100%; ***Notes****: Despite there is production of cold-rolled products in Malaysia, there are no production figures available for cold-rolled flat stainless products in Malaysia. (1) Include flats mainly plates, sheets and coils, and longs mainly bars, rods, wire rods, wires, angles, shapes and sections; (2) A subset of stainless steel products and include mainly plates, sheets and coils; (3) Based on TSA Group's imports of the respective cold-rolled products for its Malaysia operations in FYE 31 December 2022.*

9. BARRIERS TO ENTRY

- There are few barriers to entry for the trading of stainless steel products, manufacture of stainless steel pipes and processing of stainless steel products as there are no onerous licences, regulations or restrictions governing the entry of new players, no material impediments to purchase, selling, import and export stainless steel products, and low requirements for a track record as stainless steel is a commodity. However, as stainless steel is relatively expensive compared to carbon steel, there is a requirement for sufficient working capital to purchase and stock stainless steel input and output materials. Additional barriers to entry for the manufacture of stainless steel pipes and processing of stainless steel products also require capital investment in machinery and equipment. As an indication of the level of barriers to entry, there were 273 iron and steel-based product manufacturers registered with the Department of Mineral and Geoscience Malaysia in 2021 *(Latest available statistics)*.

10. INDUSTRY CONSIDERATION FACTORS

- Stainless steel products are used for a wide range of applications across manufacturing including fabricated metal products and engineering activities in the fabrication of parts, components, tools, equipment and machinery, and the construction industries. Between 2020 and 2022, import values of hot-rolled and cold-rolled products being the midstream rolled products as the main input materials for manufacturing of stainless steel products, registered a CAGR of 29.7% and 19.5% respectively, while apparent consumption values of hot-rolled products registered a CAGR of 33.0% with a high growth rate of 71.9% in 2021 *(Source: DOSM)*. The high growth rate in 2021 was driven by the recovery of economic activities after the impact of the COVID-19 pandemic, and the growth was moderated in 2022 due to normalisation of economic and social factors. Growth in the midstream rolled stainless steel products would auger well for operators involved in the trading and processing to supply them to downstream manufacturers. For the first 9 months of 2023, import values of hot-rolled and cold-rolled products declined by 35.1% and 17.2% respectively compared to the corresponding periods in 2022 *(Source: DOSM)*.

- In 2022, 82.6% of total imports of stainless steel rolled products were for flats which are largely used for manufacturing. Stainless steel products include fabricated metal products as well as parts and components related to the automotive, oil and gas, petrochemical, chemical, food and beverage, electrical and electronics, and machinery and equipment industries. These industries mainly use flat products such as plates, sheets and coils and a smaller proportion of long products particularly rods for fabrication and machining into parts and components. In 2022, imported cold-rolled stainless steel comprised 75.4% (RM1.05 billion) and 24.6% (RM0.34 billion) of flat and long products respectively while exports of cold-rolled stainless steel comprised 96.4% (RM2.18 billion) and 3.6% (RM0.08 billion) of flat and long products respectively. Malaysia's exports are also focused on flat products, indicating the importance of the export-oriented manufacturing industry of stainless steel products. The relatively large sizes of imports and exports of stainless steel rolled products provide a sustainable platform for operators in the industry.

- In 2022, the GDP of the manufacturing sector and fabricated metal products industry grew by 15.7% and 13.1% to RM419.1 billion and RM17.3 billion respectively compared to 2021. For the first 9 months of 2023, the GDP of the manufacturing sector and fabricated metal products industry grew by 1.1% and 8.1% to RM311.2 billion and RM13.9 billion respectively compared to the corresponding periods in 2022. *(Source: DOSM)* The large size and continuing growth augers well for stainless steel operators by providing more business opportunities.

- The stainless steel industry in Malaysia is highly dependent on imports where in 2022 import value of rolled stainless steel products amounted to RM4.9 billion. As such, any supply disruption or increase in the cost of procurement such as prices and transportation charges may negatively impact the industry. Recent events such as border closures during the COVID-19 pandemic, high stainless steel prices, high sea freight rates, trade war between the US and China, and the Russia-Ukraine conflict had affected domestic and foreign economies including the domestic stainless steel industry. Nevertheless, in 2023, sea freight rates have normalised to pre-COVID-19 pandemic level, the impact of the COVID-19 pandemic has subsided, and nickel and stainless steel prices have started to moderate, except for stainless steel grade 316 due to rising molybdenum prices.

- The prospects and outlook of the stainless steel industry are mainly dependent on demand from the manufacturing sector, which is positive for Malaysia as the manufacturing sector in Malaysia experienced real growth of CAGR of 8.8% between 2020 and 2022. The real GDP of the manufacturing sector grew by 8.1% in 2022 and is forecasted to grow by 4.0% in 2023 *(Source: BNM)*. Between 2020 and 2022, the real GDP of the construction industry, which is also another user industry of stainless steel albeit less than the manufacturing sector, declined at an average annual rate of 0.2%. For the first 9 months of 2023, real GDP of manufacturing sector and construction industry grew by 1.1% and 7.0% respectively compared to the corresponding periods in 2022.

9. 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 THE FUTURE PERFORMANCE OF OUR GROUP. YOU SHOULD CAREFULLY CONSIDER THE RISKS AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR PROFESSIONAL ADVISER.

9.1 RISKS RELATING TO OUR BUSINESS OPERATIONS

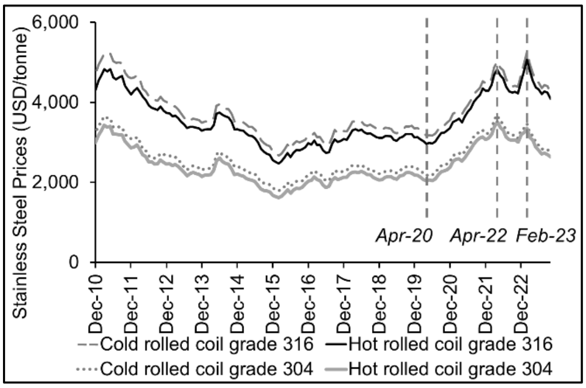
9.1.1 We are exposed to fluctuations in the price of stainless steel which may affect demand for our products or our profit margin

Stainless steel rolled products, such as plates, sheets, coils and bars, are the key input materials for our trading and processing of stainless steel products, and manufacturing of stainless steel pipes. For the Financial Years and Period Under Review, purchases of stainless steel materials amounted to RM136.6 million (83.4%), RM185.0 million (85.1%), RM219.5 million (83.8%) and RM139.5 million (80.8%) of our total purchases for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Stainless steel plates, sheets, coils and bars are commodities and their prices are subject to market price fluctuations.

Since 2011, the stainless steel prices in Asia have been on a declining trend up until 2020. Overall, stainless steel prices in Asia have been increasing from April 2020 to April 2022, being the highest price points between December 2010 and December 2022, except hot-rolled and cold-rolled coil grade 316 with the highest price point on February 2023. The increase in Asian stainless steel prices was mainly attributed to the increase in stainless steel demand resulting from global economic recovery and rising raw material prices (particularly nickel for austenitic stainless steel grades). Additionally, the stainless steel supply chain was disrupted arising from containment measures due to the COVID-19 pandemic. After April 2022, Asian stainless steel prices began to decline, before increasing from December 2022 onwards up to February 2023. This increasing trend was mainly due to rising demand from China following the relaxation of China's border restrictions, rising molybdenum prices that affected the stainless steel grade 316 the most, as well as the ongoing Russia-Ukraine conflict. In October 2023, Asian stainless steel prices declined compared to February 2023. *(Source: IMR Report)*. All operators that use stainless steel as an input material would also be equally affected.

Asian stainless steel prices, by month



Note: The chart indicates the highest price points between Dec 2010 and Oct 2023 was on April 2022, except grade 316 products with highest price point on Feb 2023. *(Source: IMR Report)*

A prolonged increase in the market prices of stainless steel may reduce demand for stainless steel products, which may consequently have an adverse effect on our financial performance and prospects. If fabricators, manufacturers, construction companies and other categories of customers who currently purchase stainless steel products from us are unable to pass on the price increase to their customers, they may seek alternative materials (such as aluminium, carbon steel and metal products with chrome plating) instead of stainless steel and reduce their purchases of stainless steel products from us. Stainless steel has desirable properties, including corrosion resistance and strength, which means that not all customers will be able to find suitable alternatives to stainless steel. While we also supply plates, sheets, coils, pipes, bars and angles made of other metals, most of them are not suitable substitutes for stainless steel for our customer's requirements.

A sharp decrease in the market prices of stainless steel may result in a situation whereby the prevailing prices that our customers are willing to pay are lower compared to our average purchase costs for the corresponding products in our inventory. If we choose not to sell the stainless steel products, it may result in our customers purchasing them from other suppliers. If we choose to sell the stainless steel products at lower prices, it may result in low profit or losses from the sale.

Our products are sold based on the prevailing market prices and demand. Our profit margin varies according to our purchase cost and selling price of our products. For the FYE 2020, FYE 2021 and FYE 2022, our financial performance recorded high growth and high gross profit margin due to high market prices of stainless steel as summarised in the following table:

	FYE 2020 RM'000	**FYE 2021 RM'000**	**FYE 2022 RM'000**	**CAGR 2020-22 %**
Revenue	234,628	302,693	357,271	23.4
GP	47,948	86,410	79,764	29.0
GP margin	20.4%	28.5%	22.3%	-
PBT from continuing operations	15,216	52,552	50,126	81.5
PAT from continuing operations	5,203	40,284	40,659	179.5

However, in FPE 2023 our revenue and GP margin were adversely affected by lower market prices of stainless steel. Our total revenue decreased by RM28.1 million, or 11.3% to RM220.3 million in FPE 2023 (FPE 2022: RM248.4 million), and our GP margin decreased from 25.2% in FPE 2022 to 18.7% in FPE 2023. The decrease in our revenue and GP margin were contributed by lower Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022. Our financial performance for FPE 2022 and FPE 2023 are summarised in the following table:

	FPE 2022 RM'000	**FPE 2023 RM'000**	**FPE 2023 vs FPE 2022 %**
Revenue	248,393	220,339	(11.3)
GP	62,593	41,183	(34.2)
GP margin	25.2%	18.7%	-
PBT from continuing operations	40,339	15,133	(62.5)
PAT from continuing operations	31,832	10,666	(66.5)

As the market prices of stainless steel are beyond our control, there can be no assurance that we will be able to maintain or achieve similar or better financial performance in the future, and that our financial performance would not be materially adversely affected. There can also be no assurance that fluctuations in stainless steel prices will not adversely affect our business operation and financial performance.

9.1.2 We do not have long-term contracts with our customers and as such there is no assurance of continuing purchases from our customer base

We do not have long-term contracts with any of our customers for all of our trading, manufacturing and processing business activities. We supply goods to our customers based on purchase orders, as it is common in our industry. As we do not have long-term contracts with our customers, there can be no assurance that our customers will continue to purchase stainless steel and other products from us. If a significant number of customers stop purchasing from us and we are unable to replace them promptly, it may have an adverse effect on our financial performance and business prospects.

Although we have been dealing with two out of our top five customers for 10 years or more (not under long-term contracts with us), and we have a total of approximately 3,300 active customers (that made purchases of at least RM2,000) in 12 countries (including Malaysia) for FPE 2023, there is no assurance that we can continue to maintain the relationship with our customers or continue to grow our customer base in the future and the failure to do so may adversely affect our business and financial performance.

9.1.3 We face various business risks associated with our reliance on imports of stainless steel as well as other materials

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our purchases of stainless steel products mainly plates, sheets, coils and bars from domestic and foreign countries represented 83.4%, 85.1%, 83.8% and 80.8% of our total purchases respectively.

We are dependent on foreign countries for stainless steel products. Our purchases of stainless steel products from foreign countries amounted to RM122.9 million (90.0% of total purchases of stainless steel products), RM176.4 million (95.4%), RM219.1 million (99.9%) and RM130.6 million (93.6%) for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

There is no production of hot-rolled products in Malaysia, and all hot-rolled products are imported. *(Source: IMR Report).* Consequently, the stainless steel industry in Malaysia, including our Group, is dependent on imports for the supply of primary and hot-rolled stainless steel products including plates, sheets, coils and bars.

Any interruption in the supply of stainless steel products such as plates, sheets, coils and bars from foreign countries may adversely affect our business. If our inventory of stainless steel products is depleted, it may cause delays in fulfilling customers' purchases of trading items, and disrupt our manufacturing and processing activities. In addition, our dependency on imported materials may expose us to the risks of increases in shipping rates and stainless steel prices, adverse foreign exchange rates and other potential supply chain disruptions.

The global supply chain disruption prompted by the COVID-19 pandemic, combined with the US-China trade war led to higher sea freight rates, which in turn led to higher input prices for global traders since July 2020. The sea freight rate generally kept increasing from USD1,832/forty-foot equivalent unit (FEU) on 2 January 2020 to USD10,377/FEU on 23 September 2021, recording a growth of 466.4% within this period. Following the gradual relaxing of containment measures in various countries, the sea freight rate declined by 86.7% to USD1,384/FEU on 23 November 2023. The falling freight rates were mainly due to the easing supply of empty containers, falling global trading demand amid global uncertainties, continuing Russia-Ukraine conflict, inflationary pressures and tightening in global financial conditions. *(Source: IMR Report)*

We have not experienced any material interruptions in the supply of stainless steel products that adversely affected our trading, manufacturing and processing business operations during the Financial Years and Period Under Review and up to the LPD. Nevertheless, in light of the above, there can be no assurance that we will not be negatively affected by, among others, a shortage of supply, increases in sea freight rates and stainless steel prices, adverse foreign exchange rates and other supply chain disruptions that may adversely affect our business operations and financial performance.

9.1.4 Our planned new business of producing cold-rolled stainless steel coils may not be successful or profitable

As part of our business strategy, we intend to produce cold-rolled stainless steel coils from hot-rolled stainless steel coils. The estimated cost of the reconditioned cold-rolling line including an annealing furnace is RM52.0 million (including installation, testing and commissioning), all of which will be financed by a combination of internally generated funds and bank borrowings. We are currently purchasing cold-rolled stainless steel coils for our business operations from third-party suppliers. With the establishment of the stainless steel cold rolling line, we intend to use the cold-rolled stainless steel coils that we produce in-house for our trading business, as well as input materials for our pipe manufacturing and processing business activities.

In 2021, TSA Industries entered into sales contracts to purchase a reconditioned cold-rolling line including an annealing furnace. Subsequently in 2022, our subsidiary, TSA Industries acquired the Semenyih Land measuring approximately 435,615 sq. ft. with the intention of constructing the Semenyih Manufacturing Premises to house the stainless steel cold rolling line. In 2023, we incorporated Asia Inox, our subsidiary which will install, commission, engage experience technical personnel to operate and produce cold-rolled stainless steel coils. As at the LPD, we have submitted plans for the construction of the Semenyih Manufacturing Premises to authorities. Asia Inox will enter into a lease agreement with TSA Industries to utilise the Semenyih Manufacturing Premises to set-up as well as operate the cold-rolling line including the annealing furnace.

The stainless steel cold-rolling line and annealing furnace will be installed at the Semenyih Manufacturing Premises (which will also include an office, production area and workers' hostel) upon the completion of construction by the first quarter of 2026. The estimated cost of constructing the Semenyih Manufacturing Premises is RM52.0 million, of which RM46.9 million will be financed by internally generated funds and bank borrowings and RM5.1 million from our IPO proceeds.

As at the LPD, we have also paid part of reconditioned cold-rolling line, and some of the machinery and equipment are already in our possession held in storage in Selangor, Malaysia. Please refer to Section 12.3.13 (xiii) of this Prospectus for further details on capital commitments in relation to the establishment of the stainless steel cold-rolling line and the Semenyih Manufacturing Premises.

We do not have any experience in operating a stainless steel cold-rolling line to produce cold-rolled stainless steel coils, which will be a new business activity for us. As Asia Inox does not have any track record in setting-up and operating a stainless steel cold-rolling line, it will rely solely on the technical personnel that it engages. There are risks that our new business activity of producing cold-rolled stainless steel will not materialise according to our plan or be profitable due to, among others, the following:

- delays in the construction of the Semenyih Manufacturing Premises;
- delays in setting-up and commissioning the cold-rolling line;
- product quality issues due to the reconditioned machinery and equipment as well as our inexperience in operating a cold-rolling line;
- breakdowns of our reconditioned machinery and equipment resulting in increased repair and maintenance costs as well as delays and interruptions in production;
- increase in expenses such as costs of electricity for operating the cold-rolling line and the annealing furnace;
- failure to secure sufficient customers for our cold-rolled stainless steel coils due to among others our lack of track record;
- adverse foreign exchange rates as we have to import hot-rolled stainless steel coils as input materials or if we were to sell the cold-rolled stainless steel coils to customers in foreign countries;
- unfavourable market conditions which may affect the demand for our cold-rolled stainless steel coils;
- adverse changes in government policies, regulations, duties and tariffs; and
- reliance on external technical expertise to set-up and operate the stainless steel cold-rolling line.

There is no assurance that we will be able to successfully implement our business strategy of setting-up and operating the cold-rolling line or if it is profitable. Any failure or delay in the implementation of any of our strategies and plans may adversely affect our financial performance.

9.1.5 We may incur high holding costs and have to write down the value of our inventory if we do not manage our inventory prudently

The nature of our business requires us to purchase and keep a substantial and varied stock of stainless steel and other products so that we can fulfil our customer's purchase orders quickly from our inventory, without having to place orders with suppliers, especially from foreign countries. The requirements of our customers may be difficult to predict as we have a large and diverse customer base, and we do not have long-term contracts with our customers. In addition, stainless steel is generally more expensive compared to carbon steel. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our inventories amounted to RM63.2 million, RM79.0 million, RM82.6 million and RM83.9 million respectively, and our inventory turnover periods were 133 days, 120 days, 106 days and 113 days respectively.

The longer our stock remains unsold, the higher our holding costs of inventory. If we fail to anticipate the needs of our customers or if we manage our inventory levels inefficiently, we may accumulate large amounts of slow-moving or obsolete inventory. If we fail to store our inventory properly, they may be damaged. As such, we may be required to make provisions for or write down the value of slow-moving, obsolete or damaged inventory or to write down our inventories to the net realisable values, which would have an adverse effect on our profitability. In addition, inefficient management of our inventory may lead to operating cash flow shortages and this may adversely affect our business operations and financial performance.

Our inventories written down amounted to RM0.9 million for the FYE 2021 and RM0.4 million for the FYE 2022. There were no inventories written down for the FYE 2020 and the FPE 2023. However, there can be no assurance that the steel prices will not fluctuate which may subject us to an exceptional write down in the carrying amount of our inventories to the net realisable values which in turn may have material and adverse effects on our financial performance nor can we provide any assurance that we will continue to be able to manage our inventory effectively in the future.

9.1.6 We are exposed to credit risks from some of our customers

We are exposed to credit risks from customers that we have extended credit terms. During the Financial Years and Period Under Review and as at the LPD, the normal credit terms that we extend to qualified customers range from 30 days to 120 days, while other customers are required to pay upon delivery. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our trade receivables turnover period was 93 days, 73 days, 64 days and 73 days, respectively.

A deterioration of our customer's business performance may adversely affect their ability to pay us promptly for goods that we have supplied, which in turn may adversely affect our cash flow and profitability. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we may be required to make an allowance for impairment losses to our trade receivables or write off bad debts, either of which would have an adverse effect on our financial performance.

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 there were additions of impairment losses of our trade receivables amounting to RM0.2 million, RM1.9 million, RM0.6 million and RM0.1 million respectively. For further information on impairment losses on trade receivables, please refer to Note 11 of the Accountant's Report and Section 12.3.10 of this Prospectus.

There can be no assurances that additional allowances for impairment losses to our trade receivables and bad debts written off will not increase in the future or have a significant financial impact.

9.1.7 We may be exposed to unfavourable foreign currency exchange rates

Our combined financial statements are presented in RM, which is TSA Group's functional and presentation currency. The individual financial statements of each entity in our Group are presented in the currency of the primary economic environment in which the entity operates, which is their functional currency. The functional and presentation currency of TSA Industries, TSA Pipes, Mitra Bintang and Asia Inox is in RM, and the functional and presentation currency of TSA Singapore is in SGD.

The breakdown of our revenue and purchases transacted in RM and foreign currencies during the Financial Years and Period Under Review is summarised in the following table:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
REVENUE								
RM	**183,038**	**78.0**	**237,780**	**78.6**	**294,780**	**82.5**	**177,958**	**80.8**
Foreign Currencies	**51,590**	**22.0**	**64,913**	**21.4**	**62,491**	**17.5**	**42,381**	**19.2**
SGD	22,286	9.5	33,940	11.2	43,498	12.2	34,076	15.4
USD	29,304	12.5	30,973	10.2	18,993	5.3	8,305	3.8
Total Revenue	**234,628**	**100.0**	**302,693**	**100.0**	**357,271**	**100.0**	**220,339**	**100.0**
PURCHASES								
RM	**24,473**	**14.9**	**32,019**	**14.7**	**13,044**	**5.0**	**21,046**	**12.2**
Foreign Currencies	**139,300**	**85.1**	**185,407**	**85.3**	**248,797**	**95.0**	**151,657**	**87.8**
SGD	1,188	0.7	1,431	0.7	1,722	0.7	1,006	0.6
USD	138,112	84.4	183,976	84.6	247,075	94.3	150,651	87.2
Total Purchases	**163,773**	**100.0**	**217,426**	**100.0**	**261,841**	**100.0**	**172,703**	**100.0**

Based on the above, we are exposed to foreign currency exchange gains or losses arising from timing differences between our billings, actual receipt of payments and conversion/translation into RM, as well as when our assets, liabilities, revenue and earnings are recorded by our subsidiary company in Singapore is translated from SGD into RM for financial reporting and repatriation purposes.

We also face risks associated with our purchases of materials in foreign currencies. A significant proportion of our foreign purchases are denominated in USD, including purchases of stainless steel and other metal products. Fluctuations in foreign currency exchange rates between the RM and foreign currencies, namely USD and SGD, may have a material effect on our reported income and expenses, as they are stated in RM in our combined and consolidated financial statements. An unfavourable foreign exchange rate will also increase the costs of purchasing materials that are denominated in the affected foreign currencies.

A weak RM relative to the currencies of our imports would result in higher purchase prices in RM terms, which may reduce demand for our products and thus affect our business operations and financial performance. In addition, if we purchased imported materials when the RM was weak compared to the import currencies, and subsequently the RM strengthens, the average price of our stock may be higher compared to our competitors who purchased when the RM was stronger. This may result in our prices being less competitive compared to our competitors.

We may also face foreign currency exchange risks for our export sales, which are denominated in USD. A strong RM relative to USD would result in lower revenue in RM for export sales denominated in USD, which may affect our results of operations which are reported in RM.

For illustrative purposes, the sensitivity analysis of the effect on our profit after taxation for the Financial Years and Period Under Review of a 5.0% strengthening or weakening of RM relative to the USD, SGD, Euro and other currencies is summarised in the following table:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
USD/RM				
- Strengthened by 5.0%(1)	(349)	(1,618)	(811)	(1,255)
- Weakened by 5.0%(2)	349	1,618	811	1,255
SGD/RM				
- Strengthened by 5.0%(1)	9	140	7	38
- Weakened by 5.0%(2)	(9)	(140)	(7)	(38)
Euro/RM				
- Strengthened by 5.0%(1)	#	1	#	#
- Weakened by 5.0%(2)	(#)	(1)	(#)	(#)
Other currencies/RM				
- Strengthened by 5.0%(1)	1	1	1	1
- Weakened by 5.0%(2)	(1)	(1)	(1)	(1)

Less than RM1,000.

Notes:

(1) The value of the RM depreciated against the respective foreign currency.

(2) The value of the RM appreciated against the respective foreign currency.

We have entered into hedging transactions to manage our exposure to foreign currency exchange rate fluctuation risk in respect of our purchases. As at the LPD, we have 37 subsisting foreign currency forward contracts with licensed banks in Malaysia to purchase USD using RM at agreed foreign currency exchanges rates for the specified contract duration amounting to RM23.20 million. We typically do not enter into forward exchange contract immediately upon purchase of materials. Instead, we will monitor and review the exchange rate and may only enter into forward exchange contract(s) if we foresee there's higher risk of adverse foreign currency fluctuations.

As we are unable to ascertain the future movements of foreign exchange rates, any significant adverse fluctuations in foreign exchange rates, particularly the USD and SGD relative to RM, may have a material adverse impact on our financial condition and the results of operations.

Foreign currency exchange rate fluctuations did not have a material adverse effect on our financial performance for FYE 2020, FYE 2021 and FYE 2022. For FPE 2023, we had net losses on foreign exchange amounting to RM0.6 million, which was equivalent to 5.9% of our PAT from continuing operations for FPE 2023. There can be no assurance that we will not be adversely affected by foreign currency exchange rate fluctuations in the future.

9.1.8 We are dependent on our directors and key management team

We are dependent on the experience, expertise, technical knowledge and contributions of our Group Managing Director, Chew Kuan Fah, our Executive Directors, Chew Yik Wai and Ng Kim Liang in guiding the overall growth and development of our Group. We are also dependent on our key senior management team for the experience, expertise and technical knowledge in their respective areas of responsibility, namely Loh Pei Ling, our General Manager & Head of Procurement, Tan Bee Hong, our Head of Finance, Lai Hoi Lian, our Head of Human Resources, Low Chan Kheun, our Head of Engineering Production & Services, and Wong Foot Nam, our Head of Sales Administration & Logistics.

Although we have a management succession plan to groom and promote the lower and middle management staff to gradually assume some of the responsibilities of the senior management team to ensure continuity in management, there is no assurance that our business operations and the implementation of our business strategies will not be adversely affected if we lose the services of one or more of the Directors or key senior management and are unable to engage a suitable replacement promptly. For further information on the profiles of our Directors and key senior management team, please refer to Sections 5.1.2 and 5.4.3 of this Prospectus.

9.1.9 We are required to comply with health, safety and environment (HSE) laws and regulations and any breaches may result in the suspension of our operations and/or incur penalties

We are required to comply with the relevant HSE laws and regulations that apply to our operational facilities, including our main warehouse and manufacturing facility in Balakong, Selangor, and our offices and warehouses in Malaysia and Singapore. Our manufacturing facilities deal with machinery involved in forming, welding, polishing as well as cutting, while our trading, polishing and warehousing activities involve lifting machinery such as cranes and forklifts. Many of these operations are subjected to various HSE laws and regulations. These HSE laws and regulations are concerned with, among others, the occupational health and safety of our employees and contract workers as they perform their jobs and the effect of the work that we carry out on the surrounding environment.

Accidents at our operational facilities that result in injury or harm to our employees and contract workers, as well as failure to comply with the relevant HSE laws and regulations, may result in suspension or restrictions placed on our work as well as possibly incurring penalties. These could disrupt the day-to-day operations and result in delays or failure to fulfil customer orders. Accidents and/or failure to comply with the relevant HSE laws could result in administrative or legal actions taken against us by affected employees, contract workers, customers and/or regulatory authorities.

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

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

Carrying out our business operations at our operational facilities involves risks and hazards including, but not limited to, workplace and other accidents, wilful property damage, theft, fire, flood and other natural disasters. To protect against various losses and liabilities, we generally maintain insurance coverage for our operational facilities. We maintain insurance coverage for, among others, fire, burglary, goods in transit and public liability arising from our business operations and group term life, group hospitalisation and surgical for our employees. As at the LPD, the total insured for the respective insurance policies purchased for our operations are set out as follows:-

No.	Insurance Policy	Sum insured (RM'000)
1.	Fire policy	78,500
2.	Burglary policy	3,150
3.	Public liability policy	8,000
4.	Money policy	25
5.	Good in transit policy	520
6.	Business protector policy (SGD1.5 million)	(1)5,237
7.	1450 cold rolling machines	18,474
	Total	**113,906**

Note:

(1) Based on the closing rate of SGD1.00 = RM3.4914 as at the LPD as extracted from Bank Negara Malaysia's website.

We may incur losses or liabilities that exceed our policy limits or that are not covered by our insurance, which may have an adverse effect on our business operations and financial performance.

All of our insurance coverage is subject to periodic renewal, which may involve changes in the insurance premium, terms and policy limits. If there is a significant increase in the premium on our insurance coverage, we may incur higher costs to maintain our insurance coverage at the same level or we may have to reduce the level of our insurance coverage. There is also a risk that we are unable to renew or replace our insurance coverage when they expire. The occurrence of any of these events may have an adverse effect on our business operations and financial performance.

We are of the view that the current insurance coverage of our Group is sufficient because our Group deals with metal products which are not easily flammable.

9.1.11 Our business operations and financial performance may be disrupted by contagious or virulent diseases

Our business and financial performance are subject to disruptions caused by any contagious or virulent diseases such as the COVID-19 pandemic. On 11 March 2020, the World Health Organisation declared COVID-19 as a pandemic. Our business operations were disrupted during the MCO where our business operations in Malaysia was temporarily suspended from 18 March 2020 up to 16 April 2020 when we resumed our operations pursuant to a written acknowledgment from MITI dated 16 April 2020. Our Singapore operations were classified under the essential sector and we were allowed to continue our business operations during the circuit breaker lockdown period from 7 April 2020 to 1 June 2020. Our Singapore operations were operating at reduced workforce capacity of 50% between 10 April 2020 and 5 May 2020.

As a result of the temporary closure, our Malaysia operations had lower revenue in the second quarter of FYE 2020. In addition, while TSA Singapore continued to operate during the circuit breaker lockdown period, its revenue for the second quarter of FYE 2020 was lower compared to the first quarter of FYE 2020 as some of its customers were required to temporarily suspend or slow down their operations. Our Group's revenue decreased by RM20.6 million, or 35.6% to RM37.3 million for the second quarter of FYE 2020 (first quarter of FYE 2020: RM 57.9 million).

Although the COVID-19 pandemic did not materially affect our total revenue in FYE 2021, FYE 2022 or FPE 2023, there is no assurance that our business activities will not be materially affected by similar pandemics or virulent diseases in the future.

9.1.12 We are subject to regulatory requirements for our business operations

Our business is subject to various laws, rules and regulations. Please refer to Section 7.22 of this Prospectus for the list of our major approvals, licences and permits obtained by our Group.

Our major approvals, licences and permits are subject to compliance with the relevant conditions, laws and regulations under which they were issued. In the event of non-compliance, these approvals, licences and permits may be revoked or may not be renewed upon expiry. As at the LPD, save as disclosed in Section 7.22 of this Prospectus, our Group has complied with the conditions imposed on all our major approvals, licences and permits from various government authorities.

Further, the relevant government authority may take action by issuing warnings, imposing penalties, suspension, additional conditions or restrictions and/or revoking the approvals, licences or permits, against us for any breach or non-compliance. Any revocation or failure to obtain, maintain or renew any of the approvals, 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 or Singapore. This may affect our business operations and financial performance if we are unable to comply with the new laws, regulations or policies.

According to Section 3(1) of the ICA 1975, manufacturing companies with shareholders' funds of RM2.50 million and above or employing 75 or more full-time paid employees are required to have a manufacturing licence. Section 3(2) of the ICA 1975 provides that failure to comply with Section 3(1) of the ICA 1975 is an offence and on conviction, the offender is liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and a further fine not exceeding RM1,000 for every day during which such default continues. We had in the past, experienced non-compliance with Section 3(1) of the ICA 1975, which has since been rectified. Please refer to Notes (1) and (2) in Section 7.22 and Section 7.26.1(i) of this Prospectus for further details.

Pursuant to Section 19(1) of the FMA 1967, no one shall operate any machinery in respect of which a certificate of fitness is prescribed unless there is a valid certificate of fitness. According to Regulation 10(1) of the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970, the owner of a hoisting machine (other than a hoisting machine driven by manual power) must hold a valid certificate of fitness so long as the machinery remains in service. Non-compliance with the aforementioned provision of laws is an offence under section 19(6) of the FMA 1967 and on conviction, the offender is liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or to both. We had in the past, experienced non-compliances with Section 19(1) of the FMA 1967, which have since been rectified. Please refer to Section 7.26.1(vi) of this Prospectus for further details.

Pursuant to the Licensing of Trades, Businesses and Industries (Johor Bahru City Council) By-Laws 2016, any person using any place or premise in the local area of the Johor Bahru City Council for any activity of trade, business and industry without a valid licence commits an offence and may, upon conviction, be fined not exceeding RM2,000 or imprisonment for a term not exceeding one year or both. We had in the past, experienced non-compliance with the Licensing of Trades, Businesses and Industries (Johor Bahru City Council) By-Laws 2016, which has since been rectified. Please refer to Note (6) in Section 7.22 and Section 7.26.1 (ii) of this Prospectus for further details.

The SDBA 1974, Kota Kinabalu By-laws and Sarawak Ordinance regulate, among others, the occupation of buildings and uniformity of local government matters relating to street, drainage and buildings. Pursuant to the SDBA 1974, any person who occupies or permits to be occupied any building or any part thereof without a certificate of completion and compliance shall be liable on conviction to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 10 years or both. Pursuant to the Kota Kinabalu By-Laws, any person who occupies or permits to be occupied any building or any part thereof without an occupation certificate, shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM5,000 and, in the case of a continuing offence shall be liable to a fine not exceeding RM100 for every day during which such offence is continued. Pursuant to the Sarawak Ordinance, any person who occupies or permits to be occupied any building or any part thereof without an occupation permit shall be liable on conviction to a fine not exceeding RM10,000 and, in the case of a continuing offence to a further fine not exceeding RM300 for every day during which such offence is continued. We had in the past, experienced non-compliances with the SDBA 1974, Kota Kinabalu By-laws and Sarawak Ordinance respectively in relation to properties which were rented by our Group, which have since been rectified. Please refer to Notes (2) to (7) in Section 7.24.2 and Sections 7.26.1 (iii), (iv) and (v) of this Prospectus for further details.

Pursuant to the EMSHAA 1990, no accommodation shall be provided to an employee unless certified with a Certificate for Accommodation. An employer who contravenes this requirement commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000. We had in the past, experienced non-compliance with the EMSHAA 1990 in relation to our foreign workers' accommodations, which has since been rectified. Please refer to 7.26.1(viii) of this Prospectus for further details.

As at the LPD, we have not been fined or issued with any notice of non-compliance from the relevant authorities in relation to the non-compliances stated above.

9.1.13 Potential liability of TSA Industries for breach of coal contract dated 7 July 2020 ("Coal Contract")

During FYE 2020, we ventured into coal trading and TSA Industries, together with a shipper ("**Shipper**"), agreed to sell steam coal to a buyer ("**Buyer**") pursuant to the terms of the Coal Contract, which is governed by the laws of Singapore. TSA Industries was required to provide a bank guarantee in the amount USD48,910 (equivalent to RM197,107, calculated based on the exchange rate of USD1 = RM4.0300, being the Bank Negara Malaysia's rate on 16 February 2021 when the amount debited to TSA Industries' bank account) in favour of the Buyer to guarantee the performance of TSA Industries' and the Shipper's (collectively referred to as the "**Sellers**") obligations under the Coal Contract ("**Bank Guarantee**").

In order to fulfil its contractual obligations under the Coal Contract, TSA Industries, through its former subsidiary, Asia Oriental Commodities, had, on 15 July 2020, entered into a joint operation agreement with a coal supplier ("**Supplier 1**") for the supply of coal to TSA Industries and Asia Oriental Commodities. Asia Oriental Commodities was a subsidiary of TSA Industries until 10 May 2022. However, the Supplier 1 did not fulfil its obligations to supply and deliver coal although TSA Industries had, based on the Supplier 1's instructions, made payments amounting to USD713,000 (equivalent to RM3,066,101, calculated based on the exchange rate ranging from USD 1 = RM4.254 to RM4.328 for the period between August 2020 to November 2020) to the Shipper in accordance with the joint operation agreement.

On 8 November 2020, TSA Industries entered into another contract with another coal supplier ("**Supplier 2**") whereby Supplier 2 had agreed to sell and deliver steam coal to TSA Industries. However, the Supplier 2 did not fulfil its obligations to supply coal although TSA Industries had made payments amounting to USD1,728,000 (equivalent to RM7,300,775, calculated based on the exchange rate ranging from USD 1 = RM4.089 to RM4.421 for the period between November 2020 to December 2020) to the Supplier 2 in accordance with the contract.

As a result of the non-fulfilment of the obligations of the Supplier 1 and Supplier 2 under the respective contracts set out above, TSA Industries could not deliver any coal to the Buyer and the letters of credit issued by the Buyer for USD2,349,000 (equivalent to RM9,477,041, calculated based on the exchange rate of USD1 = RM4.0345, being the Bank Negara Malaysia's rate on 15 February 2021 when the letters of credit expired) subsequently expired. TSA Industries did not receive any payments from the Buyer under the Coal Contract.

On 8 February 2021, the Buyer made a written demand to the bank for the sum of USD48,910 pursuant to the Bank Guarantee. On 16 February 2021, TSA Industries had authorised the bank to debit its bank account for the sum of USD48,910 in accordance with the Bank Guarantee. Notwithstanding that the Buyer has called on the Bank Guarantee, there is an inherent risk that the Buyer may seek to claim for damages for TSA Industries' breach of the Coal Contract notwithstanding that it was the Shipper who caused the non-delivery. Moreover, there is no limitation of liability provision under the Coal Contract and the Buyer is entitled to file a claim for breach of contract for a period of 6 years from the date on which the cause of action accrued under the Singapore Limitation Act 1959.

As at the LPD, save for the call on the Bank Guarantee by the Buyer, we have not received any claim by the Buyer. We are unable to ascertain the quantum of the damages. If any arbitration proceeding is filed by the Buyer pursuant to the Coal Contract, the damages that may be awarded will be determined by the arbitrators of the Singapore International Arbitration Centre based on the nature and amount claimed by the Buyer.

9.1.14 We face the risk of trademark infringement and passing off by third parties

We brand and market most of the ornamental stainless steel pipes that we mainly manufacture under our "TSS" brand, except those that we manufacture under our customers' brands and a small proportion that is not branded. Having our own brand of ornamental stainless steel pipes is an advantage as it creates product differentiation, facilitates customer loyalty and encourages return customers and referrals. We also actively develop our brand awareness, image and equity to help our products compete in the market. Revenue from stainless steel pipes manufactured and sold under our TSS brand amounted to RM58.5 million (24.9%), RM76.7 million (25.3%), RM105.1 million (29.4%) and RM61.4 million (27.8%) for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

By registering our "TSS" mark, our Group has grounds to take legal action against other persons using the same or similar mark or logo as that used by our Group. As at the LPD, we have 2 registered trademarks for our "TSS" brand in Malaysia and Sri Lanka. Please refer to Section 7.23 of this Prospectus for information on our registered trademarks.

Further, registration of our "TSS" mark will also prevent and safeguard against other traders from using or attempting to use our brand without permission. In the past, we have encountered other traders marketing and selling ornamental stainless steel pipes in Sri Lanka using our "TSS" mark, and we have decided to register our "TSS" mark in Sri Lanka.

As at the LPD, we are not aware of any infringement by any third party of any of our Group's registered trademarks and intellectual property rights. However, there is no assurance that we will not encounter passing off or trademark infringement by third parties in the future. In the event we commence legal action, there is no assurance that we will be successful in our action against such third parties, and this in turn may result in our Group's business operations and financial performance being materially affected.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We face competition from other operators in the industry

We operate in a competitive industry and face competition from other operators. In 2021, there were 273 iron and steel-based product manufacturers registered with the Department of Mineral and Geoscience Malaysia. *(Source: IMR Report)*

Operators in our industry compete based on, among other factors, product pricing, the number and types of products offered, range of inventory available in stock, promptness in fulfilling orders and geographic coverage. As there are a large number of operators in Malaysia, our current and potential customers have the option of purchasing stainless steel products, other metal products and hardware from other suppliers. The effects of competition include reduction in our product pricing and/or profit margins, loss of existing customers, and failure to secure new customers, which may have an adverse effect on our financial performance and growth prospects.

9.2.2 A slowdown in the domestic and global manufacturing sectors may affect the demand for stainless steel

In 2022, 82.6% of total imports of stainless steel rolled products were for flats which are largely used for manufacturing (*Source: IMR Report*). Stainless steel is used in the manufacturing sector including, among others, oil, gas, petrochemical, chemical, food and beverage, electrical and electronics, medical, and machinery and equipment. This is mainly due to the properties of stainless steel which is resistant to corrosion as well as many chemicals.

Malaysia is also a major exporter of manufactured products which use stainless steel, such as electrical and electronic products, as well as machinery and equipment. As such, any slowdown in the manufacturing sector in Malaysia, as well as globally, will impact the demand for stainless steel products in Malaysia.

9.2.3 We are subject to economic, social, political, regulatory and pandemic risks in the countries in which we operate

Economic, social, political and regulatory developments in the countries including Malaysia and Singapore could have a materially adverse effect on our business operations, financial performance and growth prospects. These include, but are not limited to, the occurrence of war, virulent diseases, civil war, rebellion or civil disobedience, changes in political leadership or system of government, changes in the economy, interest rate, taxation, trade, corporate ownership or investment policies, foreign exchange and profit repatriation policy, nationalisation or expropriation, and global, regional or domestic economic recession or slowdown. Our business operations, financial performance and growth prospects may also be affected if economic activities are affected by measures implemented to control the spread of COVID-19 or other diseases.

These events are beyond our control, and the occurrence of one or more of these events may have an adverse effect on our business operations, financial performance and growth prospects.

9.3 RISKS RELATING TO OUR SHARES

9.3.1 There has been no prior market for our Shares

Prior to our Listing, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for our Shares will develop, or, if developed, that such market can be sustained. The IPO Price was determined after taking into consideration a number of factors including but not limited to our business strategies and our financial and operating history.

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 and the market price of our Shares will not decline below the IPO Price.

9.3.2 The trading price and volume of our Shares upon Listing may be volatile

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

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

(i) material variations in our results and operations;

(ii) success or failure in our management team in implementing business and growth strategies;

(iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;

(iv) changes in conditions affecting our industry, the prevailing local and global economic conditions or stock market sentiments or other events or factors;

(v) additions or departures of key senior management;

(vi) fluctuations in stock market prices and volumes; or

(vii) involvement in claims, litigation, arbitration or other form of dispute resolution.

9.3.3 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after the IPO

As disclosed in Section 5 of this Prospectus, our Promoters will directly and indirectly collectively hold in aggregate 75% of our enlarged issued share capital upon Listing. As a result, they will be able to, in the foreseeable future, effectively control the business direction and management of our Group. They may also be able to influence the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting either by law and/or by the relevant guidelines or regulations. For instance, due to the Promoters' collective shareholding, unless the Promoters are required to abstain from voting either by law and/or by the relevant guidelines or regulations, where the Promoters vote in favour of ordinary resolutions which require a simple majority approval, their voting in favour will result in the ordinary resolutions being passed, or in the instance of special resolutions which require at least a majority of 75% shareholders' approval, if they vote in favour they will be able to influence the passing and approval of these resolutions at a general meeting. Conversely, if the Promoters vote against such resolutions, such resolutions would not be able to be passed.

9.3.4 There may be a potential delay to or cancellation of our Listing

The occurrence of any one or more of the following events, which is not exhaustive, may cause a delay in or cancellation of our Listing:

(i) our Sole Underwriter exercising their rights pursuant to the Underwriting Agreement to discharge themselves from its obligations thereunder;

(ii) the revocation of approvals from the relevant authorities for the Listing and/or admission for whatever reason; or

(iii) we are unable to meet the public shareholding spread requirement of the Listing Requirements, i.e. at least 25% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing.

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

(i) 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 our Company and the Offerors, shall repay all monies paid in respect of the applications for our IPO Shares within 14 days of the stop order, failing which the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(a) of the CMSA; or

(ii) 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:

(i) 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, the Company and Offerors shall be liable to return such monies with interest at the rate of 10% per annum or at such other rate as may be specified by the SC pursuant to Section 245(7)(b) of the CMSA; or

(ii) 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 share capital as provided under the Act and its related rules. Such cancellation can be implemented by either:-

   (a) 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

   (b) the sanction of our shareholders by special resolution in a general meeting supported by a solvency statement from the directors.

9.3.5 Forward-looking statements in this Prospectus may not be achievable

This Prospectus contains forward-looking statements. All statements, other than statements of historical facts, included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, prospects, plans and objectives of our Group for future operations are forward-looking statements. Such forward-looking statements are made based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such factors include, among others, general economic and business conditions, competition, the impact of new laws and regulations affecting our industry and government initiatives. Forward-looking statements can be identified by the use of forward-looking terminologies such as the words "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements involve known and unknown risks, uncertainties and other factors, including COVID-19 related factors, risks and challenges, which may cause our actual results, performance or achievements of our Group, or industry results, to be materially different from any future results, performance, achievements or industry results expressed or implied by such forward-looking statements. In light of these uncertainties, the inclusion of such forward-looking statements in this Prospectus should not be regarded as a representation or warranty by us or our advisers that such plans and objectives will be achieved.

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10. RELATED PARTY TRANSACTIONS

10.1 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 subsidiaries involving 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.

10.1.1 Material related party transactions entered into by our Group

Save for the Acquisition of TSA Industries and as disclosed below, our Group has not entered into any related party transactions for the Financial Years and Period Under Review and for the subsequent financial period up to the LPD:

(a) Related party transactions carried out on arm’s length basis

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD(13)	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM’000	%	RM’000	%	RM’000	%	RM’000	%	RM’000	%
1.	Buyers: KVC Corporation, Chen Siew Chong @ Chin Siew Chong, Chew Kuan Fah, Chew Yik Wai, Ng Kim Liang and Loh Pei Ling Seller: TSA Industries	Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang are our Directors, Promoters and substantial shareholders. KVC Corporation, which owns 51% of the total issued ordinary share capital of KVC Properties, is our substantial shareholder. Chen Khai Voon who is a director and shareholder of KVC Corporation, is also our Promoter and substantial shareholder.	Disposal of 100,000 ordinary shares in Mitra ACNC, representing 100% equity interest in Mitra ACNC, by TSA Industries to KVC Corporation, Chen Siew Chong @ Chin Siew Chong, Chew Kuan Fah, Chew Yik Wai, Ng Kim Liang and Loh Pei Ling for a total cash consideration of RM286,311.14(1). (This is a one-off transaction)	-	-	-	-	286	0.2(2)	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD[13]	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
2.	Buyer: Ebest Alliance Seller: TSA Industries	Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang who are directors and shareholders of Ebest Alliance, are our Directors, Promoters and substantial shareholders.	Disposal of 100,000 ordinary shares in Asia Oriental Commodities, representing 100% equity interest in Asia Oriental Commodities, by TSA Industries to Ebest Alliance for a total cash consideration of RM71,586.78[3]. (This is a one-off transaction)	-	-	-	-	72	0.1[2]	-	-	-	-
3.	Buyer: Ebest Alliance Seller: TSA Industries	Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang who are directors and shareholders of Ebest Alliance, are our Directors, Promoters and substantial shareholders.	Disposal of 181,500 ordinary shares in Best Mineral, representing 100% equity interest in Best Mineral, by TSA Industries to Ebest Alliance for a total cash consideration of RM1.00[4]. (This is a one-off transaction)	-	-	-	-	0.001	#[2]	-	-	-	-
4.	Buyer: Decolive Home Sdn Bhd Seller: TSA Industries	Chew Kuan Fah and Ng Kim Liang are directors and shareholders of Decolive. Chew Yik Wai is a shareholder of Decolive. Chew Kuan Fah, Chew Yik Wai and	Disposal of the Agricultural Land by TSA Industries to Decolive for a total cash consideration of RM7,200,000[5].	-	-	-	-	7,200	4.9[2]	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD(13)	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Ng Kim Liang are our Directors, Promoters and substantial shareholders. KVC Corporation is a shareholder with 50% equity interest in Decolive and Chen Khai Voon is an indirect shareholder of Decolive (via his direct shareholding in KVC Corporation). KVC Corporation, which owns 51% of the total issued ordinary share capital of KVC Properties, is our substantial shareholder. Chen Khai Voon is our Promoter and substantial shareholder.	(This is a one-off transaction)										
5.	TSA Industries and Genetec Technology Berhad ("**Genetec**")	Chen Khai Voon is a major shareholder of Genetec holding 45,688,300 shares (5.9%) and indirectly holds 46,740,200 shares (6.0%) through KVC Corporation.	Sale of industrial hardware to Genetec	105	#(6)	43	#(6)	48	#(6)	30	#(6)	18	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD[(13)]	
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
	TSA Industries and CLT Engineering Sdn Bhd ("**CLT**"), a subsidiary of Genetec	KVC Corporation is a person connected to Chen Khai Voon, a major shareholder of Genetec and our Promoter and substantial shareholder (via his direct shareholding in KVC Corporation and indirect shareholding in KVC Properties). KVC Properties is our Promoter and substantial shareholder.	Sale of industrial hardware products to CLT	18	#[(6)]	195	0.1[(6)]	143	#[(6)]	95	#[(6)]	11	-
6.	TSA Industries and KVC Industrial	Chen Khai Voon who is a director and indirect shareholder of KVC Industrial (via his indirect shareholdings in Sonepar Malaysia Sdn Bhd held via his indirect shareholdings in KVC Properties), is our Promoter and substantial shareholder. Sa Chee Peng who is a director and indirect shareholder of KVC Industrial (via his indirect	Sale of industrial hardware products to KVC Industrial	232	0.1[(6)]	92	#[(6)]	292	0.1[(6)]	134	0.1[(6)]	20	-
			Purchase of industrial hardware products from KVC Industrial	65	#[(7)]	13	#[(7)]	31	#[(7)]	64	#[(7)]	7	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD[13]	
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
		shareholdings in Sonepar Malaysia Sdn Bhd held via his indirect shareholdings in KVC Properties), is our substantial shareholder. KVC Properties which is an indirect shareholder of KVC Industrial (via its direct shareholding in Sonepar Malaysia Sdn Bhd), is our Promoter and substantial shareholder. KVC Corporation and Synergy Cal which owns 51% and 49% respectively of the total issued ordinary share capital of KVC Properties, are our substantial shareholders.											
7.	Mitra Bintang and Perniagaan dan Kejuruteraan Sutera Jaya Sdn Bhd [9] ("**PKSJ**")	Chew Kuan Fah who was a director and shareholder of PKSJ, is also our Director, Promoter and substantial shareholder. He ceased to be a director of PKSJ on 1 November 2021 and had disposed of all his shares in PKSJ on 3 March 2022.	Rental of part of Lot 3998, Jalan 6/2A, Taman Industri Selesa Jaya, 43300 Balakong, Selangor from Mitra Bintang by PKSJ for use as office	56	1.1[8]	60	0.2[8]	15	#[8]	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD(13)	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
8.	TSA Industries and Mitra ACNC	Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang are shareholders of Mitra ACNC. Chew Kuan Fah and Ng Kim Liang are directors of Mitra ACNC. Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang are our Directors, Promoters and substantial shareholders. KVC Corporation is a shareholder of Mitra ACNC and Chen Khai Voon is an indirect shareholder of Mitra ACNC (via his direct shareholding in KVC Corporation). Chen Khai Voon is our Promoter and substantial shareholder. KVC Corporation, which owns 51% of the total issued ordinary share capital of KVC Properties, is our substantial shareholder.	Rental of B13-8, Tower B, Amerin Residence, Jalan Impian Indah, Taman Impian Indah, 43300 Seri Kembangan, Selangor from Mitra ACNC by TSA Industries for use as accommodation for employees/sales staff	-	-	-	-	10	#(8)	10	0.1(8)	5	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD(13)	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
9.	TSA Industries and Nanyang Hardware Sdn Bhd(10) ("**Nanyang**")	Chew Kuan Fah and Chew Yik Wai were indirect shareholders of Nanyang (via their direct shareholdings in Ebest Alliance). Ebest Alliance has disposed of all its shares in Nanyang on 10 May 2022. Chew Yik Wai has ceased to be a director of Nanyang on 6 April 2022. Chew Kuan Fah and Chew Yik Wai are our Directors, Promoters and substantial shareholders.	Sale of industrial hardware products to Nanyang	1,333	0.6(6)	1,696	0.6(6)	780	0.2(6)	-	-	-	-
			Purchase of industrial hardware products from Nanyang	6	#(7)	2	#(7)	-	-	-	-	-	-
10.	TSA Industries and Asia Oriental Metal Sdn Bhd(11) ("**Asia Oriental**")	Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang were directors (ceased to be directors on 6 April 2022) of Asia Oriental. Chew Kuan Fah and Chew Yik Wai were indirect shareholders of Asia Oriental (via their direct shareholdings in Ebest Alliance). Ebest Alliance had disposed of all its shares in Asia Oriental on 10 May 2022.	Sale of industrial hardware products to Asia Oriental	925	0.4(6)	1,226	0.4(6)	564	0.2(6)	-	-	-	-
			Purchase of industrial hardware products from Asia Oriental	9	#(7)	14	#(7)	1	#(7)	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD[13]	
No.	Transacting parties	Nature of relationship	Nature of transaction	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
		Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang are our Directors, Promoters and substantial shareholders.											
11.	TSA Industries and GI Tech Manufacturing Sdn Bhd ("**GI Tech**")	Chew Kuan Fah and Chew Yik Wai were directors (ceased to be directors on 1 July 2022) of GI Tech. Chew Kuan Fah and Chew Yik Wai are indirect shareholders of GI Tech (via their direct shareholdings in Ebest Alliance).	Rental of No. 21, Jalan 6/2A, Taman Industri Selasa Jaya, 43300 Balakong, Selangor Darul Ehsan from TSA Industries to GI Tech for use as warehouse	24	0.5[8]	-	-	-	-	-	-	-	-
			Purchase of industrial hardware products from GI Tech	14	#[7]	-	-	-	-	-	-	-	-
		Chew Kuan Fah and Chew Yik Wai are our Directors, Promoters and substantial shareholders.	Provision of services by TSA Industries to GI Tech	32	0.7[8]	-	-	-	-	-	-	-	-
12.	TSA Industries and United Allied Hardware Sdn Bhd[12] ("**United Allied**")	Chew Kuan Fah and Chew Yik Wai were indirect shareholders of United Allied (via their direct shareholdings in Ebest Alliance). Ebest Alliance had disposed of all its shares in United Allied on 12 July 2022.	Sale of industrial hardware products to United Allied	760	0.3[6]	1,506	0.5[6]	838	0.2[6]	-	-	-	-
		Chew Yik Wai was a director of United Allied.	Purchase of industrial hardware products from United Allied	136	0.1[7]	141	0.1[7]	73	#[7]	-	-	-	-

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

				Transaction value									
				FYE 2020		FYE 2021		FYE 2022		FPE 2023		1 September 2023 up to the LPD(13)	
No.	**Transacting parties**	**Nature of relationship**	**Nature of transaction**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
		Chew Yik Wai has ceased to be a director of United Allied on 19 May 2022. Chew Kuan Fah and Chew Yik Wai are our Directors, Promoters and substantial shareholders.											

Notes:

\# The amount is negligible.

(1) The disposal consideration of Mitra ACNC of RM286,311.14 was arrived at on a willing buyer-willing seller basis after taking into consideration the adjusted net assets of Mitra ACNC of RM286,311.14 as at 31 March 2022.

(2) Computed over our Group's net assets attributable to the owners of our Company for the respective financial years.

(3) The disposal consideration of Asia Oriental Commodities of RM71,586.78 was arrived at on a willing buyer-willing seller basis after taking into consideration the net assets of Asia Oriental Commodities of RM71,586.78 as at 31 March 2022.

(4) The disposal consideration of Best Mineral of RM1.00 was arrived at on a willing buyer-willing seller basis after taking into consideration the net liabilities of Best Mineral of RM1,835,974.74 as at 31 March 2022.

(5) The sale and purchase of the Agricultural Land was transacted at market value of RM7,200,000.00.

(6) Computed over our Group's revenue for the respective financial years or financial period.

(7) Computed over our Group's cost of sales for the respective financial years or financial period.

(8) Computed over our Group's PAT attributable to owners of our Company from continuing operations for the respective financial years or financial period.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(9) Ceased to be a related party since 3 March 2022 following the disposal of Chew Kuan Fah's entire shareholding in PKSJ.

(10) Ceased to be a related party since 10 May 2022 following the disposal of Ebest Alliance's entire shareholding in Nanyang.

(11) Ceased to be a related party since 10 May 2022 following the disposal of Ebest Alliance's entire shareholding in Asia Oriental.

(12) Ceased to be a related party since 12 July 2022 following the disposal of Ebest Alliance's entire shareholding in United Allied.

(13) Percentage contributions are not available as there are no audited financial statements for the period from 1 September 2023 up to the LPD for our Group.

Our Directors, having considered all aspects of the related party transactions, are of the opinion that all the related party transactions set out in Section 10.1.1(a) above were transacted on arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public upon taking into consideration that such transactions were comparable to those generally charged and/or quoted to/by third parties for similar transactions.

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10. RELATED PARTY TRANSACTIONS *(Cont'd)*

(b) Related party transactions not carried out on arm's length basis

No.	Transacting parties	Nature of relationship	Nature of transaction	Transaction value FYE 2020 RM'000	FYE 2020 %	FYE 2021 RM'000	FYE 2021 %	FYE 2022 RM'000	FYE 2022 %	FPE 2023 RM'000	FPE 2023 %	1 September 2023 up to the LPD RM'000	1 September 2023 up to the LPD %
1.	TSA Industries, Best Mineral and Pengurusan Pasir Pahang Berhad	Chew Kuan Fah and Chew Yik Wai who are directors and indirect shareholders of Best Mineral (via their direct shareholdings in Ebest Alliance), are our Directors, Promoters and substantial shareholders.	Novation of letters of award of concession and the Mining Operator (Sand) Agreement dated 23 November 2020 in relation to the mining of sand in the area of 4.047 hectares (10 acres) at Sg Pahang / Pulau Peninjau, Mukim Pekan, Daerah Pekan, Pahang (Block 8).	-	-	-	-	4,944	3.3(1)	-	-	-	-
2.	TSA Industries, Best Mineral and POLO Specialist Trading Sendirian Berhad	Chew Kuan Fah and Chew Yik Wai who are directors and indirect shareholders of Best Mineral (via their direct shareholdings in Ebest Alliance), are our Directors, Promoters and substantial shareholders.	Novation of letters of award of concession in relation to the mining of sand in the area of 8.094 hectares (20 acres) at Sg Pahang / Pulau Serjan Lonjong, Mukim Pekan, Daerah Pekan, Pahang (Block 10).	-	-	-	-	197	0.1(1)	-	-	-	-
3.	TSA Industries and PKSJ(2)	Chew Kuan Fah who was a director and shareholder of PKSJ, is also our Director, Promoter and substantial shareholder. He ceased to be a director of PKSJ on 1 November 2021 and had disposed of all his shares in PKSJ on 3 March 2022.	Fire protection system and building facilities management services provided by PKSJ to TSA Industries on Lot 3998, Jalan 6/2A Taman Industri Selasa Jaya, 43300 Balakong, Selangor Darul Ehsan	-	-	498	1.3 (3)	187	0.5(3)	-	-	-	-

Notes:

(1) Computed over our Group's net assets attributable to the owners of our Company for FYE 2022.

(2) Ceased to be a related party since 3 March 2022 following the disposal of Chew Kuan Fah's entire shareholding in PKSJ.

(3) Computed over our Group's PAT attributable to our Company from continuing operations for the respective financial years.

There is no comparable information to ascertain whether the related party transactions set out in Section 10.1.1(b) above were carried out based on normal commercial terms and at market rate.

Save for the Acquisition of TSA Industries, our Directors also confirm that there are no other related party transactions that have been entered into by our Group that involves the interest, direct or indirect, of our Directors, major shareholders and/or persons connected to them but not yet effected up to the date of this Prospectus.

Upon Listing, to safeguard the interest of our Group and our minority shareholders, our Audit and Risk Management Committee will review the terms of related party transactions and ensure that any related party transactions are carried out on an arm's length basis and on terms which are not more favourable to the related parties than those normally agreed with other customers and suppliers, and are not detrimental to our minority shareholders.

In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Directors, the interested Director(s) shall disclose his interest to our Board, of the nature and extent of his interest including all matters in relation to the proposed related party transaction that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) shall also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transaction.

In the event that there are any proposed related party transactions that require the prior approval of our shareholders, our Directors, major shareholders and/or persons connected with them which have any interest, direct or indirect, in the proposed related party transactions will also abstain from voting in respect of their direct and/or indirect shareholdings. Such interested Director and/or major shareholder will also undertake to ensure that persons connected with them, if any, will abstain from voting on the resolution approving the proposed related party transaction at the general meeting.

If the related party transactions are deemed as recurrent related party transactions, our Company 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 recurrent related party transactions during the validity period of the mandate. Related party transactions can be deemed as recurrent, if they are entered into at least once every three years, in the ordinary course of business and are of a revenue or trading nature necessary for the day-to-day operations of our Group.

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

10.2 RELATED PARTY TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

Our Directors have confirmed that there are no related party transactions that are 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.

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

Save as disclosed below, there are no outstanding loans and / or financial assistance (including guarantees of any kind) made by our Group to or for the benefit of the related parties in respect of FYE 2020, FYE 2021, FYE 2022, FPE 2023 and as at the LPD:

			Amount				
			As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2022 RM'000	As at 31 August 2023 RM'000	As at the LPD RM'000
No.	Interested related party and nature of relationship	Nature of transaction and purpose	Total	Total	Total		Total
1.	KVC Corporation is our substantial shareholder.	Our subsidiary, TSA Industries, had previously made unsecured, interest-free advances to its then holding company, KVC Corporation.	5,749	5,749	-(1)	-(1)	-(1)

Note:

(1) The advances were fully repaid by KVC Corporation in January 2022.

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10.4 OUTSTANDING LOANS AND / OR FINANCIAL ASSISTANCE FROM RELATED PARTIES TO OUR GROUP

Save as disclosed below, there are no outstanding loans and/or financial assistance (including guarantees of any kind) received by our Group from any related parties in respect of FYE 2020, FYE 2021, FYE 2022, FPE 2023 and as at the LPD:

			Amount				
			As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2022 RM'000	As at 31 August 2023 RM'000	As at the LPD RM'000
No.	**Interested related party and nature of relationship**	**Nature of transaction and purpose**	**Total**	**Total**	**Total**	**Total**	**Total**
1.	Chew Kuan Fah is our Director, Promoter and substantial shareholder. Chen Khai Voon is our Promoter and substantial shareholder. KVC Corporation is our substantial shareholder.	The following guarantees were given in favour of United Overseas Bank (Malaysia) Bhd for banking facilities of up to RM50,000,000[(1)] and forward foreign exchange contracts facilities of up to RM80,000,000 granted to TSA Industries: (i) Joint and several guarantees by Chew Kuan Fah and Chen Khai Voon; and (ii) Corporate guarantees by KVC Corporation.	94,200	94,200	94,200	94,200	94,200
2.	Chew Kuan Fah is our Director, Promoter and substantial shareholder. Chen Khai Voon is our Promoter and substantial shareholder.	The following guarantees were given in favour of Al Rajhi Banking & Investment Corporation (Malaysia) Bhd for Islamic financing facilities of RM60,000,000 granted to TSA Industries:	30,000	30,000	60,000	60,000	60,000

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

			Amount				
			As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2022 RM'000	As at 31 August 2023 RM'000	As at the LPD RM'000
No.	**Interested related party and nature of relationship**	**Nature of transaction and purpose**	**Total**	**Total**	**Total**	**Total**	**Total**
	KVC Corporation is our substantial shareholder.	(i) Joint and several guarantees by Chew Kuan Fah and Chen Khai Voon; and (ii) Corporate guarantees by KVC Corporation.					
3.	Chew Kuan Fah and Chew Yik Wai are our Directors, Promoters and substantial shareholders. Chen Khai Voon is our Promoter and substantial shareholder. KVC Corporation is our substantial shareholder.	The following guarantees were given in favour of Hong Leong Bank Berhad for banking facilities of up to RM174,900,000 and forward exchange contract facilities of up to RM174,900,000 granted to TSA Industries: (i) Joint and several guarantees by Chew Kuan Fah, Chew Yik Wai and Chen Khai Voon; and (ii) Corporate guarantees by KVC Corporation.	40,500	40,500	52,500	181,442	181,442
4.	Chew Kuan Fah is our Director, Promoter and substantial shareholder.	Chew Kuan Fah has advanced funds to our Company for part payment of the listing expenses.	-	-	235	335	-(2)

10. RELATED PARTY TRANSACTIONS *(Cont'd)*

			Amount				
			As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2022 RM'000	As at 31 August 2023 RM'000	As at the LPD RM'000
No.	**Interested related party and nature of relationship**	**Nature of transaction and purpose**	**Total**	**Total**	**Total**	**Total**	**Total**
5.	Chew Kuan Fah is our Director, Promoter and substantial shareholder.	Chew Kuan Fah has advanced funds to our Company for payment of the stamp duty for the transfer of shares in TSA Industries pursuant to the Acquisition of TSA Industries.	-	-	-	-	-(3)
6.	Chew Kuan Fah is our Director, Promoter and substantial shareholder.	Chew Kuan Fah has advanced funds to our subsidiary, TSA Pipes, for the payment to suppliers, payroll and office expenses.	550	550	550	-(4)	-(4)

Notes:

(1) The banking facilities will be reduced to RM32,000,000 when the existing personal guarantees and corporate guarantees are cancelled and replaced with a corporate guarantee by TSA upon Listing.

(2) The advances were fully repaid by our Company in November 2023.

(3) Chew Kuan Fah has advanced RM395,538 to our Company for payment of the stamp duty for the transfer of shares in TSA Industries pursuant to the Acquisition of TSA Industries. The advances were fully repaid by our Company in November 2023.

(4) The advances were fully repaid by TSA Pipes in February 2023.

In respect of the existing personal guarantees and corporate guarantees as set out above provided to TSA Industries granted in favour of the respective financiers, we have, in conjunction with our Listing, applied to the respective financiers for their approval to discharge the existing personal and corporate guarantees by replacing the same with a corporate guarantee from TSA after our Listing.

As at the LPD, Al Rajhi Banking & Investment Corporation (Malaysia) Bhd, Hong Leong Bank Berhad and United Overseas Bank (Malaysia) Bhd have respectively agreed to discharge the existing personal guarantees and corporate guarantees and for such guarantees to be replaced with a corporate guarantee by TSA upon Listing.

10.5 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.5.1 Audit and Risk Management Committee review

Our Audit and Risk Management Committee reviews related party transactions and conflict of interest situations that may arise within our 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. Our Audit and Risk Management Committee also reviews the procedures set by our Company to monitor related party transactions to ensure the integrity of these transactions, procedures or course of conducts.

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

10.5.2 Our Group's policy on related party transactions

Related party transactions by their very nature, involve conflicts of interest between our Group and the related parties with whom our Group has entered into such transactions. As disclosed in this Prospectus, some of our Directors and/or major shareholders are also directors and in some cases, shareholders of the related parties of our Group, and with respect to these related party transactions, may individually and in aggregate have conflicts of interest. 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 arm's length basis and are based on normal commercial terms which are not more favourable to the related party than those generally available to third parties and are not detrimental to our minority shareholders.

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11. CONFLICT OF INTEREST

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

Save as disclosed below, as at the LPD, our Directors and substantial shareholders do not have any interest, direct or indirect, in any entities which are carrying on a similar trade as that of our Group or which are customers or suppliers of the Group:

No.	Name of company	Nature of transaction	Principal activities	Interested Directors and/or substantial shareholders	Nature of interest
1.	Genetec Technology Berhad ("**Genetec**")	Sale of industrial hardware products to Genetec. Please refer to Section 10.1.1 for details of the related party transaction.	Investment holding and designing and building of customised factory automation equipment and integrated vision inspection systems from conceptual design, development of prototype to mass replication of equipment.	• Chen Khai Voon • KVC Corporation • KVC Properties	• Chen Khai Voon is a major shareholder of Genetec holding 45,688,300 shares (5.9%) and indirectly holds 46,740,200 shares (6.0%) through KVC Corporation. • KVC Corporation is a person connected to Chen Khai Voon, a major shareholder of Genetec, who is our promoter and substantial shareholder (via his direct shareholding in KVC Corporation, which is our substantial shareholder, and indirect shareholding in KVC Properties, which is our promoter and substantial shareholder).
2.	CLT Engineering Sdn Bhd ("**CLT**"), a subsidiary of Genetec	Sale of industrial hardware products to CLT. Please refer to Section 10.1.1 for details of the related party transaction.	Manufacturing of component parts for all kinds of machinery and engineering works.	• Chen Khai Voon • KVC Corporation • KVC Properties	• Chen Khai Voon is a major shareholder of Genetec holding 45,688,300 shares (5.9%) and indirectly holds 46,740,200 shares (6.0%) through KVC Corporation. • KVC Corporation is a person connected to Chen Khai Voon, a major shareholder of Genetec, who is our promoter and substantial shareholder (via his direct shareholding in KVC Corporation, which is our substantial shareholder and indirect shareholding in KVC Properties, which is our promoter

11. CONFLICT OF INTEREST *(Cont'd)*

					and substantial shareholder).
3.	KVC Industrial	Sale and purchase of industrial hardware products to / from KVC Industrial. Please refer to Section 10.1.1 for details of the related party transaction.	Investment holding and sales, marketing, distribution and installation of electrical, electronic, industrial and related products.	• KVC Properties • KVC Corporation • Synergy Cal • Chen Khai Voon • Sa Chee Peng	• Chen Khai Voon and Sa Chee Peng are directors and indirect shareholders of KVC Industrial via their indirect shareholdings in Sonepar Malaysia Sdn Bhd and KVC Properties, which in turn is held by KVC Corporation (51%) and Synergy Cal (49%).

During the Financial Years Under Review, our Group had purchased industrial hardware products from / sold industrial hardware products to Asia Oriental as disclosed in Section 10.1.1 of this Prospectus. Asia Oriental was principally involved in trading in non-ferrous metal and other industrial hardware products, which is in the similar business as our Group. Our Board is of the view that the conflict of interest between our Group and Asia Oriental has been resolved as Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang have resigned as directors of Asia Oriental on 6 April 2022 and Ebest Alliance has disposed of its entire shareholding in Asia Oriental on 10 May 2022. As at the LPD, Chew Kuan Fah, Chew Yik Wai and Ng Kim Liang do not have any direct or indirect interest in Asia Oriental.

The transactions between our Group and Genetec, CLT and KVC Industrial respectively were carried out on arm's length basis and on normal commercial terms which were not more favourable to Genetec, CLT and KVC Industrial respectively than those generally available to third parties.

The Board is of the view that any potential conflict of interest situation which may arise has been mitigated on the basis that any sale and purchase of industrial hardware products between our Group and Genetec, CLT and KVC Industrial respectively will be related party transactions and accordingly, will be subject to compliance of the requirements under the Listing Requirements, including the Board ensuring that any such related party transaction will be carried out on arm's length basis and based on normal commercial terms and will not be more favourable to Genetec, CLT and KVC Industrial respectively than those generally available to third parties.

Our Audit and Risk Management Committee will assess the financial risk and matters relating to any potential conflict of interest situation that may arise within our Group including any transaction, procedure or course of conduct that raises questions of management integrity, to ensure that transactions are carried out in the best interest of our Group.

11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST

11.2.1 Declaration by Principal Adviser

AmInvestment Bank is a wholly-owned subsidiary of AMMB Holdings Berhad. AMMB Holdings Berhad and its group of companies (collectively, "**AmBank Group**") form a diversified financial group and are engaged in a wide range of transactions relating to amongst others, investment banking, commercial banking, private banking, brokerage, securities trading, asset and funds management and credit transaction services businesses. AmBank Group's securities is primarily in the areas of securities underwriting, trading and brokerage activities, foreign exchange, commodities and derivatives trade.

In the ordinary course of their businesses, any member of AmBank Group may at any time extend services to any company, including TSA Group as well as hold long or short positions, and trade or otherwise effect transactions, for its own account or the account of its other clients, in debt or equity securities or senior loans of any company. Accordingly, there may be situations where parts of the AmBank Group and/or its clients now have or in the future, may have interests or take actions that may conflict with the interests of our Group.

As at the date of this Prospectus, the AmBank Group has not extended any credit facility to our Group.

AmInvestment Bank is of the view that its role as the Principal Adviser, Sponsor, Placement Agent and Underwriter is not likely to result in a conflict of interest or potential conflict of interest situation for our IPO due to the following reasons:-

(i) AmBank Group forms a diversified financial group and is engaged in a wide range of transactions as highlighted above. AmInvestment Bank is a licensed investment bank and its appointment as the Principal Adviser, Sponsor, Placement Agent and Underwriter for our IPO is in the ordinary course of business; and

(ii) each of the entities and departments of the AmBank Group are also subject to internal control and checks, which regulate the sharing of information between entities and departments. Additionally, each department and entities within AmBank Group has separate and distinct operations and decisions are made independent of each other. In addition, the conduct of AmInvestment Bank is regulated by Bank Negara Malaysia.

AmInvestment Bank confirms that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Placement Agent and Underwriter for our IPO.

11.2.2 Declaration by Crowe Malaysia PLT

Crowe Malaysia PLT confirms that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants for our IPO.

11.2.3 Declaration by Cheang & Ariff

Cheang & Ariff confirms that there is no existing or potential conflict of interest in its capacity as the Solicitors for our IPO.

11.2.4 Declaration by Vital Factor

Vital Factor confirms that there is no existing or potential conflict of interest in its capacity as the Independent Business and Market Research Consultants for our IPO.

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The historical financial information for FYEs 31 December 2020, 31 December 2021 and 31 December 2022 and FPEs 31 August 2022 and 31 August 2023 presented below have been extracted from the Accountant's Report in Section 13 of this Prospectus. Our historical combined financial statement for FYE 31 December 2022 and FPE 31 August 2023 and consolidated financial statements for FYEs 31 December 2020 and 31 December 2021 have been prepared in accordance with MFRS and IFRS.

The following selected historical combined and consolidated financial information should be read in conjunction with "Management's discussion and analysis of financial condition and results of operations" in Section 12.3 of this Prospectus together with the Accountant's Report in Section 13 of this Prospectus.

12.1.1 Historical combined and consolidated statements of profit or loss and other comprehensive income

	Audited			Unaudited	Audited
	FYE 31 December			FPE 31 August	
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Revenue	234,628	302,693	357,271	248,393	220,339
Cost of sales	(186,680)	(216,283)	(277,507)	(185,800)	(179,156)
Gross Profit	**47,948**	**86,410**	**79,764**	**62,593**	**41,183**
Other income	2,633	1,239	7,549	5,022	4,079
	50,581	**87,649**	**87,313**	**67,615**	**45,262**
Administrative expenses	(10,504)	(12,443)	(19,133)	(11,677)	(13,650)
Distribution expenses	(10,797)	(15,632)	(16,292)	(11,616)	(8,742)
Other expenses	(1,962)	(2,725)	(3,952)	(2,339)	(4,762)
Finance costs	(1,582)	(1,577)	(2,408)	(1,041)	(2,926)
Net (impairment losses)/reversal of impairment losses on financial assets	(10,520)	(2,720)	4,598	(603)	(49)
PBT from continuing operations	**15,216**	**52,552**	**50,126**	**40,339**	**15,133**
Income tax expense	(10,013)	(12,268)	(9,467)	(8,507)	(4,467)
PAT from continuing operations	**5,203**	**40,284**	**40,659**	**31,832**	**10,666**
Discontinued operation					
LAT from discontinued operations	(172)	(1,311)	(516)	(516)	-
PAT	**5,031**	**38,973**	**40,143**	**31,316**	**10,666**

	Audited			Unaudited	Audited
	FYE 31 December			FPE 31 August	
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Other comprehensive income					
Item that will be reclassified subsequently to profit or loss					
Foreign currency translation differences	4	74	488	286	586
Total comprehensive income for the financial year	**5,035**	**39,047**	**40,631**	**31,602**	**11,252**
PAT/(LAT) attributable to					
Owners of our Company:-					
- Continuing operations	4,906	39,459	39,848	31,172	10,102
- Discontinuing operations	(172)	(1,311)	(516)	(516)	-
Non-controlling interests:-					
- Continuing operations	297	825	811	660	564
- Discontinuing operations	-	-	-	-	-
	5,031	**38,973**	**40,143**	**31,316**	**10,666**
Total comprehensive income/(expenses) attributable to					
Owners of our Company:-					
Continuing operations	4,909	39,518	40,238	31,401	10,571
Discontinuing operations	(172)	(1,311)	(516)	(516)	-
Non-controlling interests:-					
Continuing operations	298	840	909	717	681
Discontinuing operations	-	-	-	-	-
	5,035	**39,047**	**40,631**	**31,602**	**11,252**
Selected financial data					
GP margin (%) [(1)]	20.4	28.5	22.3	25.2	18.7
PBT margin (%) [(2)]	6.5	17.4	14.0	16.2	6.9
PAT margin (%) [(3)]	2.2	13.3	11.4	12.8	4.8
EBITDA (RM'000) [(4)]	19,274	56,462	54,472	42,714	19,825
Basic and diluted EPS (RM) [(5)]	0.98	7.89	7.97	6.23	2.02

Notes:-

(1) GP margin is calculated based on GP over revenue for the continuing operations of our Group for the respective financial year or financial period.

(2) PBT margin is calculated based on PBT over revenue for the continuing operations of our Group for the respective financial year or financial period.

(3) PAT margin is calculated based on PAT over revenue for the continuing operations of our Group for the respective financial year or financial period.

(4) EBITDA are calculated as follows:-

	Audited			Unaudited	Audited
	FYE 31 December			FPE 31 August	
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Continuing operations					
PAT	5,203	40,284	40,659	31,832	10,666
Less:					
Finance income	(440)	(722)	(607)	(390)	(338)
Add:					
Finance costs	1,582	1,577	2,408	1,041	2,926
Taxation	10,013	12,268	9,467	8,507	4,467
Depreciation	2,916	3,055	2,545	1,724	2,104
Amortisation	-	-	-	-	-
EBITDA	**19,274**	**56,462**	**54,472**	**42,714**	**19,825**

(5) Calculated based on PAT attributable to owners of our Company from continuing operations divided by our weighted average number of Shares for the respective financial year or financial period.

12.1.2 Historical combined and consolidated statements of financial position

The following table sets out our combined and consolidated statements of financial position during the Financial Years and Period Under Review which have been extracted from the Accountant's Report.

	Audited			Audited
	FYE 31 December			FPE 31 August
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Investment in an associate	-	-	-	-
Property, plant and equipment	24,918	23,947	(1) 34,545	40,555
Investment properties	-	-	-	-
Right-of-use assets	528	540	(2) 13,669	16,042
Net investment in a lease	24	-	-	-
Deferred tax assets	-	-	1,355	986
Total non-current assets	**25,470**	**24,487**	**49,569**	**57,583**
Current assets				
Inventories	63,151	79,027	82,627	83,911
Net investment in a lease	136	24	-	-
Trade receivables	56,197	64,704	61,294	70,541
Other receivables, deposits and prepayments	7,046	11,692	15,796	10,758
Amount owing by ultimate holding company	5,749	5,749	-	-
Amount owing by a related company	-	-	-	-
Amount owing by related parties	1,609	1,268	112	92
Current tax assets	1	1	1	1,643
Derivative assets	-	-	-	1,077
Fixed deposit with a licensed bank	530	537	544	544
Cash and bank balances	37,429	61,170	31,423	31,788
Total current assets	171,848	224,172	191,797	200,354
Assets of disposal group classified as held for sale	12,290	11,994	-	-
	184,138	**236,166**	**191,797**	**200,354**
Total assets	**209,608**	**260,653**	**241,366**	**257,937**

	Audited			Audited
	FYE 31 December			FPE 31 August
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Equity				
Share capital	5,000	5,000	5,000	5,000
Reserves	114,800	118,007	142,729	133,300
Equity attributable to owners of our Company	119,800	123,007	147,729	138,300
Non-controlling interests	1,258	1,785	2,310	2,991
Total equity	**121,058**	**124,792**	**150,039**	**141,291**
Non-current liabilities				
Lease liabilities	89	319	265	1,744
Borrowings	445	585	10,655	9,740
Deferred tax liabilities	1,400	1,400	1,350	1,350
Total non-current liabilities	**1,934**	**2,304**	**12,270**	**12,834**
Current liabilities				
Trade payables	17,952	12,899	13,100	8,266
Other payables and accruals	4,338	(3) 8,415	8,452	6,670
Amount owing to directors	705	550	1,179	335
Current tax liabilities	5,403	7,548	1,815	700
Lease liabilities	628	280	420	1,455
Borrowings	55,466	68,831	54,091	86,386
Dividends payable	2,000	35,000	-	-
Total current liabilities	**86,492**	**133,523**	**79,057**	**103,812**
Liabilities of disposal group classified as held for sale	124	34	-	-
Total liabilities	**88,550**	**135,861**	**91,327**	**116,646**
Total equity and liabilities	**209,608**	**260,653**	**241,366**	**257,937**

Notes:-

(1) The increase of the property, plant and equipment to RM34.6 million in FYE 2022 (FYE 2021 : RM23.9 million) was mainly due to the increase in capital work-in-progress of RM10.5 million in relation to the purchase of one stainless steel cold rolling line and one annealing furnace for the Semenyih Manufacturing Plant.

(2) The increase of the right-of-use assets to RM13.7 million in FYE 2022 (FYE 2021 : RM0.5 million) was mainly due to the acquisition of the Semenyih Land.

(3) The increase in other payables and accruals to RM8.4 million in FYE 2021 (FYE 2020 : RM4.3 million) was mainly due to increase in accrual for sales incentives of RM2.5 million, accrual for bonus of RM0.5 million and accrual for sales commission of RM0.1 million and increase in advances from customers of RM0.6 million.

12.2 CAPITALISATION AND INDEBTEDNESS

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

(i) as at 31 October 2023, before our Public Issue and use of proceeds; and

(ii) after adjusting for the proceeds arising from our Public Issue and use of proceeds from our Public Issue

		(I)	(III)
	(Unaudited) As at 31 October 2023	**After Public Issue**	**After (I) and use of proceeds**
Indebtedness	**RM'000**	**RM'000**	**RM'000**
Current			
Secured and guaranteed:			
Borrowings:-			
Term loans	1,219	1,219	1,219
Hire purchase payables	224	224	224
Onshore foreign currency loan	49,711	49,711	39,711
Structured and trade commodity financing	14,567	14,567	9,567
Banker's acceptances	7,598	7,598	2,598
Unsecured and unguaranteed			
Lease liabilities	1,442	1,442	1,442
	74,761	74,761	54,761
Non-current			
Secured and guaranteed:			
Borrowings:-			
Term loans	9,627	9,627	9,627
Hire purchase payables	394	394	394

12. FINANCIAL INFORMATION *(Cont'd)*

		(I)	(III)
	(Unaudited) As at 31 October 2023	After Public Issue	After (I) and use of proceeds
Indebtedness	**RM'000**	**RM'000**	**RM'000**
Unsecured and unguaranteed			
Lease liabilities	1,547	1,547	1,547
	11,568	11,568	11,568
Total indebtedness	**86,329**	**86,329**	**66,329**
Capitalisation			
Share capital	120,000	162,529	160,729
Translation reserve	1,462	1,462	1,462
Reorganisation deficit	(115,000)	(115,000)	(115,000)
Retained profits	129,604	129,604	126,304
Equity attributable to owners of the Company	136,066	178,595	173,495
Total capitalisation and indebtedness	**222,395**	**264,924**	**239,824**
Gearing ratio (1)	0.63	0.48	0.38

Note:-

(1) Calculated based on total indebtedness over our Equity attributable to owners of the Company.

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

The following discussion and analysis of our financial condition and results of operations should be read together with the Accountant's Report and related notes set out in Section 13 of this Prospectus.

12.3.1 Overview of our business operations

Our principal business activities are trading, manufacturing and processing of metal products, mainly stainless steel. Our largest revenue contributor is trading in rolled metal products such as plates, bars and coils mainly of stainless steel and also other metals such as copper, aluminium, brass, bronze, lead, carbon steel and other metals as well as pipes, channels and angles mainly of stainless steel, and hardware and other products. This is followed by manufacturing of stainless steel pipes, and processing of stainless steel plates and bars carrying out slitting, polishing and perforation activities. We have operating subsidiaries in Malaysia and Singapore which are our principal markets.

Please refer to Section 7 of this Prospectus for further information on our business operations.

12.3.2 Revenue

Overview of our revenue

Our main revenue streams are trading, manufacturing and processing of metal products, mainly stainless steel. Our trading and processing are focused on rolled products such as plates, bars and coils, as well as pipes and channels and angles, while our manufacturing is for stainless steel pipes.

Our total revenue increased by RM68.1 million, or 29.0% to RM302.7 million in FYE 2021 and further increased by RM54.6 million, or 18.0% to RM357.3 million in FYE 2022. For FPE 2023, our total revenue decreased by RM28.1 million, or 11.3% compared to FPE 2022. Trading segment was our largest revenue contributor having accounted for 66.5%, 64.9%, 61.4% and 62.7% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Our second largest revenue contributor was the manufacturing segment which accounted for 27.5%, 28.6%, 31.2% and 30.0% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. Processing, our other segment of revenue stream, accounted for 6.0%, 6.5%, 7.4% and 7.3% of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Method of recognising revenue

Our Group recognises revenue when (or as) we transfer control over a product or service to the customer. An asset is transferred when (or as) the customer obtains control of that asset. We transfer control of a good or service at a point in time, unless one of the following over-time criteria is met:

- The customer simultaneously receives and consumes the benefits provided;
- Our performance creates or enhances an asset that the customer controls as the asset is created or enhanced; and
- Our performance does not create an asset with alternative use and we have an enforceable right to payment for performance completed to date.

Following the delivery of the products to the customer, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only then passage of time is required before the payment is due.

We have operations in Malaysia and Singapore. All the products that sold to our customers in Malaysia are transacted in RM while products that exported to foreign countries are mainly transacted in USD. Materials purchased from suppliers in Malaysia are transacted in RM while materials purchased from suppliers from other countries are mainly transacted in USD. Products sold to our customers by TSA Singapore are transacted in SGD. The transactions recognised in TSA Singapore's accounting system and financial statements are denominated in SGD.

The foreign currency exchange rates used in our Group's combined and consolidated financial statements to translate amounts denominated in foreign currencies to RM are stated in the following table:

	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
Average exchange rate relative to SGD1.00 (1)	RM3.0909	RM3.1279	RM3.1968	RM3.1541	RM3.3609
Change in the value of RM relative to SGD compared to the previous FYE / FPE*	0.5%	1.2%	2.2%	2.1%	6.6%
Closing exchange rate relative to SGD1.00 (2)	RM3.0960	RM3.1310	RM3.2819	RM3.2107	RM3.4316
Change in the value of RM relative to SGD compared to the previous FYE / FPE *	0.6%	1.1%	4.8%	3.7%	6.9%
Closing exchange rate relative to USD1.00 (2)	RM4.0130	RM4.1760	RM4.4130	RM4.4845	RM4.6455
Change in the value of RM relative to USD compared to the previous FYE / FPE *	(1.9%)	4.1%	5.7%	7.6%	3.6%

** A positive change in value indicates that the value of the RM depreciated relative to the SGD or USD, while a negative change in value indicates that the value of the RM appreciated relative to the SGD or USD.*

Notes:

(1) Average exchange rate used for combined and consolidated statements of profit or loss and other comprehensive income.

(2) Closing exchange rate used for combined and consolidated statements of financial position and cash flow.

Revenue Segmentation by Business Activities

	FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%***	**RM'000**	**%***	**RM'000**	**%***
Trading of metal and other products	**156,171**	**66.5**	**196,401**	**64.9**	**219,362**	**61.4**
Rolled metal products (1)	111,054	47.3	152,135	50.3	179,321	50.2
Pipes (2)	31,871	13.6	28,455	9.4	23,036	6.4
Channels and angles (3)	4,932	2.1	5,995	2.0	7,717	2.2
Hardware and others (4)	8,314	3.5	9,816	3.2	9,288	2.6
Manufacturing of stainless steel pipes	**64,461**	**27.5**	**86,676**	**28.6**	**111,576**	**31.2**
Processing of stainless steel products	**13,996**	**6.0**	**19,616**	**6.5**	**26,333**	**7.4**
Total Revenue	**234,628**	**100.0**	**302,693**	**100.0**	**357,271**	**100.0**

	FPE 2022		FPE 2023	
	RM'000	**%***	**RM'000**	**%***
Trading of metal and other products	**155,243**	**62.5**	**138,051**	**62.7**
Rolled metal products [(1)]	126,833	51.1	117,641	53.4
Pipes [(2)]	18,657	7.5	11,598	5.3
Channels and angles [(3)]	5,156	2.1	5,460	2.5
Hardware and others [(4)]	4,597	1.8	3,352	1.5
Manufacturing of stainless steel pipes	**75,449**	**30.4**	**66,131**	**30.0**
Processing of stainless steel products	**17,701**	**7.1**	**16,157**	**7.3**
Total Revenue	**248,393**	**100.0**	**220,339**	**100.0**

** As a percentage of total revenue.*

Notes:

(1) Refers to plates, bars and coils, mainly of stainless steel and also other metals such as copper, aluminium, brass, bronze, lead and carbon steel.

(2) Mainly stainless steel, while the rest includes carbon steel, aluminium, bronze, brass and copper.

(3) Mainly stainless steel. Other metals include aluminium, bronze, copper, brass, carbon steel and other metals.

(4) Including, among others, engineered plastics, household and industrial cleaning chemicals, ironmongeries, busbar components and switchboard components.

Quantity Sold and Average Selling Price

The quantity sold and average selling price per tonne of specific product categories under of trading business activity, and of our manufacturing and processing businesses for the Financial Years and Period Under Review is as follows:

	FYE 2020		FYE 2021		FYE 2022	
	Quantity (Tonne)	**ASP (RM'000/ tonne)**	**Quantity (Tonne)**	**ASP (RM'000/ tonne)**	**Quantity (Tonne)**	**ASP (RM'000/ tonne)**
Trading of metal and other products						
Rolled metal products [(1)]	9,123	12.2	9,839	15.5	9,302	19.3
Pipes [(2)]	3,326	9.6	2,630	10.8	972[(4)]	23.7[(5)]
Channels and angles [(3)]	367	13.4	380	15.8	422	18.3
Manufacturing of stainless steel pipes	5,228	12.3	5,539	15.6	6,115	18.2
Processing of stainless steel products	1,307	10.7	1,397	14.0	1,645	16.0

12. FINANCIAL INFORMATION *(Cont'd)*

	FPE 2022		FPE 2023	
	Quantity (Tonne)	ASP (RM'000/ tonne)	Quantity (Tonne)	ASP (RM'000/ tonne)
Trading of metal and other products				
Rolled metal products (1)	6,418	19.8	6,657	17.7
Pipes (2)	924	20.2	567	20.5(6)
Channels and angles (3)	275	18.7	305	17.9
Manufacturing of stainless steel pipes	4,013	18.8	4,158	15.9
Processing of stainless steel products	1,062	16.7	1,156	14.0

ASP = Average selling price per tonne. The average prices are blended estimates as each category comprises different types of metals and products.

Notes:

(1) Refers to plates, bars and coils, mainly of stainless steel and also other metals such as copper, aluminium, brass, bronze, lead and carbon steel.

(2) Mainly stainless steel, while the rest includes carbon steel, aluminium, bronze, brass and copper.

(3) Mainly stainless steel. Other metals include aluminium, bronze, copper, brass, carbon steel and other metals.

(4) The quantity sold of traded pipes decreased in FYE 2022 mainly contributed by a reduction in purchases of traded stainless steel pipes by Customer A, a major customer in Thailand, from 2,328 tonnes in FYE 2021 to 664 tonnes in FYE 2022.

(5) In FYE 2022, the following factors contributed to the increase in ASP of traded pipes and to the ASP of traded pipes being higher than ASP of manufactured pipes:

a. The quantity sold to Customer A, a major customer in Thailand decreased from 2,328 tonnes in FYE 2021 to 664 tonnes in FYE 2022. The ASP of traded stainless steel pipes sold to this customer was approximately RM7,700 per tonne in FYE 2021 and approximately RM12,400 per tonne in FYE 2022, which was lower than the overall average of traded pipes as a whole. The decrease in the quantity of relatively low ASP products sold to this customer contributed towards the increase in overall ASP of traded pipes.

b. During FYE 2022, we sold 22 tonnes of titanium-coated stainless steel pipes and other profiles (FYE 2021: none) which had ASP of approximately RM91,300 per tonne. This also contributed towards the increase in overall ASP of traded pipes.

(6) In FPE 2023, the following factor contributed to the increase in ASP of traded pipes and to the ASP of traded pipes being higher than ASP of manufactured pipes:

a. Customer A, a major customer in Thailand did not purchase traded stainless steel pipes from us in FPE 2023 (the quantity sold to this customer in FPE 2022: 611 tonnes). In FPE 2022, we sold grade 304 and grade 201 traded stainless steel pipes to Customer A, whereby the quantity and ASP of traded stainless steel pipes were 375 tonnes and approximately RM15,100 per tonne respectively for grade 304, and 236 tonnes and approximately RM8,500 per tonne respectively for grade 201. The overall ASP of traded stainless steel pipes sold to this customer was approximately RM12,500 per tonne in FPE 2022, which was lower compared to the average of traded pipes as a whole. As we did not sell relatively low ASP products to this customer in FPE 2023, this contributed towards the increase in overall ASP of traded pipes.

Revenue Segmentation by Geographical Markets

	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Malaysia	**181,967**	**77.6**	**239,719**	**79.2**	**293,635**	**82.2**
Foreign countries	**52,661**	**22.4**	**62,974**	**20.8**	**63,636**	**17.8**
Singapore [(1)]	19,355	8.2	30,159	10.0	39,624	11.1
Thailand [(2)]	20,334	8.7	19,964	6.6	10,147[(3)]	2.8
Other countries	12,972[(4)]	5.5	12,851[(5)]	4.2	13,865[(6)]	3.9
Total Revenue	**234,628**	**100.0**	**302,693**	**100.0**	**357,271**	**100.0**

	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Malaysia	**202,143**	**81.4**	**178,454**	**81.0**
Foreign countries	**46,250**	**18.6**	**41,885**	**19.0**
Singapore [(1)]	27,119	10.9	32,708[(7)]	14.8
Thailand [(2)]	8,837	3.6	2,473	1.1
Other countries	10,294[(8)]	4.1	6,704[(9)]	3.1
Total Revenue	**248,393**	**100.0**	**220,339**	**100.0**

** As a percentage of total revenue.*

Notes:

(1) This refers mainly to revenue from sales to customers in Singapore by our subsidiary, TSA Singapore.
(2) Thailand is an export market for our Group.
(3) Revenue from Thailand decreased in FYE 2022 as sales of traded stainless steel pipes to Customer A, a major customer in Thailand decreased.
(4) For FYE 2020, other countries of export included Australia, Bangladesh, Brazil, France, India, Indonesia, Kazakhstan, Maldives, Myanmar, New Zealand, Saint Lucia and Sri Lanka. Each of these countries of export did not contribute to more than 5.0% of our Group's total revenue in FYE 2020.
(5) For FYE 2021, other countries of export included Bangladesh, China, France, India, Indonesia, Maldives, New Zealand and Sri Lanka.
(6) For FYE 2022, other countries of export included Bangladesh, Brunei, France, India, Indonesia, Maldives, New Zealand, Sri Lanka and the United Kingdom.
(7) Revenue from Singapore increased in FPE 2023 due to increased sales of stainless steel products to two major customers in Singapore, namely Customer G and Customer H.
(8) For FPE 2022, other countries of export included Bangladesh, France, India, Indonesia, Maldives, New Zealand, Sri Lanka and the United Kingdom.
(9) For FPE 2023, other countries of export included Australia, Bangladesh, France, Indonesia, Maldives, New Zealand, the Philippines, Sri Lanka and the United Kingdom.

(i) FYE 2021 compared to FYE 2020

Our total revenue increased by RM68.1 million or 29.0% from RM234.6 million in FYE 2020 to RM302.7 million in FYE 2021. This was mainly due to the increase in revenue from trading, manufacturing and processing segments, which increased by RM40.2 million, RM22.2 million, and RM5.6 million respectively in FYE 2021.

(a) Trading of metal and other products

In FYE 2021, revenue from our trading of metal and other products segment increased by RM40.2 million, or 25.8%, from RM156.2 million in FYE 2020 to RM196.4 million in FYE 2021. This was mainly attributed to the increase in revenue from trading of rolled metal products, where revenue increased by RM41.1 million, or 37.0% to RM152.1 million in FYE 2021 as set out below:

- Revenue from stainless steel plates increased by RM30.5 million or 43.7%, to RM100.3 million in FYE 2021 which was attributed to the increase in quantity sold by 767 tonnes or 11.3% to 7,579 tonnes in FYE 2021.
- Revenue from stainless steel bars increased by RM5.1 million or 37.9%, to RM18.7 million in FYE 2021 as quantity sold increased by 166 tonnes or 18.4% to 1,066 tonnes in FYE 2021.
- Revenue from copper bars and plates increased by RM4.6 million or 30.6%, to RM19.6 million in FYE 2021. This was due to the increase in the ASP of trading of copper bars and plates by 37.2% in FYE 2021, which increased from approximately RM36,800 per tonne in FYE 2020 to approximately RM50,500 per tonne in FYE 2021. Meanwhile, quantity sold decreased by 20 tonnes or 4.9% to 388 tonnes in FYE 2021.

Revenue from trading of stainless steel channels and angles also increased by RM1.1 million, or 21.6% from RM4.9 million in FYE 2020 to RM6.0 million in FYE 2021. The quantity of stainless steel channels and angles traded increased by 13 tonnes or 3.5% to 380 tonnes in FYE 2021. In addition, revenue from trading of hardware and other products increased by RM1.5 million, or 18.1% to RM9.8 million in FYE 2021.

In general, the increase in the quantities of traded stainless steel plates, bars, channels and angles, and traded copper bars and plates in FYE 2021 as compared to FYE 2020 was contributed by higher demand as the COVID-19 situation gradually improved.

In addition to the increase in the quantity of stainless steel plates, bars, channels and angles sold, our ASP for the trading of stainless steel products also increased by approximately RM2,800 per tonne, or 28.3% from approximately RM9,900 per tonne in FYE 2020 to approximately RM12,700 per tonne in FYE 2021.

These increases were partially offset by the decrease in revenue from trading of pipes by RM3.4 million, or 10.7%, from RM31.9 million in FYE 2020 to RM28.5 million in FYE 2021 attributed to a decrease in the quantity of pipes sold by 696 tonnes, or 20.9% to 2,630 tonnes in FYE 2021.

(b) Manufacturing of stainless steel pipes

Our revenue from the manufacturing of stainless steel pipes segment in FYE 2021 increased by RM22.2 million, or 34.5%, from RM64.5 million in FYE 2020 to RM86.7 million in FYE 2021. This was mainly attributed to the following:

- increase in revenue for the manufacturing of grade 304 stainless steel pipes by RM21.3 million, or 36.3% from RM58.8 million in FYE 2020 to RM80.1 million in FYE 2021. This was also reflected in the quantity sold which increased by 349 tonnes, or 7.4% from 4,739 tonnes in FYE 2020 to 5,088 tonnes in FYE 2021.
- increase in revenue for other grades of stainless steel pipes by RM0.8 million or 15.0% to RM6.5 million in FYE 2021 despite a decrease in quantity sold by 38 tonnes, or 7.8% from 489 tonnes in FYE 2020 to 451 tonnes in FYE 2021.

In addition, the increase in our revenue was contributed by the increase in our average selling price for manufactured stainless steel pipes by approximately RM3,300 per tonne, or 26.8% from approximately RM12,300 per tonne in FYE 2020 to approximately RM15,600 per tonne in FYE 2021 on the back of Asian stainless steel prices in FYE 2021.

(c) Processing of stainless steel products

Revenue from the processing of stainless steel products increased by RM5.6 million, or 40.2%, from RM14.0 million in FYE 2020 to RM19.6 million in FYE 2021. This was mainly contributed by the polishing of stainless steel plates, where revenue increased by RM3.3 million, or 42.5%, from RM8.0 million in FYE 2020 to RM11.3 million in FYE 2021 (contributed by increases in both ASP and quantity sold), as well as the cutting of stainless steel bars where revenue increased by RM1.9 million, or 41.6%, from RM4.6 million in FYE 2020 to RM6.5 million in FYE 2021 (contributed by increase in both ASP and quantity sold).

(ii) <u>FYE 2022 compared to FYE 2021</u>

Our total revenue increased by RM54.6 million, or 18.0% from RM302.7 million in FYE 2021 to RM357.3 million in FYE 2022. The increase was mainly from the manufacturing segment where revenue increased by RM24.9 million followed by trading where revenue increased by RM23.0 million, while revenue from processing increased by RM6.7 million in FYE 2022.

(a) Trading of metal and other products

Our revenue from trading of metal and other products segment increased by RM23.0 million, or 11.7% from RM196.4 million in FYE 2021 to RM219.4 million in FYE 2022. The increase was mainly contributed by trading of rolled metal products where revenue increased by RM27.2 million, or 17.9% from RM152.1 million in FYE 2021 to RM179.3 million in FYE 2022 as set out below:

- Revenue from stainless steel plates increased by RM15.1 million, or 15.1% to RM115.4 million in FYE 2022 as the ASP in FYE 2022 increased by approximately RM3,400 per tonne or 25.8% to approximately RM16,600 per tonne in FYE 2022. Meanwhile, the quantity sold decreased by 645 tonnes or 8.5% to 6,934 tonnes in FYE 2022;

- Revenue from stainless steel bars increased by RM4.7 million or 25.0%, to RM23.4 million in FYE 2022 and this was reflected in the quantity sold which increased by 56 tonnes or 5.3% to 1,122 tonnes in FYE 2022 while the ASP increased by approximately RM3,300 per tonne or 18.8% to approximately RM20,900 per tonne in FYE 2022 on the back of higher Asian stainless steel prices in USD;

- Revenue from copper bars and plates increased by RM4.0 million, or 20.6% to RM23.6 million in FYE 2022 as quantity sold of copper bars and plates increased by 77 tonnes or 19.8% to 465 tonnes in FYE 2022. Meanwhile, the ASP of these products increased by approximately RM300 per tonne or 0.6% to approximately RM50,800 per tonne in FYE 2022; and

- Revenue from trading aluminium plates, bars and coils increased by RM2.6 million, or 44.1% to RM8.5 million in FYE 2022 due to the increase in the quantity sold by 32 tonnes or 9.3% to 377 tonnes in FYE 2022 and the ASP increased by approximately RM5,500 per tonne or 32.0% to approximately RM22,700 per tonne in FYE 2022.

In addition, revenue from trading of stainless steel channels and angles increased by RM1.7 million, or 28.7% from RM6.0 million in FYE 2021 to RM7.7 million in FYE 2022 and this was reflected in the quantity of stainless steel channels and angles sold which increased by 42 tonnes, or 11.1% to 422 tonnes in FYE 2022, coupled with the increase in ASP by approximately RM2,500 per tonne, or 15.8% to approximately RM18,300 per tonne in FYE 2022.

The increase in revenue from trading of rolled metal products and channels and angles was partially offset by the decrease in revenue from trading of pipes by RM5.4 million, or 19.0% from RM28.5 million in FYE 2021 to RM23.0 million in FYE 2022. This was mainly contributed by the decrease in the revenue for stainless steel pipes and tubes by RM8.5 million, or 37.8% from

RM22.7 million in FYE 2021 to RM14.2 million in FYE 2022 due to lower demand as reflected in the decrease in the quantity sold by 1,669 tonnes or 64.4% to 924 tonnes in FYE 2022.

In addition, revenue from the trading of hardware and other products decreased by RM0.5 million, or 5.4% from RM9.8 million in FYE 2021 to RM9.3 million in FYE 2022, mainly contributed by the decrease in revenue from the sales of switchboard components and engineered plastics.

(b) Manufacturing of stainless steel pipes

In FYE 2022, our revenue from the manufacturing stainless steel pipes segment increased by RM24.9 million, or 28.7% from RM86.7 million in FYE 2021 to RM111.6 million in FYE 2022. This was mainly contributed by an increase in revenue of RM23.4 million, or 29.1% from the manufacturing of grade 304 stainless steel pipes from RM80.1 million in FYE 2021 to RM103.5 million in FYE 2022. This was reflected in the increase in the quantity sold by 589 tonnes, or 11.6% to 5,677 tonnes coupled with the increase in the ASP by approximately RM2,600 per tonne, or 16.7% to approximately RM18,200 per tonne in FYE 2022.

In addition, revenue from the manufacturing of other grades of stainless steel pipes increased by RM1.6 million, or 24.0% from RM6.5 million in FYE 2021 to RM8.1 million in FYE 2022 despite a decrease in the quantity sold by 13 tonnes, or 2.9% to 438 tonnes in FYE 2022. This was due to the increase in the ASP of manufactured stainless steel pipes by approximately RM4,000 per tonne, or 27.6% to approximately RM18,500 per tonne in FYE 2022.

(c) Processing of stainless steel products

Our revenue from processing stainless steel products increased by RM6.7 million, or 34.2% from RM19.6 million in FYE 2021 to RM26.3 million in FYE 2022, with higher revenue from all processing activities. The largest contribution was from polishing stainless steel plates where revenue increased by RM4.4 million, or 38.5% from RM11.3 million in FYE 2021 to RM15.7 million in FYE 2022.

In addition, revenue from cutting of stainless steel bars increased by RM2.0 million, or 30.8% from RM6.5 million in FYE 2021 to RM8.5 million in FYE 2022, while revenue from perforating stainless steel plates increased by RM0.3 million, or 19.5% from RM1.8 million in FYE 2021 to RM2.1 million in FYE 2022. The increases in revenue from all processing activities was contributed by the increase in quantity sold and ASP of the respective activities.

(iii) <u>FPE 2023 compared to FPE 2022</u>

Our total revenue decreased by RM28.1 million, or 11.3% from RM248.4 million in FPE 2022 to RM220.3 million in FPE 2023. The decrease in our total revenue was attributed to a decrease in revenue for all our business activities except for the trading of channels and angles. The top three largest decreases in revenue were from the manufacturing of stainless steel pipes (decreased by RM9.3 million), trading of rolled metal products (decreased by RM9.2 million) and trading of pipes (decreased by RM7.1 million).

The decrease in revenue was mainly attributed to a decrease in the ASP of all our product categories except for the trading of pipes. However, while the ASP of the trading of pipes increased by approximately RM300 per tonne or 1.5%, the quantity sold decreased by 357 tonnes or 38.6%.

(a) Trading of metal and other products

Revenue from our trading of metal and other products segment for FPE 2023 decreased by RM17.2 million, or 11.1% to RM138.1 million (FPE 2022: RM155.2 million). This was mainly contributed by the following:

- decrease in revenue from trading of rolled metal products where revenue decreased by RM9.2 million, or 7.2% to RM117.6 million as set out below:

  - revenue from stainless steel plates decreased by RM11.2 million or 13.6%, to RM71.1 million in FPE 2023. This was due to the decrease in ASP of trading stainless steel plates by 16.1%, which decreased from approximately RM17,400 per tonne for FPE 2022 to approximately RM14,600 per tonne in FPE 2023. However, the quantity sold increased by 138 tonnes or 2.9% to 4,868 tonnes for FPE 2023;
  - revenue from trading of stainless steel bars decreased by RM1.2 million, or 7.4% to RM15.3 million in FPE 2023 as ASP decreased by 8.9% from approximately RM21,300 per tonne for FPE 2022 to approximately RM19,400 per tonne for FPE 2023; and
  - revenue from trading of aluminium plates decreased by RM0.8 million, or 14.8% to RM4.8 million in FPE 2023 as ASP decreased by 12.9% from approximately RM22,500 per tonne in FPE 2022 to approximately RM19,600 per tonne in FPE 2023.

  These were partially moderated by increase in revenue from copper plates and bars by RM4.6 million to RM20.7 million in FPE 2023 (FPE 2022: RM16.1 million). This was due to an increase in quantity sold by 111 tonnes to 418 tonnes. This was partially moderated by decrease in ASP by approximately RM8,700 per tonne (decreased by 11.2%) and RM2,900 per tonne (decreased by 5.6%) for copper plates and bars, respectively, resulting in ASP of approximately RM69,300 per tonne and RM48,900 per tonne, respectively.

- revenue from trading of pipes decreased by RM7.1 million, or 37.8% to RM11.6 million in FPE 2023 (FPE 2022: RM18.7 million). This was due to the decrease in trading of stainless steel pipes by RM6.4 million, mainly contributed by the decrease in revenue from grade 304 stainless steel pipes by RM4.7 million to RM4.3 million in FPE 2023 (FPE 2022: RM9.0 million) as Customer A, one of our major customers did not make any purchases of traded grade 304 stainless steel pipes in FPE 2023 (FPE 2022: RM5.7 million). The overall quantity of traded grade 304 stainless steel pipes sold decreased by 331 tonnes to 205 tonnes in FPE 2023 (FPE 2022: 536 tonnes*), while the overall ASP increased by 25.6% from approximately RM16,800 per tonne* in FPE 2022 to approximately RM21,100 per tonne in FPE 2023. In addition, there was an absence of sales from Customer A, one of our major customers, of traded grade 201 stainless steel pipes in FPE 2023 (FPE 2022: RM2.0 million).

  Note: * For traded grade 304 stainless steel pipes in FPE 2022, the quantity sold and ASP to Customer A was 375 tonnes and approximately RM15,100 per tonne respectively, while the quantity sold and ASP to other customers was 161 tonnes and approximately RM20,700 per tonne respectively.

The decline in revenue from trading of rolled metal products and pipes was partially moderated by the increase in revenue from trading of channels and angles by RM0.3 million, or 5.9% to RM5.5 million in FPE 2023. The increase in revenue was mainly contributed by an increase in the quantity of traded channels and angles by 30 tonnes, or 10.9% to 305 tonnes. However, the ASP decreased by approximately RM800 per tonne, or 4.3% to approximately RM17,900 per tonne in FPE 2023.

The decreases in ASP of traded stainless steel plates, bars and channels and angles were mainly on the back of lower Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022. Similarly, the decrease in ASP of traded aluminium plates and copper plates and bars were mainly contributed by lower market prices of aluminium and copper, respectively during FPE 2023 compared to FPE 2022.

Revenue from trading hardware and other products decreased by RM1.2 million, or 27.1% to RM3.4 million in FPE 2023, mainly from lower sales of other metal and non-metal products.

(b) Manufacturing of stainless steel pipes

Our revenue from the manufacturing of stainless steel pipes decreased by RM9.3 million, or 12.4% to RM66.1 million for FPE 2023 (FPE 2022: RM75.4 million). This was due to decrease in revenue from manufacturing grade 304 stainless steel pipes by RM10.8 million, or 15.3% to RM59.8 million for FPE 2023 (FPE 2022: RM70.6 million), which was mainly due to decrease in ASP by 16.0% from approximately RM18,800 per tonne for FPE 2022 to approximately RM15,800 per tonne in FPE 2023.

This was partially offset by manufacturing of other grades of stainless steel pipes where revenue collectively increased by RM1.5 million, or 30.5% to RM6.3 million for FPE 2023 (FPE 2022: RM4.8 million), attributed to higher quantity sold which increased by 119 tonnes, or 45.4% to 381 tonnes for FPE 2023. Meanwhile, ASP for the manufacturing of other grades of stainless steel pipes decreased by approximately RM1,900 per tonne, or 10.3% to approximately RM16,500 per tonne for FPE 2023.

The decrease in ASP for manufactured stainless steel pipes was mainly on the back of decreasing Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022.

(c) Processing of stainless steel products

Our revenue from the processing of stainless steel products decreased by RM1.5 million, or 8.7% to RM16.1 million for FPE 2023 (FPE 2022: RM17.7 million). This was mainly contributed by the polishing of stainless steel plates where revenue decreased by RM1.1 million, or 10.1% to RM9.6 million in FPE 2023, mainly due to decrease in ASP by 17.5% while the quantity processed increased by 8.9% in FPE 2023. In addition, revenue from cutting of stainless steel bars decreased by RM0.7 million, or 12.3% to RM5.0 million, mainly due to the decrease in ASP by 15.4% while the quantity processed increased by 3.5% in FPE 2023. This was partially moderated by an increase in revenue from perforated plates by RM0.2 million, or 18.4% to RM1.5 million as the quantity processed increased by 40.4%, although ASP decreased by 15.9% in FPE 2023. The decrease in ASP for processed stainless steel products was mainly on the back of decreasing Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022.

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12.3.3 Cost of Sales

Cost of sales by composition

Our cost of sales segmented by type of inputs for the Financial Years and Period Under Review is as follows:

Cost of Sales	FYE 2020 RM'000	FYE 2020 %*	FYE 2021 RM'000	FYE 2021 %*	FYE 2022 RM'000	FYE 2022 %*
Input materials and products	175,875	94.2	204,809	94.7	263,844	95.1
Direct labour	3,157	1.7	3,201	1.5	4,202	1.5
Others (1)	7,648	4.1	8,273	3.8	9,461	3.4
Total Cost of Sales	**186,680**	**100.0**	**216,283**	**100.0**	**277,507**	**100.0**

Cost of Sales	FPE 2022 RM'000	FPE 2022 %*	FPE 2023 RM'000	FPE 2023 %*
Input materials and products	177,747	95.7	171,419	95.7
Direct labour	2,755	1.5	3,523	2.0
Others (1)	5,298	2.8	4,214	2.3
Total Cost of Sales	**185,800**	**100.0**	**179,156**	**100.0**

** As a proportion of total cost of sales.*

Note:

(1) Others include depreciation, transportation and freight charges, upkeep of machinery, utilities, machinery rental and others.

Cost of sales by business activities

Our cost of sales for the Financial Years and Period Under Review segmented by business activities is as follows:

Cost of Sales	FYE 2020 RM'000	FYE 2020 %*	FYE 2021 RM'000	FYE 2021 %*	FYE 2022 RM'000	FYE 2022 %*
Trading of metal and other products	**128,803**	**69.0**	**147,509**	**68.2**	**176,382**	**63.6**
Rolled metal products (1)	90,590	48.5	111,650	51.6	144,649	52.1
Pipes (2)	28,579	15.3	24,749	11.4	19,433	7.0
Channels and angles (3)	3,581	1.9	3,822	1.8	5,677	2.0
Hardware and others (4)	6,053	3.3	7,288	3.4	6,623	2.5
Manufacturing of stainless steel pipes	**47,064**	**25.2**	**55,856**	**25.8**	**81,715**	**29.4**
Processing of stainless steel products	**10,813**	**5.8**	**12,918**	**6.0**	**19,410**	**7.0**
Total Cost of Sales	**186,680**	**100.0**	**216,283**	**100.0**	**277,507**	**100.0**

12. FINANCIAL INFORMATION *(Cont'd)*

Cost of Sales	FPE 2022 RM'000	FPE 2022 %*	FPE 2023 RM'000	FPE 2023 %*
Trading of metal and other products	**121,523**	**65.4**	**113,627**	**63.4**
Rolled metal products (1)	99,220	53.4	99,122	55.3
Pipes (2)	15,519	8.4	8,254	4.6
Channels and angles (3)	3,657	2.0	3,937	2.2
Hardware and others (4)	3,127	1.6	2,314	1.3
Manufacturing of stainless steel pipes	**52,267**	**28.1**	**52,262**	**29.2**
Processing of stainless steel products	**12,010**	**6.5**	**13,267**	**7.4**
Total Cost of Sales	**185,800**	**100.0**	**179,156**	**100.0**

** As a percentage of total cost of sales.*

Notes:

(1) Refers to plates, bars and coils, mainly of stainless steel and also other metals such as copper, aluminium, brass, bronze, lead and carbon steel.

(2) Mainly stainless steel, while the rest includes carbon steel, aluminium, bronze, brass and copper.

(3) Mainly stainless steel. Other metals include aluminium, bronze, copper, brass, carbon steel and other metals.

(4) Including, among others, engineered plastics, household and industrial cleaning chemicals, ironmongeries, busbar components and switchboard components.

Quantity Sold and Average Cost of Sales Per Tonne

The quantity sold and average cost of sales per tonne of specific product categories under of trading business activity, and of our manufacturing and processing businesses for the Financial Years and Period Under Review is as follows:

	FYE 2020 Quantity (Tonne)	FYE 2020 ACOS (RM'000/ tonne)	FYE 2021 Quantity (Tonne)	FYE 2021 ACOS (RM'000/ tonne)	FYE 2022 Quantity (Tonne)	FYE 2022 ACOS (RM'000/ tonne)
Trading of metal and other products						
Rolled metal products (1)	9,123	9.9	9,839	11.3	9,302	15.6
Pipes (2)	3,326	8.6	2,630	9.4	972	20.0
Channels and angles (3)	367	9.8	380	10.1	422	13.5
Manufacturing of stainless steel pipes	5,228	9.0	5,539	10.1	6,115	13.4
Processing of stainless steel products	1,307	8.3	1,397	9.2	1,645	11.8

	FPE 2022		FPE 2023	
	Quantity (Tonne)	ACOS (RM'000/ tonne)	Quantity (Tonne)	ACOS (RM'000/ tonne)
Trading of metal and other products				
Rolled metal products [(1)]	6,418	15.5	6,657	14.9
Pipes [(2)]	924	16.8	567	14.6
Channels and angles [(3)]	275	13.3	305	12.9
Manufacturing of stainless steel pipes	4,013	13.0	4,158	12.6
Processing of stainless steel products	1,062	11.3	1,156	11.5

ACOS = Average cost of sales per tonne. The average costs of sales are blended estimates as each category comprises different types of metals and products

Notes:

(1) Refers to plates, bars and coils, mainly of stainless steel and also other metals such as copper, aluminium, brass, bronze, lead and carbon steel.

(2) Mainly stainless steel, while the rest includes carbon steel, aluminium, bronze, brass and copper.

(3) Mainly stainless steel. Other metals include aluminium, bronze, copper, brass, carbon steel and other metals. The pipes we trade comprise mainly stainless steel and *carbon steel pipes.*

Our cost of sales mainly consists of the following:

(i) Input materials and products

Purchases of input materials and products for our trading, manufacturing and processing operations were our main cost of sales, having accounted for more than 94.0% of cost of sales by value for each of the Financial Years and Period Under Review. Our main input materials and products were stainless steel products, including coils, plates, pipes, channels, angles and square, flat, round and hexagonal bars, chequered and perforated plates, and pipe fittings and flanges. We also purchased copper, aluminium, brass and other metal products for trading, as well as packaging materials.

Our purchases of input materials and products increased by RM28.9 million, or 16.5%, from RM175.9 million in FYE 2020 to RM204.8 million in FYE 2021. This was mainly attributed to increased purchases of input materials in line with increased revenue and recovery in demand as the COVID-19 situation gradually improved.

In FYE 2022, our purchases of input materials and products increased by RM59.0 million, or 28.8%, which was mainly due to the higher average purchase prices of stainless steel products in FYE 2022 in line with the higher average Asian stainless steel prices during FYE 2022. In addition, the USD appreciated in value relative to RM, which increase our purchase prices of input materials and products purchased from overseas suppliers, which are denominated in USD.

Our purchases of input materials and products costs decreased by RM6.3 million, or 3.6% to RM171.4 million for FPE 2023 (FPE 2022: RM177.7 million), mainly attributed to lower average costs of input materials (including stainless steel, aluminium and copper input materials) for FPE 2023 compared to FPE 2022.

(ii) Direct labour

Our direct labour comprised wages, salaries, defined contribution plan and other related staff costs for our full-time employees of our trading, manufacturing and processing operations.

For FYE 2021, our direct labour costs increased by approximately RM44,000, or 1.4%, to RM3.2 million in FYE 2021, which was mainly attributed to higher salary costs for TSA Singapore.

For FYE 2022, our direct labour costs increased by RM1.0 million, or 31.3% to RM4.2 million in FYE 2022 mainly due to the implementation of the Minimum Wages Order 2022, whereby our employees' monthly base salary increased from minimum RM1,200 per month to minimum RM1,500 per month effective from May 2022. In addition, the increase in our direct labour costs for our trading, manufacturing and processing segments was due to an increase in the headcount from 90 employees as at 31 December 2021 to 128 employees as at 31 December 2022.

For FPE 2023, our direct labour costs increased by RM0.8 million, or 27.9% to RM3.5 million (FPE 2022: RM2.8 million), mainly due to the implementation of the Minimum Wages Order 2022 whereby our employees' monthly base salary increased from minimum RM1,200 per month to minimum RM1,500 per month effective from May 2022, as well as an increase in average monthly production staff headcount from 95 employees per month between January and August 2022 to 125 employees per month between January and August 2023.

(iii) Other costs

Our other cost of sales includes depreciation, transportation and freight charges, utilities, machinery rental and others. For FYE 2021 other costs increased by RM0.6 million, or 8.2% to RM8.3 million, which was mainly due to higher freight charges on the back of increasing freight rates in the industry as well as increase in the cost of upkeep of machinery.

In FYE 2022, other costs increased by RM1.2 million, or 14.3% from RM8.3 million in FYE 2021 to RM9.5 million in FYE 2022. This was mainly due to increase in freight charges, utility costs as well as the cost of upkeep of machinery.

Our other costs for FPE 2023 decreased by RM1.1 million, or 20.4% to RM4.2 million (FPE 2022: RM5.3 million). This was mainly attributed to reversal of provision for slow moving inventory of RM0.3 million for FPE 2023 (FPE 2022: provision for slow moving inventory of RM0.4 million) and reduction in freight charges of RM0.3 million, which was partially moderated by increase in direct utility costs of RM0.4 million.

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12.3.4 GROSS PROFIT

GP and GP margin by business activities

GP	FYE 2020			FYE 2021			FYE 2022		
	RM'000	%*	GP margin %	RM'000	%*	GP margin %	RM'000	%*	GP margin %
Trading of metal and other products	**27,368**	**57.1**	**17.5**	**48,892**	**56.6**	**24.9**	**42,980**	**53.9**	**19.6**
Rolled metal products (1)	20,464	42.7	18.4	40,485	46.9	26.6	34,672	43.5	19.3
Pipes (2)	3,292	6.9	10.3	3,706	4.3	13.0	3,603	4.5	15.6
Channels and angles (3)	1,351	2.8	27.4	2,173	2.5	36.2	2,040	2.6	26.4
Hardware and others (4)	2,261	4.7	27.2	2,528	2.9	25.8	2,665	3.3	28.7
Manufacturing of stainless steel pipes	**17,397**	**36.3**	**27.0**	**30,820**	**35.7**	**35.6**	**29,861**	**37.4**	**26.8**
Processing of stainless steel products	**3,183**	**6.6**	**22.7**	**6,698**	**7.7**	**34.1**	**6,923**	**8.7**	**26.3**
Total GP	**47,948**	**100.0**	**20.4**	**86,410**	**100.0**	**28.5**	**79,764**	**100.0**	**22.3**

GP	FPE 2022			FPE 2023		
	RM'000	%*	GP margin %	RM'000	%*	GP margin %
Trading of metal and other products	**33,720**	**53.9**	**21.7**	**24,424**	**59.3**	**17.7**
Rolled metal products (1)	27,613	44.1	21.8	18,519	45.0	15.7
Pipes (2)	3,138	5.0	16.8	3,344	8.1	28.8
Channels and angles (3)	1,499	2.4	29.1	1,523	3.7	27.9
Hardware and others (4)	1,470	2.4	32.0	1,038	2.5	31.0
Manufacturing of stainless steel pipes	**23,182**	**37.0**	**30.7**	**13,869**	**33.7**	**21.0**
Processing of stainless steel products	**5,691**	**9.1**	**32.2**	**2,890**	**7.0**	**17.9**
Total GP	**62,593**	**100.0**	**25.2**	**41,183**	**100.0**	**18.7**

** As a percentage of total GP.*

Notes:

(1) Refers to plates, bars and coils, mainly of stainless steel and also other metals such as copper, aluminium, brass, bronze, lead and carbon steel.

(2) Mainly stainless steel, while the rest includes carbon steel, aluminium, bronze, brass and copper.
(3) Mainly stainless steel. Other metals include aluminium, bronze, copper, brass, carbon steel and other metals.
(4) Including, among others, engineered plastics, household and industrial cleaning chemicals, ironmongeries, busbar components and switchboard components.

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GP by geographical markets

	FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%***	**RM'000**	**%***	**RM'000**	**%***
Malaysia	**41,152**	**85.8**	**75,774**	**87.7**	**69,346**	**86.9**
Foreign countries	**6,796**	**14.2**	**10,636**	**12.3**	**10,418**	**13.1**
Singapore (1)	2,774	5.8	6,345	7.3	7,061	8.9
Thailand	1,089	2.3	970	1.1	130	0.2
Other countries	2,933(2)	6.1	3,321(3)	3.9	3,227(4)	4.0
Total GP	**47,948**	**100.0**	**86,410**	**100.0**	**79,764**	**100.0**

	FPE 2022		FPE 2023	
	RM'000	**%***	**RM'000**	**%***
Malaysia	**54,681**	**87.4**	**33,431**	**81.2**
Foreign countries	**7,912**	**12.6**	**7,752**	**18.8**
Singapore (1)	5,173	8.3	6,485	15.7
Thailand	101	0.2	85	0.2
Other countries	2,638(5)	4.1	1,182(6)	2.9
Total GP	**62,593**	**100.0**	**41,183**	**100.0**

** As a percentage of total GP.*
Notes:
(1) This refers to GP mainly from sales to customers in Singapore from TSA Singapore.
(2) For FYE 2020, other countries of export include Australia, Bangladesh, Brazil, France, India, Indonesia, Kazakhstan, Maldives, Myanmar, New Zealand, Saint Lucia and Sri Lanka.
(3) For FYE 2021, other countries of export include Bangladesh, China, France, India, Indonesia, Maldives, New Zealand and Sri Lanka.
(4) For FYE 2022, other countries of export include Bangladesh, Brunei, France, India, Indonesia, Maldives, New Zealand, Sri Lanka and the United Kingdom.
(5) For FPE 2022, other countries of export included Bangladesh, France, India, Indonesia, Maldives, New Zealand, Sri Lanka and the United Kingdom.
(6) For FPE 2023, other countries of export included Australia, Bangladesh, France, Indonesia, Maldives, New Zealand, the Philippines, Sri Lanka and the United Kingdom.

(i) <u>FYE 2021 compared to FYE 2020</u>

Our total GP increased by RM38.5 million, or 80.2%, from RM47.9 million in FYE 2020 to RM86.4 million in FYE 2021. The GP for all of our business activities increased in FYE 2021, mainly contributed by trading and manufacturing segments which increased by RM21.5 million and RM13.4 million respectively, while GP from processing segment increased by RM3.5 million. Our GP margin also increased from 20.4% in FYE 2020 to 28.5% in FYE 2021.

(a) Trading of metal and other products

GP from the trading of metal and other products segment increased by RM21.5 million, or 78.7%, from RM27.4 million in FYE 2020 to RM48.9 million in FYE 2021. This was mainly attributed to the following:

- increase in GP from trading of rolled metal products, which increased by RM20.0 million, or 97.8% to RM40.5 million in FYE 2021 due to increasing Asian stainless steel prices during FYE 2021. This was mainly contributed by the increase in the GP from stainless steel plates and stainless steel bars.

- increase in GP from the trading of stainless steel channels and angles increased by RM0.8 million or 60.8% to RM2.2 million in FYE 2021 arising from the higher quantity sold.

- increase in GP from the trading of pipes by RM0.4 million, mainly from trading of stainless steel and carbon steel pipes, and aluminium and bronze channels and angles, which collectively increased by RM0.3 million due to the higher ASP.

- increase in GP from trading of hardware and other products by RM0.3 million, or 11.8% to RM2.5 million in FYE 2021 mainly contributed by engineered plastics and switchboard components.

Our GP margin from the trading of metal and other products segment increased from 17.5% in FYE 2020 to 24.9% in FYE 2021, which was due to increases in the ASP of trading of rolled metal products, channels and angles, and pipes coupled with the higher quantity sold of stainless steel plates and steel bars as discussed in the section on revenue segmentation. In FYE 2021, the ASP of trading of rolled metal products, channels and angles, and pipes increased by approximately RM3,300 per tonne, RM2,400 per tonne and RM1,200 per tonne respectively.

(b) Manufacturing of stainless steel pipes

Our GP from manufacturing of stainless steel pipes in FYE 2021 increased by RM13.4 million, or 77.2%, from RM17.4 million in FYE 2020 to RM30.8 million in FYE 2021. This was mainly attributed to the manufacturing of grade 304 stainless steel pipes where GP increased by RM12.8 million, or 82.4% to RM28.3 million in FYE 2021 with the remainder contributed by other grades of stainless steel pipes. This was also reflected in the increase in revenue from manufacturing of stainless steel pipe by RM22.2 million, or 34.5% in FYE 2021.

Our GP margin from manufacturing of stainless steel pipes increased from 27.0% in FYE 2020 to 35.6% in FYE 2021, which was mainly attributed to the increase in the ASP of manufacturing of stainless steel pipes which increased by 26.8% or approximately RM3,300 per tonne. This was also partly contributed by the quantity of stainless steel pipes sold which increased by 6.0% to 5,539 tonnes in FYE 2021.

(c) Processing of stainless steel products

Our GP from processing of stainless steel products increased by RM3.5 million, or 110.4%, from RM3.2 million in FYE 2020 to RM6.7 million in FYE 2021. Our GP from all processing activities increased, mainly contributed by polishing of stainless steel plates which increased by RM2.2 million, or 162.7% to RM3.6 million in FYE 2021, and cutting of stainless steel bars which increased by RM1.0 million, or 76.7% to RM2.3 million in FYE 2021, with the remainder contributed by perforating stainless steel plates.

Our GP margin from processing increased from 22.7% in FYE 2020 to 34.1% in FYE 2021 mainly attributed to higher ASP which increased by 30.8% or approximately RM3,300 per tonne in FYE 2021.

(ii) FYE 2022 compared to FYE 2021

Our total GP decreased by RM6.6 million, or 7.7%, from RM86.4 million in FYE 2021 to RM79.8 million in FYE 2022. The decrease in GP was contributed by our trading and manufacturing segments, which decreased by RM5.9 million and RM1.0 million in FYE 2022, respectively, while GP from our processing business activity increased slightly.

Our overall GP margin decreased from 28.5% in FYE 2021 to 22.3% in FYE 2022 as GP margin from all segments decreased. The decrease in our overall GP margin was contributed by increase in average cost of input materials (including stainless steel) which were not fully passed on to customers. In addition, there was an increase in our direct labour costs due to the Minimum Wages Order 2022 whereby our employees' monthly base salary increased from minimum RM1,200 per month to minimum RM1,500 per month effective from May 2022.

(a) Trading of metal and other products

Our GP from trading of metal and other products segment decreased by RM5.9 million, or 12.1% from RM48.9 million in FYE 2021 to RM43.0 million in FYE 2022. This was mainly attributed to the following:

- decrease in GP from trading of rolled metal products by RM5.8 million, or 14.3% in FYE 2022 from RM40.5 million in FYE 2021 to RM34.7 million in FYE 2022. This was mainly contributed by the decrease in GP from stainless steel plates and bars. This was due to the higher ACOS in FYE 2022 which increased by 38.4% for stainless steel plates and 34.5% for stainless steel bars, mainly contributed by the stainless steel material prices.

- decrease in GP from the trading of pipes decreased by RM0.1 million, or 2.8% to RM3.6 million, mainly attributed to stainless steel pipes due to the decrease in the quantity sold.

- decrease in GP from trading of channels and angles by RM0.1 million or 6.1% to RM2.0 million arising from higher ACOS which increased by 32.7% in FYE 2022.

This was partially offset by the increase in GP from trading of hardware and others by RM0.1 million, or 5.4% to RM2.7 million in FYE 2022, mainly from the other metal and non-metal products segments which increased by RM0.4 million, or 171.3% to RM0.6 million in FYE 2022. Meanwhile, there was a decrease in GP from the switchboard components and engineered plastics segments collectively by RM0.2 million.

Our GP margin from trading of metal and other products segment decreased from 24.9% in FYE 2021 to 19.6% in FYE 2022, mainly contributed by a decline in GP margin from rolled metal products from 26.6% in FYE 2021 to 19.3% in FYE 2022. This was mainly attributed to a higher ACOS from this segment as mentioned above with a lower quantity sold where the total quantity of rolled metal products sold decreased by 5.5% to 9,302 tonnes in FYE 2022.

The decline in GP margin was also partly attributed to the lower GP margin of channels and angles, which declined from 36.2% in FYE 2021 to 26.4% in FYE 2022 due to the higher ACOS of this product category which increased by approximately RM3,400 per tonne, or 33.7% to approximately RM13,500 per tonne.

(b) Manufacturing of stainless steel pipes

In FYE 2022 our GP from manufacturing stainless steel pipes segment decreased by RM1.0 million, or 3.1% from RM30.8 million in FYE 2021 to RM29.9 million in FYE 2022. This was due to the manufacturing of grade 304 stainless steel pipes business segment where GP decreased by RM1.2 million, or 4.5% from RM28.3 million in FYE 2021 to RM27.1 million in FYE 2022 as

ACOS increased by approximately RM3,300 per tonne, or 32.7% to approximately RM13,400 per tonne in FYE 2022.

This was partially offset by the increase in GP from the manufacturing of other grades of stainless steel pipes segment which increased by RM0.3 million, or 12.4% from RM2.5 million in FYE 2021 to RM2.8 million in FYE 2022. The increase in GP from the manufacturing of other grades of stainless steel pipes was mainly contributed by the increase in ASP by approximately RM4,000 per tonne exceeding the increase in ACOS which was approximately RM3,100 per tonne.

Our GP margin from the manufacturing segment decreased from 35.6% in FYE 2021 to 26.8% in FYE 2022, mainly attributed to the higher unit manufacturing cost resulting from the increases in material and direct labour costs where the ACOS increased by 32.7% or approximately RM3,300 per tonne in FYE 2022. The increase in direct labour costs was due to the implementation of the Minimum Wages Order 2022 where our employees' monthly base salary increased from minimum RM1,200 per month to minimum RM1,500 per month effective from May 2022.

(c) Processing of stainless steel products

Our GP from processing in FYE 2022 increased by RM0.2 million, or 3.4% from RM6.7 million in FYE 2021 to RM6.9 million in FYE 2022. This was mainly contributed by the GP from the cutting stainless steel bars which increased by RM0.2 million, or 10.7% to RM2.5 million in FYE 2022 and GP from perforating stainless steel plates which increased by RM0.2 million, or 25.4% to RM1.0 million in FYE 2022. This was partially offset by decrease in GP from polishing stainless steel plates by RM0.2 million or 6.4% to RM3.4 million in FYE 2022.

Our GP margin from processing decreased from 34.1% in FYE 2021 to 26.3% in FYE 2022, was mainly attributed to a higher unit processing cost resulting from increased material and direct labour costs where the ACOS increased by approximately RM2,600, per tonne or 28.3% to approximately RM11,800 per tonne in FYE 2022. The increase in direct labour costs was due to the implementation of the Minimum Wages Order 2022.

(iii) <u>FPE 2023 compared to FPE 2022</u>

Our GP decreased by RM21.4 million, or 34.2% to RM41.2 million for FPE 2023 (FPE 2022: RM62.6 million), and our GP margin decreased from 25.2% in FPE 2022 to 18.7% in FPE 2023.

The decrease in GP was attributed to all of our business activities except for the trading of pipes and channels and angles. The top three largest decreases in GP were from the manufacturing of stainless steel pipes (decreased by RM9.3 million or 40.2%), trading of rolled metal products (decreased by RM9.1 million or 32.9%) and the processing of stainless steel products (decreased by RM2.8 million or 49.2%).

(a) Trading of metal and other products

GP from our trading of metal and other products segment decreased by RM9.3 million, or 27.6% to RM24.4 million for FPE 2023 (FPE 2022: RM33.7 million). This was mainly contributed by the decrease in GP from trading of rolled metal products by RM9.1 million, or 32.9% to RM18.5 million for FPE 2023, which was mostly attributed to the decrease in GP from stainless steel plates and bars. The decrease in GP from stainless steel plates and bars was mainly contributed by the lower ASP arising from the lower Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022.

GP from trading of hardware and others decreased by RM0.4 million, or 29.4% to RM1.0 million in FPE 2023 (FPE 2022: RM1.5 million), which was mainly attributed to decrease in GP from trading other metal and non-metal products.

This was partially moderated by increase in GP from trading of pipes by RM0.2 million, or 6.6% to RM3.3 million in FPE 2023 (FPE 2022: RM3.1 million). The increase in GP was mainly from trading of grade 316 and 304 stainless steel pipes which increased by RM0.2 million and RM0.1 million, respectively.

Our GP margin from trading of metal and other products decreased from 21.7% for FPE 2022 to 17.7% for FPE 2023. This was mainly attributed to decrease in ASP of trading of rolled metal products and channels and angles for FPE 2023 where the ASP of rolled metal products decreased by approximately RM2,100 per tonne (which exceeded the decrease in ACOS which was approximately RM600 per tonne), and the ASP for channels and angles decreased by approximately RM800 per tonne (which exceeded the decrease in ACOS which was approximately RM400 per tonne). The decrease in the ASP of traded rolled metal products, and channels and angles were mainly due to the decrease in Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022.

This was partially moderated by an increase in GP margin from trading of pipes which increased from 16.8% in FPE 2022 to 28.8% in FPE 2023. The increase in GP margin was mainly contributed by no sales in FPE 2023 to Customer A, a lower-margin major customer that previously purchased 304 and 201 stainless steel pipes in FPE 2022.

(b) Manufacturing of stainless steel pipes

Our GP from manufacturing of stainless steel pipes decreased by RM9.3 million, or 40.2% to RM13.9 million for FPE 2023 (FPE 2022: RM23.2 million). This was mainly attributed to the lower GP from the manufacturing of grade 304 stainless steel tubes which decreased by RM8.9 million, or 42.0% to RM12.4 million in FPE 2023 (FPE 2022: RM21.3 million) as ASP decreased by 16.0% or approximately RM3,000 per tonne in FPE 2023 (which exceeded the decrease in ACOS which was approximately RM600 per tonne). In addition, GP from manufacturing other grades of stainless steel pipes decreased by RM0.4 million, or 20.3% to RM1.5 million (FPE 2022: RM1.9 million), mainly due to the decrease in the ASP by 10.3% or approximately RM1,900 per tonne in FPE 2023, while the ACOS increased by RM1,400 per tonne. The decrease in ASP of manufactured stainless steel pipes was mainly due to the lower Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022.

GP margin from manufacturing of stainless steel pipes decreased from 30.7% for FPE 2022 to 21.0% for FPE 2023 due to the lower GP margin associated with manufacturing grade 304 and other grades of stainless steel pipes arising from the lower ASP as described above.

(c) Processing of stainless steel products

Our GP from processing of stainless steel products decreased by RM2.8 million, or 49.2% from RM5.7 million in FPE 2022 to RM2.9 million in FPE 2023 due to lower GP from all processing activities. The decrease in GP was contributed by lower revenue from the processing segment which decreased by 8.7% in FPE 2023, attributed to the ASP for the processing segment decreased by 16.2% in FPE 2023 mainly contributed by decrease in Asian stainless steel prices specifically for grade 304 in FPE 2023 compared to FPE 2022. In addition, ACOS for the processing of stainless steel products segment increased by 1.8% in FPE 2023 mainly due to higher direct labour costs and utility costs.

The decrease in GP was mainly contributed by the polishing of stainless steel plates which decreased by RM1.4 million, or 49.5% to RM1.4 million in FPE 2023, while cutting of stainless steel bars decreased by RM1.4 million, or 65.9% to RM0.7 million in FPE 2023. Our GP margin from processing of stainless steel products decreased from 32.2% for FPE 2022 to 17.9% for FPE 2023, mainly attributed to lower ASP and higher ACOS as described above.

12.3.5 Other Income

Other Income	FYE 2020 RM'000	FYE 2020 %*	FYE 2021 RM'000	FYE 2021 %*	FYE 2022 RM'000	FYE 2022 %*
Interest income [(1)]	440	16.7	722	58.3	607	8.0
Gains on disposal of property, plant and equipment	36	1.4	1	0.1	2,218	29.4
Gains on disposal of subsidiaries	-	-	-	-	2,073	27.5
Gains on foreign exchange	1,790	68.0	185	14.9	2,116	28.0
Realised	*730*	*27.7*	*185*	*14.9*	-	-
Unrealised	*1,060*	*40.3*	-	-	*2,116*	*28.0*
Others [(2)]	367	13.9	331	26.7	535	7.1
Total	**2,633**	**100.0**	**1,239**	**100.0**	**7,549**	**100.0**

Other Income	FPE 2022 RM'000	FPE 2022 %*	FPE 2023 RM'000	FPE 2023 %*
Interest income [(1)]	390	7.8	338	8.3
Gains on disposal of property, plant and equipment	2,190	43.6	6	0.1
Gains on disposal of subsidiaries	2,073	41.3	-	-
Gains on foreign exchange	-	-	2,481	60.8
Realised	-	-	*2,481*	*60.8*
Unrealised	-	-	-	-
Gain on derivative asset	-	-	1,077	26.4
Others [(2)]	369	7.3	177	4.4
Total	**5,022**	**100.0**	**4,079**	**100.0**

** As a percentage of other income.*

Notes:

(1) Including interest income and interest income on net investment in a lease.

(2) Including sundry income, rental income, government grant, bad debt recovered and rent concession.

(i) <u>FYE 2021 compared to FYE 2020</u>

In FYE 2021, other income decreased by RM1.4 million, or 52.9%, to RM1.2 million, and this was mainly attributed to lower gains of RM0.2 million on foreign exchange. Instead, our Group recorded RM0.7 million loss on foreign exchange in other expenses as detailed in Section 12.3.8 of this Prospectus. The decrease in other income was partially offset by increase in interest income by RM0.3 million due to higher cash and bank balances.

(ii) <u>FYE 2022 compared to FYE 2021</u>

Other income increased by RM6.3 million, or 509.3% from RM1.2 million in FYE 2021 to RM7.5 million in FYE 2022. The increase in other income was contributed by the following:

- Gains on the disposal of property, plant and equipment of RM2.2 million, which mainly arose from the sale of the Agricultural Land during FYE 2022;

- Unrealised gains on foreign currency of RM2.1 million in FYE 2022 compared to none in FYE 2021, which was mainly due to the movement of the foreign currency exchange arising from purchases of input materials from foreign countries that was transacted mainly in USD; and
- Gains on disposal of subsidiaries by RM2.1 million in FYE 2022.

(iii) <u>FPE 2023 compared to FPE 2022</u>

For FPE 2023, our other income decreased by RM0.9 million, or 18.8% to RM4.1 million (FPE 2022: RM5.0 million). The decrease in other income was mainly contributed by the following:
- there were gains of approximately RM6,000 on disposal of property, plant and equipment in FPE 2023 while there was a gain of RM2.2 million on the disposal of the Agricultural Land in FPE 2022;
- there were no gains on disposal of subsidiaries in FPE 2023 while there was a gain of RM2.1 million on the disposal of subsidiaries in FPE 2022; and
- decrease in others by RM0.2 million in FPE 2023 was mainly due to sundry income, bad debt recovered and government grant.

This was partially offset by increase in gains on foreign exchange by RM2.5 million for FPE 2023 that was mainly due to the movement of the foreign currency exchange arising from purchases of input materials from foreign countries that was transacted mainly in USD, and gain on derivative assets of RM1.1 million for FPE 2023 in relation to foreign currency forward contracts with licenced banks in Malaysia to purchase USD using RM. Please refer to Section 12.3.13 (v) of this Prospectus for additional information on our financial instruments for hedging purposes.

12.3.6 Administrative expenses

	FYE 2020		FYE 2021		FYE 2022	
Administrative expenses	**RM'000**	**%***	**RM'000**	**%***	**RM'000**	**%***
Staff costs	6,150	58.6	6,077	48.9	7,294	38.1
Rental, utilities and upkeep of facilities	2,193	20.9	2,858	23.0	3,871	20.2
Professional fees and listing expenses	781	7.4	825	6.6	3,239	16.9
Directors' remuneration	1,118	10.6	1,322	10.6	2,724	14.2
Others (1)	262	2.5	1,361	10.9	2,005	10.6
Total	**10,504**	**100.0**	**12,443**	**100.0**	**19,133**	**100.0**

	FPE 2022		FPE 2023	
Administrative expenses	**RM'000**	**%***	**RM'000**	**%***
Staff costs	4,762	40.8	5,053	37.0
Rental, utilities and upkeep of facilities	2,720	23.3	2,499	18.3
Professional fees and listing expenses	1,511	12.9	2,652	19.4
Directors' remuneration	1,286	11.0	1,919	14.1
Others (1)	1,398	12.0	1,527	11.2
Total	**11,677**	**100.0**	**13,650**	**100.0**

** As a percentage of administrative expenses.*

Note:

(1) Includes insurance premiums, bank charges, software licences, penalty on taxation and other expenses.

Our administrative expenses mainly comprised the following:

- staff costs including wages, salaries, defined contribution plan and other related costs;
- rental, utilities and upkeep of facilities including offices and warehouses, and workers' accommodations;
- professional fees and listing expenses, including legal fees and those related to our IPO;
- directors' remuneration including directors' fees, salaries, defined contribution plan and other related costs; and
- other administrative expenses including insurance premiums, bank charges, software licences, office expenses, penalty on taxation and other expenses.

(i) <u>FYE 2021 compared to FYE 2020</u>

In FYE 2021, administrative expenses increased by RM1.9 million, or 18.5%, to RM12.4 million, and this was mainly attributed to an increase in other administrative expenses. The increase was partly due to an increase in rental, utilities and upkeep of facilities in FYE 2021 following increased business activities at our operating facilities arising from the relaxation of COVID-19 restrictions in FYE 2021.

(ii) <u>FYE 2022 compared to FYE 2021</u>

Our administrative expenses increased by RM6.7 million, or 53.8% from RM12.4 million in FYE 2021 to RM19.1 million in FYE 2022. The increase was mainly contributed by the following:

- increase in professional fees and listing expenses by RM2.4 million mainly in relation to our IPO and disposal of the Agricultural Land and Disposed Subsidiaries in FYE 2022;

- increase in Directors' fees and remuneration by RM1.4 million mainly due to redesignation of 2 senior management staff as Executive Directors of TSA Industries and also an increase in our Executive Directors' salaries during FYE 2022;

- increase in staff costs which increased by RM1.2 million contributed by increments, salaries and bonus, as well as performance driven remunerations for non-sales staff; and

- increase in rental, utilities and upkeep of facilities by RM1.0 million mainly from higher upkeep of forklifts and machinery, and rental of land and storage space.

(iii) <u>FPE 2023 compared to FPE 2022</u>

For FPE 2023, our administrative expenses increased by RM2.0 million, or 16.9% to RM13.7 million (FPE 2022: RM11.7 million). This was mainly due to the following:

- increase in professional fees by RM1.1 million, or 75.5% to RM2.7 million for FPE 2023 (FPE 2022: RM1.5 million) mainly due to listing expenses incurred;
- directors' fees and remuneration increased by RM0.6 million, or 49.2% to RM1.9 million for FPE 2023 (FPE 2022: RM1.3 million) mainly from the appointment of 2 new directors at TSA Industries since May 2022, and 4 new independent directors at TSA since November 2022;
- increase in staff costs by RM0.3 million, or 6.1% to RM5.1 million in FPE 2023 (FPE 2022: RM4.8 million), mainly due to an increase in average monthly administrative staff headcount from 131 employees per month between January and August 2022 to 147 employees per month between January and August 2023, as well as increments, salaries and bonus for staff; and

- increase in others by RM0.1 million, or 9.2% to RM1.5 million (FPE 2022: RM1.4 million) which was mainly contributed by higher expenditure on insurance.

This was partially moderated by the decrease in administrative expenses for rental, utilities and upkeep of facilities by RM0.2 million, or 8.1% to RM2.5 million in FPE 2023 (FPE 2022: RM2.7 million), mainly from lower expenses on upkeep of buildings.

12.3.7 Distribution expenses

Distribution expenses	FYE 2020 RM'000	FYE 2020 %*	FYE 2021 RM'000	FYE 2021 %*	FYE 2022 RM'000	FYE 2022 %*
Staff costs (1)	7,233	67.0	9,017	57.7	10,007	61.4
Sales incentives	1,822	16.9	5,028	32.2	4,137	25.4
Others (2)	1,742	16.1	1,587	10.1	2,148	13.2
Total	**10,797**	**100.0**	**15,632**	**100.0**	**16,292**	**100.0**

Distribution expenses	FPE 2022 RM'000	FPE 2022 %*	FPE 2023 RM'000	FPE 2023 %*
Staff costs (1)	7,166	61.7	5,650	64.6
Sales incentives	3,067	26.4	1,617	18.5
Others (2)	1,383	11.9	1,475	16.9
Total	**11,616**	**100.0**	**8,742**	**100.0**

** As a percentage of distribution expenses.*

Notes:

(1) Staff costs include wages, salaries, defined contribution plan and other related costs.

(2) Includes travelling expenses and allowances, fuel and upkeep of motor vehicles.

(i) <u>FYE 2021 compared to FYE 2020</u>

In FYE 2021, distribution expenses increased by RM4.8 million, or 44.8%, to RM15.6 million, and this was mainly attributed to the following:

- increase in staff costs by RM1.8 million arising from higher sales commission payments to staff; and
- increase in sales incentives by RM3.2 million which was pursuant to achieving specified key performance indicators.

This was partially offset by the decrease in other sales and distribution costs by RM0.2 million, mainly due to lower expenses on the upkeep of motor vehicles and entertainment.

(ii) <u>FYE 2022 compared to FYE 2021</u>

Distribution expenses in FYE 2022 increased by RM0.7 million, or 4.2% from RM15.6 million in FYE 2021 to RM16.3 million in FYE 2022. This was mainly contributed by staff costs which increased by RM1.0 million mainly due to higher sales commission payments to staff.

The increase was partially offset by a decrease in sales incentives by RM0.9 million as some incentives were not distributed to staff as certain specified key performance indicators were not fulfilled in FYE 2022.

(iii) FPE 2023 compared to FPE 2022

Our distribution expenses for FPE 2023 decreased by RM2.9 million, or 24.7% to RM8.7 million (FPE 2022: RM11.6 million), and this was mainly attributed to the following:

- decrease in staff costs by RM1.5 million contributed by lower sales commission payments to staff as well as a decrease in the average monthly sales headcount from 136 employees per month between January and August 2022 to 116 employees per month between January and August 2023; and
- decrease in sales incentives by RM1.5 million which was due to some incentives that were not distributed to staff as certain specified key performance indicators were not achieved in FPE 2023.

12.3.8 Other expenses

Other expenses	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Loss on foreign exchange	-	-	738	27.1	2,307	58.4
Unrealised	-	-	*738*	*27.1*	-	-
Realised	-	-	-	-	*2,307*	*58.4*
Depreciation of property, plant and equipment	1,358	69.2	1,345	49.4	1,308	33.1
Depreciation of right-of-use assets	543	27.7	556	20.4	511	12.9
Miscellaneous	61	3.1	86	3.1	(174)	(4.4)
Total	**1,962**	**100.0**	**2,725**	**100.0**	**3,952**	**100.0**

Other expenses	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Loss on foreign exchange	1,243	53.1	3,105	65.2
Unrealised	*1,189*	*50.8*	*3,105*	*65.2*
Realised	*54*	*2.3*	-	-
Depreciation of property, plant and equipment	902	38.6	759	15.9
Depreciation of right-of-use assets	330	14.1	764	16.0
Miscellaneous	(136)	(5.8)	134	2.9
Total	**2,339**	**100.0**	**4,762**	**100.0**

** As a percentage of other expenses.*

(i) FYE 2021 compared to FYE 2020

In FYE 2021, other expenses increased by RM0.8 million, or 38.9%, to RM2.7 million. This was mainly attributed to the increase in unrealised loss on foreign currency exchange by RM0.7 million arising from the movement of the foreign currency exchange rates relating to sales to customers in foreign countries as well as purchases of input materials from suppliers in foreign countries that were transacted mainly in USD.

(ii) FYE 2022 compared to FYE 2021

Other expenses in FYE 2022 increased by RM1.2 million, or 45.0% from RM2.7 million in FYE 2021 to RM4.0 million in FYE 2022. This was mainly due to higher loss on foreign currency exchange which increased by RM1.6 million to RM2.3 million in FYE 2022 mainly arising from the movement of the foreign currency exchange rates relating to sales to customers in foreign countries as well as purchases of input materials from suppliers in foreign countries that were transacted mainly in USD.

(iii) FPE 2023 compared to FPE 2022

In FPE 2023, our other expenses increased by RM2.4 million, or 103.6% to RM4.8 million (FPE 2022: RM2.3 million). This was mainly contributed by the following:

- increase in foreign currency losses by RM1.9 million to RM3.1 million for FPE 2023, mainly arising from the movement of the foreign currency exchange rates relating to purchases of input materials from suppliers in foreign countries after net off the sales to customers in foreign countries that were transacted mainly in USD; and
- increase in depreciation of right of use assets by RM0.4 million to RM0.8 million for FPE 2023, mainly in relation to higher right-of-use asset value recognised on rented premises by TSA Industries and TSA Singapore.

This was partially moderated by decrease in depreciation of property, plant and equipment by RM0.1 million to RM0.8 million for FPE 2023, which was contributed by the disposal of factory equipment and office equipment, furniture and fittings, and plant and machinery and full depreciation of some motor vehicles in FPE 2023.

12.3.9 Finance costs

Finance Costs	FYE 2020 RM'000	FYE 2020 %*	FYE 2021 RM'000	FYE 2021 %*	FYE 2022 RM'000	FYE 2022 %*
Interest expense on:						
- Onshore foreign currency loan	958	60.6	1,251	79.3	1,323	54.9
- Structured and trade commodity financing	481	30.4	229	14.5	727	30.2
- Term loans	21	1.3	-	-	123	5.1
- Lease liabilities	72	4.5	55	3.5	52	2.2
- Hire purchases	50	3.2	42	2.7	41	1.7
- Banker's acceptances	-	-	-	-	142	5.9
Total	**1,582**	**100.0**	**1,577**	**100.0**	**2,408**	**100.0**

Finance Costs	FPE 2022 RM'000	FPE 2022 %*	FPE 2023 RM'000	FPE 2023 %*
Interest expense on:				
- Onshore foreign currency loan	916	88.0	1,566	53.5
- Structured and trade commodity financing	62	6.0	506	17.3
- Term loans	-	-	361	12.3
- Lease liabilities	37	3.6	74	2.5
- Hire purchases	26	2.4	25	0.9

Finance Costs	FPE 2022 RM'000	FPE 2022 %*	FPE 2023 RM'000	FPE 2023 %*
- Banker's acceptances	-	-	345	11.8
- Facility fees	-	-	49	1.7
Total	**1,041**	**100.0**	**2,926**	**100.0**

** As a percentage of finance costs.*

Our finance cost consists primarily of interest charged on bank facilities granted by banking and financial institutions. Our finance cost for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 amounted to 0.7%, 0.5%, 0.7% and 1.3% of our total revenue, respectively.

(i) <u>FYE 2021 compared to FYE 2020</u>

Our finance costs for FYE 2021 decreased by approximately RM5,000 to RM1.6 million. Our interest expense on onshore foreign currency loan increased by RM0.3 million mainly due to the higher utilisation of this facility for the purchases of stainless steel products from overseas suppliers for FYE 2021.

This was partially offset by the decrease in interest expense on structured and trade commodity financing by RM0.3 million due to lower utilisation of the banking facility which are commonly used for the purchases of stainless steel products.

(ii) <u>FYE 2022 compared to FYE 2021</u>

For FYE 2022 our finance costs increased by RM0.8 million, or 52.7% from RM1.6 million in FYE 2021 to RM2.4 million in FYE 2022. This was mainly due to the increase in interest expense on structured and trade commodity financing facilities by RM0.5 million due to the higher utilisation of this facility for the purchases of stainless steel products from overseas suppliers.

In addition, we had interest expense of RM0.1 million from banker's acceptances in FYE 2022 which was used to finance purchases of stainless steel products, and interest expense of RM0.1 million from term loans in FYE 2022 arising from the drawdown of term loans used for the purchase of the Semenyih Land and the land area is approximately 435,615 sq. ft. We entered into a sale and purchase agreement on 3 January 2022 to acquire the aforesaid land for RM13.1 million. The acquisition was completed on 7 October 2022.

(iii) <u>FPE 2023 compared to FPE 2022</u>

Our finance costs for FPE 2023 increased by RM1.9 million, or 181.1% to RM2.9 million (FPE 2022: RM1.0 million). This was mainly due to increase in interest expense on onshore foreign currency loan, structured and trade commodity financing and banker's acceptance collectively by RM1.4 million, which was mainly attributed to interest rates on these facilities being higher in FPE 2023 (between 4.54% and 6.92%) as compared to FPE 2022 (between 2.28% and 5.09%), as well as higher net drawdown on onshore foreign currency loan and structured and trade commodity financing in FPE 2023 (collective net drawdown of RM31.3 million) as compared to FPE 2022 (collective net drawdown of RM17.5 million). In addition, in FPE 2023 we had interest expense of RM0.4 million from term loans (FPE 2022: nil) arising from the drawdown of term loans used for the purchase of the Semenyih Land.

12.3.10 Net (Impairment Losses)/Reversal of Impairment Losses on Financial Assets

(Impairment Losses)/Reversal of Impairment Losses	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%*	RM'000	%*	RM'000	%*
Impairment losses:						
- Trade receivables	189	1.8	1,942	71.4	629	(13.7)
- Other receivables	10,367	98.5	-	-	-	-
- Others	-	-	825	30.3	-	-
Reversal of impairment losses:						
- Related parties	-	-	-	-	(3,820)^	83.1
- Trade receivables	(36)	(0.3)	(47)	(1.7)	(1,407)	30.6
Net (Impairment Losses)/Reversal of Impairment Losses	**10,520**	**100.0**	**2,720**	**100.0**	**(4,598)**	**100.0**

(Impairment Losses)/Reversal of Impairment Losses	FPE 2022		FPE 2023	
	RM'000	%*	RM'000	%*
Impairment losses:				
- Trade receivables	619	102.7	54	110.2
Reversal of impairment losses:				
- Trade receivables	(16)	(2.7)	(5)	(10.2)
Net (Impairment Losses)/Reversal of Impairment Losses	**603**	**100.0**	**49**	**100.0**

** As a percentage of net impairment losses.*
^ Includes RM1.32 million classified under "others" under Note 28 of the Accountant's Report.

During the Financial Years and Period Under Review, our net impairment losses on financial assets mainly comprised impairment losses on trade receivables, other receivables and reversal of impairment loss in relation to related parties and trade receivables. Please refer to Note 3.10 (a) of the Accountant's Report set out in Section 13 of this Prospectus for additional information on our accounting policy relating to impairment of financial assets.

(i) <u>FYE 2020</u>

Our net impairment losses on financial assets in FYE 2020 were RM10.5 million, mainly comprised the following:

- impairment on trade receivables of RM0.2 million comprising allowance for impairment losses related to trade receivables that are not recoverable from customers.

- impairment on other receivables of RM10.4 million was related to the advance payments made to two suppliers in Indonesia for the purchase of coal for trading operations in FYE 2020.

  During FYE 2020, our subsidiary, TSA Industries has entered into agreements with 2 suppliers for the purchase of coal and we have made advance payments of RM10.4 million to the suppliers during FYE 2020. However, the suppliers failed to fulfil its obligations in delivery the coal pursuant to the agreement. Hence, the impairment was made in FYE 2020 due to the uncertainty in the recovering the said amount paid.

These impairment losses were partially offset by the reversal on impairment losses of approximately RM36,000 pertaining to the subsequent collections from customers in relation to the outstanding trade receivables that was provided earlier.

(ii) FYE 2021

In FYE 2021, our net impairment losses on financial assets were RM2.7 million, mainly comprised the following:

- impairment losses on trade receivables of RM1.9 million comprising RM1.5 million allowance for impairment losses related to expected credit loss (ECL) made by TSA Industries, and RM0.4 million allowance for impairment losses related to trade receivables that are not recoverable from customers.

- impairment losses on other receivables of RM0.8 million pertaining to advance payments made to a related party, Ubay Veterinary Sdn Bhd in relation to deposit paid for the acquisition of a piece of land in Negeri Sembilan in FYE 2019 for which the sales and purchase agreement was subsequently rescinded and revoked as the land was not suitable for our business.

These impairment losses were partially offset by reversal on impairment losses of approximately RM47,000, pertaining to the subsequent collections from customers in relation to the outstanding trade receivables that was provided earlier.

(iii) FYE 2022

For FYE 2022 we had a net reversal of impairment losses on financial assets amounting to RM4.6 million. Reversal of impairment losses on financial assets in FYE 2022 comprised the following:

- reversal of impairment losses of RM3.8 million pursuant to the recovery of amount due from the related parties, which are Total Bun Supplies Sdn Bhd and ATM Delight Sdn Bhd (currently known as ATM Engineering Sdn Bhd). This amount is the aggregate amount of the advances made by TSA Industries to Total Bun Supplies Sdn Bhd amounting to RM2.5 million over a period from 2013 to 2016 and ATM Delight Sdn Bhd amounting to RM1.3 million over a period from 2012 to 2017. The amount owing has been fully repaid by Total Bun Supplies Sdn Bhd and ATM Delight Sdn Bhd to TSA Industries in 2022 which resulted in the reversal of impairment losses.

- reversal of impairment losses on trade receivables of RM1.4 million following the impairment provided earlier based on the ECL computation under MFRS 9.

These reversals were partially offset by impairment losses on trade receivables of RM0.6 million in relation to allowance made for impairment losses on trade receivables pursuant to the non-recoverable from a customer.

(iv) FPE 2023

For FPE 2023, we had net impairment losses on financial assets, namely trade receivables, amounting to approximately RM49,000.

12.3.11 PBT, PAT and effective tax rate

	FYE 2020	FYE 2021	FYE 2022
PBT from continuing operations (RM'000)	15,216	52,552	50,126
PBT margin (%)	6.5	17.4	14.0
Taxation	10,013	12,268	9,467
Effective tax rate (%)	65.8	23.3	18.9
PAT from continuing operations (RM'000)	5,203	40,284	40,659
PAT margin (%)	2.2	13.3	11.4

	FPE 2022	FPE 2023
PBT from continuing operations (RM'000)	40,339	15,133
PBT margin (%)	16.2	6.9
Taxation	8,507	4,467
Effective tax rate (%)	21.1	29.5
PAT from continuing operations (RM'000)	31,832	10,666
PAT margin (%)	12.8	4.8

(i) <u>FYE 2021 compared to FYE 2020</u>

Our PBT increased by RM37.3 million, or 245.4%, to RM52.6 million in FYE 2021 which was reflected in the increase in our total Group GP by RM38.5 million in FYE 2021, and decrease in net impairment losses on financial assets by RM7.8 million. These were partially offset by increases in administrative, distribution and other expenses, which increased by RM1.9 million, RM4.8 million and RM0.8 million, respectively in FYE 2021.

Our PBT margin increased from 6.5% in FYE 2020 to 17.4% in FYE 2021 mainly due to the decrease in net impairment losses on financial assets by RM7.8 million, as well as partially contributed by the increase in GP margin from 20.4% in FYE 2020 to 28.5% in FYE 2021.

For FYE 2020, our effective tax rate was 65.8%, which was higher compared to the statutory tax rate of Malaysia of 24.0%. This was mainly attributed to the following:

(i) TSA Industries did not claim the impairment loss of RM10.4 million as tax deductible expenses in FYE 2020 as the impairment loss is non-tax deductible expenses. The said impairment loss was relating to the advance payments made to two suppliers in Indonesia for the purchase of coal for trading operations in FYE 2020 as disclosed earlier in Section 12.3.10 of this Prospectus.

(ii) additional tax payable of RM1.9 million mainly attributed to tax adjustments and associated costs such as legal fees in handling the legal suits and other non-deductible expenses arising from the staff embezzlement incident which had resulted in the additional tax payables from YA 2015 to YA 2017. For further details on material litigation pertaining to the staff embezzlement incident, please refer to Section 12.3.13 (ix) of this Prospectus.

Our Group has implemented additional internal control policies, procedures and measures to prevent and avoid any future recurrence of staff embezzlement.

During the period of staff embezzlement case, there was no clear segregation of duties where the staff involved in handling the entire payment process including the recording of the payment transactions in the cash book and general ledger. After the discovery of the incidence, our Group has strengthened our Standard Operating Procedures ("**SOP**") for the Finance Department in terms of the segregation of duties, check and balance check points and sufficiency of supporting documents for payment approval, internet banking, supplier control, direct invoicing process, cash planning, banking process, bank reconciliation, debtors reconciliation and creditors reconciliation. As at the LPD, the current payment process of TSA Industries involves a preparer, a checker, 2 verifiers and 2 or 3 approvers, depending on the threshold of the payment sum. To facilitate the inter-department internal control systems, our Group has also implemented and strengthened the SOP for the credit control department, purchasing department and Sales and Marketing Department respectively. On the broad internal control oversight level and to govern the overall internal control environment, our Group has implemented and strengthened the Limits of Authority, compulsory Conflict of Interest Disclosure, Anti-Bribery and Corruption policy, Anti-Money Laundering, Anti-Terrorism Financing and Proceeds of Unlawful Activities Act 2001 policy, whistle-blowing policy, Code of Ethics and Conducts in the Employee handbook and Enterprise Risk Management which provides a structured and proactive approach to identifying, assessing, mitigating and monitoring fraud risks within our Group.

(iii) Under provision of taxation for year of assessment (YA) 2019 which amounted to RM1.3 million.

These were partially offset by the tax effect of differential tax rates of subsidiaries of RM0.1 million in FYE 2020.

For FYE 2021, our effective tax rate was 23.3%, which was lower than the statutory tax rate of Malaysia of 24.0%. This was mainly attributed to the tax effects of over provision of Malaysian income tax of RM0.8 million in previous financial year, differential tax rates of subsidiaries of RM0.3 million, and utilisation of deferred tax assets not recognised in the previous financial year of RM0.1 million. These were partially offset by the tax effects of non-deductible expenses of RM1.3 million.

Our PAT margin increased from 2.2% in FYE 2020 to 13.3% in FYE 2021, mainly contributed by the increase in PBT margin and decrease in effective tax rate in FYE 2021 compared to FYE 2020 as described above.

(ii) <u>FYE 2022 compared to FYE 2021</u>

Our PBT decreased by RM2.4 million, or 4.6% from RM52.6 million in FYE 2021 to RM50.1 million in FYE 2022. The decrease in PBT was mainly contributed the decrease in our total Group GP by RM6.6 million in FYE 2022 as described in Section 12.3.4 as well as increase in administrative expenses, finance costs and other expenses.

In FYE 2022 our PBT margin decreased from 17.4% in FYE 2021 to 14.0% in FYE 2022. This was contributed by the decrease in GP margin from 28.5% in FYE 2021 to 22.3% in FYE 2022, as well as the increase in administrative expenses by RM6.7 million, increase in finance costs by RM0.8 million and increase in other expenses by RM1.2 million, as described above.

Our effective tax rate for FYE 2022 was 18.9%, which was lower than the statutory tax rate of Malaysia of 24.0%, This was mainly attributed to the tax effect of under-provision of deferred tax in the previous financial year of RM2.4 million, and utilisation of deferred tax assets not recognised in the previous financial year of RM1.6 million in FYE 2020. This was partially offset by under-provision of current tax in the previous financial year of RM0.9 million and real property gains tax arising from disposal of freehold land of RM0.2 million.

Our PAT margin decreased from 13.3% in FYE 2021 to 11.4% in FYE 2022, mainly due to the decrease in PBT margin from 17.4% in FYE 2021 to 14.0%, which was partially offset by the decrease in effective tax rate from 23.3% in FYE 2021 to 18.9% in FYE 2022, as described above.

(iii) <u>FPE 2023 compared to FPE 2022</u>

Our PBT for FPE 2023 decreased by RM25.2 million, or 62.5% to RM15.1 million (FPE 2022: RM40.3 million). The decrease in PBT was mainly contributed by lower GP by RM21.4 million for FPE 2023 compared to FPE 2022 as described in Section 12.3.4 of this Prospectus as well as increases in administrative expenses, other expenses and finance costs.

Our PBT margin for FPE 2023 was 6.9%, which was lower compared to 16.2% for FPE 2022. This was mainly contributed by lower GP margin which decreased from 25.2% for FPE 2022 to 18.7% for FPE 2023, as well as increases in administrative expenses, other expenses and finance costs.

Our effective tax rate for FPE 2023 was 29.5%, which was higher than the statutory tax rate of Malaysia of 24.0%. This was mainly attributed to the tax effects of non-deductible expenses of RM1.8 million.

Our PAT margin for FPE 2023 was 4.8%, which was also lower than 12.8% for FPE 2022, mainly due to lower PBT margin and higher effective tax rate for FPE 2023 compared to FPE 2022 as described above.

12.3.12 Significant Factors Affecting our Group's Operations and Financial Performance

(i) Exposure to fluctuations in the price of stainless steel

Stainless steel products are the most important input material for our trading and processing of stainless steel products, and manufacturing of stainless steel pipes. The stainless steel products of the types that we purchase such as plates, sheets, coils and bars are commodities, where the prices are subject to global market price fluctuations.

A prolonged increase in the market prices of stainless steel may increase our selling prices thus may reduce demand for stainless steel products. Conversely, a sharp decrease in the market prices of stainless steel may result in a situation whereby the prevailing prices that our customers are willing to pay are lower compared to our average purchase costs for the corresponding products in our inventory.

(ii) No long-term contracts with our customers

We do not have formal long-term contracts with any of our customers for all of our trading, manufacturing and processing business activities. We supply goods to our customers based on purchase orders. As we do not have long-term contracts with our customers, there can be no assurance that our customers will continue to purchase stainless steel and other products from us.

(iii) Reliance on imports of stainless steel as well as other materials

We are dependent on foreign countries for the supply of stainless steel products as there are no primary producers of stainless steel products particularly ingots, blooms, billets and beam blanks, as well as hot-rolled intermediate products such as plates, sheets, coils, rods and bars in Malaysia as at the LPD *(Source: IMR Report*). During the Financial Years and Period Under Review, we purchased 90.0%, 95.4%, 99.9% and 93.6% of our stainless steel products from suppliers in other countries for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

(iv) Planned new business activity to produce cold rolled stainless steel coils may not succeed due to lack of experience

As part of our business strategy and plan, we intend to commence producing cold rolled stainless steel coils using a stainless steel cold rolling line that we plan to establish. The estimated cost of purchasing and installing one stainless steel cold rolling line and one annealing furnace is RM52.0 million, and the estimated cost of constructing the manufacturing premises is RM52.0 million. We do not have any experience in operating a stainless steel cold rolling line to produce cold rolled stainless steel coils which will be a new business activity for us. During the Financial Years and Period Under Review, we started on two new business activities namely coal trading and sand mining which were not successful and adversely affected our financial performance. We have ceased the coal trading business in FYE 2020 and we have divested the sand mining business by way of novation in FYE 2022.

(v) Write-down of inventory value if it is mismanaged

The nature of our business requires us to purchase and keep a substantial and varied stock of stainless steel and other products. The longer our stock remains unsold, the higher our holding costs of inventory. If we fail to anticipate customer needs, efficiently manage our inventory or properly store goods, we may be required to make provisions for or write down the value of slow-moving, obsolete or damaged inventory or to write down our inventories to the net realisable values.

(vi) Exposure to credit risk from some customers

We are exposed to credit risk from customers for that we have extended credit. The normal credit terms that we grant our customers range from 30 days to 120 days. A deterioration of our customers' business performance may adversely affect their ability to pay us in a timely manner for goods that we have supplied. If customers fail to pay us within the stipulated credit period or fail to pay us at all, we may be required to make an allowance for impairment losses to our trade receivables or write off our bad debts.

(vii) Impairment losses on financial assets

We were subject to impairment losses on financial assets during the Financial Years and Period Under Review which included, among others, in FYE 2020 impairment losses on other receivables of RM10.4 million related to the impairment of advance payment made to the coal supplier. Net impairment losses on financial assets had a material adverse effect on our profitability for FYE 2020. Please refer to Section 12.3.10 of this Prospectus for further details on impairment losses.

(viii) Exposure to unfavourable foreign currency exchange rate fluctuations

We are exposed to foreign currency exchange gains or losses arising from timing differences between our billings, actual receipt of payments and conversion/translation into RM, as well as when our assets, liabilities, revenue and earnings are recorded by our subsidiary company in Singapore is translated from SGD into RM for financial reporting and repatriation purposes.

We also face risks associated with our purchases of materials in foreign currencies. A significant proportion of our foreign purchases are denominated in USD, including purchases of stainless steel and other metal products. We may also face foreign currency exchange risks for our export sales.

(ix) Impact of interest rate

All our borrowings are interest-bearing obligations, any hikes in interest rates would affect our financial performance. Our finance cost mainly comprises interest charges on onshore foreign currency loans, structured and trade commodity financing, term loans, hire purchases and banker's acceptances that are granted by banks and financial institutions. As at 31 August 2023, our total bank borrowings was RM96.1 million, of which RM10.5 million were interest bearing based on floating rates, and RM85.2 million were short term in nature, which are subjected to fluctuation of interest rates in the event of entering into contracts for the facilities. Our finance cost was RM1.6 million in FYE 2020 and FYE 2021, and increased to RM2.4 million in FYE 2022 and to RM2.9 million in FPE 2023. In this respect, any increases in interest rates may impact on our financial performance. If we fail or encounter difficulties in meeting our financial obligations when they fall due, this will result in a financial distress condition which will affect our operations and financial performance. For the Financial Years and Period Under Review and up to the LPD, we have not defaulted on any payments of either the principal or interests in relation to our bank borrowings.

(x) Impact of economic, social, political, regulatory and pandemic risks

Economic, social, political and regulatory developments in the countries where we operate could have a materially adverse effect on our business operations, financial performance and growth prospects. Our business operations, financial performance and growth prospects may also be affected if economic activities are affected by measures implemented to control the spread of COVID-19 or other diseases. We operate in Malaysia and Singapore, while we export our products to Thailand and other foreign countries during the Financial Years and Period Under Review.

(xi) Impact of slowdown in domestic and global manufacturing sector on demand for stainless steel

A large proportion of stainless steel is used in the manufacturing sector, mainly due to the properties of stainless steel which is resistant to rust and corrosion to many chemicals. Any slowdown in the manufacturing sector in Malaysia, Singapore or our export countries may impact the demand for our stainless steel products.

(xii) Impact of inflation

Our financial performance for the Financial Years and Period Under Review was not materially affected by the impact of inflation in Malaysia. Nevertheless, there is no assurance that inflation may not materially affect our business and financial performance moving forward.

12.3.13 Liquidity and Capital Resources

(i) Working capital

Our business is financed by a combination of internal and external sources of funds. Internal sources of funds comprised cash generated from our business operations while our external sources of funds mainly consist of financing facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

Based on the statements of our financial position as at 31 August 2023, we had cash and cash equivalents of RM31.8 million and total borrowings of RM96.1 million. As at 31 December 2020, 2021 and 2022 and 31 August 2023, our current ratios were 2.0 times, 1.7 times, 2.4 times and 1.9 times, respectively. As at the LPD, our Group had available banking facilities amounting to RM284.9 million, of which RM212.8 million are yet to be utilised.

Our Directors are of the opinion that, after taking into consideration our cash and cash equivalents, cash generated from our business operations, the RM5.0 million dividends which was paid on 30 October 2023, the amount of banking facilities and proceeds to be raised from the Public Issue, we will have adequate working capital to meet our present and foreseeable requirements for at least 12 months from the date of this Prospectus.

(ii) Cash flows

The following is a summary of our combined statements of cash flow for FYE 2020, FYE 2021, FYE 2022 and FPE 2023. This should be read in conjunction with the Accountant's Report as set out in Section 13 of this Prospectus.

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Net cash from operating activities	25,619	15,788	37,607	1,158
Net cash for investing activities	(1,053)	(943)	(2,477)	(7,368)
Net cash (for) / from financing activities	(16,244)	8,880	(65,737)	7,140
Net increase / (decrease) in cash and cash equivalents	8,322	23,725	(30,607)	930
Effects of foreign exchange translation	483	189	(133)	(565)
Cash and cash equivalents at beginning of the financial year	29,444	38,249	62,163	31,423
Cash and cash equivalents at the end of the financial year or financial period [(1)]	**38,249**	**62,163**	**31,423**	**31,788**

Note:

(1) The components of our cash and cash equivalents are set out below:

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Continuing operations:				
Cash and bank balances	37,429	61,170	31,423	31,788
Fixed deposits with a licensed bank	530	537	544	544
Discontinued operations:				
Cash and bank balances	820	993	-	-
Less:				
Fixed deposits pledged to a licensed bank	(530)	(537)	(544)	(544)
Cash and cash equivalents at the end of the financial year or financial period	**38,249**	**62,163**	**31,423**	**31,788**

(a) Net cash from operating activities

FYE 2020

For FYE 2020, we had net cash from operating activities of RM25.6 million after taking into account the following:

- decrease in inventories by RM6.6 million, which was mainly attributed to the reduction in purchases of input materials in FYE 2020 due to the effects of COVID-19.

- increase in trade and other receivables by RM7.7 million, which was mainly attributed to the increase in other receivables due to advance payments of RM10.4 million made to the suppliers of coal as discussed in Section 12.3.10 (i) of this Prospectus. In addition, there was advance payments of RM1.6 million paid in relation to the sand mining business comprising RM1.0 million paid to the trading agent as deposit on the approved permit to export minerals (i.e. sand) and RM0.6 million paid to the sand mining contractors as per the terms of their engagement.

- increase in trade and other payables by RM4.4 million, which was attributed to higher outstanding of trade payables as at 31 December 2020 mainly because we received delivery for some of the input materials ordered from overseas suppliers towards the end of FYE 2020.

- net interest paid of RM1.1 million, and net income tax paid of RM5.2 million during FYE 2020.

FYE 2021

For FYE 2021, our net cash from operating activities was RM15.8 million after taking into account the following:

- increase in inventories by RM16.3 million, which was attributed to the higher closing inventories of finished goods and raw materials mainly pertaining to the higher material prices on the back of increasing Asian stainless steel prices, and higher quantity of stainless steel inventory as at 31 December 2021.

- increase in trade and other receivables by RM14.8 million, which was mainly due to the higher outstanding balance of trade receivables of RM64.7 million as at December 2021 arising from higher sales during the last quarter of 2021 following the easing of COVID-19 control measures.

  In addition, there was an increase in the outstanding balance from other receivables as at 31 December 2021 mainly attributed to advance payments to a supplier for the purchase of the stainless steel cold rolling line of RM2.7 million and earnest deposit of RM0.9 million for the purchase of the Semenyih Land in FYE 2021.

  Meanwhile, there was an increase in accruals whereby accruals were RM6.7 million as at 31 December 2021 (31 December 2020: RM3.4 million) and this was mainly pertaining to the accruals on sales incentives pursuant to achieving specified key performance indicators.

- decrease in trade and other payables by RM1.0 million which was mainly due to the lower outstanding balance of trade payables of RM12.9 million as at 31 December 2021 resulting from immediate payment upon delivery to overseas suppliers for the purchase of input materials.

- Net interest paid of RM0.9 million and income tax paid of RM10.1 million during FYE 2021.

FYE 2022

For FYE 2022, our net cash from operating activities was RM37.6 million after taking into account the following:

- increase in inventories by RM3.6 million, due to the higher closing inventories of RM82.6 million as at 31 December 2022 mainly contributed by finished goods. This was attributed to the higher purchase prices of stainless steel input materials during FYE 2022 on the back of increasing Asian stainless steel prices in the industry and partly attributed to the effect of the depreciation of RM relative to USD in FYE 2022 on the purchase of imported input materials that are denominated in USD.

- decrease in trade and other receivables by RM7.5 million, which was mainly contributed by the following:-

    (i) Reversal of impairment losses of RM3.8 million pursuant to the recovery of amount due from the related parties; and

    (ii) Prepayments of RM0.9 million related to the construction of the manufacturing premises.

- decrease in amount owing by our ultimate holding company (KVC Corporation) by RM5.7 million pertaining to collections of advances provided earlier to KVC Corporation. As at the LPD, the advances have been settled.

- decrease in amount owing by related parties by RM1.2 million that was mainly attributed to amounts owing by Nanyang and Asia Oriental (which were trade in nature) as these amounts had been reclassified to trade receivables pursuant to the disposal of Promoter's shareholdings in these previously related parties by the Promoters to third parties.

- net interest paid of RM1.8 million and net income tax paid of RM16.6 million.

- increase in amount owing to directors by RM0.6 million pertaining to advances from directors to TSA Group for listing expenses of RM0.2 million, and provision of dividends declared but not yet paid to shareholder of TSA Singapore of RM0.4 million. As at the LPD, the dividends declared has been paid.

FPE 2023

For FPE 2023, our net cash from operating activities was RM1.2 million after taking into account the following:

- increase in inventories by RM0.4 million due to higher closing inventories of finished goods and raw materials mainly due to an increase in the quantity of stainless steel products as at 31 August 2023;

- increase in trade and other receivables by RM3.0 million, which was mainly contributed by an increase in trade receivables as a higher proportion of sales to customers based on credit terms by TSA Singapore for FPE 2023 compared to FYE 2022. This was partially moderated by a decrease in other receivables mainly attributed to a reduction in advance payment to supplier and reduction in advanced billings from a supplier;

- decrease in trade and other payables by RM6.8 million, which was mainly contributed by an increase in the proportion of purchases from suppliers that were on cash terms or less than 30 days credit in FPE 2023 compared to FYE 2022, and decrease in other payables from lower accruals of bonus and incentives for staff;

- decrease in amount owing to directors by RM0.8 million, mainly from repayment of advance; and

- income tax paid of RM6.9 million and net interest paid of RM2.6 million.

(b) Net cash for investing activities

FYE 2020

Our net cash for investing activities in FYE 2020 was RM1.1 million, which was mainly used for the following:

- RM0.9 million for the purchase of investment properties, which comprise one freehold condominium unit located at Ampang, Selangor, and one leasehold condominium unit located at Seri Kembangan, Selangor.

- RM0.3 million for the purchase of factory and office equipment, furniture and fittings, and transport equipment.

These were partially offset by repayment from net investment in a lease in FYE 2020 amounting to RM0.1 million which was rental collected from a sub-lease tenant, and proceeds from the disposal of equipment of approximately RM36,000 comprising lorries, forklift and computer equipment.

FYE 2021

For FYE 2021, our net cash for investing activities was RM0.9 million. We used RM1.3 million for the purchase of equipment, including bending machine, punching machine, renovation on our operational facilities and furniture, fittings and office equipment.

This was partially offset by RM0.2 million received from proceeds from the disposal of right-of-use assets comprising motor vehicles, and repayment from net investment in a lease amounting to RM0.1 million, which was rental collected from a sub-lease tenant as described above.

FYE 2022

For FYE 2022, our net cash for investing activities was RM2.5 million. This was mainly attributed to the following:

- RM12.4 million mainly to fund the bulk of the total purchase of RM12.7 million of equipment comprising RM10.5 million of payments made in relation to one stainless steel cold rolling line and one annealing furnace and RM1.9 million used for the expansion of the warehouse at our main operational facility in Balakong, Selangor, and motor vehicles and transport equipment. The remaining payments were finance through hire purchase.

- RM2.1 million used to fund part of the purchase of the Semenyih Land where the total purchase consideration was RM13.1 million and the balance was funded through bank borrowings.

- net cash outflow of RM0.6 million from the disposal of the subsidiaries, namely Best Chemical, Mitra ACNC, Asia Oriental Commodities and Best Mineral. The total cash consideration for the said disposals was RM0.4 million while the cash and bank balances of the above said companies was RM1.0 million. Please refer to Note 33 of Accountant's Report set out in Section 13 of this Prospectus for further details on the disposal of subsidiaries.

These were partially offset by the following:

- RM7.5 million from the disposal of property, plant and equipment which included mainly RM7.2 million from the disposal of a piece of agriculture land to a related party and the remaining were from the disposal of motor vehicles and office equipment. Please refer to Section 10 of this Prospectus for further details on disposal of the agriculture land.

- RM5.1 million proceeds received arising from the novation of letters of award of concession and the sand mining operator agreement to related party pertaining to sand mining business. Please refer to Section 10.1.1 (b) of this Prospectus for further details on the said novation.

FPE 2023

Our net cash for investing activities for FPE 2023 was RM7.4 million. This was mainly attributed to RM7.4 million for the purchase of equipment, which mainly comprised capital work-in-progress amounting to RM5.4 million relating to one stainless steel cold rolling line, as well as purchases of factory and office equipment, furniture and fittings amounting to RM1.9 million and purchase of motor vehicle of approximately RM68,000.

(c) Net cash for or from financing activities

FYE 2020

For FYE 2020, our net cash for financing activities of RM16.2 million was mainly attributed to the following:

- RM13.2 million of dividend payments to the shareholders of TSA Industries and a shareholder of TSA Singapore in FYE 2020.

- net repayment of onshore foreign currency loan amounting to RM4.5 million which were mainly used for the purchase of stainless steel materials.

- RM1.4 million for the repayment of term loans and RM0.5 million for the repayment of hire purchases for motor vehicles.

- RM0.7 million for the repayment of lease liabilities pertaining to rental payments for our sales offices and warehouses.

These were partially offset by net drawdown of structured and trade commodity financing amounting to RM4.0 million for the purchase of input materials.

FYE 2021

For FYE 2021, our net cash from financing activities of RM8.9 million was mainly attributed to RM8.7 million from the net drawdown of structured and trade commodity financing and RM3.8 million from the net drawdowns of onshore foreign currency where these banking facilities were used for the purchase of input materials.

These were partially offset by the following:

- RM2.3 million of dividend payments to the shareholders of TSA Industries and a shareholder of TSA Singapore in FYE 2021.

- repayment of lease liabilities and hire purchase of RM0.7 million and RM0.7 million respectively.

FYE 2022

Our net cash for financing activities for FYE 2022 of RM65.7 million was mainly attributed to the following:

- RM50.4 million for the dividend payments to the shareholders of TSA Industries and a shareholder of TSA Singapore in FYE 2022.

- net repayments of onshore foreign currency loan amounting to RM24.9 million which were mainly used for the purchase of stainless steel materials.

- Others include repayment of lease liabilities and hire purchase of RM0.5 million and RM0.4 million respectively, as well as repayment of term loans of RM0.2 million pertaining to the acquisition of the Semenyih Land that was completed on 7 October 2022.

These were partially offset by the net drawdown of bankers' acceptances as well as structured and trade commodity financing amounting to RM7.7 million and RM3.0 million in FYE 2022 respectively, which were for the purchase of input materials.

FPE 2023

Our net cash from financing activities for FPE 2023 of RM7.1 million was mainly attributed to the net drawdown of onshore foreign currency loan of RM20.5 million and structured and trade commodity financing of RM10.8 million, which were mainly to purchase input materials.

These were partially offset by the following:

- RM20.0 million for the dividend payments to the shareholders of TSA Industries in FPE 2023;

- net repayment of bankers' acceptance of RM2.6 million; and

- repayment of term loans, hire purchase and lease liabilities that collectively amounting to RM1.6 million.

(iii) Bank borrowings

During the Financial Years and Period Under Review, our bank borrowings are all secured, interest bearing based on floating interest rates and denominated in RM or USD, as set out below:

	As at 31 December 2020			As at 31 December 2021			As at 31 December 2022			As at 31 August 2023		
	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000	Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loan [(1)]	-	-	-	-	-	-	1,245	10,099	11,344	1,226	9,317	10,543
Onshore foreign currency loan [(2)]	43,142	-	43,142	48,014	-	48,014	22,573	-	22,573	44,845	-	44,845
Structured and trade commodity financing [(3)]	11,774	-	11,774	20,510	-	20,510	22,377	-	22,377	35,023	-	35,023
Hire purchase payables [(4)]	550	445	995	307	585	892	239	556	795	234	423	657
Banker's acceptances [(5)]	-	-	-	-	-	-	7,657	-	7,657	5,058	-	5,058
Total	**55,466**	**445**	**55,911**	**68,831**	**585**	**69,416**	**54,091**	**10,655**	**64,746**	**86,386**	**9,740**	**96,126**
Debt-to-equity ratio (times)*			0.5			0.6			0.4			0.7

Notes:

* Calculated based on total interest-bearing borrowings excluding lease liabilities divided by total equity as at the end of the respective Financial Years and Period Under Review.

(1) Term loan is denominated in RM and used to finance the purchase of the Semenyih Land.

(2) Onshore foreign currency loan in denominated in USD and is mainly used for working capital to purchase input materials.

(3) Structured and trade commodity financing is denominated in RM and USD and is mainly used for working capital to purchase input materials.

(4) Hire purchase payables are denominated in RM and SGD and are mainly used to purchase lorries and motor vehicles.

(5) Banker's acceptances are denominated in RM and are mainly used to finance the purchase of input materials.

Our Group has not defaulted on payments of either interest and/or principal sum in respect of any bank borrowings during FYE 2020, FYE 2021, FYE 2022, FPE 2023 and up to the LPD. As at the LPD, we are not in breach of any terms and conditions and covenants associated with credit arrangements or bank loans, which can materially affect our financial results, financial position or business operations, or the investments by holders of our Shares.

12. FINANCIAL INFORMATION *(Cont'd)*

The details of the credit facilities that our Group uses and its unutilised balances as at the LPD are as follows:

Credit facilities	**Currency**	**Contractual Tenure**	**Maturity profile**	**Effective interest rates per year**	**Credit limit RM'000**	**Outstanding amount as at the LPD RM'000**	**Facilities utilised as at the LPD RM'000**	**Balance unutilised as at the LPD RM'000**
Credit facility A[1] including:					[2] 60,000	5,845	5,845	54,155
Structured and trade commodity financing	*RM and USD*	*147 to 150 days*	*147 to 150 days*	*4.84% to 7.36%*		*5,845*	*5,845*	
Letters of credit	*USD*	*N/A*	*N/A*	*N/A*		*N/A*	*N/A*	
Credit facility B[3] including:					[4] 70,000	35,907	36,650	33,350
Onshore foreign currency loan	*USD*	*147 to 150 days*	*147 to 150 days*	*6.50% to 6.70%*		*27,173*	*27,173*	
Banker's acceptances	*RM*	*112 to 150 days*	*112 to 150 days*	*4.51% to 4.60%*		*8,734*	*8,734*	
Letters of credit	*USD*	*25 to 29 days*	*25 to 29 days*	*N/A*		*N/A*	*743*	
Credit facility C[5]					[6] 48,800	17,149	17,615	31,185
Onshore foreign currency loan	*USD*	*147 to 150 days*	*147 to 150 days*	*6.70% to 7.10%*		*17,149*	*17,149*	
Financial guarantee[7]	*RM*	*1 year*	*1 year*	*N/A*		*N/A*	*466*	
Bank overdrafts[8]	RM	-	-	BLR + 0.75%, BLR + 1.00%	2,200	-	-	2,200
Term loans[9]					103,900	10,748	12,000	91,900
Drawdown	*RM*	*10 years*	*1 – 9 years*	*5.21% to 7.39%*	*12,000*	*10,748*	*12,000*	
Yet to be drawdown	*RM*	*13 to 18 years*	*N/A*	*ECOF + 1.25% ECOF + 1.50%*	*91,900*	*N/A*	*N/A*	
Total					**284,900**	**69,649**	**72,110**	**212,790**

BLR = Base lending rate. ECOF = Effective cost of funds

Notes:

(1) Credit facility A from Al Rajhi Banking & Investment Corporation (Malaysia) Bhd mainly used for working capital to purchase input materials.
(2) Combined credit limit of credit facility A's structured and trade commodity financing, letters of credit and other facilities.
(3) Credit facility B from Hong Leong Bank Berhad mainly used for working capital to purchase input materials.
(4) Combined credit limit of credit facility B's onshore foreign currency loan, banker's acceptances, letters of credit and other facilities.
(5) Credit facility C from United Overseas Bank (Malaysia) Bhd mainly used for working capital to purchase input materials.
(6) Combined credit limit of credit facility C's onshore foreign currency loan, financial guarantee and other facilities.
(7) Financial guarantee with respect to electricity charges as required by the utility company.
(8) 2 bank overdraft facilities comprising 1 bank overdraft facility from Hong Leong Bank Berhad and 1 bank overdraft facility from United Overseas Bank (Malaysia) Bhd.
(9) 4 term loans from Hong Leong Bank Berhad.

As at the LPD, saved as disclosed above, our Group did not use any other credit facilities.

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(iv) Treasury policies and objectives

Our Group has been funding our operations through cash generated from our operations and external sources of funds. The external sources of funds consist primarily of borrowings from financial institutions. We have hire purchase mainly used to finance purchases of motor vehicles. The normal terms granted by our suppliers are cash terms and credit terms ranging from 30 days to 120 days.

As at the LPD, our Group's borrowings from financial institution consist of the following:

- Onshore foreign currency loan mainly used as working capital to purchase input materials where the purchase price is denominated in USD.

- Structured and trade commodity financing mainly used as working capital to purchase input materials.

As at the LPD, our Group has banking facilities amounting to approximately RM284.9 million, where approximately RM212.8 million has yet to be fully utilised. The interest rates of our borrowings as at the LPD are based on fixed and floating rates.

The main objective of our capital management is to maintain a strong credit rating and healthy capital ratio in order to support our business and maximise shareholders' value. We review and maintain our capital structure to maintain the debt-to-equity ratio at an optimal level based on the business requirements and prevailing economic conditions.

(v) Financial instruments for hedging purposes

As at the LPD, we have 37 subsisting foreign currency forward contracts with licenced banks in Malaysia to purchase USD using RM at agreed foreign currency exchanges rates during the specified contract duration periods. We utilise the USD purchased to repay our onshore foreign currency loan as well as structured and trade commodity financing that are denominated in USD. We have entered into these foreign currency forward contracts to manage our exposure to foreign currency exchange rate fluctuations between RM and USD. The value of our foreign currency forward contracts that are subsisting as at the LPD is summarised in the following table:

	As at 30 November 2023	
Foreign currency forward contracts	**USD'000**	**RM'000***
USD	4,973	23,200

** Based on foreign currency exchange rates of between RM4.4686 = USD1.0000 and RM4.7480 = USD1.0000, as stipulated in the foreign currency forward contracts.*

(vi) Financial guarantee contracts

As at the LPD, we do not have any financial guarantee contracts.

(vii) Contingent asset

In 2017, TSA Industries initiated legal proceeding against 5 individuals (who are the First to Fifth Defendants as defined in Section 12.3.13(ix)(b) below) and a financial institution (who is the Sixth Defendant as defined in Section 12.3.13(ix)(b) below) for the unauthorised transfers of monies for the sum of approximately RM31.8 million from a TSA Industries' bank account.

On 9 December 2022, the decision of the civil suit was given by the High Court, among others:

- to dismiss TSA Industries' claim against the Sixth Defendant with a cost of RM150,000 to be paid by TSA Industries; and
- to award a judgment sum of RM31.8 million to be paid by the First to Fifth Defendants to TSA Industries.

On 27 December 2022, TSA Industries filed an appeal to the Court of Appeal against the High Court's dismissal of the claim. The appeal is fixed for hearing on 4 March 2024.

On 27 January 2023, TSA Industries has made payment of RM150,000 as costs to the Sixth Defendants.

Based on advice from the legal counsel, the prospects of success of the said appeal as it stands are fair to reasonable.

TSA Industries has subsequently engaged another solicitor to pursue the judgment sum awarded against the First to Fifth Defendants.

Please refer to Note 39 of the Accountant's Report set out in Section 13 of this Prospectus.

(viii) Contingent liabilities

As at the LPD, we are not aware of any material and/or indirect contingent liabilities that may be incurred by our Group that may have a material impact on our financial position.

(ix) Material litigation, claims or arbitration

Save as disclosed below, we are not involved in any material litigation or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or financial position of our Group. Our Directors are not aware of any legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group:

(a) High Court of Shah Alam, Originating Summons No.: BA-24NCvC-1131-09/2021

TSA Industries ("Plaintiff")
-v-
1. Alliance Bank Malaysia Bhd;
2. RHB Bank Bhd;
3. HSBC Bank Malaysia Bhd; and
4. Public Bank Bhd,

(Alliance Bank Malaysia Bhd, RHB Bank Bhd, HSBC Bank Malaysia Bhd and Public Bank Bhd are collectively referred to as "Defendants")

On 24 September 2021, a discovery application ("**Discovery Application**") was commenced, on behalf of TSA Industries, against the Defendants to trace the misappropriated funds which were transferred into Entrust Marketing's account (held in Alliance Bank Malaysia Bhd) belonging to Teoh Nam Hooi, who is the brother of Teoh Lai Kin. The objective of tracing the funds is towards facilitation of the assertion of TSA Industries' right over the misappropriated funds. The estimated claim for the misappropriated sums is RM7,843,334.

The Discovery Application was completed. The instructing solicitors acting for TSA Industries commenced execution proceedings following the decision by the High Court in the civil suit set out in Section 12.3.13(ix)(b) of this Prospectus.

(b) High Court of Shah Alam, Civil Suit No.: BA-22NCvC-89-02/2017

TSA Industries ("Plaintiff")
-v-
1. **Teoh Lai Kin ("First Defendant");**
2. **Teoh Nam Hooi ("Second Defendant");**
3. **Chow Yew Fye ("Third Defendant");**
4. **Jennifer Yen Lean Hwa ("Fourth Defendant");**
5. **Teoh Lai Foong ("Fifth Defendant"); and**
6. **Standard Chartered Bank Malaysia Berhad ("Sixth Defendant")**

On 15 February 2017, a civil suit was commenced by TSA Industries, against the Defendants for the unauthorised transfers of monies from TSA Industries' bank account maintained with the Sixth Defendant to the Second Defendant's bank account. Please refer to Section 12.3.13(ix)(a) of this Prospectus for details of the Discovery Application.

Between 2003 and 2016, the First Defendant was employed as accounts executive by TSA Industries. It is contended that the transfers were effected by way of 79 letters of instruction forged by the First Defendant for the benefit of the First to Fifth Defendants.

TSA Industries is claiming against the First to Fifth Defendants for, amongst others, (i) the sum of RM31,784,100.98 or such other sum as the Court deems fit and just; (ii) an account and inquiry of the monies and assets of TSA Industries which have been paid and/or transferred to the First to Fifth Defendants and/or any one of them, and/or into the possession, custody and control of the First to Fifth Defendants, and of the profits obtained by the First to Fifth Defendants or such other person of the same; (iii) a declaration that the First to Fifth Defendants and/or any one of them do repay such monies and/or profits and/or value of such assets arising from the aforementioned account and inquiry of the monies and assets of TSA Industries; (iv) interest on the amount claimed in item (i) above at the rate of 5% per annum on a compounded basis for a period to be determined by the Court and (v) costs.

Further, TSA Industries is claiming against the Sixth Defendant, amongst others, a declaration that the Sixth Defendant is not entitled to debit TSA Industries' current account with the sum of RM31,935,688.60 together with interest accrued therein or such other sums as deemed fit and proper by the Court and costs.

On 9 December 2022, the Court ordered as follows:

(a) TSA Industries' claim against the First to Fifth Defendants is allowed with costs of RM150,000.00 to be paid by the First to Fifth Defendants to TSA Industries; and

(b) TSA Industries' claim against the Sixth Defendant is dismissed with costs of RM150,000.00 to be paid by TSA Industries to the Sixth Defendant. Such costs of RM150,000.00 is inclusive of all other previous costs orders between TSA Industries and the Sixth Defendant which were made as costs in the cause.

On 27 December 2022, an appeal was filed in the Court of Appeal (B-02(NCvC)(W)-2432-12/2022) against the decision of the Court in relation to the Sixth Defendant. The next case management is fixed for 19 February 2024 and the appeal is fixed for hearing on 4 March 2024. The instructing solicitors acting for TSA Industries is of the view that the prospects of success of the appeal as it stands are fair to reasonable.

Further, 8 garnishee applications were filed with the Court to recover the judgment sum owed to TSA Industries by the First to Fifth Defendants. However, 4 of the garnishee applications filed with the Court which involved the Second Defendant were withdrawn as the Second Defendant was adjudged bankrupt on 13 December 2017. Further, 2 of the garnishee applications filed with the Court were withdrawn as the relevant defendants' bank accounts were closed. To date, TSA Industries has recovered an aggregate sum of RM22,406 from 2 of the garnishee applications filed with the Court. As of 1 December 2023, the debt owing to TSA Industries by the First to Fifth Defendants is RM33,482,422 (calculated based on the judgment sum, allocatur fee, costs and interests of 5% per annum less the sum recovered from the 2 garnishee applications).

On 28 November 2023, an originating summons was filed by TSA Industries, against the Second Defendant, Fourth Defendant and 4 of the banks where they maintained accounts with for, amongst others, a declaratory order that monies held in the accounts bearing the name of the Second Defendant either solely and/or jointly at the 4 defendant banks shall not be vested with the Director General of Insolvency by virtue of the illegality of the monies, and recovery of the monies held by the Director General of Insolvency due to the bankruptcy status of the Second Defendant.

The quantum cannot be determined at this juncture as it depends on the sums that are held in the respective defendant banks. The instructing solicitors acting for TSA Industries is of the view that it has a reasonably good arguable case.

(c) High Court of Kuala Lumpur, Admiralty Action In Rem Suit No.: WA-27NCC-44-10/2022

TSA Industries ("Plaintiff") -v- The Owners and/or Other Persons Interested in the Ship or Vessel "MSR No 1" (IMO NO.: 9141742) of Port of Panama ("Vessel") ("Defendant")

TSA Industries purchased one set of reconditioned annealing furnace from Hongkong Chengxin International Development Co. Limited ("**Seller**") at a price of USD1,127,760.50. On 13 September 2022, 23 packages of cargo containing pieces of the annealing furnace (collectively, "**Cargo**") were shipped on board the Vessel from Shanghai to Port Klang. While on voyage from Shanghai to Port Klang, the Vessel encountered turbulent weather conditions and 8 packages fell overboard into the sea while 15 packages remained on board with varied degree of damages of the packages. The Vessel arrived at Port Klang with the damaged packages.

On 3 October 2022, the Court issued the Writ *in rem* and a Warrant of Arrest for the Vessel. The arrest was effected on 4 October 2022 by the Sheriff of the Court at the territorial waters of Malaysia at Port Klang. The arrest was on the basis that, as the carrier and bailee of the Cargo, the Defendant had failed to ensure that the Cargo is received by TSA Industries in a good, workable condition and was fit for its function and purpose.

The solicitors acting for TSA Industries had, on 7 November 2022, filed the statement of claim. TSA Industries is claiming, amongst others, the sum of USD1,127,760.50, interest and legal and other costs amounting to RM400,000.

On 31 January 2023, the Vessel was released from arrest after security for the claim amounting to USD1,240,536.55 (being the value of the cargo lost and costs of RM400,000.00) was paid into Court. On 3 April 2023, the Admiralty Judge dismissed the Defendant's application to strike out the claim and to set aside the arrest. The Court has fixed the trial dates on 11 March 2024 to 15 March 2024.

The solicitors acting for TSA Industries is of the view that TSA Industries has good chances of success of proving the claim at trial.

TSA Industries does not anticipate any material losses if it fails to win the legal suit because the Seller has agreed to reship another set of equipment with the same function and configuration at no cost to TSA Industries.

TSA Industries has made a claim from its insurer. TSA Industries and the Seller have agreed that any amount received by TSA Industries from the insurance claim, less the legal fees and other costs, will be paid to the Seller.

(x) Capital expenditure and divestitures

Capital expenditure

Our Group's capital expenditure for FYE 2020, FYE 2021, FYE 2022, FPE 2023 and as at the LPD, are as follows:

	Method of financing	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000	1 September 2023 up to the LPD RM'000
Semenyih Land	Internally generated funds, bank borrowings	-	-	13,068	-	-
Capital work-in-progress	Internally generated funds	-	-	10,474	5,365	-
Factory and office equipment, furniture and fittings	Internally generated funds	255	1,112	1,913	1,941	120
Motor vehicles and transport equipment	Internally generated funds, hire purchase	70	722	283	68	135
Investment property	Internally generated funds	889	-	-	-	-
Total		**1,214**	**1,834**	**25,738**	**7,374**	**255**

FYE 2020

For FYE 2020, our capital expenditure of RM1.2 million was mainly for the purchase of investment properties comprising one freehold condominium unit and one leasehold condominium unit, as well as factory and office equipment, furniture and fittings, and transport equipment.

FYE 2021

For FYE 2021, our capital expenditure of RM1.8 million was mainly contributed by the purchase of one bending machine and one punching machine, renovation works on our main operational facility, and purchases of office equipment and furniture and fittings, and purchases of motor vehicles and transport equipment.

FYE 2022

For FYE 2022, our capital expenditure of RM25.7 million was mainly contributed by the acquisition of Semenyih Land amounting to RM13.1 million where the acquisition was completed in October 2022 and capital work-in-progress amounting to RM10.5 million relating to one stainless steel cold rolling line and one annealing furnace. We also had capital expenditure amounting to RM1.9 million on warehouse and office equipment for TSA Singapore and expansion of the warehouse at our main operational facility, and RM0.3 million for the purchase of motor vehicles and transport equipment.

FPE 2023

Our capital expenditure for FPE 2023 was RM7.4 million which mainly comprised capital work-in-progress amounting to RM5.4 million relating to one stainless steel cold rolling line, factory and office equipment, furniture and fittings amounting to RM1.9 million and purchase of motor vehicle amounting to approximately RM68,000.

From 1 September 2023 to the LPD

Our capital expenditure from 1 September 2023 up to the LPD was RM0.3 million which comprised factory and office equipment, furniture and fittings amounting to RM0.1 million and purchase of motor vehicle amounting to RM0.1 million.

Capital divestitures

Our Group's capital divestitures for FYE 2020, FYE 2021, FYE 2022, FPE 2023 and as at the LPD are as follows:

Property, plant and equipment	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000	1 September 2023 up to the LPD RM'000
Freehold land	-	-	(5,000)	-	-
Factory equipment and office equipment, furniture and fittings, and plant and machinery	(#)	-	^(289)	-	-
Motor vehicles and transport equipment	(#)	(176)	^(71)	-	-
Total property, plant and equipment	**(#)**	**(176)**	**^(5,360)**	**-**	**-**
Investment property	-	-	^(857)	-	-
Total	**(#)**	**(176)**	**^(6,217)**	**-**	**-**

 # Less than RM1,000; ^ Including those arising from the disposal of subsidiaries and business segment.

Kindly refer to Notes 5 and 6 of the Accountant's Report for further details of the abovementioned capital divestitures.

For FYE 2020 our capital divestitures amounted to less than RM1,000 comprising disposal of equipment and motor vehicles.

For FYE 2021, our capital divestitures of RM0.2 million was from the disposal of motor vehicles.

For FYE 2022, our capital divestitures of RM6.2 million mainly comprised RM5.0 million from the disposal of the Agricultural Land. In addition, we also disposed of factory and office equipment, furniture and fittings and motor vehicles and transport equipment including from the disposal of the sand mining business and entire equity interests in the following subsidiaries:
- Best Chemical;
- Mitra ACNC Sdn Bhd;
- Asia Oriental Commodities; and
- Best Mineral.

(xi) Investment properties

The purchase price less accumulated depreciation charge (if applicable) of our investment properties as at 31 December 2020, 2021 and 2022, 31 August 2023 and as at the LPD are as follows:

Purchase price less accumulated depreciation	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000	As at the LPD RM'000
Freehold condominium unit	474	474	-	-	-
Leasehold condominium unit	401	386	-	-	-
Total	**875**	**860**	**-**	**-**	**-**

The carrying amount of the investment properties listed above on our balance sheet as at FYE 2020 and FYE 2021 were classified as held for sale.

Our investment properties consisted of the following:
- One freehold condominium unit located at Ampang, Selangor; and
- One leasehold condominium unit located at Seri Kembangan, Selangor.

Both investment properties were disposed together with the disposal of the disposed subsidiaries, which was completed on 18 May 2022.

(xii) Assets and liabilities of disposal group classified as held for sale

On 15 April 2022, TSA Group entered into several share sale agreements in relation to the disposal of the following subsidiaries (collectively known as "the disposed subsidiaries") for total consideration of approximately RM0.4 million:
- Best Chemical ;
- Mitra ACNC Sdn Bhd;
- Asia Oriental Commodities; and
- Best Mineral.

The disposal of Best Chemical, Asia Oriental Commodities and Best Mineral were completed on 10 May 2022. The disposal of Mitra ACNC was completed on 18 May 2022.

On 30 May 2022, our Group entered into a novation agreement in relation to the disposal of the sand mining business for a total sale consideration of RM5.1 million. The sand mining business relates to the sand mining concession granted by the relevant state authorities to TSA Industries in 2020. The novation completed on 30 May 2022.

On 31 May 2022, our Group entered into a sale and purchase agreement in relation to the disposal of the freehold Agricultural Land for a total sale consideration of RM7.2 million, which the disposal consideration was paid on 25 August 2022.

Please refer to Note 18 of the Accountant's Report as set out in Section 13 of this Prospectus for additional information on assets and liabilities of the disposal group classified as held for sale.

(xiii) Capital commitments

Our capital commitments as at the LPD are summarised in the following table:

		Source of funds	
	Capital commitment	Internally generated funds / bank borrowings	IPO Proceeds
	RM'000	RM'000	RM'000
<u>Construction of the Semenyih Manufacturing Premises</u> (1)	**50,596**	**45,496**	**5,100**
Approved and contracted for:			
Consultants and payments to authorities	*308*	*308*	-
Approved but not contracted for:			
External works and services (2)	*7,905*	*7,905*	-
Construction of the building, cabling and substation	*42,011*	*36,911*	*5,100*
Contingencies	*372*	*372*	-
<u>Stainless steel cold rolling line</u> (3)	**36,161**	**36,161**	**-**
Approved and contracted for:			
Purchase, installation and commissioning of reconditioned stainless steel cold rolling line and annealing furnace	*17,191*	*17,191*	-
Approved but not contracted for:			
Purchase and installation of other machinery and equipment (4)	*9,913*	*9,913*	-
Construction and mechanical works (5)	*3,800*	*3,800*	-
Contingencies	*5,257*	*5,257*	-
Total	**86,757**	**81,657**	**5,100**

Notes:

(1) The total estimated cost for the Semenyih Manufacturing Premises is estimated at RM52.0 million. Of this RM52.0 million, RM1.4 million had been paid as at the LPD and the balance RM50.6 million will be funded through internally generated funds and/or bank borrowings, and IPO proceeds.

(2) Includes site clearing and earthworks, roadworks, retaining walls, drainage, sewerage, water and electricity supply.

(3) The total estimated cost for the stainless steel cold rolling line is estimated at RM52.0 million. Of this RM52.0 million, RM15.8 million had been paid as at the LPD and the balance RM36.2 million will be funded through internally generated funds and/or bank borrowings.

(4) Includes overhead cranes and forklifts, weigh bridge and compressors.

(5) Includes foundation works, water and oil treatment plant, and structural and support systems.

Our capital commitments as at the LPD are as follows:

- RM50.6 million for the construction of the Semenyih Manufacturing Premises, including engaging consultants and payments to authorities, external works and services, construction of the building, cabling and substation, and contingencies; and

- RM36.2 million for the stainless steel cold rolling line, including purchase, installation and commissioning of the reconditioned stainless steel cold rolling line and annealing furnace, other machinery and equipment (including overhead cranes and forklifts, weigh bridge and compressors), construction and mechanical works (including foundation works, water and oil treatment plant, and structural and support systems), and contingencies. The stainless steel cold rolling line will be installed at the Semenyih Manufacturing Premises.

Please refer to Section 7.21 of this Prospectus for additional information on our business strategy and plans.

(xiv) Key financial ratios

Our key financial ratios are as follows:

	As at 31 December			As at 31 August
	2020	2021	2022	2023
Trade receivables turnover period (days) (1)	93	73	64	73
Trade payables turnover period (days) (2)	31	26	17	14
Inventory turnover period (days) (3)	133	120	106	113
Current ratio (times) (4)	2.0	1.7	2.4	1.9
Debt-to-equity ratio (times) (5)	0.5	0.6	0.4	0.7

Notes:

(1) Computed based on dividing the average net trade receivables (excluding allowance for impairment losses and those classified as held for sale) by the total revenue of the respective financial year or financial period, and multiplying the result by the number of days in the financial year (365 days) or financial period (243 days). Average trade receivables is calculated by adding the opening and closing balance of net trade receivables of the financial year or financial period, and dividing the total by 2.

(2) Computed based on dividing the average net trade payables (excluding those classified as held for sale) by the total cost of sales of the respective financial year or financial period, and multiplying the result by the number of days in the financial year (365 days) or financial period (243 days). Average trade payables is calculated by adding the opening and closing balance of net trade payables of the financial year or financial period, and dividing the total by 2.

(3) Computed based dividing the average inventory (excluding those classified as held for sale) by the total cost of sales of the respective financial year or financial period, and multiplying the result by the number of days in the financial year (365 days) or financial period (243 days). Average inventories is calculated by adding the opening and closing balance of inventories of the financial year or financial period, and dividing the total by 2.

(4) Computed based on dividing the current assets by the current liabilities as at the end of the respective financial year or financial period.

(5) Computed based on dividing the total interest-bearing borrowings excluding lease liabilities by the total equity as at the end of the respective financial year or financial period.

(a) Trade receivables

Trade Receivables	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Trade receivables	57,048	67,055	62,564	71,512
Less:				
Allowance for impairment losses	(790)	(2,321)	(1,270)	(971)
Classified as held for sale	(61)	(30)	-	-
Net trade receivables	56,197	64,704	61,294	70,541
Average net trade receivables	*59,779	60,451	62,999	65,918
Revenue	234,628	302,693	357,271	220,339
Trade receivables turnover period (days)	93	73	64	73

** Opening balance of net trade receivables for FYE 2020 was RM63.4 million.*

Generally, we deal with our customers on cash terms and credit terms. The normal credit terms that we grant our customers range from 30 days to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

Our trade receivables turnover period was computed excluding allowance for impairment losses and those classified as held for sale. Trade receivables held for sales refer to those of the Disposed Subsidiaries.

Our average trade receivables turnover periods for FYE 2020 was 93 days which falls within the credit period. Our average trade receivables turnover period decreased from 93 days for FYE 2020 to 73 days for FYE 2021. This was mainly attributed to the improvement in collections from customers during FYE 2021. This also reflected in the reduction in proportion of past due trade receivables from 32.0% in FYE 2020 to 27.5% in FYE 2021.

Meanwhile we had higher trade receivables balances as at 31 December 2021 due to higher sales during the last quarter of FYE 2021 as the business activities picked up following the easing of COVID-19 control measures.

The average trade receivables turnover period further decreased to 64 days for FYE 2022 which was attributed to lower sales to customers during the 4th quarter of FYE 2022. In addition, we had higher cash sales in FYE 2022.

Our average trade receivables turnover period increased to 73 days for FPE 2023 mainly due to higher proportion of sales to customers on credit terms by TSA Singapore for FPE 2023 compared to FYE 2022.

The ageing analysis of our trade receivables as at 31 August 2023 and the subsequent collections up to the LPD are set out below:

	Within credit period	Exceed credit period (days past due)					Total
		1 – 30	31 – 60	61 – 90	91 – 120	More than 120	
Gross trade receivables as at 31 August 2023 (RM'000)	42,646	17,306	6,588	2,433	1,207	1,424	71,604
Less:							
Allowance for impairment losses (RM'000)	-	-	-	-	-	(971)	(971)
Net trade receivables as at 31 August 2023 (RM'000)	42,646	17,306	6,588	2,433	1,207	453	70,633
Proportion of total trade receivables (%)	*60.4*	*24.5*	*9.3*	*3.5*	*1.7*	*0.6*	*100.0*
Subsequent collections as at the LPD (RM'000)	(34,452)	(12,589)	(3,830)	(1,304)	(349)	(418)	(52,942)
Net trade receivables after subsequent collections (RM'000)	8,194	4,717	2,758	1,129	858	35	17,691
Proportion of net trade receivables after subsequent collections (%)	*46.3*	*26.7*	*15.6*	*6.4*	*4.8*	*0.2*	*100.0*

As at the LPD, RM52.9 million or 73.9% of the total net trade receivables as at 31 August 2023 has been subsequently collected. Of the remaining outstanding amount that was within the credit period as at 31 August 2023, RM8.2 million (46.3%) remains outstanding. For those outstanding amount which exceeded the credit period as at 31 August 2023, RM9.5 million (53.7%) remains outstanding.

During the Financial Years and Period Under Review, our policy for monitoring and collecting trade receivables is as follows:

- Contacting the customer by telephone or email after the expiry of their respective credit term;
- Issuance of 1st reminder to the customer if there is no payment received after 30 days grace period from the expiry of their respective credit term;
- Issuance of 2nd reminder to the customer if no payment is received after 14 to 21 days (depends on the outstanding amount and the customer's payment history) from the date of 1st reminder;
- Issuance of final reminder if there is no payment received from the customer within 7 days from the date of the 2nd reminder. The customer is given 7 days to settle the outstanding amount as per the final reminder;
- If the outstanding amount is not settled within 7 days of the date of the final reminder, we will instruct our solicitor to issue a Letter Notice of Demand ("**LNOD**") to the customer. The customer is given not more than 30 days from the date of the LNOD to settle the outstanding amount; and
- We will instruct our solicitor to take further legal action if no payment is received from the customer after 30 days of the date of the LNOD.

During the Financial Years and Period Under Review, no disputes with our trade receivables have arisen in respect of our trade receivables.

(b) Trade payables

Trade Payables	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Trade payables	17,964	12,903	13,100	8,266
Less:				
Classified as held for sale	(12)	(4)	-	-
Net trade payables	17,952	12,899	13,100	8,266
Average net trade payables	*15,802	15,426	13,000	10,683
Cost of sales	186,680	216,283	277,507	179,156
Trade payables turnover period (days)	31	26	17	14

** Opening balance of trade payables for FYE 2020 was RM13.7 million.*

The normal trade credit terms granted to us by our creditors are cash term and from 30 to 120 days credit.

Our trade payables turnover period decreased from 31 days for FYE 2020 to 26 days for FYE 2021 mainly attributed to further increase in the proportion of input materials purchased from overseas suppliers during FYE 2021 compared to FYE 2020, which resulted in the decrease in trade payables turnover period as overseas suppliers provided shorter credit period compared to Malaysian suppliers. Our overseas suppliers generally did not grant credit terms to us as they required payment based on Letter of Credit or Document against Payment terms.

Our trade payables turnover period decreased from 26 days for FYE 2021 to 17 days for FYE 2022, mainly due to further increase in the proportion of input materials that we purchased from overseas suppliers in FYE 2022 compared to FYE 2021. As overseas suppliers provided shorter credit period compared to Malaysian suppliers, our trade payables turnover period in FYE 2022 was lower compared to FYE 2021.

Our trade payables turnover period for FPE 2023 decreased further to 14 days which were mainly due to an increase in the proportion of purchases from local suppliers that were on cash terms or less than 30 days credit in FPE 2023 compared to FYE 2022.

The ageing analysis of our trade payables as at 31 August 2023 and the subsequent payments up to the LPD are set out as below:

12. FINANCIAL INFORMATION *(Cont'd)*

	Within credit period	Exceed credit period (days past due)					Total
		1 – 30	31 – 60	61 – 90	91 – 120	More than 120	
Net trade payables as at 31 August 2023 (RM'000)	7,042	468	675	81	-	-	8,266
Proportion of total trade payables (%)	*85.2*	*5.7*	*8.1*	*1.0*	-	-	*100.0*
Subsequent payments as at the LPD (RM'000)	(5,605)	(468)	(658)	(81)	-	-	(6,812)
Net trade payables after subsequent payments (RM'000)	1,437	-	17	-	-	-	1,454
Proportion of trade payables after subsequent payments (%)	*98.8*	-	*1.2*	-	-	-	*100.0*

As at the LPD, RM6.8 million or 82.4% of the total trade payables as at 31 August 2023 has been subsequently paid. Of the remaining outstanding amount that was within the credit period as at 31 August 2023, RM1.4 million (98.8%) remains outstanding. For those outstanding amount which exceeded the credit period as at 31 August 2023, approximately RM17,000 (1.2%) remains outstanding.

There has been no dispute in respect of our trade payables during the Financial Years and Period Under Review.

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(c) Inventories

	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Raw materials	23,851	25,962	21,510	22,310
Packaging material	733	768	898	788
Work-in-progress	489	909	394	417
Finished goods	30,546	47,084	58,331	59,291
Goods-in-transit	7,532	4,304	1,494	1,105
Inventories	63,151	79,027	82,627	83,911
Average inventories	67,785*	71,089	80,827	83,269
Cost of sales	186,680	216,283	277,507	179,156
Average inventory turnover period (days)(1)	133(2)	120	106	113
Raw materials	*41*	*42*	*31*	*30*
Packaging material	*2*	*1*	*1*	*1*
Work-in-progress	*2*	*1*	*1*	*1*
Finished goods	*74*	*66*	*69*	*80*
Goods-in-transit	*14*	*10*	*4*	*1*

** Opening balance of inventories for FYE 2020 was RM72.4 million.*

***Notes*:**

(1) Based on average inventory of the respective financial years or financial period over total cost of sales of the respective financial year or financial period and multiplied by 365 days or 243 days.

(2) Our inventory turnover period of 133 days for FYE 2020 was mainly contributed by the temporary closure of our operational facilities in Malaysia between 18 March 2020 to 15 April 2020 pursuant to the first MCO.

Our inventories for continuing operations comprise the following:

- Raw materials mainly comprising stainless steel products for our manufacturing of stainless steel pipes and processing of stainless steel business activities;
- Packaging material for our outgoing products;
- Work-in-progress mainly comprising stainless steel pipes and process stainless steel products in the midst of production; and
- Finished goods mainly comprising stainless steel, other metal products, hardware and other products purchased from third-party suppliers for our trading business activity, as well as finished stainless steel pipes that we manufactured in-house and processed stainless steel products.

Our inventories are mainly steel in nature and have a long useful life. Our subsidiary, TSA Industries would assess its inventories which aged more than 1 year where no sales of such products as slow-moving inventories.

A general allowance for slow-moving inventories at 3.50% of the total inventory value of TSA Industries for raw materials, work-in-progress and finished goods are provided for.

Our inventory turnover period for FYE 2021 was 120 days, a reduction of 13 days compared to FYE 2020, which was mainly due to recovery in demand as the COVID-19 situation gradually improved, which was also reflected in increase in our revenue in FYE 2021 compared to FYE 2020.

Our inventory turnover period was further reduced by 14 days, to 106 days for FYE 2022, which was we reduced the quantity of stainless steel products that we held in our inventory, and we generally purchased stainless steel products as and when required to replenish the inventories during FYE 2022. This was undertaken as a prudent measure in response to the fluctuations in the market prices of stainless steel products during FYE 2022 compared to FYE 2021.

Our inventory turnover period increased by 7 days to 113 days for FPE 2023, which was mainly contributed by slower sales during FPE 2023 as our revenue for FPE 2023 had decreased by 11.3% compared to FPE 2022.

The closing balances of our general provision for slow-moving inventory was RM1.8 million, RM2.2 million, RM2.7 million and RM2.4 million for FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

(d) Current ratio

Current Ratio	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Current assets	171,848	224,172	191,797	200,354
Current liabilities	86,492	133,523	79,057	103,812
Current ratio (times)	2.0	1.7	2.4	1.9

Our current ratio declined from 2.0 times as at 31 December 2020 to 1.7 times as at 31 December 2021. This was mainly due to an increase in dividends payable by RM33.0 million and an increase in current bank borrowings by RM13.4 million. This was partially offset by an increase in cash and bank balances by RM23.7 million from net cash generated during the year, an increase in inventories by RM15.9 million arising from higher purchase quantity and prices for stainless steel products purchased during FYE 2021 on the back of higher average Asian stainless steel prices. In addition, trade receivables increased by RM8.5 million mainly due to recovery in sales from customers in Malaysia in the second half of 2021 following the gradual easing of COVID-19 control measures.

Our current ratio increased from 1.7 times as at 31 December 2021 to 2.4 times as at 31 December 2022. The increase in current ratio was mainly due to decrease in dividends payable by RM35.0 million, decrease in current bank borrowings by RM14.7 million and decrease in current tax liabilities by RM5.7 million as at 31 December 2022 compared to 31 December 2021, and increase in other receivables, deposits and prepayments by RM4.1 million mainly due to advance payments to suppliers for the purchase of stainless steel input materials and earnest deposit for the purchase of the Semenyih Land, and increase in the value of inventories by RM3.6 million mainly due to higher average purchase prices of input materials, including stainless steel products on the back of higher average Asian stainless steel prices during FYE 2022.

These were partially offset by decrease in cash and bank balances by RM29.7 million mainly due to payment of dividends to the shareholders of TSA Industries and reduction of trade receivables by RM3.4 million mainly attributed to lower sales to customers during the fourth quarter of FYE 2022 as we had higher cash sales during FYE 2022. In addition, there was a decrease in amount owing by ultimate holding company by RM5.7 million as the said amount settled in FYE 2022.

Our current ratio decreased from 2.4 times as at 31 December 2022 to 1.9 times as at 31 August 2023. The decrease in current ratio was mainly due to increase in borrowings by RM32.3 million as at 31 August 2023 compared to 31 December 2022 mainly arising from increases in the outstanding balances of our onshore foreign currency loan and structured and trade commodity financing that were used as working capital to purchase input materials. In addition, other receivables, deposits and prepayments decreased by RM5.0 million mainly due to reduction of advances payment to supplier. These were partially offset by an increase in trade receivables by RM9.2 million, mainly due to higher proportion of sales to customers on credit terms by TSA Singapore for FPE 2023 compared to FYE 2022, increase in current tax assets by RM1.6 million and increase in derivative assets by RM1.1 million which were in relation to foreign currency forward contracts with licenced banks in Malaysia to purchase USD using RM. Please refer to Section 12.3.13 (v) of this Prospectus for additional information on our financial instruments for hedging purposes.

(e) Debt-to-equity ratio

Debt-to-equity Ratio	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Total borrowings*	55,911	69,416	64,746	96,126
Total equity	121,058	124,792	150,039	141,291
Debt-to-equity ratio (times)	0.5	0.6	0.4	0.7

Note: *Refer to total interest-bearing borrowings excluding lease liabilities

As at 31 December 2021, our debt-to-equity ratio was slightly higher at 0.6 times. This was mainly attributed to increases in onshore foreign currency loan as well as structured and trade commodity financing of RM4.9 million and RM8.7 million, respectively, which were used as working capital to purchase input materials.

Our debt-to-equity ratio decreased to 0.4 times as at 31 December 2022, which was mainly attributed to decrease in RM25.4 million in the outstanding balance of our onshore foreign currently loan which was used as working capital to purchase input materials. In addition, our total equity increased by RM25.2 million from total comprehensive income for FYE 2022 of RM40.6 million net of dividends distributed of RM15.4 million.

Our debt-to-equity ratio increased to 0.7 times as at 31 August 2023, which was mainly attributed to increases of RM22.3 million and RM12.6 million in the outstanding balances of our onshore foreign currency loan and structured and trade commodity financing that were used as working capital to purchase input materials. Furthermore, our total equity decreased by RM8.7 million from dividends distributed of RM20.0 million net of total comprehensive income for FPE 2023 of RM11.3 million.

12.3.14 Accounting Policies and Audit Qualifications

There was no accounting policy adopted which is peculiar to our Group because of the nature of our business or the industry we operate in during the Financial Years and Period Under Review. The Accountant's Report did not contain any audit qualification for the Financial Years and Period Under Review.

12.3.15 Trend Analysis

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

(i) known trends, demands, commitments, events or uncertainties that have had, or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations, liquidity and capital resources, saved as disclosed in this section and Sections 7.15, 9 and 12.3 of this Prospectus;

(ii) material commitments for capital expenditure, saved as disclosed in Section 12.3 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, saved as disclosed in this section and Sections 7.15, 9 and 12.3 of this Prospectus;

(iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits, save for the interruption to business and operations due to the COVID-19 pandemic, saved as disclosed in this section and Sections 7.15, 9 and 12.3 of this Prospectus; and

(v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not indicative of the future financial performance and position, saved as disclosed in this section and Sections 7.15, 9 and 12.3 of this Prospectus.

However, our Board foresees certain risk factors as set out in Section 9 of this Prospectus that may affect our future financial condition and results of operations.

Our Board is optimistic about the future prospects of our Group after taking into account the overview of the stainless steel industry in Malaysia as set out in Section 8 of this Prospectus, our competitive advantages and key strengths as set out in Section 7.3 of this Prospectus and our business strategies as set out in Section 7.21 of this Prospectus.

12.3.16 Order Book

Order book is not relevant to our Group as all of the orders that we received for our trading, manufacturing and processing business activities during the Financial Years and Period Under Review and up to the LPD are in the form of purchase orders. As at the LPD, we do not have long-term contracts for the supply of goods with any of our customers.

12.3.17 Significant Changes

Between FPE 2023 and up to the LPD no significant changes have occurred that may have a material effect on the financial position and results of our Group.

12.4 DIVIDEND POLICY

Our Group presently does not have any dividend policy. Our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors, such as having profits and excess funds that are not required to be retained to fund our business, and the dividends received from our subsidiaries.

Our Board will consider the following factors (which may not be exhaustive) when declaring dividends:

(i) our level of cash and indebtedness;

(ii) our required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(iii) our expected results of operations and future level of operations; and

(iv) our projected levels of capital expenditure and other investment plans.

There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) our Company is or would after the payment be unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than its liabilities.

During the Financial Years and Period Under Review, we have declared and paid for the following dividends:

	FYE 2020 **RM'000**	**FYE 2021** **RM'000**	**FYE 2022** **RM'000**	**FPE 2023** **RM'000**	**1 September 2023 to the LPD** **RM'000**
Dividends declared (1)	12,000	35,000	15,000	20,000	5,000 (2)
Dividend paid (3)	13,155	2,313	50,384	20,000	5,000
To our shareholders	*13,000*	*2,000*	*50,000*	*20,000*	*5,000*
To minority interests	*155*	*313*	*384*	-	-
PAT	5,203	40,284	40,659	10,666	N/A
Dividend payout ratio (4) (%)	230.6	86.9	36.9	187.5	N/A

Notes:

(1) Dividends declared was based on date of declaration.
(2) Dividends was declared in respect of FPE 2023, and subsequently paid on 30 October 2023.
(3) Dividends paid was based on timing of payment.
(4) Computed based on total dividends declared divided by PAT.

Save for those disclosed in the table above, we have not declared or paid for any other dividends during the Financial Years and Period Under Review and up to the LPD. Please refer to Note 34 of the Accountant's Report in Section 13 of this Prospectus for further details.

The dividends distributed for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 were distributed based on the funds available to our Group in excess of the funding requirements for our business operations. The declaration and payment of these dividends did not affect the execution and implementation of our Group's future plans or strategies moving forward.

Our Group declared and paid an interim dividend of RM5.0 million in October 2023 based on the funds available in excess of the funding requirements for our business operations. The declaration and payment of this dividend would not affect the execution and implementation of our future plans or strategies moving forward.

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

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12.5 REPORTING ACCOUNTANT'S REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION

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30 NOV 2023

The Board of Directors
TSA Group Berhad
Lot 3998 Jalan 6/2A,
Taman Industri Selesa Jaya,
43300 Balakong,
Selangor Darul Ehsan,
Malaysia.

Dear Sirs/Madams,

TSA GROUP BERHAD ("TSA GROUP" OR "THE COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023

We have completed our assurance engagement to report on the compilation of Pro Forma Statements of Financial Position of TSA Group Berhad ("TSA Group") and its subsidiaries (hereinafter referred to as the "the Group") as at 31 August 2023 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company for inclusion in the Prospectus in connection with the proposed listing of and quotation for the entire issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad ("the Listing").

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Statements of Financial Position are described in the notes thereon to the Pro Forma Statements of Financial Position. The Pro Forma Statements of Financial Position is prepared in accordance with the requirement of the Prospectus Guidelines issued by the Securities Commission Malaysia ("the Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants ("Guidance Note").

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions set out in the notes thereon to the Pro Forma Statements of Financial Position as if the transactions have been implemented and completed on 31 August 2023 on the Group's financial position as at that date.

As part of this process, information about the Group's financial position as at 31 August 2023 has been extracted by the Board of Directors of the Company from the Accountant's Report of TSA Group for the financial period ended 31 August 2023, which are audited by us.

THE BOARD OF DIRECTORS' RESPONSIBILITIES

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

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence and other ethical requirement of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Statements of Financial Position have been complied, in all material respects, by the Board of Directors of the Company on the basis as described in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Group has compiled, in all material respects, the pro forma financial information on the basis of the applicable criteria.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position.

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

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REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma 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 of the Company in the compilation of the Pro Forma Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

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

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

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

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

OPINION

In our opinion, the Pro Forma Statements of Financial Position of the Group as at 31 August 2023 have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

Our report on the Pro Forma Statements of Financial Position have been prepared for inclusion in the Prospectus of TSA Group in connection with the Listing. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Crowe Malaysia PLT
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Chartered Accountants

Chin Kit Seong
03030/01/2025 J
Chartered Accountant

Kuala Lumpur

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023

	Note	As at 31 August 2023 * RM'000	Adjustment for Material Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Events RM'000	Pre-IPO Exercise RM'000	Pro Forma II After Pro Forma I and Pre-IPO Exercise RM'000	Public Issue RM'000	Pro Forma III After Pro Forma II and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma III and Utilisation of Proceeds RM'000
ASSETS										
NON-CURRENT ASSETS										
Property, plant and equipment		40,555		40,555		40,555		40,555		40,555
Right-of-use assets		16,042		16,042		16,042		16,042		16,042
Deferred tax assets		986		986		986		986		986
		57,583		57,583		57,583		57,583		57,583
CURRENT ASSETS										
Inventories		83,911		83,911		83,911		83,911		83,911
Trade receivables		70,541		70,541		70,541		70,541		70,541
Other receivables, deposits and prepayments		10,758		10,758		10,758		10,758		10,758
Amount owing by related parties		92		92		92		92		92
Current tax assets		1,643		1,643		1,643		1,643		1,643
Derivative assets		1,077		1,077		1,077		1,077		1,077
Fixed deposits with licensed banks		544		544		544		544		544
Cash and bank balances	7.1	31,788	(5,000)	26,788		26,788	42,529	69,317	(25,100)	44,217
		200,354		195,354		195,354		237,883		212,783
TOTAL ASSETS		257,937		252,937		252,937		295,466		270,366

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

	Note	As at 31 August 2023 * RM'000	Adjustment for Material Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Events RM'000	Pre-IPO Exercise RM'000	Pro Forma II After Pro Forma I and Pre-IPO Exercise RM'000	Public Issue RM'000	Pro Forma III After Pro Forma II and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma III and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES										
EQUITY										
Share capital	7.2	5,000		5,000	115,000	120,000	42,529	162,529	(1,800)	160,729
Reserves	7.3	133,300	(5,000)	128,300	(115,000)	13,300		13,300	(3,300)	10,000
		138,300		133,300		133,300		175,829		170,729
Non-controlling interests		2,991		2,991		2,991		2,991		2,991
TOTAL EQUITY		141,291		136,291		136,291		178,820		173,720
NON-CURRENT LIABILITIES										
Lease liabilities		1,744		1,744		1,744		1,744		1,744
Borrowings	7.4	9,740		9,740		9,740		9,740		9,740
Deferred tax liabilities		1,350		1,350		1,350		1,350		1,350
		12,834		12,834		12,834		12,834		12,834

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

	Note	As at 31 August 2023 * RM'000	Adjustment for Material Subsequent Event RM'000	Pro Forma I After Adjustment for Material Subsequent Events RM'000	Pre-IPO Exercise RM'000	Pro Forma II After Pro Forma I and Pre-IPO Exercise RM'000	Public Issue RM'000	Pro Forma III After Pro Forma II and Public Issue RM'000	Utilisation of Proceeds RM'000	Pro Forma IV After Pro Forma III and Utilisation of Proceeds RM'000
CURRENT LIABILITIES										
Trade payables		8,266		8,266		8,266		8,266		8,266
Other payables and accruals		6,670		6,670		6,670		6,670		6,670
Amount owing to directors		335		335		335		335		335
Current tax liabilities		700		700		700		700		700
Lease liabilities		1,455		1,455		1,455		1,455		1,455
Borrowings	7.4	86,386		86,386		86,386		86,386	(20,000)	66,386
		103,812		103,812		103,812		103,812		83,812
TOTAL LIABILITIES		116,646		116,646		116,646		116,646		96,646
TOTAL EQUITY AND LIABILITIES		257,937		252,937		252,937		295,466		270,366
Number of ordinary shares		5,001,000		5,001,000		231,975,000		309,300,000		309,300,000
Net assets ("NA") @ (RM'000)		138,300		133,300		133,300		175,829		170,729
NA per ordinary share (RM)		27.65		26.65		0.57		0.57		0.55

Notes:-
** - Extracted from the Accountant's Report as at 31 August 2023.*
@ - represents net assets attributable to owners of the Company, which is also known as shareholders' equity.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023

1. ABBREVIATIONS

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

Abbreviations

TSA Group or the Company	:	TSA Group Berhad Registration No.: 202201010003 (1455700A).
The Group	:	TSA Group Berhad, TSA Industries Sdn. Bhd. Registration No.: 199301025961 (280699W); TSA Industries (SEA) Pte. Ltd. Registration No.: 201007352G; Mitra Bintang Sdn. Bhd. Registration No.: 200401008356 (646860U); TSA Pipes Manufacturing Sdn. Bhd. Registration No.: 199401005295 (290974K); Asia Inox Sdn. Bhd. Registration No.: 202301011146 (1505068U).
TSA Industries	:	TSA Industries Sdn. Bhd.
TSA Singapore	:	TSA Industries (SEA) Pte. Ltd.
Mitra Bintang	:	Mitra Bintang Sdn. Bhd.
TSA Pipes	:	TSA Pipes Manufacturing Sdn. Bhd.
Asia Inox	:	Asia Inox Sdn. Bhd.
TSA Industries Acquisition	:	The acquisition by the Company of the entire issued share capital of TSA Industries from TSA Industries Vendors for a total purchase consideration of RM120,000,150 which was satisfied entirely by issuance of 231,974,000 new Shares. The acquisition was completed on 31 October 2023.
Vendors	:	KVC Properties Sdn. Bhd. Registration No.: 199501042080 (371284A); Barisan Jutawan Sdn. Bhd. Registration No.: 200001033057 (535664D); Chew Kuan Fah; Chew Yik Wai; and Ng Kim Liang.
IPO	:	Initial public offering.
Listing	:	Proposed listing of and quotation for the entire issued share capital of TSA Group on the ACE Market of Bursa Malaysia Securities Berhad.
TSA Group Shares or Shares	:	Ordinary shares in TSA Group.
RM and sen	:	Ringgit Malaysia and sen, respectively.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

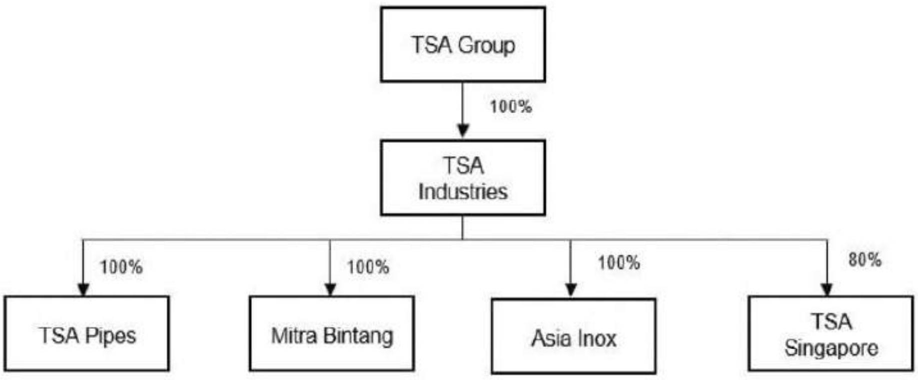
2. INTRODUCTION

The Pro Forma Statements of Financial Position of the Group as at 31 August 2023 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purpose only for the purpose of inclusion in the Prospectus in connection with the Listing and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

3.1 Group Structure

The pro forma corporate structure of TSA Group is presented as follows:-



Asia Inox was incorporated on 24 March 2023 as a private limited company and domiciled in Malaysia and is a dormant company since its incorporation.

3.2 Accountant's Report

The Pro Forma Statements of Financial Position of the Group as at 31 August 2023 are prepared based on the Accountant's Report of TSA Group for the financial period ended 31 August 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the financial statements and accounting policies of the Group.

The Accountant's Report used in the preparation of these Pro Forma Statements of Financial Position were not subject to any audit qualification, modification or disclaimer of opinion.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

3. BASIS OF PREPARATION (CONT'D)

3.3 Business Combinations

The business combinations of TSA Group involving the formation of a new holding company, namely TSA Group Berhad, to undertake a restructuring exercise through the acquisition of TSA Industries Sdn. Bhd. and its subsidiaries. This acquisition is accounted for as follows:-

(a) Acquisition of TSA Industries Sdn. Bhd. and its subsidiaries

To formalise the listing group in preparation for the listing of the TSA Group, TSA Group has undertaken the TSA Industries Acquisition. TSA Group has entered into a Conditional Shares Sale Agreement, Supplementary Agreement and Letter of Variation on 8 November 2022, 21 April 2023 and 4 August 2023 respectively, with the Vendors to acquire the entire equity interest of TSA Industries comprising 5,000,000 ordinary shares for a total purchase consideration of RM120,000,150.20. The said purchase consideration was arrived at based on the adjusted audited consolidated net assets of TSA Industries as at 31 December 2022 after taking into consideration of Dividend declared on 29 March 2023 which amounting to RM20 million for the financial year ended 31 December 2022.

The TSA Industries Acquisition represents an internal restructuring whereby it is a continuation of the acquired entity and the assets and liabilities of the acquired entity are stated at their existing carrying amounts. The difference between the consideration paid and share capital of the acquired entity is accounted for as reorganisation reserve or deficit as applicable.

3.4 Applicable Criteria

(a) The Pro Forma Statements of Financial Position of TSA Group together with the accompanying notes thereon, have been prepared solely to illustrate the effect on the financial position of TSA Group as at 31 August 2023 as if events and transactions as set out in Note 4 and Note 5 herein been implemented on 31 August 2023.

(b) The Pro Forma Statements of Financial Position of TSA Group have been prepared for illustration purposes using the Accountant's Report as set out in Note 3.2 above which are prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards and are not subject to any qualification, modification or disclaimer.

(c) The Pro Forma Statements of Financial Position of TSA Group have also been compiled in a manner consistent with the format of the audited financial statements and accounting policies of TSA Group.

(d) Material and appropriate adjustments have been made in the preparation of Pro Forma Statements of Financial Position of TSA Group.

The Pro Forma Statements of Financial Position as at 31 August 2023 are not necessarily indicative of the financial position that would have been attained as if events and transactions actually occurred on 31 August 2023. The Pro Forma Statements of Financial Position have been prepared for illustrative purpose only, and because of this nature, may not give a true picture of the actual effects of the transactions on the Group's future financial position.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

4. MATERIAL SUBSEQUENT EVENTS OCCURRING AFTER 31 AUGUST 2023

Dividends Declared

On 18 October 2023, the Board of Directors declared an interim dividend of RM1 per ordinary share amounting to RM5,000,000 for the financial year ending 31 December 2023 ("Pre-IPO Dividend").

The Pre-IPO Dividend is illustrated in the Pro Forma in accordance with Paragraph 9.20 of Chapter 9, Part II Division I: Equity of the Prospectus Guidelines.

5. LISTING SCHEME

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

5.1 Pre-IPO Exercise

Acquisition of TSA Industries Sdn. Bhd. and its subsidiaries

TSA Group has entered into a Conditional Shares Sale Agreement, Supplementary Agreement and Letter of Variation on 8 November 2022, 21 April 2023 and 4 August 2023 respectively to acquire the entire issued share capital of TSA Industries Sdn. Bhd. and its subsidiaries. The details are as follows:-

Company name	Equity Interest (%)	Purchase consideration RM	No. of shares issued by TSA Group
TSA Industries Sdn. Bhd.	100	120,000,150	231,974,000

	RM
Purchase consideration	120,000,150
Less:-	
Share capital of TSA Industries	(5,000,000)
Reorganisation deficit	115,000,150

The purchase consideration of TSA Industries Sdn. Bhd. was arrived on a willing-buyer willing-seller basis, after taking into consideration the adjusted audited consolidated net assets of TSA Industries Sdn. Bhd. as at 31 December 2022 and the effect of Dividend declared on 29 March 2023 as set out in Note 3.3(a) above. The acquisition was completed on 31 October 2023.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

5. LISTING SCHEME (CONT'D)

The following proposals were undertaken in conjunction with, and as an integral part of the Listing (Cont'd):-

5.2 Public Issue

The Public Issue of 77,325,000 new Shares, representing approximately 25% of the enlarged share capital of TSA Group at an issue price of RM0.55 per Share allocated in the following manner:-

- 15,465,000 Public Issue Shares will be made available for application by the Malaysian Public by way of balloting;

- 15,465,000 Public Issue Shares will be made available for application by the eligible employees of the Group;

- 7,732,500 Public Issue Shares will be made available for application by way of private placement to non-Bumiputera investors; and

- 38,662,500 Public Issue Shares will be made available for application by way of private placement to Bumiputera investors approved by Ministry of Investment, Trade and Industry ("MITI").

5.3 Proposed Listing

The admission of the listing of and quotation for the entire enlarged issued and paid-up share capital of TSA Group of RM160,729,000 comprising 309,300,000 Shares on the ACE Market of Bursa Malaysia Securities Berhad will be sought.

6. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

6.1 Pro Forma I

Pro Forma I incorporates the effects of the Material Subsequent Event as set out in Note 4 above.

6.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and Pre-IPO Exercise as set out in Note 5.1 to the Pro Forma Statements of Financial Position.

6.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and Public Issue as set out in Note 5.2 to the Pro Forma Statements of Financial Position.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

6. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.4 Pro Forma IV

Pro Forma IV incorporates the effects of Pro Forma III and the Utilisation of Proceeds from Public Issue. The proceeds from the Public Issue will be utilised as follows:-

Purposes	Amount of proceeds		Estimated timeframe for utilisation from the date of Listing
	RM	%	
Capital expenditure [1]	5,100,000	12.0	Within 24 months
Repayment of bank borrowings[2]	20,000,000	47.0	Within 5 months
Working capital	12,329,000	29.0	Within 36 months
Estimated listing expenses [3],[4]	5,100,000	12.0	Within 1 month
	42,529,000	100.0	

Notes to the utilisation of proceeds:-

(1) As at the latest practicable date of the prospectus, none of the total utilisation of proceeds for capital expenditure were supportable by any purchase orders, sales and purchase agreements or contractual binding agreements. Accordingly, the utilisation of proceeds for capital expenditure is not reflected in the pro forma statements of financial position.

(2) The Group intends to utilise RM20,000,000 of its IPO proceeds as settlement for certain bank borrowings as at 31 August 2023. The utilisation is reflected in the pro forma statements of financial position.

(3) If the actual listing expenses are higher than budgeted, the deficit will be funded by internally generated funds. Conversely, if the actual listing expenses are lower than amount budgeted, the excess will be utilised for the general working capital requirements.

(4) The estimated listing expenses of RM1,800,000 directly attributable to the Public Issue will be set off against share capital and the remaining estimated listing expenses of RM3,300,000 that is attributable to the Listing will be charged to the statements of profit or loss and other comprehensive income.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

7. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

7.1 Cash and bank balances

	Note	**RM'000**
As at 31 August 2023		31,788
Dividend declared and paid	4	(5,000)
As per Pro Forma I and II		26,788
Pursuant to Public Issue	5.2	42,529
As per Pro Forma III		69,317
Pursuant to Utilisation of Proceeds:		
- Repayment of bank borrowings	6.4	(20,000)
- Estimated listing expenses	6.4	(5,100)
As per Pro Forma IV		44,217

7.2 Share capital

	Note	**Number of Ordinary Shares '000**	**Amount of Share Capital RM'000**
As at 31 August 2023/ As per Pro Forma I		5,001	5,000
Add: Ordinary shares issued pursuant to the acquisition of subsidiaries	5.1	231,974	120,000
Less: Acquisition of subsidiaries	5.1	(5,000)	(5,000)
As per Pro Forma II		231,975	120,000
Pursuant to Public Issue	5.2	77,325	42,529
As per Pro Forma III		309,300	162,529
Pursuant to Utilisation of Proceeds:			
- Estimated listing expenses	6.4	-	(1,800)
As per Pro Forma IV		309,300	160,729

Note:-
 # - Amount less than RM1,000.

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

7. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

7.3 Reserves

	Note	Retained earnings RM'000	Reorganisation deficit RM'000	Translation reserves RM'000	Total reserves RM'000
As at 31 August 2023		132,043	-	1,257	133,300
Dividend declared and paid	4	(5,000)	-	-	(5,000)
As per Pro Forma I		127,043	-	1,257	128,300
Pursuant to TSA Industries Acquisition	5.1	-	(115,000)	-	(115,000)
As per Pro Forma II and III		127,043	(115,000)	1,257	13,300
Pursuant to Utilisation of Proceeds:					
- Estimated listing expenses	6.4	(3,300)	-	-	(3,300)
As per Pro Forma IV		123,743	(115,000)	1,257	10,000

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Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2023 (CONT'D)

7. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

7.4 Borrowings

	Note	**RM'000**
Non-current		
As at 31 August 2023/ As per Pro Forma I, II, III and IV		9,740
Current		
As at 31 August 2023/ As per Pro Forma I, II and III		86,386
Less:		
Pursuant to Utilisation of Proceeds		
- Repayment of bank borrowings:	6.4	(20,000)
As per Pro Forma IV		66,386

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Chartered Accountants

Appendix A

TSA GROUP BERHAD AND ITS SUBSIDIARIES

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 30 NOV 2023

On behalf of the Board of Directors,

Chew Kuan Fah **Chew Yik Wai**

Crowe

Crowe Malaysia PLT
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30 NOV 2023

The Board of Directors
TSA Group Berhad
Lot 3998, Jalan 6/2A,
Taman Industri Selesa Jaya,
43000 Balakong, Selangor.

Dear Sirs/Madams

REPORTING ACCOUNTANTS' OPINION ON THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANT'S REPORT OF TSA GROUP BERHAD ("THE COMPANY" OR "TSA GROUP")

OPINION

We have audited the combined and consolidated financial statements of TSA Group Berhad and its subsidiaries ("collectively referred to as the Group") which comprise the combined and consolidated statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 August 2023, combined and consolidated statements of profit or loss and other comprehensive income, combined and consolidated statements of changes in equity and combined and consolidated statements of cash flows of the Group for each of the financial years ended ("FYE") 31 December 2020, 31 December 2021, 31 December 2022 and for the financial period ended ("FPE") 31 August 2023, and notes to the financial information, including a summary of significant accounting policies as set out on pages 4 to 137.

The historical financial information has been prepared for inclusion in the prospectus of the Group in connection with the listing of and quotation for the entire issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad. This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 August 2023 and of their financial performance and their cash flows for the financial years and period then ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 August 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS").

BASIS FOR OPINION

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

Independence and Other Ethical Responsibilities

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

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DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information 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.

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REPORTING ACCOUNTANTS' RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)

- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represents the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the combined and consolidated financial information of the entities or business activities within the Group to express an opinion on the combined and consolidated financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

RESTRICTION ON DISTRIBUTION AND USE

This report is made solely to the Group for inclusion in the prospectus of the Group in relation to the listing of and quotation for the entire issued share capital of the Group 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.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Chin Kit Seong
03030/01/2025 J
Chartered Accountant

Kuala Lumpur

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		Audited			Unaudited	Audited
		At 31 December			At 31 August	
		2020	**2021**	**2022**	**2022**	**2023**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
NON-CURRENT ASSETS						
Investment in an associate	4	-	-	-	-	-
Property, plant and equipment	5	24,918	23,947	34,545	31,182	40,555
Investment properties	6	-	-	-	-	-
Right-of-use assets	7	528	540	13,669	782	16,042
Net investment in a lease	8	24	-	-	-	-
Deferred tax assets	9	-	-	1,355	1,353	986
		25,470	24,487	49,569	33,317	57,583

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	Note	**2020** RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
CURRENT ASSETS						
Inventories	10	63,151	79,027	82,627	95,545	83,911
Net investment in a lease	8	136	24	-	-	-
Trade receivables	11	56,197	64,704	61,294	73,539	70,541
Other receivables, deposits and prepayments	12	7,046	11,692	15,796	12,007	10,758
Amount owing by ultimate holding company	13	5,749	5,749	-	-	-
Amount owing by a related company	14	-	-	-	-	-
Amount owing by related parties	15	1,609	1,268	112	313	92
Current tax assets		1	1	1	1	1,643
Derivative assets	16	-	-	-	-	1,077
Fixed deposit with a licensed bank	17	530	537	544	537	544
Cash and bank balances		37,429	61,170	31,423	38,468	31,788
		171,848	224,172	191,797	220,410	200,354
Assets of disposal group classified as held for sale	18	12,290	11,994	-	-	-
TOTAL ASSETS		209,608	260,653	241,366	253,727	257,937

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

			Audited		**Unaudited**	**Audited**
			At 31 December		**At 31 August**	
		2020	**2021**	**2022**	**2022**	**2023**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
EQUITY AND LIABILITIES						
EQUITY						
Share capital	19	5,000	5,000	5,000	5,000	5,000
Reserves	20	114,800	118,007	142,729	133,892	133,300
		119,800	123,007	147,729	138,892	138,300
NON-CONTROLLING INTERESTS		1,258	1,785	2,310	2,502	2,991
TOTAL EQUITY		121,058	124,792	150,039	141,394	141,291
NON-CURRENT LIABILITIES						
Lease liabilities	21	89	319	265	343	1,744
Borrowings	22	445	585	10,655	616	9,740
Deferred tax liabilities	9	1,400	1,400	1,350	1,350	1,350
		1,934	2,304	12,270	2,309	12,834

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

		Audited At 31 December			Unaudited At 31 August	Audited At 31 August
		2020	**2021**	**2022**	**2022**	**2023**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT LIABILITIES						
Trade payables	23	17,952	12,899	13,100	8,995	8,266
Other payables and accruals	24	4,338	8,415	8,452	6,582	6,670
Amount owing to directors	25	705	550	1,179	550	335
Current tax liabilities		5,403	7,548	1,815	5,584	700
Lease liabilities	21	628	280	420	476	1,455
Borrowings	22	55,466	68,831	54,091	87,837	86,386
Dividends payable	26	2,000	35,000	-	-	-
		86,492	133,523	79,057	110,024	103,812
Liabilities of disposal group classified as held for sale	18	124	34	-	-	-
TOTAL LIABILITIES		88,550	135,861	91,327	112,333	116,646
TOTAL EQUITY AND LIABILITIES		209,608	260,653	241,366	253,727	257,937

TSA GROUP BERHAD

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

		Audited FYE 31 December			Eight-month Period FPE 31 August	
					Unaudited	Audited
	Note	2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
CONTINUING OPERATIONS						
REVENUE	27	234,628	302,693	357,271	248,393	220,339
COST OF SALES		(186,680)	(216,283)	(277,507)	(185,800)	(179,156)
GROSS PROFIT		47,948	86,410	79,764	62,593	41,183
OTHER INCOME		2,633	1,239	7,549	5,022	4,079
		50,581	87,649	87,313	67,615	45,262
ADMINISTRATIVE EXPENSES		(10,504)	(12,443)	(19,133)	(11,677)	(13,650)
DISTRIBUTION EXPENSES		(10,797)	(15,632)	(16,292)	(11,616)	(8,742)
OTHER EXPENSES		(1,962)	(2,725)	(3,952)	(2,339)	(4,762)
FINANCE COSTS		(1,582)	(1,577)	(2,408)	(1,041)	(2,926)
NET (IMPAIRMENT LOSSES)/REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS	28	(10,520)	(2,720)	4,598	(603)	(49)
PROFIT BEFORE TAXATION FROM CONTINUING OPERATIONS	29	15,216	52,552	50,126	40,339	15,133
INCOME TAX EXPENSE	30	(10,013)	(12,268)	(9,467)	(8,507)	(4,467)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		5,203	40,284	40,659	31,832	10,666

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

					Eight-month Period	
			Audited		**Unaudited**	**Audited**
			FYE 31 December		**FPE 31 August**	
		2020	**2021**	**2022**	**2022**	**2023**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
DISCONTINUED OPERATIONS						
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	31	(172)	(1,311)	(516)	(516)	-
PROFIT AFTER TAXATION		5,031	38,973	40,143	31,316	10,666
OTHER COMPREHENSIVE INCOME						
Items that Will be Reclassified Subsequently to Profit or Loss						
Foreign currency translation differences		4	74	488	286	586
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		5,035	39,047	40,631	31,602	11,252

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

	Note	Audited FYE 31 December 2020	Audited FYE 31 December 2021	Audited FYE 31 December 2022	Eight-month Period Unaudited FPE 31 August 2022	Eight-month Period Audited FPE 31 August 2023
		RM'000	RM'000	RM'000	RM'000	RM'000
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:-						
Owners of the Company:						
- continuing operations		4,906	39,459	39,848	31,172	10,102
- discontinued operations		(172)	(1,311)	(516)	(516)	-
Non-controlling interests:						
- continuing operations		297	825	811	660	564
- discontinued operations		-	-	-	-	-
		5,031	38,973	40,143	31,316	10,666
TOTAL COMPREHENSIVE INCOME/(EXPENSES) ATTRIBUTABLE TO:-						
Owners of the Company:						
- continuing operations		4,909	39,518	40,238	31,401	10,571
- discontinued operations		(172)	(1,311)	(516)	(516)	-
Non-controlling interests:						
- continuing operations		298	840	909	717	681
- discontinued operations		-	-	-	-	-
		5,035	39,047	40,631	31,602	11,252
EARNINGS/(LOSS) PER SHARE (RM)	32					
Basic:						
- continuing operations		0.98	7.89	7.97	6.23	2.02
- discontinued operations		(0.03)	(0.26)	(0.10)	(0.10)	-
Diluted:						
- continuing operations		0.98	7.89	7.97	6.23	2.02
- discontinued operations		(0.03)	(0.26)	(0.10)	(0.10)	-

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

			Non-distributable	*Distributable*			
Audited	Note	**Share Capital** RM'000	**Translation Reserve** RM'000	**Retained Profits** RM'000	**Attributable to Owners of the Company** RM'000	**Non-controlling Interest** RM'000	**Total Equity** RM'000
Balance at 1 January 2020		5,000	336	122,277	127,613	566	128,179
Profit after taxation for the financial year		-	-	4,734	4,734	297	5,031
Other comprehensive income for the financial year:							
- Foreign currency translation differences		-	3	-	3	1	4
Total comprehensive income for the financial year		-	3	4,734	4,737	298	5,035
Acquisition of non-controlling interests		-	-	(550)	(550)	550	-
Distribution to owners of the Company:							
Dividends:							
- by the Company	34	-	-	(12,000)	(12,000)	-	(12,000)
- by a subsidiary to non-controlling interests		-	-	-	-	(156)	(156)
Balance at 31 December 2020		5,000	339	114,461	119,800	1,258	121,058

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Audited	Note	**Share Capital** RM'000	*Non-distributable* **Translation Reserve** RM'000	*Distributable* **Retained Profits** RM'000	**Attributable to Owners of the Company** RM'000	**Non-controlling Interest** RM'000	**Total Equity** RM'000
Balance at 1 January 2021		5,000	339	114,461	119,800	1,258	121,058
Profit after taxation for the financial year		-	-	38,148	38,148	825	38,973
Other comprehensive income for the financial year:							
- Foreign currency translation differences		-	59	-	59	15	74
Total comprehensive income for the financial year		-	59	38,148	38,207	840	39,047
Distribution to owners of the Company:							
Dividends:							
- by the Company	34	-	-	(35,000)	(35,000)	-	(35,000)
- by a subsidiary to non-controlling interests		-	-	-	-	(313)	(313)
Balance at 31 December 2021		5,000	398	117,609	123,007	1,785	124,792

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Audited	Note	**Share Capital** RM'000	*Non-distributable* **Translation Reserve** RM'000	*Distributable* **Retained Profits** RM'000	**Attributable to Owners of the Company** RM'000	**Non-controlling Interest** RM'000	**Total Equity** RM'000
Balance at 1 January 2022		5,000	398	117,609	123,007	1,785	124,792
Profit after taxation for the financial year		-	-	39,332	39,332	811	40,143
Other comprehensive income for the financial year:							
- Foreign currency translation differences		-	390	-	390	98	488
Total comprehensive income for the financial year		-	390	39,332	39,722	909	40,631
Contribution by owners of the Company:							
- issuance of ordinary shares		#	-	-	-	-	#
Distribution to owners of the Company:							
Dividends:							
- by the Company	34	-	-	(15,000)	(15,000)	-	(15,000)
- by a subsidiary to non-controlling interests		-	-	-	-	(384)	(384)
Balance at 31 December 2022		5,000	788	141,941	147,729	2,310	150,039

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

			Non-distributable	*Distributable*			
Unaudited	Note	**Share Capital** RM'000	**Translation Reserve** RM'000	**Retained Profits** RM'000	**Attributable to Owners of the Company** RM'000	**Non-controlling Interest** RM'000	**Total Equity** RM'000
Balance at 1 January 2022		5,000	398	117,609	123,007	1,785	124,792
Profit after taxation for the financial period		-	-	30,656	30,656	660	31,316
Other comprehensive income for the financial period:							
- Foreign currency translation differences		-	229	-	229	57	286
Total comprehensive income for the financial period		-	229	30,656	30,885	717	31,602
Distribution to owners of the Company:							
Dividends:							
- by the Company	34	-	-	(15,000)	(15,000)	-	(15,000)
Balance at 31 August 2022		5,000	627	133,265	138,892	2,502	141,394

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

Audited	Note	**Share Capital** RM'000	*Non-distributable* **Translation Reserve** RM'000	*Distributable* **Retained Profits** RM'000	**Attributable to Owners of the Company** RM'000	**Non-controlling Interest** RM'000	**Total Equity** RM'000
Balance at 1 January 2023		5,000	788	141,941	147,729	2,310	150,039
Profit after taxation for the financial period		-	-	10,102	10,102	564	10,666
Other comprehensive income for the financial period:							
- Foreign currency translation differences		-	469	-	469	117	586
Total comprehensive income for the financial period		-	469	10,102	10,571	681	11,252
Distribution to owners of the Company:							
Dividends:							
- by the Company	34	-	-	(20,000)	(20,000)	-	(20,000)
Balance at 31 August 2023		5,000	1,257	132,043	138,300	2,991	141,291

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

		Audited FYE 31 December			Eight-month Period Unaudited FPE 31 August	Audited
	Note	**2020** RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
CASH FLOWS FROM OPERATING ACTIVITIES						
Profit before taxation:						
- continuing operations		15,216	52,552	50,126	40,339	15,133
- discontinued operations		(164)	(1,306)	(516)	(516)	-
Adjustments for:-						
Depreciation:						
- investment properties		14	15	3	3	-
- property, plant and equipment		2,391	2,562	2,054	1,414	1,340
- right-of-use assets		543	556	511	330	764
Impairment losses on:						
- trade and other receivables		10,557	1,942	629	619	54
- others		-	825	-	-	-
Interest expense		1,582	1,577	2,408	1,041	2,926
Inventories written down		-	884	441	441	-
Property, plant and equipment written off		26	-	9	-	41
Bad debts recovered		(30)	(46)	(84)	(84)	(6)
Covid-19-related rent concessions		(5)	(7)	-	-	-
Loss on disposal of sand concession		-	-	178	178	-
Gain on disposal of property, plant and equipment		(36)	(1)	(2,396)	(2,368)	(6)
Gain on disposal of subsidiaries		-	-	(2,073)	(2,073)	-
Interest income		(420)	(714)	(607)	(390)	(338)
Interest income on net investment in a lease		(20)	(8)	(#)	-	-
Inventories written back		(334)	-	-	-	(285)
Reversal of impairment losses on:						
- trade receivables		(36)	(47)	(1,407)	(16)	(5)
- amount owing by a related company		-	-	(2,500)	-	-
- others		-	-	(1,320)	-	-
Unrealised (gain)/loss on foreign exchange		(1,060)	738	(2,116)	1,189	3,105
Unrealised gain on derivative		-	-	-	-	(1,077)
Operating profit before working capital changes		28,224	59,522	43,340	40,107	21,646

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

		Audited FYE 31 December			**Eight-month Period FPE 31 August**	
					Unaudited	**Audited**
	Note	**2020** RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Decrease/(Increase) in inventories		6,606	(16,261)	(3,612)	(16,763)	(368)
(Increase)/Decrease in trade and other receivables		(7,669)	(14,776)	7,495	(7,260)	(3,029)
Increase/(Decrease) in trade and other payables		4,431	(992)	1,253	(4,747)	(6,793)
Decrease in amount owing by ultimate holding company		-	-	5,749	5,749	-
Decrease/(Increase) in amount owing by related parties		406	(642)	1,155	955	20
(Decrease)/Increase in amount owing to related parties		(58)	85	-	-	-
Increase/(Decrease) in amount owing to directors		25	(156)	629	-	(844)
CASH FROM OPERATIONS		31,965	26,780	56,009	18,041	10,632
Interest paid		(1,582)	(1,577)	(2,362)	(1,041)	(2,926)
Interest received		440	722	607	390	338
Income tax paid		(5,207)	(10,137)	(16,648)	(11,892)	(6,886)
Income tax refund		3	-	1	-	-
NET CASH FROM OPERATING ACTIVITIES		25,619	15,788	37,607	5,498	1,158
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES						
Purchase of equipment	36(a)	(325)	(1,256)	(12,430)	(8,421)	(7,374)
Purchase of investment properties	36(a)	(889)	-	-	-	-
Purchase of right-of-use assets	36(a)	-	-	(2,068)	-	-
Proceeds from disposal of equipment		36	1	7,451	7,412	6
Proceeds from disposal of right-of-use assets		-	176	-	-	-
Proceeds from disposal of business segment		-	-	5,141	5,141	-
Proceeds from issuance of ordinary shares		-	-	#	-	-
Repayment from net investment in a lease		125	136	24	24	-
Net cash outflow from the disposal of subsidiaries	33	-	-	(595)	(595)	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(1,053)	(943)	(2,477)	3,561	(7,368)

TSA GROUP BERHAD

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

			Audited FYE 31 December		**Eight-month Period FPE 31 August**	
					Unaudited	**Audited**
	Note	**2020** RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES						
Dividends paid		(13,155)	(2,313)	(50,384)	(50,000)	(20,000)
Repayment of lease liabilities	36(b)	(663)	(680)	(488)	(352)	(622)
Net repayment of hire purchases	36(b)	(500)	(686)	(362)	(275)	(174)
Net repayment of term loans	36(b)	(1,439)	-	(202)	-	(801)
Net (repayment)/drawdown of onshore foreign currency loan	36(b)	(4,489)	3,830	(24,928)	(9,508)	20,513
Net drawdown of structured and trade commodity financing	36(b)	4,015	8,736	2,977	27,007	10,823
Net drawdown/(repayment) of banker's acceptances	36(b)	-	-	7,657	-	(2,599)
Increase in deposits pledged in financial institution		(13)	(7)	(7)	-	-
NET CASH (FOR)/FROM FINANCING ACTIVITIES		(16,244)	8,880	(65,737)	(33,128)	7,140
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		8,322	23,725	(30,607)	(24,069)	930
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		483	189	(133)	374	(565)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		29,444	38,249	62,163	62,163	31,423
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	36(d)	38,249	62,163	31,423	38,468	31,788

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Company was incorporated on 18 March 2022 as a private limited company and domiciled in Malaysia. The Company is principally engaged in the business of investment holding.

On 1 November 2022, the Company converted from a private limited company to a public company limited by shares.

For the purpose of listing the Group on the ACE Market of Bursa Malaysia Securities Berhad, the Company has entered into a conditional share sales agreement ("SSA") to undertake the acquisition of TSA Industries Sdn. Bhd. and its subsidiaries ("TSAI Group").

The acquisition of TSAI Group was completed on 31 October 2023 and resulted in TSAI Group becoming wholly-owned subsidiaries of the Company.

The information of entities within the TSAI Group is as follows:-

(a) TSA Industries Sdn. Bhd. ("TSA Industries") was incorporated on 4 November 1993 as a private limited company and domiciled in Malaysia and is principally engaged in the business of investment holding, distribution and supply of ferrous and non-ferrous metal and other industrial hardware products and manufacturing and processing of stainless steel pipes and other metal products.

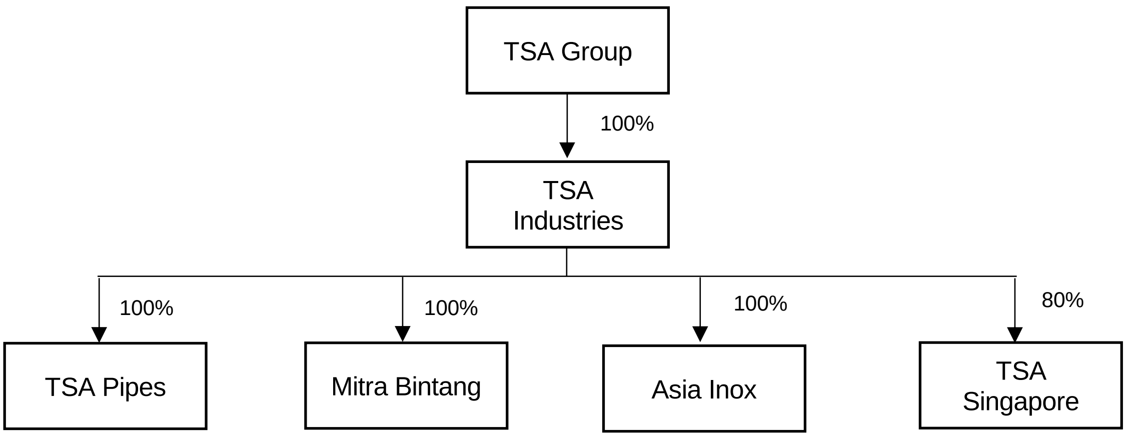
(b) TSA Industries (SEA) Pte. Ltd. ("TSA Singapore") was incorporated on 7 April 2010 as a private limited company and domiciled in Singapore and is principally engaged in the business of distribution and supply of ferrous and non-ferrous metal and other industrial hardware products.

(c) Mitra Bintang Sdn. Bhd. ("Mitra Bintang") was incorporated on 25 March 2004 as a private limited company and domiciled in Malaysia and is principally engaged in the business of investment holding.

(d) TSA Pipes Manufacturing Sdn. Bhd. ("TSA Pipes") was incorporated on 1 March 1994 as a private limited company and domiciled in Malaysia and is dormant company during the financial years/ period under review.

(e) Asia Inox Sdn. Bhd. ("Asia Inox") was incorporated on 24 March 2023 as a private limited company and domiciled in Malaysia and is a dormant company since its incorporation.

Following the completion of the acquisition, the group structure of TSA Group will be as follows:-



TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION

As TSA Group Berhad has not yet been incorporated as of 31 December 2021, there are no consolidated or combined financial statements of TSA Group prepared for the FYE 31 December 2020 and 2021. Therefore, the Accountant's Report is prepared based on the audited consolidated financial statements of TSA Industries Sdn. Bhd. for the FYE 31 December 2020 and 2021 which included the financial statements of certain disposed subsidiaries, a disposed business segment and a disposed property.

The disposals of these subsidiaries were completed on 10 May 2022 (for Best Chemical Sdn. Bhd. (formerly known as TSA Chemical Sdn. Bhd.), Asia Oriental Commodities Sdn. Bhd. (formerly known as TSA Coal Trade Sdn. Bhd.) and Best Mineral Resources Sdn. Bhd. (formerly known as TSA Mineral Resources Sdn. Bhd.)) and 18 May 2022 (for Mitra ACNC Sdn. Bhd.); whilst the disposal of the business segment and the property were completed on 30 May 2022 and 25 August 2022 respectively. Accordingly the assets and liabilities of these disposed subsidiaries, business segment and property have been reclassified as disposal group held for sale for the FYE 31 December 2020 and 2021; whilst the corresponding financial performance of these disposed subsidiaries, business segment and disposed property have been reclassified as discontinued operations. The financial position and performance of the disposed subsidiaries, business segment and disposed property are disclosed in Note 18 and Note 31 to the combined and consolidated financial statements respectively.

Following the incorporation of the Company, the combined financial statements of the TSA Group for the financial year ended 31 December 2022 and for the financial period ended 31 August 2022 are prepared based on the financial statements of the Company and the TSAI Group except for Asia Inox which was subsequently incorporated on 24 March 2023. The combined financial statements for 8-month FPE 31 August 2023 are based on the financial statements of the Company and consolidated financial statements of TSAI Group.

All the financial statements are audited and auditors' report expressed an unmodified opinion.

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

The combined financial statements of the Group for the relevant period were prepared as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets of all commonly controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

The combined and consolidated financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRS and IFRS.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION (CONT'D)

2.1 NEW MFRSs, AMENDMENT TO MFRSs AND IC INTERPRETATION THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the financial period ended 31 August 2023:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	**Effective Date**
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17: Insurance Contracts	1 January 2023
Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules	1 January 2023
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Key Sources of Estimation Uncertainty

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 5 to the combined and consolidated financial statements.

(b) Impairment of Property, Plant and Equipment, Investment Properties and Right-of-use Assets

The Group determines whether its property, plant and equipment, investment properties and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment, investment properties and right-of-use assets as at the reporting date are disclosed in Note 5, Note 6 and Note 7 to the combined and consolidated financial statements respectively.

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 10 to the combined and consolidated financial statements.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Key Sources of Estimation Uncertainty (Cont'd)

(d) Impairment of Trade Receivables

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables. The carrying amount of trade receivables and amount owing by related parties as at the reporting date are disclosed in Note 11 and Note 15 to the combined and consolidated financial statements respectively.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions as well as forward-looking information. The carrying amounts of other receivables, amount owing by ultimate holding company and amount owing by a related company as at the reporting date are disclosed in Note 12, Note 13 and Note 14 to the combined and consolidated financial statements respectively.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets as at FPE 31 August 2023 is approximately RM1,643,057 (31.12.2022 - RM1,032, 31.8.2022 - RM1,032, 31.12.2021 - RM31,579 and 31.12.2020 - RM24,869) and the carrying amount of current tax liabilities as at the reporting date is approximately RM699,994 (31.12.2022 - RM1,815,436, 31.8.2022 - RM5,584,009, 31.12.2021 - RM7,550,364 and 31.12.2020 - RM5,402,836).

(g) Discount Rates used in Leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have to pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(b) Lease Terms

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

In determining the incremental borrowing rate of the respective leases, the Group first determines the closest available borrowing rates before using significant judgement to determine the adjustments required to reflect the term, security, value or economic environment of the respective leases.

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Group made up to the end of the reporting period.

Subsidiaries are entities (including structured entities, if any) controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are combined from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

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.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the combined statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. 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 of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

(i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and

(ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION (CONT'D)

(d) Loss of Control (Cont'd)

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

3.3 GOODWILL

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

In respect of equity-accounted associates, the carrying amount of goodwill is included in the carrying amount of the investment and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the equity-accounted associates.

3.4 FUNCTIONAL AND FOREIGN CURRENCIES

(a) Functional and Presentation Currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined and consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FUNCTIONAL AND FOREIGN CURRENCIES (CONT'D)

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

(c) Foreign Operations

Assets and liabilities of foreign operations are translated to the Group's presentation currency at the exchange rates at the end of the reporting period. Income, expenses and other comprehensive income of foreign operations are translated at exchange rates at the dates of the transactions. All exchange differences arising from translation are taken directly to other comprehensive income and accumulated in equity; attributed to the owners of the Company and non-controlling interests, as appropriate.

Goodwill and fair value adjustments arising from the acquisition of foreign operations, if any, are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the end of the reporting period.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign subsidiary, or a partial disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that foreign operation attributable to the owners of the Company are reclassified to profit or loss as part of the gain or loss on disposal. The portion related to non-controlling interests is derecognised but is not reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are reattributed to non-controlling interests and are not recognised in profit or loss. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the proportionate share of the accumulative exchange differences is reclassified to profit or loss.

In the combined and consolidated financial statements, when settlement of an intragroup loan is neither planned nor likely to occur in the foreseeable future, the exchange differences arising from translating such monetary item are considered to form part of a net investment in the foreign operation and are recognised in other comprehensive income.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS

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

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

Debt Instruments

(i) Amortised Cost

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

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

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial Liabilities

(i) Financial Liabilities at Fair Value through Profit or Loss

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability, or, where appropriate, a shorter period (where applicable).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derivative Financial Instruments

Derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative. Any gains or losses arising from changes in fair value on derivatives during the reporting period, other than those accounted for under hedge accounting, are recognised directly in profit or loss.

Any derivative embedded in a financial asset is not accounted for separately. Instead, the entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

An embedded derivative is recognised separately from the host contract which is a financial liability as a derivative if, and only if, its risks and characteristics are not closely related to those of the host contract and the host contract is not measured at fair value through profit or loss.

(e) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the 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.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(f) Hedge Activities

The Group enters into derivative financial instruments to manage its exposure to foreign exchange rate risk.

(i) Hedge Accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as a cash flow hedge.

At the inception of the hedge relationship, the Group documents the economic relationship between the hedging instrument and the hedged item, including whether the changes in cash flows of the hedging instrument are expected to offset the changes in the cash flows of the hedged item. The Group also documents its risk management objectives and strategy for undertaking its various hedge transactions.

(ii) Fair Value Hedges

Changes in the fair value of qualifying hedging instruments are recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at fair value through other comprehensive income in which case, it is recognised in other comprehensive income.

The carrying amount of a hedged item not measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at fair value through other comprehensive income, the hedging gain or loss is recognised in profit or loss. When the hedged item is an equity instrument designated at fair value through other comprehensive income, the hedging gain or loss remains in other comprehensive income. All hedging gains or losses are recognised in profit or loss in the same line item relating to the hedged item.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate. The discontinuation is accounted for prospectively.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(f) Hedge Activities (Cont'd)

(iii) Cash Flow Hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in equity under the cash flow hedge reserve, limited to the lower of cumulative gain or loss on the hedging instrument and cumulative change in fair value of the hedged item, from the inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Subsequently, the cumulative gain or loss recognised in other comprehensive income is reclassified from equity into profit or loss in the same period or periods during which the hedged forecast cash flows affects profit or loss. If the hedged item is a non-financial asset or liability, the associated gain or loss recognised in other comprehensive income is removed from equity and included in the initial amount of the asset or liability. However, the loss recognised in other comprehensive income that will not be recovered in one or more future periods is reclassified from equity into profit or loss immediately.

Hedge accounting is discontinued prospectively when the hedging instrument expires or is sold, terminated, or exercised, or when a hedge no longer meets the criteria for hedge accounting. If the hedge is for a forecast transaction, the cumulative gain or loss on the hedging instrument remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, any related cumulative gain or loss in the hedging is reclassified to profit or loss immediately.

3.6 INVESTMENTS IN SUBSIDIARIES

Investments in subsidiaries are stated at cost in the statement of financial position of the Company, and are reviewed for impairment at the end of the reporting period if events or changes in circumstances indicate that the carrying values may not be recoverable. The cost of the investments includes transaction costs.

On the disposal of the investments in subsidiaries, the difference between the net disposal proceeds and the carrying amount of the investments is recognised in profit or loss.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

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

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Buildings	2%
Factory equipment and office equipment, furniture and fittings	10% - 20%
Motor vehicles	20%
Plant and machinery	20%
Transport equipment	20%

Capital work-in-progress included in property and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.8 INVESTMENT PROPERTIES

Investment properties are properties which are owned or right-to-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The principal annual rates used for this purpose are:-

Building	Over the lease period

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 LEASES

(a) As a Lessee

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

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

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

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

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

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.9 LEASES (CONT'D)

(b) As a Lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

The Group recognises assets held under a finance lease in its statement of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

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

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the Group's net investment in the lease. The Group aims to allocate finance income over the lease term on a systematic and rational basis. The Group applies the lease payments relating to the period against the gross investment in the lease to reduce both the principal and the unearned finance income. The net investment in the lease is subject to impairment requirements in MFRS 9, Financial Instruments.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost or at fair value through other comprehensive income and trade receivables.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.10 IMPAIRMENT (CONT'D)

(b) Impairment of Non-financial Assets

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of the assets is the higher of the assets' fair value less costs to sell and their value in use, which is measured by reference to discounted future cash flow using a pre-tax discount rate. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

3.11 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production or conversion costs and incidentals 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.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.12 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or 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 taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

3.13 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets (or non-current assets of the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

3.15 EMPLOYEE BENEFITS

(a) Short-term Benefits

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 FAIR VALUE MEASUREMENTS

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

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

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

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

3.17 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

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

3.18 OPERATING SEGMENTS

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.19 EARNINGS PER ORDINARY SHARE

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

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for the effects of all dilutive potential ordinary shares.

3.20 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

(a) Sale of Goods

Revenue from sale of goods is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

(b) Dividend Income

Dividend income from investment is recognised when the right to receive dividend payment is established.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.21 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Rental income

Rental income from investment properties is accounted for on a straight-line method over the lease term.

(b) Interest Income

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

(c) Government Grant

Government grants are recognised at their fair value when there is reasonable assurance that they will be received and all conditions attached will be met.

Grants that compensate the Group for expenses incurred are recognised in profit or loss on a systematic basis over the period necessary to match them with the related expenses which they are intended to compensate for. These grants are presented a deduction in reporting the related expenses in profit or loss.

Grants that compensate the Group for the cost of an asset are recognised as deferred grant income in the statement of financial position and are amortised to profit or loss on a systematic basis over the expected useful life of the relevant asset.

3.22 CONTINGENT ASSETS

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Group.

A contingent asset is not recognised but is disclosed in the notes to the financial statements when an inflow of economic benefits is probable. When its inflow of economic benefit is virtually certain, then the related asset is recognised in the statement of financial position.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. INVESTMENT IN AN ASSOCIATE

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Unquoted share, at cost	-	#	-	-	-
Share of post-acquisition loss	-	(#)	-	-	-
	-	-	-	-	-

The details of the associate are as follows:-

Name of Associate	Principal Place of Business	Effective Equity Interest At 31 December 2020 %	2021 %	2022 %	At 31 August 2022 %	2023 %	Principal Activities
Held by Mitra ACNC Sdn. Bhd.							
Dekad Aliran Re Solusi Sdn. Bhd. ("DARS")	Malaysia	-	30	-	-	-	Investment holding and property development.

** This associate was audited by other firms of chartered accountants.*

(a) During the FYE 31 December 2021, the Group has acquired 30% equity interest in DARS for a cash consideration of RM2.

(b) The Group recognised its share of result in DARS based on the audited financial statements from the date of acquisition up to 31 December 2021.

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT

Audited	<------------ As Previously Reported RM'000	1.1.2020 Classified as Disposal Group Held for Sale RM'000	-------------> Restated RM'000	Additions RM'000	Disposals RM'000	Written Off RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.12.2020 RM'000
Continuing operations									
Carrying Amount									
Freehold land	10,649	(5,000)	5,649	-	-	-	-	-	5,649
Building	15,533	-	15,533	-	-	-	(415)	-	15,118
Factory equipment and office equipment, furniture and fittings	3,791	(14)	3,777	25	(#)	(26)	(1,207)	(#)	2,569
Motor vehicles	2,288	-	2,288	45	(#)	(#)	(751)	(#)	1,582
Building under construction	#	-	#	-	-	-	-	-	#
	32,261	(5,014)	27,247	70	(#)	(26)	(2,373)	(#)	24,918

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	<--------------	1.1.2020	-------------->			
Audited	As Previously Reported RM'000	Classified as Disposal Group Held for Sale RM'000	Restated RM'000	Additions RM'000	Depreciation Charges RM'000	At 31.12.2020 RM'000
Discontinued operations						
Carrying Amount						
Freehold land	-	5,000	5,000	-	-	5,000
Factory equipment and office equipment, furniture and fittings	-	14	14	163	(11)	166
Plant and machinery	-	-	-	67	(5)	62
Transport equipment	-	-	-	25	(2)	23
	-	5,014	5,014	255	(18)	5,251

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.1.2021 RM'000	Additions RM'000	Disposals RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.12.2021 RM'000
Continuing operations						
Carrying Amount						
Freehold land	5,649	-	-	-	-	5,649
Building	15,118	-	-	(415)	-	14,703
Factory equipment and office equipment, furniture and fittings	2,569	975	-	(1,331)	1	2,214
Motor vehicles	1,582	722	(176)	(753)	6	1,381
Building under construction	#	-	-	-	-	#
	24,918	1,697	(176)	(2,499)	7	23,947

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.1.2021 RM'000	Additions RM'000	Depreciation Charges RM'000	At 31.12.2021 RM'000
Discontinued operations				
Carrying Amount				
Freehold land	5,000	-	-	5,000
Factory equipment and office equipment, furniture and fittings	166	137	(45)	258
Plant and machinery	62	-	(13)	49
Transport equipment	23	-	(5)	18
	5,251	137	(63)	5,325

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.1.2022 RM'000	Additions RM'000	Disposals RM'000	Written off RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.12.2022 RM'000
Continuing operations							
Carrying Amount							
Freehold land	5,649	-	-	-	-	-	5,649
Building	14,703	-	-	-	(415)	-	14,288
Factory equipment and office equipment, furniture and fittings	2,214	1,913	-	(9)	(966)	3	3,155
Motor vehicles	1,381	283	(55)	-	(653)	23	979
Building under construction	#	-	-	-	-	-	#
Capital work-in-progress	-	10,474	-	-	-	-	10,474
	23,947	12,670	(55)	(9)	(2,034)	26	34,545

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.1.2022 RM'000	Disposal of Subsidiaries RM'000	Disposal of Business Segment RM'000	Disposal of Property RM'000	Depreciation Charges RM'000	At 31.12.2022 RM'000
Discontinued operations						
Carrying Amount						
Freehold land	5,000	-	-	(5,000)	-	-
Factory equipment and office equipment, furniture and fittings	258	(32)	(214)	-	(12)	-
Plant and machinery	49	-	(43)	-	(6)	-
Transport equipment	18	-	(16)	-	(2)	-
	5,325	(32)	(273)	(5,000)	(20)	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Unaudited	At 1.1.2022 RM'000	Additions RM'000	Disposals RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.8.2022 RM'000
Continuing operations						
Carrying Amount						
Freehold land	5,649	-	-	-	-	5,649
Building	14,703	-	-	(276)	-	14,427
Factory equipment and office equipment, furniture and fittings	2,214	859	-	(624)	1	2,450
Motor vehicles	1,381	258	(45)	(494)	12	1,112
Building under construction	#	-	-	-	-	#
Capital work-in-progress	-	7,544	-	-	-	7,544
	23,947	8,661	(45)	(1,394)	13	31,182

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Unaudited	At 1.1.2022 RM'000	Disposal of Subsidiaries RM'000	Disposal of Business Segment RM'000	Disposal of Property RM'000	Depreciation Charges RM'000	At 31.8.2022 RM'000
Discontinued operations						
Carrying Amount						
Freehold land	5,000	-	-	(5,000)	-	-
Factory equipment and office equipment, furniture and fittings	258	(32)	(214)	-	(12)	-
Plant and machinery	49	-	(43)	-	(6)	-
Transport equipment	18	-	(16)	-	(2)	-
	5,325	(32)	(273)	(5,000)	(20)	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At 1.1.2023 RM'000	Additions RM'000	Written off RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.8.2023 RM'000
Continuing operations						
Carrying Amount						
Freehold land	5,649	-	-	-	-	5,649
Building	14,288	-	-	(277)	-	14,011
Factory equipment and office equipment, furniture and fittings	3,155	1,941	(30)	(760)	1	4,307
Motor vehicles	979	68	(11)	(303)	16	749
Building under construction	#	-	-	-	-	#
Capital work-in-progress	10,474	5,365	-	-	-	15,839
	34,545	7,374	(41)	(1,340)	17	40,555

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
Continuing operations				
31.12.2020				
Freehold land	5,649	-	-	5,649
Building	20,757	(5,639)	-	15,118
Factory equipment and office equipment, furniture and fittings	18,891	(16,322)	-	2,569
Motor vehicles	6,819	(5,237)	-	1,582
Building under construction	235	-	(235)	#
	52,351	(27,198)	(235)	24,918
Discontinued operations				
31.12.2020				
Freehold land	5,000	-	-	5,000
Factory equipment and office equipment, furniture and fittings	187	(21)	-	166
Plant and machinery	67	(5)	-	62
Transport equipment	25	(2)	-	23
	5,279	(28)	-	5,251
Continuing operations				
31.12.2021				
Freehold land	5,649	-	-	5,649
Building	20,757	(6,054)	-	14,703
Factory equipment and office equipment, furniture and fittings	19,870	(17,656)	-	2,214
Motor vehicles	7,091	(5,710)	-	1,381
Building under construction	235	-	(235)	#
	53,602	(29,420)	(235)	23,947

Note:-
 # - Amount less than RM1,000

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Audited	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
Discontinued operations				
31.12.2021				
Freehold land	5,000	-	-	5,000
Factory equipment and office equipment, furniture and fittings	324	(66)	-	258
Plant and machinery	67	(18)	-	49
Transport equipment	25	(7)	-	18
	5,416	(91)	-	5,325
Continuing operations				
31.12.2022				
Freehold land	5,649	-	-	5,649
Building	20,757	(6,469)	-	14,288
Factory equipment and office equipment, furniture and fittings	18,862	(15,707)	-	3,155
Motor vehicles	6,800	(5,821)	-	979
Building under construction	235	-	(235)	#
Capital work-in-progress	10,474	-	-	10,474
	62,777	(27,997)	(235)	34,545

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Unaudited	At Cost RM'000	Accumulated Depreciation RM'000	Accumulated Impairment Losses RM'000	Carrying Amount RM'000
Continuing operations				
31.8.2022				
Freehold land	5,649	-	-	5,649
Building	20,757	(6,330)	-	14,427
Factory equipment and office equipment, furniture and fittings	20,739	(18,289)	-	2,450
Motor vehicles	6,797	(5,685)	-	1,112
Building under construction	235	-	(235)	#
Capital work-in-progress	7,544	-	-	7,544
	61,721	(30,304)	(235)	31,182
Audited				
Continuing operations				
31.8.2023				
Freehold land	5,649	-	-	5,649
Building	20,757	(6,746)	-	14,011
Factory equipment and office equipment, furniture and fittings	19,650	(15,343)	-	4,307
Motor vehicles	6,799	(6,050)	-	749
Building under construction	235	-	(235)	#
Capital work-in-progress	15,839	-	-	15,839
	68,929	(28,139)	(235)	40,555

(a) The freehold land and building of the Group has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

(b) Included in the property, plant and equipment of the Group were motor vehicles with a total carrying amount of RM653,624 (31.12.2022 - RM810,075, 31.8.2022 - RM885,245, 31.12.2021 - RM1,314,885, and 31.12.2020 - RM1,417,592) held under hire purchase arrangements. These assets have been pledged as security for the hire purchase payables of the Group as disclosed in Note 22 to the financial statements.

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT PROPERTIES

Audited	At 1.1.2020 RM'000	Additions RM'000	Depreciation Charge RM'000	At 31.12.2020 RM'000
Discontinued operations				
Carrying Amount				
Buildings	-	889	(14)	875

Audited	At 1.1.2021 RM'000	Additions RM'000	Depreciation Charge RM'000	At 31.12.2021 RM'000
Discontinued operations				
Carrying Amount				
Buildings	875	-	(15)	860

Unaudited	At 1.1.2022 RM'000	Additions RM'000	Depreciation Charge RM'000	Disposal of Subsidiaries RM'000	At 31.8.2022 RM'000
Discontinued operations					
Carrying Amount					
Buildings	860	-	(3)	(857)	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. INVESTMENT PROPERTIES (CONT'D)

Audited	At Cost RM'000	Accumulated Depreciation RM'000	Carrying Amount RM'000
Discontinued operations			
31.12.2020			
Buildings	889	(14)	875
31.12.2021			
Buildings	889	(29)	860

	Audited At 31 December			**Unaudited At 31 August**	**Audited**
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Fair value	1,040	980	-	-	-
Rental income	9	31	-	-	-
Direct operating expense for income generating properties	12	24	-	-	-

The land title of a leasehold building with a carrying amount of NIL (31.12.2021 - RM386,328 and 31.12.2020 - RM401,277) has not yet been transferred to the Group.

The fair value of the investment properties are with level 2 (31.12.2020 - level 3) of the fair value hierarchy and are arrived at by reference to market evidence of transactions prices for similar properties. The most significant input into this valuation approach is the price per square foot of comparable properties.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. RIGHT-OF-USE ASSETS

Audited	At 1.1.2020 RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.12.2020 RM'000
Carrying Amount				
Premises	1,071	(543)	*(#)*	528

Audited	At 1.1.2021 RM'000	Lease Modification RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.12.2021 RM'000
Carrying Amount					
Premises	528	564	(556)	4	540

Audited	At 1.1.2022 RM'000	Additions RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.12.2022 RM'000
Carrying Amount					
Industrial leasehold land	-	13,068	(46)	-	13,022
Premises	540	572	(465)	#	647
	540	13,640	(511)	#	13,669

Unaudited	At 1.1.2022 RM'000	Additions RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.8.2022 RM'000
Carrying Amount					
Premises	540	572	(330)	#	782

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. RIGHT-OF-USE ASSETS (CONT'D)

Audited	At 1.1.2023 RM'000	Additions RM'000	Depreciation Charges RM'000	Foreign Exchange Adjustments RM'000	At 31.8.2023 RM'000
Carrying Amount					
Industrial leasehold land	13,022	-	(123)	-	12,899
Premises	647	3,088	(641)	49	3,143
	13,669	3,088	(764)	49	16,042

(a) The Group leased a number of premises between 2 to 5 years (31.12.2022 - 2 to 3 years, 31.8.2022 - 2 to 3 years, 31.12.2021 - 2 to 3 years and 31.12.2020 - 3 years) with options to renew the lease after that date.

(b) The industrial leasehold land of the Group has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 22 to the financial statements.

8. NET INVESTMENT IN A LEASE

	Audited At 31 December			**Unaudited At 31 August**	**Audited At 31 August**
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
At the beginning of the financial year/period	285	160	24	-	-
Interest income recognised in profit or loss	20	8	#	-	-
Repayment of lease	(125)	(136)	(24)	-	-
Repayment of interest expense	(20)	(8)	(#)	-	-
At the end of the financial year/period	160	24	-	-	-
Analysed by:-					
Current assets	136	24	-	-	-
Non-current assets	24	-	-	-	-
	160	24	-	-	-

The Group leases premises to a third party for a period of NIL (31.12.2021 - 1 year and 31.12.2020 - 2 years) with an option to renew the lease after that date.

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9. DEFERRED TAX ASSETS/(LIABILITIES)

	Audited At 31 December			**Unaudited At 31 August**	**Audited At 31 August**
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Deferred tax assets					
At beginning of financial year/period	-	-	-	-	1,355
Recognised in profit or loss (Note 30)	-	-	1,355	1,353	(369)
At end of financial year/period	-	-	1,355	1,353	986
Deferred tax liabilities					
At beginning of financial year/period	1,416	1,400	1,400	1,400	1,350
Recognised in profit or loss (Note 30)	(16)	-	(50)	(50)	-
Foreign exchange adjustments	#	-	-	-	-
At end of financial year/period	1,400	1,400	1,350	1,350	1,350

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

9. DEFERRED TAX ASSETS/(LIABILITIES) (CONT'D)

		Audited At 31 December		**Unaudited At 31 August**	**Audited**
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Deferred tax assets					
Provisions	-	-	1,355	1,353	986
Deferred tax liabilities					
Property, plant and equipment	1,400	1,400	1,350	1,350	1,350

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

10. INVENTORIES

	Audited At 31 December			Unaudited At 31 August	Audited
	2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
Continuing operations					
At cost:-					
Raw materials	23,851	25,962	21,510	33,037	22,310
Packaging material	733	768	898	1,157	788
Work-in-progress	489	909	394	3,342	417
Finished goods	30,546	47,084	58,331	58,009	59,291
Goods-in-transit	7,532	4,304	1,494	-	1,105
At the end of the financial year/period	63,151	79,027	82,627	95,545	83,911
Recognised in profit or loss:-					
Inventories recognised as cost of sales	175,875	204,809	263,844	177,747	171,419
Written down to net realisable value	-	455	441	441	-
Reversal of inventories previously written down	(334)	-	-	-	(285)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

10. INVENTORIES (CONT'D)

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Discontinued operations					
At cost:-					
Work-in-progress	2,990	2,826	-	-	-
Finished goods	422	171	-	-	-
At the end of the financial year/period	3,412	2,997	-	-	-
Recognised in profit or loss:-					
Inventories recognised as cost of sales	3,558	739	-	-	-
Written down to net realisable value	-	429	-	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

11. TRADE RECEIVABLES

	Audited At 31 December 2020 RM'000	2021 RM'000	2022 RM'000	Unaudited At 31 August 2022 RM'000	Audited 2023 RM'000
Trade receivables	57,048	67,055	62,564	76,189	71,512
Allowance for impairment losses	(790)	(2,321)	(1,270)	(2,650)	(971)
Classified as disposal group held for sale	(61)	(30)	-	-	-
	56,197	64,704	61,294	73,539	70,541
Allowance for impairment losses:-					
At the beginning of the financial year/period	792	790	2,321	2,321	1,270
Additions for the financial year/period (Note 28)	189	1,942	629	619	54
Reversal during the financial year/period (Note 28)	(36)	(47)	(1,407)	(16)	(5)
Write off during the financial year/period	(155)	(367)	(280)	(276)	(350)
Foreign exchange adjustments	#	3	7	2	2
At the end of the financial year/period	790	2,321	1,270	2,650	971

The Group's normal trade credit terms range from 30 to 120 days (31.12.2022, 31.8.2022, 31.12.2021 and 31.12.2020 - 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Continuing operations					
Other receivables:-					
Third parties	12,664	13,758	10,368	11,629	10,392
Advances to suppliers	4,335	6,833	12,458	6,415	7,107
Goods and services tax recoverable	104	109	-	-	-
	17,103	20,700	22,826	18,044	17,499
Allowance for impairment losses	(11,688)	(11,688)	(10,368)	(10,368)	(10,368)
	5,415	9,012	12,458	7,676	7,131
Deposits	985	1,927	1,154	3,070	1,123
Prepayments	646	753	2,184	1,261	2,504
	7,046	11,692	15,796	12,007	10,758

(a) During FYE 31 December 2020, TSA Industries entered into agreements with certain third parties to purchase steam coal. Correspondingly, TSA Industries has made advance payments of RM10.37 million to the related suppliers. However, the suppliers had subsequently failed to fulfil its obligations in delivering the coal pursuant to the agreements. Accordingly, an allowance for impairment loss has been fully made in the financial statements due to the uncertainty in recovering the amount.

(b) On 24 March 2022, TSA Industries entered into a Share Sale Agreement for the acquisition of 1,000,000 shares in Established Steel Coils Sdn. Bhd. for a total purchase consideration of RM25,000,000. The acquisition was terminated on 30 May 2022 and the amount paid during FYE 31 December 2022 was subsequently refunded within the same financial year.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

12. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS (CONT'D)

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020 RM'000	2021 RM'000	2022 RM'000	2022 RM'000	2023 RM'000
Continuing operations					
Allowance for impairment losses:-					
At the beginning of the financial year/period	1,587	11,688	11,688	11,688	10,368
Addition during the financial year (Note 28)	10,367	-	-	-	-
Written off during the financial year	(266)	-	-	-	-
Reclassified during the financial period	-	-	(1,320)	(1,320)	-
At the end of the financial year/period	11,688	11,688	10,368	10,368	10,368
Discontinued operations					
Other receivables:-					
Third parties	#	#	-	-	-
Deposits	1,836	1,757	-	-	-
Prepayments	1	1	-	-	-
	1,837	1,758	-	-	-

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

13. AMOUNT OWING BY/(TO) ULTIMATE HOLDING COMPANY

The amount owing by ultimate holding company represented unsecured, interest-free advances and payments on behalf. The amount owing has been settled in 2022.

14. AMOUNT OWING BY A RELATED COMPANY

	Audited At 31 December			Unaudited At 31 August	Audited
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Non-trade balance	2,500	2,500	-	2,500	-
Allowance for impairment losses	(2,500)	(2,500)	-	(2,500)	-
	-	-	-	-	-
Allowance for impairment losses:-					
At the beginning of the financial year/period	2,500	2,500	2,500	2,500	-
Reversal during the financial year (Note 28)	-	-	(2,500)	-	-
At the end of the financial year/period	2,500	2,500	-	2,500	-

The amount owing by a related company represented unsecured, interest-free advances and payments on behalf. The amount owing has been settled in 2022.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

15. AMOUNTS OWING BY/(TO) RELATED PARTIES

		Audited At 31 December		Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Amount Owing by Related Parties	1,621	2,093	112	1,633	92
Allowance for impairment losses	-	(825)	-	(1,320)	-
Classified as disposal group held for sale	(12)	-	-	-	-
	1,609	1,268	112	313	92
Amount Owing to Related Parties	(85)	-	-	-	-
Classified as disposal group held for sale	85	-	-	-	-
	-	-	-	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

16. DERIVATIVE ASSETS

	Contract/Notional Amount									
		Audited		**Unaudited**	**Audited**		**Audited**		**Unaudited**	**Audited**
		At 31 December		**At 31 August**			**At 31 December**		**At 31 August**	
	2020	**2021**	**2022**	**2022**	**2023**	**2020**	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Forward currency contracts	-	-	-	-	42,153	-	-	-	-	1,077

Forward currency contracts are used to hedge the Group's purchases denominated in United States Dollar (USD) for which firm commitments existed at the end of the reporting period. The settlement dates of the forward currency contracts range between 1 to 4 months after the end of the reporting period.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

17. FIXED DEPOSIT WITH A LICENSED BANK

The fixed deposit with a licensed bank of the Group at the end of the reporting period bore an effective interest rate of 1.80% (31.12.2022 - 1.80%, 31.8.2022 - 1.80%, 31.12.2021 - 1.30% and 31.12.2020 - 1.30%) per annum. The fixed deposit has a maturity period of 365 days (31.12.2022, 31.8.2022, 31.12.2021 and 31.12.2020 - 365 days).

The fixed deposit with a licensed bank of the Group at the end of the reporting period has been pledged to a licensed bank as security for banking facilities granted to the Group.

18. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 15 April 2022, the Group entered into several Share Sale Agreements in relation to the disposal of the following subsidiaries for a total sale consideration of approximately RM358,000:-

(a) Best Chemical Sdn. Bhd. (formerly known as TSA Chemical Sdn. Bhd.);
(b) Mitra ACNC Sdn. Bhd.;
(c) Asia Oriental Commodities Sdn. Bhd. (formerly known as TSA Coal Trade Sdn. Bhd.); and
(d) Best Mineral Resources Sdn. Bhd. (formerly known as TSA Mineral Resources Sdn. Bhd.)

The above is collectively known as "the disposed subsidiaries".

In addition, on 30 May 2022, the Group entered into a Novation Agreement in relation to the disposal of the sand mining business ("the disposed business segment") for a total sale consideration of approximately RM5,141,000.

On 31 May 2022, the Group entered into a Sale and Purchase Agreement in relation to the disposal of the freehold land ("the disposed property") for a total sale consideration of RM7,200,000.

At the end of each reporting period, the assets and liabilities of the disposed subsidiaries, the disposed business segment and the disposed property have been presented in the combined and consolidated statements of financial position as "Assets of disposal group classified as held for sale" each and "Liabilities of disposal group classified as held for sale", and its results have also been presented separately in the combined and consolidated statements of profit or loss and other comprehensive income as "Loss after taxation from discontinued operations".

The disposals of these subsidiaries were completed on 10 May 2022 (for Best Chemical Sdn. Bhd. (formerly known as TSA Chemical Sdn. Bhd.), Asia Oriental Commodities Sdn. Bhd. (formerly known as TSA Coal Trade Sdn. Bhd.) and Best Mineral Resources Sdn. Bhd. (formerly known as TSA Mineral Resources Sdn. Bhd.)) and 18 May 2022 (for Mitra ACNC Sdn. Bhd.); whilst business segment and the property were completed on 30 May 2022 and 25 August 2022 respectively.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

18. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The assets of the disposed subsidiaries, the disposed business segment and the disposed property were as follows:-

	Audited At 31 December			Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
NON-CURRENT ASSETS					
Property and equipment	5,251	5,325	-	-	-
Investment properties	875	860	-	-	-
	6,126	6,185	-	-	-
CURRENT ASSETS					
Inventories	3,412	2,997	-	-	-
Trade receivables	61	30	-	-	-
Other receivables, deposits and prepayments	1,837	1,758	-	-	-
Amount owing by related parties	12	-	-	-	-
Current tax assets	22	31	-	-	-
Cash and bank balances	820	993	-	-	-
	6,164	5,809	-	-	-
Assets classified as disposal group held for sale	12,290	11,994	-	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

18. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

The liabilities of the disposed subsidiaries and the disposed business segment were as follows:-

	Audited At 31 December			Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITY					
CURRENT LIABILITIES					
Trade payables	12	4	-	-	-
Other payables and accruals	27	28	-	-	-
Amount owing to related parties	85	-	-	-	-
Current tax liabilities	-	2	-	-	-
Liabilities classified as disposal group held for sale	124	34	-	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

18. ASSETS AND LIABILITIES OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Details of the disposed subsidiaries, which are incorporated in Malaysia, are as follows:-

		Percentage of Ownership					
	Principal	At 31 December			At 31 August		
	Place of	2020	2021	2022	2022	2023	
Name of Subsidiaries	Business	%	%	%	%	%	Principal Activities
Mitra ACNC Sdn. Bhd. ^	Malaysia	100	100	-	-	-	Investment holding
Asia Oriental Commodities Sdn. Bhd. (formerly known as TSA Coal Trade Sdn. Bhd.) ^	Malaysia	100	100	-	-	-	Wholesale of other solid, liquid and gaseous fuels and related products n.e.c.
Best Mineral Resources Sdn. Bhd. (formerly known as TSA Mineral Resources Sdn. Bhd.) ^	Malaysia	100	100	-	-	-	Extraction and dredging of industrial sand, sand for construction and gravel
Best Chemical Sdn. Bhd. (formerly known as TSA Chemical Sdn. Bhd.)	Malaysia	100	100	-	-	-	Distribution and supply of non-ferrous metal and other industrial hardware products and supply and trading of industry and household chemical cleaning products

Note:-
^ *These subsidiaries were audited by other firms of chartered accountants.*

The disposed business segment relates to the sand mining concession granted by the relevant state authorities to TSA Industries in 2020.

The disposed property relates to the disposal of a piece of agricultural freehold land for a sale consideration at RM7,200,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

19. SHARE CAPITAL

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020	**2021**	**2022**	**2022**	**2023**	**2020**	**2021**	**2022**	**2022**	**2023**
	Number of shares ('000)					RM'000	RM'000	RM'000	RM'000	RM'000
Issued and Fully Paid-Up										
Ordinary Shares										
At beginning of the year/ period	5,000	5,000	5,000	5,000	5,001*	5,000	5,000	5,000	5,000	5,000
Issuance of ordinary shares	-	-	1	*	-	-	-	#	#	-
At end of the year/ period	5,000	5,000	5,001*	5,000*	5,001*	5,000	5,000	5,000	5,000	5,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Group, and are entitled to one vote per ordinary share at meetings of the Group. The ordinary shares have no par value.

Notes:-
 # - Amount less than RM1,000.
** - On 18 March 2022, the Company was incorporated with an issued share capital of RM10 comprising 100 ordinary shares.*

On 21 October 2022, the Company increased its issued and paid-up share capital from RM10 to RM100 by way of issuance of 900 new ordinary shares for cash consideration of RM90.

For the purpose of this report, the total number of shares represents the aggregate number of issued and fully paid-up share capital of the Company and TSA Industries.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

20. RESERVES

		Audited At 31 December			Unaudited At 31 August	Audited At 31 August
		2020	**2021**	**2022**	**2022**	**2023**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Foreign exchange translation reserve	(a)	339	398	788	627	1,257
Retained profits		114,461	117,609	141,941	133,265	132,043
At end of financial year/period		114,800	118,007	142,729	133,892	133,300

(a) The foreign exchange translation reserve arose from the translation of the financial statements of a foreign subsidiary whose functional currencies are different from the Group's presentation currency.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

21. LEASE LIABILITIES

	Audited At 31 December			Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
At beginning of financial year/period	1,386	717	599	599	685
Additions during the financial year/period	-	-	572	572	3,088
Interest expense recognised in profit or loss (Note 29)	72	55	52	37	74
Covid-19-related rent concessions received	(5)	(7)	-	-	-
Changes due to lease modification	-	564	-	-	-
Repayment of principal	(663)	(680)	(488)	(352)	(622)
Repayment of interest expense	(72)	(55)	(52)	(37)	(74)
Foreign exchange adjustments	(1)	5	2	#	48
At end of financial year/period	717	599	685	819	3,199
Analysed by:-					
Current liabilities	628	280	420	476	1,455
Non-current liabilities	89	319	265	343	1,744
	717	599	685	819	3,199

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

22. BORROWINGS

	Note	Audited At 31 December 2020	2021	2022	Unaudited At 31 August 2022	Audited 2023
		RM'000	RM'000	RM'000	RM'000	RM'000
Non-current						
Term loan 1	(a)	-	-	-	-	-
Term loan 2	(b)	-	-	9,717	-	8,983
Term loan 3	(c)	-	-	382	-	334
Hire purchase payables	(d)	445	585	556	616	423
		445	585	10,655	616	9,740
Current						
Term loan 1	(a)	-	-	-	-	-
Term loan 2	(b)	-	-	1,143	-	1,144
Term loan 3	(c)	-	-	102	-	82
Banker's acceptances	(e)	-	-	7,657	-	5,058
Onshore foreign currency loan	(f)	43,142	48,014	22,573	40,067	44,845
Structured and trade commodity financing	(g)	11,774	20,510	22,377	47,515	35,023
Hire purchase payables	(d)	550	307	239	255	234
		55,466	68,831	54,091	87,837	86,386
		55,911	69,416	64,746	88,453	96,126

(a) The Term Loan 1 bore an effective interest rate of 8.60% per annum and was secured by:-

(i) A legal charge over a building of Mitra Bintang;
(ii) Corporate guarantee of the ultimate holding company;
(iii) Joint and several guarantee of all the directors; and
(iv) First party Fixed Deposits Receipt together with Memorandum of Legal Charge over Deposit and Letter of Set-Off.

The term loan has been fully paid in FYE 31 December 2020.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

22. BORROWINGS (CONT'D)

(b) The Term Loan 2 bore an effective interest rate of 5.14% (31.12.2022 - 4.71%) per annum and was secured by:-

(i) A legal charge over a piece of industrial leasehold land of TSA Industries;
(ii) Assignment of life assurance policy of a director;
(iii) Joint and several guarantee of certain directors; and
(iv) Corporate guarantee of the ultimate holding company.

(c) The Term Loan 3 bore an effective interest rate of 7.14% (31.12.2022 - 7.14%) per annum and was secured by:-

(i) A legal charge over a piece of industrial leasehold land of TSA Industries;
(ii) Assignment of life assurance policy of a director;
(iii) Joint and several guarantee of certain directors; and
(iv) Corporate guarantee of the ultimate holding company.

(d) The hire purchases have lease terms ranging from 7 to 46 months (31.12.2022 - 15 to 54 months, 31.8.2022 - 19 to 58 months, 31.12.2021 - 6 to 60 months and 31.12.2020 - 6 to 40 months) and bore effective interest rates ranging from 3.77% to 5.57% (31.12.2022 - 3.77% to 5.57%, 31.8.2022 - 3.77% to 5.57%, 31.12.2021 - 4.46% to 5.92% and 31.12.2020 - 4.46% to 5.92%).

(e) The banker's acceptances bore an effective interest rate of 4.54% (31.12.2022 - ranging from 4.51% to 4.60%) per annum and was secured by:-

(i) A legal charge over a piece of industrial leasehold land of TSA Industries;
(ii) Assignment of life assurance policy of a director;
(iii) Joint and several guarantee of certain directors; and
(iv) Corporate guarantee of the ultimate holding company.

(f) The onshore foreign currency loans of TSA Industries at the end of the reporting period bore effective interest rates ranging from 6.25% to 6.92% (31.12.2022 - 4.53% to 6.52%, 31.8.2022 - 2.30% to 5.09%, 31.12.2021 - 1.35% to 2.25% and 31.12.2020 - 1.35% to 2.26%) per annum and are secured by:-

(i) A legal charge over a building of Mitra Bintang;
(ii) The fixed deposits of TSA Industries;
(iii) Corporate guarantee of the ultimate holding company; and
(iv) Joint and several guarantee by certain directors of TSA Industries and a third party.

(g) The structured and trade commodity financing of TSA Industries at the end of the reporting period bore effective interest rates ranging from 4.79% to 6.80% (31.12.2022 - 4.27% to 6.01%, 31.8.2022 - 2.28% to 4.27%, 31.12.2021 - 1.40% to 3.32% and 31.12.2020 - 1.50% to 3.54%) per annum and are secured by:-

(i) A legal charge over freehold land of TSA Industries and was discharged in 2022,
(ii) Corporate guarantee of the ultimate holding company; and
(iii) Joint and several guarantee by certain director of TSA Industries and a third party.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

23. TRADE PAYABLES

	Audited At 31 December			Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	17,964	12,903	13,100	8,995	8,266
Classified as disposal group held for sale	(12)	(4)	-	-	-
At end of financial year/period	17,952	12,899	13,100	8,995	8,266

The normal trade credit terms granted to the Group ranging from 30 to 120 days (31.12.2022, 31.8.2022, 31.12.2021 and 31.12.2020 - 30 to 120 days).

24. OTHER PAYABLES AND ACCRUALS

	Audited At 31 December			Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Other payables:-					
Third parties	70	354	421	669	513
Advances received from customers	790	1,428	1,468	1,376	1,772
Goods and services tax payable	49	-	-	82	29
Deposits	14	-	-	-	-
	923	1,782	1,889	2,127	2,314
Accruals	3,442	6,661	6,563	4,455	4,356
	4,365	8,443	8,452	6,582	6,670
Classified as disposal group held for sale	(27)	(28)	-	-	-
	4,338	8,415	8,452	6,582	6,670

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

25. AMOUNT OWING TO DIRECTORS

The amount owing to directors represents unsecured, interest-free advances and payments on behalf. The amount owing is payable on demand and to be settled in cash. Subsequent to the FPE 31 August 2023, the amount owing has been fully settled.

26. DIVIDENDS PAYABLE

	Audited At 31 December			Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
A second interim dividend of RM0.40 per ordinary share	2,000	-	-	-	-
A first interim dividend of RM0.60 per ordinary share	-	3,000	-	-	-
A second interim dividend of RM6.40 per ordinary share	-	32,000	-	-	-
	2,000	35,000	-	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

27. REVENUE

		Audited FYE 31 December		Eight-month Period Unaudited FPE 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue recognised at a point in time					
Sale of goods	234,628	302,693	357,271	248,393	220,339

28. NET IMPAIRMENT LOSSES/(REVERSAL OF IMPAIRMENT LOSSES) ON FINANCIAL ASSETS

		Audited FYE 31 December		Eight-month Period Unaudited FPE 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Impairment losses:					
- trade receivables (Note 11)	189	1,942	629	619	54
- other receivables (Note 12)	10,367	-	-	-	-
- others	-	825	-	-	-
Reversal of impairment losses:					
- trade receivables (Note 11)	(36)	(47)	(1,407)	(16)	(5)
- a related company (Note 14)	-	-	(2,500)	-	-
- others	-	-	(1,320)	-	-
	10,520	2,720	(4,598)	603	49

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. PROFIT BEFORE TAXATION

	Audited FYE 31 December			Eight-month Period FPE 31 August Unaudited	Eight-month Period FPE 31 August Audited
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Profit before taxation is arrived at after charging/(crediting):-					
Auditors' remuneration:					
- current financial year	94	102	138	80	91
Directors' fee	360	360	10	-	49
Directors' non-fee emoluments:					
- salaries, bonuses and allowances	672	866	2,396	1,117	1,687
- defined contribution benefits	86	96	318	168	184
Material Expenses/ (Income)					
Depreciation:					
- property, plant and equipment	2,373	2,499	2,034	1,394	1,340
- right-of-use assets	543	556	511	330	764
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- bank overdraft	#	-	-	-	-
- hire purchase payables	50	42	41	26	25
- onshore foreign currency loan	958	1,251	1,323	916	1,566
- structured and trade commodity financing	481	229	727	62	506
- term loans	21	-	123	-	361
- banker's acceptances	-	-	142	-	345
Interest expense on lease liabilities	72	55	52	37	74
Property, plant and equipment written off	26	-	9	-	41
Lease expenses:					
- short-term lease	580	734	757	518	175
Loss on disposal of sand concession	-	-	178	178	-
Staff costs:					
- wages, salaries and others	14,802	16,400	19,234	13,158	12,811
- defined contribution plan	1,461	1,576	1,987	1,283	1,179

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. PROFIT BEFORE TAXATION (CONT'D)

	Audited FYE 31 December			Eight-month Period FPE 31 August	
				Unaudited	Audited
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
(Gain)/Loss on foreign exchange:					
- realised	(730)	(185)	2,307	54	(2,481)
- unrealised	(1,060)	738	(2,116)	1,189	3,105
Gain on disposal of property, plant and equipment	(36)	(1)	(2,396)	(2,368)	(6)
Government grant	(243)	(66)	(15)	(11)	(15)
Interest income on financial assets measured at amortised cost	(420)	(714)	(607)	(390)	(338)
Reversal of inventories previously written down	(334)	-	-	-	(285)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30. INCOME TAX EXPENSE

	Audited FYE 31 December			Eight-month Period FPE 31 August Unaudited	Eight-month Period FPE 31 August Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Current tax expense:-					
Malaysia:					
- for the financial year	6,463	12,292	8,964	8,383	3,827
- under/(over)provision in the previous financial year	3,222	(793)	914	914	(229)
	9,685	11,499	9,878	9,297	3,598
Overseas:					
- for the financial year	289	808	792	613	500
- under/(over)provision in the previous financial year	63	(34)	-	-	-
	352	774	792	613	500
	10,037	12,273	10,670	9,910	4,098
Real property gain tax	-	-	202	-	-
Deferred tax expense (Note 9):					
- originating and reversal of temporary differences	(16)	-	945	947	436
- overprovision in the previous financial year	-	-	(2,350)	(2,350)	(67)
	(16)	-	(1,405)	(1,403)	369
	10,021	12,273	9,467	8,507	4,467
Represented by:-					
Income tax:					
- continuing operations	10,013	12,268	9,467	8,507	4,467
- discontinued operations	8	5	-	-	-
	10,021	12,273	9,467	8,507	4,467

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30. INCOME TAX EXPENSE (CONT'D)

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

	Audited FYE 31 December			Eight-month Period Unaudited FPE 31 August	Eight-month Period Audited FPE 31 August
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Profit after taxation	5,031	38,973	40,143	31,316	10,666
Total income tax expense	10,021	12,273	9,467	8,507	4,467
Results from continuing and discontinued operations before income tax expense	15,052	51,246	49,610	39,823	15,133
Tax at the statutory tax rate of 24%	3,612	12,299	11,906	9,558	3,632
Tax effects of:-					
Tax-exempt income	(54)	(55)	(56)	(102)	(59)
Non-taxable income	(10)	(11)	(20)	(934)	(260)
Non-deductible expenses	3,312	1,278	773	1,804	1,771
Deferred tax assets not recognised during the financial year	76	48	-	-	-
Utilisation of deferred tax assets not recognised in the previous financial year	(73)	(117)	(1,563)	(109)	(89)
Effects of differential in tax rates of subsidiaries	(127)	(342)	(339)	(274)	(232)
Under/(Over)provision of current tax in the previous financial year	3,285	(827)	914	914	(229)
Overprovision of deferred tax in the previous financial year	-	-	(2,350)	(2,350)	(67)
Real property gains tax arising from disposal of freehold land	-	-	202	-	-
Income tax expense for the financial year/period	10,021	12,273	9,467	8,507	4,467

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (31.12.2022, 31.8.2022, 31.12.2021 and 31.12.2020 - 24%) of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

30. INCOME TAX EXPENSE (CONT'D)

No deferred tax assets are recognised in respect of the following items:-

	Audited FYE 31 December			Eight-month Period FPE 31 August	
				Unaudited	Audited
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Unutilised tax losses	1,118	1,159	-	-	-
Unabsorbed capital allowances	84	28	-	-	-
Provisions	2,309	4,306	-	-	-
Accelerated capital allowances over depreciation	(828)	(2,610)	-	-	-
	2,683	2,883	-	-	-

31. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS

The discontinued operations are in relation to the disposed subsidiaries and the disposed business segment.

The analysis of the results of the discontinued operations is as follows:-

	Audited FYE 31 December			Eight-month Period FPE 31 August	
				Unaudited	Audited
	2020	2021	2022	2022	2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	630	618	135	135	-
Cost of sales	(251)	(931)	(97)	(97)	-
Gross profit/(loss)	379	(313)	38	38	-
Other income	12	#	#	#	-
Administrative expenses	(513)	(441)	(376)	(376)	-
Distribution expenses	(11)	(24)	-	-	-
Other expenses	(31)	(528)	(178)	(178)	-
Share of loss of equity accounted associate	-	(#)	-	-	-
Loss before taxation	(164)	(1,306)	(516)	(516)	-
Income tax expense	(8)	(5)	-	-	-
Loss after taxation from discontinued operations	(172)	(1,311)	(516)	(516)	-

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

31. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS (CONT'D)

Included in loss before taxation from discontinued operations are the following:-

	Audited FYE 31 December			Eight-month Period Unaudited FPE 31 August	Audited FPE 31 August
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Loss before taxation is arrived at after charging/(crediting):-					
Auditors' remuneration:					
- current financial year	16	20	-	-	-
- overprovision in the previous financial year	-	(1)	-	-	-

The cash flows attributable to the discontinued operations are the following:-

	Audited FYE 31 December			Eight-month Period Unaudited FPE 31 August	Audited FPE 31 August
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	968	123	-	-	-
Net cash (for)/from investing activities	(904)	47	-	-	-
Net cash from discontinued operations	64	170	-	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

32. EARNINGS/(LOSS) PER SHARE

	Audited FYE 31 December			Eight-month Period Unaudited FPE 31 August	Eight-month Period Audited FPE 31 August
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Profit attributable to owners of the Company (RM'000)	4,906	39,459	39,848	31,172	10,102
Weighted average number of ordinary shares in issue ('000)	5,000	5,000	5,001*	5,000*	5,001*
Basic earnings per share (RM)	0.98	7.89	7.97	6.23	2.02
Discontinued operations					
Loss attributable to owners of the Company (RM'000)	(172)	(1,311)	(516)	(516)	-
Weighted average number of ordinary shares in issue ('000)	5,000	5,000	5,001*	5,000*	5,001*
Basic earnings per share (RM)	(0.03)	(0.26)	(0.10)	(0.10)	-

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

* - *On 18 March 2022, the Company was incorporated with an issued share capital of RM10 comprising 100 ordinary shares.*

On 21 October 2022, the Company increased its issued and paid-up share capital from RM10 to RM100 by way of issuance of 900 new ordinary shares for cash consideration of RM90.

For the purpose of this report, the total number of shares represents the aggregate number of issued and fully paid-up share capital of the Company and TSA Industries.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

33. DISPOSAL OF SUBSIDIARIES

On 15 April 2022, TSA Industries has disposed of its entire equity interests of certain subsidiaries, i.e. Best Chemical Sdn. Bhd. (formerly known as TSA Chemical Sdn. Bhd.), Mitra ACNC Sdn. Bhd., Asia Oriental Commodities Sdn. Bhd. (formerly known as TSA Coal Trade Sdn. Bhd.) and Best Mineral Resources Sdn. Bhd. (formerly known as TSA Mineral Resources Sdn. Bhd.) for a total sale consideration of RM358,000 in cash.

The financial effects of the disposal at the date of disposal are summarised below:-

	RM'000
Property, plant and equipment	32
Investment properties	857
Investment in an associate	#
Inventories	177
Trade receivables	384
Other receivables, deposits and prepayments	23
Current tax assets	31
Cash and bank balances	953
Trade payables	(1,049)
Other payables and accruals	(40)
Amount due to immediate holding company	(3,083)
Carrying amount of net liabilities disposed of	(1,715)
Gain on disposal of the subsidiaries	2,073
Consideration received, satisfied in cash	358
Less: Cash and bank balances of a subsidiary disposed of	(953)
Net cash outflow from the disposal of subsidiaries	(595)

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

34. DIVIDENDS

	Audited FYE 31 December 2020 RM'000	2021 RM'000	2022 RM'000	Unaudited FPE 31 August 2022 RM'000	Audited 2023 RM'000
In respect of the FYE 31 December 2020:					
- A first interim dividend of RM2.00 per ordinary share, paid on 3 June 2020	10,000	-	-	-	-
- A second interim dividend of RM0.40 per ordinary share, paid on 15 April 2021	2,000	-	-	-	-
In respect of the FYE 31 December 2021:					
- A first interim dividend of RM0.60 per ordinary share, paid on 27 January 2022	-	3,000	-	-	-
- A second interim dividend of RM6.40 per ordinary share, paid on 26 April 2022, 23 May 2022 and 4 July 2022 respectively	-	32,000	-	-	-
In respect of the FYE 31 December 2022:					
- A first interim dividend of RM3.00 per ordinary share, paid on 26 August 2022	-	-	15,000	15,000	-
- A second interim dividend of RM4.00 per ordinary share, paid on 4 April 2023 and 5 April 2023 respectively	-	-	-	-	20,000
	12,000	35,000	15,000	15,000	20,000

On 18 October 2023, the Company declared an interim dividend of RM1 per ordinary share, paid on 30 October 2023 amounting to RM5 million in respect of the financial year ending 31 December 2023. The financial statements for the FPE 31 August 2023 do not reflect this interim dividend. Such dividend will be accounted for in equity as an appropriation of retained profits in the financial year ending 31 December 2023.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

35. RELATED PARTY DISCLOSURES

(a) Identities of Related Parties

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

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its directors, ultimate/immediate holding companies and key management personnel and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group carried out the following significant transactions with the related parties during the financial year/period:-

	Audited FYE December			Eight-month Period FPE 31 August	
				Unaudited	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Related party:					
Sales	(2,490)	(3,012)	(1,636)	(1,613)	(134)
Purchases	80	29	33	24	64
Disposal of subsidiaries	-	-	358	358	-
Disposal of sand mining business	-	-	5,141	5,141	-
Rental	-	-	10	5	10

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION

(a) The cash disbursed for the purchase of property, plant and equipment and investment properties and the addition of right-of-use assets is as follows:-

	Audited FYE 31 December			Audited FPE 31 August	
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Continuing operations					
Property, plant and equipment					
Cost of equipment purchase (Note 5)	70	1,697	12,670	8,661	7,374
Less: Acquired through hire purchase arrangements	-	(578)	(240)	(240)	-
	70	1,119	12,430	8,421	7,374
Discontinued operations					
Property, plant and equipment					
Cost of equipment purchase (Note 5)	255	137	-	-	-
	325	1,256	12,430	8,421	7,374
Discontinued operations					
Investment properties					
Cost of investment properties purchased (Note 6)	889	-	-	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION (CONT'D)

(a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows (Cont'd):-

	Audited			Audited	
	FYE 31 December			FPE 31 August	
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Continuing operations					
Right-of-use assets					
Cost of right-of-use assets acquired (Note 7)	-	-	13,640	572	3,088
Less: Addition of lease liabilities (Note 21)	-	-	(572)	(572)	(3,088)
Less: Addition of term loan (Note 22)	-	-	(11,000)	-	-
	-	-	2,068	-	-

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows:-

Audited	Lease liabilities RM'000	Hire purchases RM'000	Onshore foreign currency loan RM'000	Structured and trade commodity financing RM'000	Term loan RM'000	Total RM'000
Continuing operations						
2020						
At 1 January	1,386	1,495	48,111	7,759	1,439	60,190
<u>Changes in Financing Cash Flows</u>						
Proceeds from drawdown	-	-	118,682	43,776	-	162,458
Repayment of borrowing principal	(663)	(500)	(123,171)	(39,761)	(1,439)	(165,534)
	(663)	(500)	(4,489)	4,015	(1,439)	(3,076)
<u>Other Changes</u>						
Foreign exchange adjustments	(1)	-	(480)	-	-	(481)
Covid-19-related rent concessions	(5)	-	-	-	-	(5)
Finance charges recognised in profit or loss	72	50	958	481	21	1,582
Repayment of borrowing interests	(72)	(50)	(958)	(481)	(21)	(1,582)
	(6)	-	(480)	-	-	(486)
At 31 December	717	995	43,142	11,774	-	56,628

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Audited	Lease liabilities RM'000	Hire purchases RM'000	Onshore foreign currency loan RM'000	Structured and trade commodity financing RM'000	Term loan RM'000	Total RM'000
Continuing operations						
2021						
At 1 January	717	995	43,142	11,774	-	56,628
Changes in Financing Cash Flows						
Proceeds from drawdown	-	-	158,536	32,527	-	191,063
Repayment of borrowing principal	(680)	(686)	(154,706)	(23,791)	-	(179,863)
	(680)	(686)	3,830	8,736	-	11,200
Other Changes						
Foreign exchange adjustments	5	5	1,042	-	-	1,052
New hire purchases	-	578	-	-	-	578
Covid-19-related rent concessions	(7)	-	-	-	-	(7)
Interest expense recognised in profit or loss	55	42	1,251	229	-	1,577
Modification of lease	564	-	-	-	-	564
Repayment of borrowing interests	(55)	(42)	(1,251)	(229)	-	(1,577)
	562	583	1,042	-	-	2,187
At 31 December	599	892	48,014	20,510	-	70,015

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Audited	Lease liabilities RM'000	Hire purchases RM'000	Onshore foreign currency loan RM'000	Structured and trade commodity financing RM'000	Term loans RM'000	Banker's acceptances RM'000	Total RM'000
Continuing operations							
2022							
At 1 January	599	892	48,014	20,510	-	-	70,015
Changes in Financing Cash Flows							
Proceeds from drawdown	-	-	111,897	68,006	11,500	7,657	199,060
Repayment of borrowing principal	(488)	(362)	(136,825)	(65,029)	(202)	-	(202,906)
	(488)	(362)	(24,928)	2,977	11,298	7,657	(3,846)
Other Changes							
Foreign exchange adjustments	2	25	(513)	(1,110)	-	-	(1,596)
New hire purchases	-	240	-	-	-	-	240
Additional leases	572	-	-	-	-	-	572
Interest expense recognised in profit or loss	52	41	1,323	727	123	142	2,408
Repayment of borrowing interests	(52)	(41)	(1,323)	(727)	(77)	(142)	(2,362)
	574	265	(513)	(1,110)	46	-	(738)
At 31 December	685	795	22,573	22,377	11,344	7,657	65,431

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):

Unaudited	Lease liabilities RM'000	Hire purchases RM'000	Onshore foreign currency loan RM'000	Structured and trade commodity financing RM'000	Term loans RM'000	Banker's acceptances RM'000	Total RM'000
Continuing operations							
2022							
At 1 January	599	892	48,014	20,510	-	-	70,015
Changes in Financing Cash Flows							
Proceeds from drawdown	-	-	88,923	52,483	-	-	141,406
Repayment of borrowing principal	(352)	(275)	(98,431)	(25,476)	-	-	(124,534)
	(352)	(275)	(9,508)	27,007	-	-	16,872
Other Changes							
Foreign exchange adjustments	#	14	1,561	(2)	-	-	1,573
New hire purchases	-	240	-	-	-	-	240
Additional leases	572	-	-	-	-	-	572
Interest expense recognised in profit or loss	37	26	916	62	-	-	1,041
Repayment of borrowing interests	(37)	(26)	(916)	(62)	-	-	(1,041)
	572	254	1,561	(2)	-	-	2,385
At 31 August	819	871	40,067	47,515	-	-	89,272

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):

Audited	Lease liabilities RM'000	Hire purchases RM'000	Onshore foreign currency loan RM'000	Structured and trade commodity financing RM'000	Term loans RM'000	Banker's acceptances RM'000	Total RM'000
Continuing operations							
2023							
At 1 January	685	795	22,573	22,377	11,344	7,657	65,431
Changes in Financing Cash Flows							
Proceeds from drawdown	-	-	57,924	35,707	-	23,632	117,263
Repayment of borrowing principal	(622)	(174)	(37,411)	(24,884)	(801)	(26,231)	(90,123)
	(622)	(174)	20,513	10,823	(801)	(2,599)	27,140
Other Changes							
Foreign exchange adjustments	48	36	1,759	1,823	-	-	3,666
Additional leases	3,088	-	-	-	-	-	3,088
Interest expense recognised in profit or loss	74	25	1,566	506	361	345	2,877
Repayment of borrowing interests	(74)	(25)	(1,566)	(506)	(361)	(345)	(2,877)
	3,136	36	1,759	1,823	-	-	6,754
At 31 August	3,199	657	44,845	35,023	10,543	5,058	99,325

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. CASH FLOW INFORMATION (CONT'D)

(c) The total cash outflows for leases as a lessee are as follows:-

	Audited FYE 31 December			Eight-month Period Unaudited FPE 31 August	Audited
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Continuing operations					
Interest paid on lease liabilities	72	55	52	37	74
Payment of lease liabilities	663	680	488	352	622
	735	735	540	389	696

(d) The cash and cash equivalents comprise the following:-

	Audited At 31 December			Unaudited At 31 August	Audited
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Continuing operations					
Fixed deposit with a licensed bank	530	537	544	537	544
Cash and bank balances	37,429	61,170	31,423	38,468	31,788
	37,959	61,707	31,967	39,005	32,332
Less: Fixed deposit pledged to a licensed bank (Note 17)	(530)	(537)	(544)	(537)	(544)
Discontinued operations					
Cash and bank balances	820	993	-	-	-
	38,249	62,163	31,423	38,468	31,788

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS

37.1 BUSINESS SEGMENT

The Group operates predominantly in one business segment i.e. manufacturing of welded stainless steel pipes; and trading in stainless steel and other metal products. Accordingly, the information by business segment is not presented.

37.2 GEOGRAPHICAL INFORMATION

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

	Audited FYE 31 December			Eight-month Period FPE 31 August	
				Unaudited	**Audited**
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Continuing operations					
Malaysia	181,967	239,719	293,635	202,143	178,454
Outside Malaysia	52,661	62,974	63,636	46,250	41,885
	234,628	302,693	357,271	248,393	220,339
Discontinued operations					
Malaysia	630	618	135	135	-
	235,258	303,311	357,406	248,528	220,339

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

37. OPERATING SEGMENTS (CONT'D)

37.2 GEOGRAPHICAL INFORMATION (CONT'D)

Non-current assets are determined according to the country where these assets are located. The amounts of non-current assets do not include financial instruments and deferred tax assets.

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Non-current assets					
Continuing operations					
Malaysia	24,469	23,811	49,135	32,839	54,220
Outside Malaysia	1,001	676	434	478	3,363
	25,470	24,487	49,569	33,317	57,583
Discontinued operations					
Malaysia	6,126	6,185	-	-	-
	31,596	30,672	49,569	33,317	57,583

37.3 MAJOR CUSTOMERS

There are no major customers with revenue equal to or more than 10% of the Group's total revenue (consist of continuing and discontinued operations).

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. CAPITAL COMMITMENT

		Audited			Unaudited	Audited
		At 31 December			At 31 August	
		2020	**2021**	**2022**	**2022**	**2023**
	Note	RM'000	RM'000	RM'000	RM'000	RM'000
Purchase of land	(a)	-	11,761	-	11,000	-
Purchase of machineries	(b)	-	19,404	12,700	15,734	13,370
Purchase of machineries	(c)	-	-	-	-	3,762
		-	31,165	12,700	26,734	17,132

(a) On 3 January 2022, TSA Industries entered into a Sale and Purchase Agreement to acquire a piece of industrial land together with all the buildings erected thereon which include among others an electric power station belonging to Tenaga Nasional Berhad, for a total purchase consideration of RM13,068,000.

(b) On 20 December 2021, TSA Industries entered into a Sale Contract to acquire certain machineries for a total consideration of approximately USD5,291,000 (equivalent to RM22,067,000).

(c) On 3 January 2023, TSA Industries entered into a contract to acquire certain machineries for a total consideration of approximately USD2,025,000 (equivalent to RM8,918,000). Partial of the machineries amounted to approximately USD1,434,000 (equivqlent to RM6,661,000) have been delivered as at 31 August 2023.

39. CONTINGENT ASSET

TSA Industries has initiated legal proceeding in 2017 to claim against 5 individuals (1st to 5th Defendants) and a financial institution (6th Defendant) for the unauthorised transfers of monies for the sum of approximately RM31.8 million from a TSA Industries' bank account.

On 9 December 2022, the decision of the civil suit was given by the High Court, among others:-

(a) to dismiss TSA Industries' claim against the 6th Defendant with a cost of RM150,000 to be paid by TSA Industries; and
(b) to award a judgement sum of RM31.8 million to be paid by the 1st to 5th Defendants to TSA Industries.

On 27 December 2022, TSA Industries filed an appeal to the Court of Appeal against the High Court's dismissal of the claim. The appeal is fixed for hearing on 4 March 2024.

On 27 January 2023, TSA Industries has made payment of RM150,000 as costs to the 6th Defendants.

Based on advice from the legal counsel, the prospects of success of the said appeal as it stands are fair to reasonable.

TSA Industries has subsequently engaged another solicitor to pursue the judgement sum awarded against the 1st to 5th Defendants. The said solicitior had on 28 November 2023 filed a new application to the Court against 2 individuals and 4 banks. The case management has been fixed on 14 December 2023.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

40.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of major areas of treasury activity are as follows:

(a) Market Risk

(i) Foreign Currency Risk

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currency other than the respective functional currency of entities within the Group. The currencies giving rise to this risk is primarily United States Dollar ("USD"), Singapore Dollar ("SGD") and Euro. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

The Group's policies in respect of major areas of treasury activity are as follows:-

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2020						
<u>Financial Assets</u>						
Trade receivables	1,076	5,179	-	-	49,942	56,197
Other receivables	-	-	-	-	976	976
Amount owing by ultimate holding company	-	-	-	-	5,749	5,749
Amount owing by related parties	-	-	-	-	1,609	1,609
Fixed deposit with a licensed bank	-	-	-	-	530	530
Cash and bank balances	1,788	644	11	25	34,961	37,429
	2,864	5,823	11	25	93,767	102,490

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2020						
Financial Liabilities						
Trade payables	343	153	-	-	17,456	17,952
Other payables and accruals	-	170	-	-	3,315	3,485
Amount owing to directors	-	155	-	-	550	705
Hire purchases payables	-	481	-	-	514	995
Onshore foreign currency loan	43,142	-	-	-	-	43,142
Structured and trade commodity financing	3,351	-	-	-	8,423	11,774
Dividends payable	-	-	-	-	2,000	2,000
	46,836	959	-	-	32,258	80,053
Net financial (liabilities)/assets	(43,972)	4,864	11	25	61,509	22,437
Less: Net financial assets denominated in the respective entities' functional currencies	-	(4,637)	-	-	(61,509)	(66,146)
Add: Forward foreign currency contracts (contracted notional principal)	34,780	-	-	-	-	34,780
Currency exposure	(9,192)	227	11	25	-	(8,929)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2021						
Financial Assets						
Trade receivables	1,389	6,316	26	-	56,973	64,704
Other receivables	-	-	-	-	2,070	2,070
Amount owing by ultimate holding company	-	-	-	-	5,749	5,749
Amount owing by related parties	-	-	-	-	1,268	1,268
Fixed deposit with a licensed bank	-	-	-	-	537	537
Cash and bank balances	1,102	4,299	10	25	55,734	61,170
	2,491	10,615	36	25	122,331	135,498

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2021						
Financial Liabilities						
Trade payables	4,890	850	-	-	7,159	12,899
Other payables and accruals	-	334	-	-	6,653	6,987
Amount owing to directors	-	-	-	-	550	550
Hire purchases payables	-	601	-	-	291	892
Onshore foreign currency loan	48,014	-	-	-	-	48,014
Structured and trade commodity financing	14,670	-	-	-	5,840	20,510
Dividends payable	-	-	-	-	35,000	35,000
	67,574	1,785	-	-	55,493	124,852
Net financial (liabilities)/assets	(65,083)	8,830	36	25	66,838	10,646
Less: Net financial assets denominated in the respective entities' functional currencies	-	(5,133)	-	-	(66,838)	(71,971)
Add: Forward foreign currency contracts (contracted notional principal)	22,508	-	-	-	-	22,508
Currency exposure	(42,575)	3,697	36	25	-	(38,817)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2022						
Financial Assets						
Trade receivables	160	8,294	-	-	52,840	61,294
Amount owing by related parties	-	-	-	-	112	112
Fixed deposit with a licensed bank	-	-	-	-	544	544
Cash and bank balances	854	1,849	10	29	28,681	31,423
	1,014	10,143	10	29	82,177	93,373

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2022						
Financial Liabilities						
Trade payables	546	4,649	-	-	7,905	13,100
Other payables and accruals	-	390	-	-	6,594	6,984
Amount owing to directors	-	394	-	-	785	1,179
Hire purchases payables	-	470	-	-	325	795
Banker's acceptances	-	-	-	-	7,657	7,657
Onshore foreign currency loan	22,573	-	-	-	-	22,573
Structured and trade commodity financing	22,377	-	-	-	-	22,377
Term loans	-	-	-	-	11,344	11,344
	45,496	5,903	-	-	34,610	86,009

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.12.2022						
Net financial (liabilities)/assets	(44,482)	4,240	10	29	47,567	7,364
Less: Net financial assets denominated in the respective entities' functional currencies	-	(4,047)	-	-	(47,567)	(51,614)
Add: Forward foreign currency contracts (contracted notional principal)	23,153	-	-	-	-	23,153
Currency exposure	(21,329)	193	10	29	-	(21,097)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Unaudited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.8.2022						
Financial Assets						
Trade receivables	1,422	9,672	-	-	62,445	73,539
Other receivables	-	-	-	-	1,261	1,261
Amount owing by ultimate holding company	-	-	-	-	-	-
Amount owing by a related company	-	-	-	-	-	-
Amount owing by related parties	-	-	-	-	313	313
Fixed deposit with a licensed bank	-	-	-	-	537	537
Cash and bank balances	1,099	2,732	10	25	34,602	38,468
	2,521	12,404	10	25	99,158	114,118

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Unaudited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.8.2022						
Financial Liabilities						
Trade payables	1,583	318	-	-	7,094	8,995
Other payables and accruals	-	291	-	-	4,833	5,124
Amount owing to directors	-	-	-	-	550	550
Hire purchases payables	-	512	-	-	359	871
Onshore foreign currency loan	40,067	-	-	-	-	40,067
Structured and trade commodity financing	47,515	-	-	-	-	47,515
	89,165	1,121	-	-	12,836	103,122
Net financial (liabilities)/assets	(86,644)	11,283	10	25	86,322	10,996
Less: Net financial assets denominated in the respective entities' functional currencies	-	(10,602)	-	-	(86,322)	(96,924)
Add: Forward foreign currency contracts (contracted notional principal)	27,525	-	-	-	-	27,525
Currency exposure	(59,119)	681	10	25	-	(58,403)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.8.2023						
Financial Assets						
Trade receivables	434	16,720	-	-	53,387	70,541
Other receivables	-	-	-	-	24	24
Amount owing by related parties	-	-	-	-	92	92
Fixed deposit with a licensed bank	-	-	-	-	544	544
Cash and bank balances	391	3,056	11	35	28,295	31,788
	825	19,776	11	35	82,342	102,989

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

Audited	United States Dollar RM'000	Singapore Dollar RM'000	Euro RM'000	Other RM'000	Ringgit Malaysia RM'000	Total RM'000
31.8.2023						
Financial Liabilities						
Trade payables	1,796	336	-	-	6,134	8,266
Other payables and accruals	-	286	-	-	4,583	4,869
Amount owing to directors	-	-	-	-	335	335
Hire purchases payables	-	395	-	-	262	657
Banker's acceptances	-	-	-	-	5,058	5,058
Onshore foreign currency loan	44,845	-	-	-	-	44,845
Structured and trade commodity financing	29,355	-	-	-	5,668	35,023
Term loans	-	-	-	-	10,543	10,543
	75,996	1,017	-	-	32,583	109,596
Net financial (liabilities)/assets	(75,171)	18,759	11	35	49,759	(6,607)
Less: Net financial assets denominated in the respective entities' functional currencies	-	(17,768)	-	-	(49,759)	(67,527)
Add: Forward foreign currency contracts (contracted notional principal)	42,153	-	-	-	-	42,153
Currency exposure	(33,018)	991	11	35	-	(31,981)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis

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

				Eight-month Period	
		Audited FYE 31 December		**Unaudited**	**Audited**
				FPE 31 August	
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Effect on profit after taxation					
USD/RM					
- strengthened by 5%	(349)	(1,618)	(811)	(1,794)	(1,255)
- weakened by 5%	349	1,618	811	1,794	1,255
SGD/RM					
- strengthened by 5%	9	140	7	26	38
- weakened by 5%	(9)	(140)	(7)	(26)	(38)
EURO/RM					
- strengthened by 5%	#	1	#	#	#
- weakened by 5%	*(#)*	(1)	(#)	(#)	(#)
OTHER/RM					
- strengthened by 5%	1	1	1	1	1
- weakened by 5%	(1)	(1)	(1)	(1)	(1)

Note:-
 # - Amount less than RM1,000.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables, borrowings and fixed deposits with licensed banks are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 22 to the financial statements.

Interest Rate Risk Sensitivity Analysis

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of the Group and of the Company and hence, no sensitivity analysis is presented.

(iii) Equity Price Risk

The Group does not have any quoted investments and hence it is not exposed to equity price risk.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit risk concentration profile

The Group does not have any major concentration of credit risk related to any individual customer or counterparty.

(ii) Maximum exposure to credit risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses

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

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:
- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty; and
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 365 days past due.

<u>Trade Receivables</u>

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

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables (including amount owing by related parties) has been grouped based on shared credit risk characteristics and the days past due.

The expected loss rates are based on the payment profiles of sales over 12 months (31.12.2022, 31.8.2022, 31.12.2021 and 31.12.2020 - 12 months) from the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts using the linear regressive analysis.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial years.

Sales made are generally accompanies by letters of credit or advance payments and therefore, there is minimal exposure to credit risk. Furthermore, outstanding trade receivables are largely collected within the credit term.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

Allowance for Impairment Losses

Audited	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
31.12.2020				
Current (not past due)	38,755	-	-	38,755
1 to 30 days past due	10,502	-	-	10,502
31 to 60 days past due	3,180	-	-	3,180
61 to 90 days past due	562	-	-	562
91 to 120 days past due	172	-	-	172
More than 120 days past due	3,810	-	-	3,810
Credit impaired	790	(790)	-	-
	57,771	(790)	-	56,981
31.12.2021				
Current (not past due)	47,974	-	(154)	47,820
1 to 30 days past due	12,488	-	(139)	12,349
31 to 60 days past due	3,378	-	(126)	3,252
61 to 90 days past due	466	-	(87)	379
91 to 120 days past due	243	-	(33)	210
More than 120 days past due	2,941	-	(979)	1,962
Credit impaired	803	(803)	-	-
	68,293	(803)	(1,518)	65,972
31.12.2022				
Current (not past due)	41,803	-	-	41,803
1 to 30 days past due	13,234	-	-	13,234
31 to 60 days past due	4,339	-	-	4,339
61 to 90 days past due	1,742	-	-	1,742
91 to 120 days past due	98	-	-	98
More than 120 days past due	317	-	(127)	190
Credit impaired	1,143	(1,143)	-	-
	62,676	(1,143)	(127)	61,406

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

Allowance for Impairment Losses (Cont'd)

Unaudited	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
31.8.2022				
Current (not past due)	51,056	-	-	51,056
1 to 30 days past due	15,327	-	-	15,327
31 to 60 days past due	5,419	-	-	5,419
61 to 90 days past due	839	-	-	839
91 to 120 days past due	640	-	-	640
More than 120 days past due	2,089	-	(1,518)	571
Credit impaired	1,132	(1,132)	-	-
	76,502	(1,132)	(1,518)	73,852
Audited				
31.8.2023				
Current (not past due)	42,646	-	-	42,646
1 to 30 days past due	17,306	-	-	17,306
31 to 60 days past due	6,588	-	-	6,588
61 to 90 days past due	2,433	-	-	2,433
91 to 120 days past due	1,207	-	-	1,207
More than 120 days past due	580	-	(127)	453
Credit impaired	844	(844)	-	-
	71,604	(844)	(127)	70,633

The movements in the loss allowances in respect of trade receivables (including related parties) are disclosed in Note 11 and Note 15 to the financial statements respectively.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables and amount owing by related parties.

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables as it is negligible other than those which had already impaired.

Fixed Deposit with a Licensed Bank, Cash and Bank Balances

The Group considers the licensed banks have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Amount Owing by Ultimate Holding Company, A Related Company and A Related Party (Non-trade Balances)

The Group applies the 3-stage general approach to measuring expected credit losses for all inter-company balances.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

The Group applies the 3-stage general approach to measuring expected credit losses for all inter-company balances. The Group considers loans and advances to ultimate holding company, a related company and a related party have low credit risks. The Group assumes that there is a significant increase in credit risk when the ultimate holding company's, related company's and related party's financial position deteriorates significantly.

The Group measures the expected credit losses on individual basis, which is aligned with its credit risk management practices on the inter-company balances.

For loans and advances that are repayable on demand, impairment loss is assessed based on the assumption that repayment of the outstanding balances is demanded at the reporting date. If the ultimate holding company, related company and related party do not have sufficient highly liquid resources when the loans and advances are demanded, the Group will consider the expected manner of recovery to measure the impairment loss; the recovery manner could be either through 'repayable over time' or a fire sale of less liquid assets by the ultimate holding company, related company and related party.

For loans and advances that are not repayable on demand, impairment loss is measured using techniques that are similar for estimating the impairment losses of other receivables as disclosed above.

Allowance for Impairment Losses

At the end of the reporting period, there was no indication that the amount owing is not recoverable.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

Audited	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
31.12.2020					
Trade payables	-	17,952	17,952	17,952	-
Other payables and accruals	-	3,485	3,485	3,485	-
Amount owing to directors	-	705	705	705	-
Lease liabilities	8.60	717	744	654	90
Hire purchase payables	4.46 - 5.92	995	1,092	579	513
Onshore foreign currency loan	1.35 - 2.26	43,142	43,142	43,142	-
Structured and trade commodity financing	1.50 - 3.54	11,774	11,774	11,774	-
Dividend payable	-	2,000	2,000	2,000	-
		80,770	80,894	80,291	603

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
31.12.2021					
Trade payables	-	12,899	12,899	12,899	-
Other payables and accruals	-	6,987	6,987	6,987	-
Amount owing to directors	-	550	550	550	-
Lease liabilities	8.60	599	639	305	334
Hire purchase payables	4.46 - 5.92	892	999	328	671
Onshore foreign currency loan	1.35 - 2.25	48,014	48,014	48,014	-
Structured and trade commodity financing	1.40 - 3.32	20,510	20,510	20,510	-
Dividend payable	-	35,000	35,000	35,000	-
		125,451	125,598	124,593	1,005

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More Than 5 Years RM'000
31.12.2022						
Trade payables	-	13,100	13,100	13,100	-	-
Other payables and accruals	-	6,984	6,984	6,984	-	-
Amount owing to directors	-	1,179	1,179	1,179	-	-
Lease liabilities	5.64	685	718	448	270	-
Hire purchase payables	3.77 - 5.57	795	900	296	604	-
Banker's acceptances	4.51 - 4.60	7,657	7,657	7,657	-	-
Onshore foreign currency loan	4.53 - 6.52	22,573	22,573	22,573	-	-
Structured and trade commodity financing	4.27 - 6.01	22,377	22,377	22,377	-	-
Term loans	ECOF + 1.25 & BLR + 0.50	11,344	11,344	1,245	5,882	4,217
		86,694	86,832	75,859	6,756	4,217

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Unaudited	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000
31.8.2022					
Trade payables	-	8,995	8,995	8,995	-
Other payables and accruals	-	5,124	5,124	5,124	-
Amount owing to directors	-	550	550	550	-
Lease liabilities	5.64	819	867	447	420
Hire purchase payables	3.77 - 5.57	871	990	294	696
Onshore foreign currency loan	2.30 - 5.09	40,067	40,067	40,067	-
Structured and trade commodity financing	2.28 - 4.27	47,515	47,515	47,515	-
		103,941	104,108	102,992	1,116

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

Audited	Effective Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1 - 5 Years RM'000	More Than 5 Years RM'000
31.8.2023						
Trade payables	-	8,266	8,266	8,266	-	-
Other payables and accruals	-	4,869	4,869	4,869	-	-
Amount owing to directors	-	335	335	335	-	-
Lease liabilities	5.00 - 6.64	3,199	6,629	4,003	2,626	-
Hire purchase payables	3.77 - 5.57	657	738	291	447	-
Banker's acceptances	4.54	5,058	5,058	5,058	-	-
Onshore foreign currency loan	6.25 - 6.92	44,845	44,845	44,845	-	-
Structured and trade commodity financing	4.79 - 6.80	35,023	35,023	35,023	-	-
Term loans	ECOF + 1.25 & BLR + 0.50	10,543	10,543	1,254	4,706	4,583
		112,795	116,306	103,944	7,779	4,583

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Lease liabilities	717	599	685	819	3,199
Hire purchase payables	995	892	795	871	657
Banker's acceptances	-	-	7,657	-	5,058
Onshore foreign currency loan	43,142	48,014	22,573	40,067	44,845
Structured and trade commodity financing	11,774	20,510	22,377	47,515	35,023
Term loan	-	-	11,344	-	10,543
	56,628	70,015	65,431	89,272	99,325
Less: Fixed deposit with a licensed bank	(530)	(537)	(544)	(537)	(544)
Less: Cash and bank balances	(37,429)	(61,170)	(31,423)	(38,468)	(31,788)
Net debt	18,669	8,308	33,464	50,267	66,993
Total equity	121,058	124,792	150,039	141,394	141,291
Debt-to-equity ratio	0.15	0.07	0.22	0.36	0.47

There was no changes in the Group's approach to capital management during the financial year.

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Financial Asset					
Amortised Cost					
Trade receivables (Note 11)	56,197	64,704	61,294	73,539	70,541
Other receivables (Note 12)	976	2,070	-	1,261	24
Amount owing by ultimate holding company (Note 13)	5,749	5,749	-	-	-
Amount owing by related parties (Note 15)	1,609	1,268	112	313	92
Fixed deposit with a licensed bank (Note 17)	530	537	544	537	544
Cash and bank balances	37,429	61,170	31,423	38,468	31,788
	102,490	135,498	93,373	114,118	102,989

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	Audited At 31 December			Unaudited At 31 August	Audited At 31 August
	2020 RM'000	**2021** RM'000	**2022** RM'000	**2022** RM'000	**2023** RM'000
Financial Liability					
Amortised Cost					
Trade payables (Note 23)	17,952	12,899	13,100	8,995	8,266
Other payables and accruals (Note 24)	3,485	6,987	6,984	5,124	4,869
Hire purchase payables (Note 22)	995	892	795	871	657
Onshore foreign currency loan (Note 22)	43,142	48,014	22,573	40,067	44,845
Banker's acceptances (Note 22)	-	-	7,657	-	5,058
Structured and trade commodity financing (Note 22)	11,774	20,510	22,377	47,515	35,023
Term loans (Note 22)	-	-	11,344	-	10,543
Amount owing to directors (Note 25)	705	550	1,179	550	335
Dividend payable (Note 26)	2,000	35,000	-	-	-
	80,053	124,852	86,009	103,122	109,596

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Audited FYE 31 December			Eight-month Period FPE 31 August	
				Unaudited	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	RM'000	RM'000	RM'000	RM'000	RM'000
Financial Asset					
Amortised Cost					
Net (losses)/gain recognised in profit or loss	(10,070)	(1,960)	5,288	445	294
Financial Liability					
Amortised Cost					
Net losses recognised in profit or loss	(1,510)	(1,522)	(2,356)	(1,004)	(2,851)

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.5 FAIR VALUE INFORMATION

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value				
Audited	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	**Total Fair Value** RM'000	**Carrying Amount** RM'000
31.12.2020								
<u>Financial Liability</u>								
Hire purchase payables	-	-	-	-	995	-	995	995
31.12.2021								
<u>Financial Liability</u>								
Hire purchase payables	-	-	-	-	892	-	892	892
31.12.2022								
<u>Financial Liabilities</u>								
Term loans	-	-	-	-	11,344	-	11,344	11,344
Hire purchase payables	-	-	-	-	795	-	795	795

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.5 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value				
Unaudited	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	**Total Fair Value** RM'000	**Carrying Amount** RM'000
31.8.2022								
Financial Liability								
Hire purchase payables	-	-	-	-	871	-	871	871
Audited								
31.8.2023								
Financial Liabilities								
Term loans	-	-	-	-	10,543	-	10,543	10,543
Hire purchase payables	-	-	-	-	657	-	657	657

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.5 FAIR VALUE INFORMATION (CONT'D)

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

Fair Value of Financial Instruments not Carried at Fair Value

(a) The fair value of the term loans that carry floating interest rates approximately their carrying amounts as they are repriced to market interest rates on or near the reporting date.

(b) The fair values of hire purchase payables that carry fixed interest rates are determined by discounting the relevant cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	Audited At 31 December			Unaudited At 31 August	Audited
	2020	**2021**	**2022**	**2022**	**2023**
	%	%	%	%	%
Term loans	N/A	N/A	ECOF + 1.25 & BLR + 0.50	N/A	ECOF + 1.25 & BLR + 0.50
Hire purchase payables	4.46 - 5.92	4.46 - 5.92	3.77 - 5.57	3.77 - 5.57	3.77 - 5.57

TSA GROUP BERHAD

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

41. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR/PERIOD

TSA Industries purchased one set of reconditioned annealing furnace from an overseas supplier in Hong Kong at a price of USD1,127,760.50 (approximately RM5,300,000) ("Purchase Price").

On 13 September 2022, 23 packages of cargo containing pieces of the annealing furnace ("Cargo") were shipped from Shanghai to Port Klang. While on voyage from Shanghai to Port Klang, the Vessel encountered turbulent weather conditions and 8 packages fell overboard into the sea while 15 packages remained on board with varied degree of damages. The Vessel arrived at Port Klang with the damaged packages.

On 3 October 2022, the High Court of Kuala Lumpur ("High Court") issued the Writ in rem and a Warrant of Arrest for the Vessel. The arrest was effected on 4 October 2022 by the Sheriff of the High Court at the territorial waters of Malaysia at Port Klang. The arrest was on the basis that, as the carrier and bailee of the Cargo, the Defendant had failed to ensure that the Cargo is received by TSA Industries in a good, workable condition and was fit for its function and purpose.

TSA Industries has made an insurance claim against the insurer to recover the sum of USD1,103,958.70 (calculated after deducting the scrap value of the remaining 15 packages of the Cargo from the Purchase Price). A joint survey was conducted by an independent surveyor in October 2022 on the extent of damage to the Cargo.

The case is currently at the pre-trial preparatory stage and the trial is fixed on 11 to 15 March 2024. The insurer stated that they are awaiting the outcome of the trial to proceed further with TSA Industries' insurance claim. As at the date of this report, TSA Industries' has not receive any claim from the insurer.

TSA GROUP BERHAD

STATEMENT BY DIRECTORS

We, Chew Kuan Fah and Chew Yik Wai, being two of the directors of TSA Group Berhad, state that, in the opinion of the directors, the combined and consolidated financial statements set out on pages 4 to 137 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines - Issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as of 31 December 2020, 31 December 2021, 31 December 2022 and 31 August 2023 and of their financial performance and cash flows for the financial years and period then ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 August 2023.

Signed in accordance with a resolution of the directors dated 30 NOV 2023

Chew Kuan Fah **Chew Yik Wai**

14. ADDITIONAL INFORMATION

14.1 SHARE CAPITAL

(a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.

(b) Save for the Pink Form Allocations as disclosed in Section 4.2.1(ii) of this Prospectus,

(i) no person including Directors and employees of our Group has been or is entitled to be given or has exercised any option to subscribe for any shares or debentures, warrants, options, convertible securities or uncalled capital of our Company or our subsidiaries; and

(ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.

(c) Save for the issuance of our Shares since our incorporation and pursuant to the Acquisition of TSA Industries as disclosed in Section 6.1.2 of this Prospectus as well as new Shares to be issued pursuant to the Public Issue, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Group have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the 2 years immediately preceding the date of this Prospectus.

(d) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

14.2 CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law. Terms defined in our Constitution shall have the same meaning when used here unless they are otherwise defined here or the context otherwise requires.

14.2.1 Share Capital

The provisions in our Constitution in respect of the changes in capital and variation of class rights are as follows:

Clause 7 – Classes of shares

(3) Rights of preference shareholders

Subject to the Act, any applicable laws and any other requirements of Bursa Securities and the SC, any preference shares may with the sanction of an ordinary resolution be issued on the terms that they are liable, or at the option of the Company are liable to be redeemed and the Company shall not issue preference shares ranking in priority over preference shares already issued but may issue preference shares ranking equally therewith.

(a) A holder of preference shares must have a right to vote in each of the following circumstances:

(i) when the dividend or part of the dividend on the share is in arrears for more than six (6) months;

(ii) on a proposal to reduce the Company’s share capital;

(iii) on a proposal for the disposal of the whole of the Company’s property, business and undertaking;

(iv) on a proposal that affects the rights attached to the preference shares;

(v) on a proposal to wind up the Company; and

(vi) during the winding up of the Company.

(b) A holder of preference shares shall be entitled to the same rights as a holder of ordinary shares in relation to receiving notices, reports, audited financial statements and attending meetings.

(4) Repayment of preference capital

Notwithstanding Clause 3 hereof, the repayment of preference share capital other than redeemable preference shares or any alteration of preference shareholders' rights shall only be made pursuant to a special resolution of the preference shareholders concerned provided always that where the necessary majority for such a resolution is not obtained at the meeting of the preference shareholders concerned, consent in writing representing not less than seventy-five percent (75%) of the total voting rights of the holders of the preference shares obtained within two (2) months of the meeting shall be valid and effectual as a special resolution carried at the meeting.

Clause 8 – Variation of rights

(1) Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

(a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or

(b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

(3) Variation of rights of existing preference shares

The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:

(a) the terms of the issue of the existing preference shares; or

(b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 12 – Issue of securities

(1) Allotment of shares or grant of rights

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

(a) issue and allot shares in the Company; and

(b) grant rights to subscribe for shares or options over unissued shares in the Company.

(3) Issue of new shares or securities to Members

(a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by the Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.

(b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the Company.

(c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

(4) General mandate for issue of securities

Subject to the Listing Requirements, requirements prescribed by Bursa Securities and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities exceeds the prescribed limit as permitted under the Listing Requirements and set by Bursa Securities from time to time, except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue. In working out the number of shares or convertible securities that may be issued by the Company, if the security is a convertible security, each of such security is counted as the maximum number of shares into which it can be converted or exercised.

Clause 46 – Alteration of capital

(1) Consolidation of shares and subdivision of shares

The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or

(b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

(2) Cancellation of shares and reduction of share capital

The Company may from time to time by special resolution and subject to other applicable requirements:

(a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or

(b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

(3) Purchase of own shares

The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

14.2.2 Borrowing and voting powers of the Directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:

Clause 94 – Powers of Directors

Without limiting the generality of Clause 93(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

Borrowing

(1) borrow money;

Mortgage

(2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;

Issue debentures

(3) issue debentures and other Securities whether outright or as security; and/or

Lend or advance money

(4) (a) lend and advance money or give credit to any person or company;

(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

(c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 96 – Powers of Directors

Power of attorney

(1) The Directors may from time to time by power of attorney under Seal appoint any corporation, firm, or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of the Company for such purposes and with such powers, authorities, and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for a period and subject to any conditions as the Directors may think fit.

(2) Any powers of attorney granted under Clause 96(1) may contain provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may also authorise the attorney to delegate all or any of the powers, authorities, and discretions vested in the attorney.

Clause 104 – Directors' interest in contracts

Directors' interest in contracts

(a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

(b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

Clause 117 – Voting at board meetings

(1) Directors' decision

Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.

(2) Casting of vote

Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 118 – Casting Vote

Chairperson shall have a casting vote

In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum and only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue.

14.2.3 Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Clause 84 – Managing Directors Remuneration

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.

Clause 89- An Alternate Director

(1) Alternate Director not entitled to receive remuneration
An Alternate Director has no entitlement to receive remuneration from the Company and any fee paid by the Company to the Alternate Director shall be deducted from the Appointer's remuneration; and

(2) Alternate Director may be paid travelling and other expenses
An Alternate Director is entitled to be reimbursed for all the travelling and other expenses properly incurred by him in attending the Board Meetings on behalf of the Appointer from the Company.

Clause 92 – Remuneration of Directors

(1) Fee

Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors including compensation for loss of employment of a Director or a former Director of the Company shall be subject to annual shareholders' approval at a General Meeting.

(2)

If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(3) Expenses

The following expenses shall be determined by the Directors:

(a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and

(b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.

(4) Executive Directors' remuneration

Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration may not include a commission on or percentage of turnover.

14.2.4 Transfer of Shares

The provisions in our Constitution dealing with transfer of Shares are as follows:

Clause 14 – Transfer of Securities

Transfer of securities

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Clause 17 – Transfer of Shares or Debentures

(1) Instrument of transfer

Subject to this Constitution and other written laws, any Shareholder or debenture holder may transfer all or any of his shares or debentures by instrument of transfer as prescribed under the Act.

(2) Execution of instrument of transfer

The instrument of transfer must be executed by or on behalf of the transferor and the transferee.

(3) Effect the transfer of shares or debentures

The transferor shall remain as the holder of such shares or debentures until the transfer is registered and the name of the transferee is entered in the Register of Members or register of debenture holders in respect of the shares or debentures respectively.

14.3 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

There is no limitation on the right to own our securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares imposed by law or by our Constitution.

14.4 PUBLIC TAKE-OVERS

During the last financial year and up to the LPD, there were no:

(i) public take-over offers by third parties in respect of our Group's shares; and

(ii) public take-over offers by our Group in respect of other companies' shares.

14.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION

(i) **Malaysia**

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

Effective from 1 January 2022, generally, all types of foreign income (i.e., dividends) received in Malaysia by a resident in Malaysia is subject to tax. For the period from 1 January 2022 to 30 June 2022, foreign income received in Malaysia will be taxed at a rate of 3% at gross under the Income Tax Act 1967. Effective from 1 July 2022, foreign income received in Malaysia is subject to the prevailing tax rate.

Notwithstanding the above, the Income Tax (Exemption) (No. 6) Order 2022 ("**Exemption Oder**") provides for exemption on foreign sourced dividend income received in Malaysia by, amongst others, a resident company incorporated under the Act for the period from 1 January 2022 to 31 December 2026. The exemption is given subject to the following qualifying conditions:

(i) the dividend income has been subjected to tax in the country of origin;

(ii) the highest tax rate (headline tax) in the country of origin is not less than 15 percent; and

(iii) comply with the economic substance requirements.

Reference can be made to the Technical Guidelines issued by the Inland Revenue Board of Malaysia on 29 December 2022 to determine whether the above conditions are met for the purposes of the exemption on foreign sourced dividend income received in Malaysia.

(ii) **Singapore**

(a) Exchange controls

Subject to TSA Singapore adhering to the applicable provisions of the Companies Act 1967 of Singapore ("**Singapore Companies Act**"), there are no significant restrictions on the remittance of profits, dividend and the return of capital by TSA Singapore to TSA. Under the laws of Singapore, TSA Singapore may repatriate capital and/or remit profits to TSA by way of:

(i) share buy-backs;

(ii) capital reduction;

(iii) distribution of assets on a winding-up; and

(iv) declaration of dividends.

(b) Dividend distribution

Subject to the Singapore Companies Act, the constitution of TSA Singapore, and the payment of applicable taxes under the laws of Singapore:

(i) dividends may be paid only out of profits available for distribution. The constitution of TSA Singapore provides for the declaration of dividends upon TSA's approval by ordinary resolution in a general meeting, but any dividend declared must not exceed the amount recommended by the directors of TSA Singapore. There are no restrictions on payment of dividends to TSA;

(ii) the directors of TSA Singapore may from time to time pay to TSA such interim dividends as appear to the directors to be justified by the profits of TSA Singapore; and

(iii) capital may not be returned to TSA unless a capital reduction exercise is carried out.

(c) Withholding tax

Dividends received in respect of the ordinary shares of TSA Singapore by either Singapore tax resident or non-Singapore tax resident taxpayers are not subject to Singapore withholding tax, even if paid to non-Singapore resident shareholders.

Currently, Singapore operates under the "One-Tier" Corporate Tax System ("**One-Tier System**"). Under this One-Tier System, the tax collected from corporate profits is the final tax and TSA Singapore can pay tax exempt (1-tier) dividends which are tax exempt in the hands of TSA, regardless of the tax residence status or the legal form of TSA.

14.6 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the historical financial information as disclosed in this Prospectus up to the date of this Prospectus:

(i) the SSA. The Acquisition of TSA Industries was completed on 31 October 2023. Please refer to Section 6.1 of this Prospectus for further details on the Acquisition of TSA Industries;

(ii) Share sale agreement dated 24 March 2022 between TSA Industries (as purchaser) and Established Metal Industries Sdn Bhd ("**EMI**") (as vendor) in relation to the acquisition of 1,000,000 ordinary shares in Established Steel Coils Sdn Bhd ("**ESC**"), representing 20% equity interest in ESC, for a total cash consideration of RM25,000,000 ("**EMI SSA**"). The EMI SSA was mutually terminated by way of a deed of termination dated 30 May 2022 between TSA Industries and EMI;

(iii) Shareholders' agreement dated 24 March 2022 between TSA Industries, EMI and ESC to regulate the rights, obligations and liabilities of TSA Industries and EMI as shareholders of ESC ("**SHA**"). The SHA was mutually terminated by way of a deed of termination dated 30 May 2022 between TSA Industries, EMI and ESC;

(iv) Sale and purchase agreement dated 31 May 2022 between TSA Industries (as vendor) and Decolive (as purchaser) in relation to the disposal of a piece of agriculture land held under GRN 70294 Lot 2049, Mukim Lenggeng, Daerah Seremban, Negeri Sembilan for a total cash consideration of RM7,200,000. The transfer of ownership was completed on 10 March 2023;

(v) Sale and purchase agreement dated 3 January 2022 between TSA Industries (as purchaser) and Sri Cinmal Sdn Bhd (as vendor) in relation to the acquisition of the Semenyih Land for a total cash consideration of RM13,068,000. The acquisition of the said leasehold land was completed on 7 October 2022;

(vi) Letter dated 12 May 2022 from TSA Industries to Pengurusan Pasir Pahang Berhad ("**PPPB**"), letter of no objection to novation dated 18 May 2022 from PPPB to TSA Industries and letter dated 30 May 2022 from TSA Industries to TSA Mineral (now known as Best Mineral) whereby TSA Industries had novated all the obligations, rights titles, benefits and interest under the letters of award of concession and the Mining Operator (Sand) Agreement dated 23 November 2020 in relation to the mining of sand in the area of 4.047 hectares (10 acres) at Sg Pahang / Pulau Peninjau, Mukim Pekan, Daerah Pekan (Block 8) to Best Mineral for a total cash consideration of RM4,943,520. The novation was completed on 30 May 2022;

(vii) Letter dated 30 May 2022 from TSA Industries to POLO Specialist Trading Sendirian Berhad and PPPB, and letter dated 30 May 2022 from TSA Industries to TSA Mineral (now known as Best Mineral) whereby TSA Industries had novated all the obligations, rights titles, benefits and interest under the letters of award of concession in relation to the mining of sand in the area of 8.094 hectares (20 acres) at Sg Pahang / Pulau Serjan Lonjong, Mukim Pekan, Daerah Pekan, Pahang (Block 10) to Best Mineral for a total cash consideration of RM197,000. The novation was completed on 30 May 2022; and

(viii) the Underwriting Agreement.

14.7 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS (GENERAL INFORMATION)

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, holders of our Shares must deposit their Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Malaysia and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.8 CONSENTS

(a) The written consents of the Principal Adviser, Sponsor, Placement Agent and Underwriter, Solicitors, Company Secretaries, Share Registrar and Issuing House for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.

(b) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their names, the Accountant's Report and the Reporting Accountants' Report on the Pro Forma Consolidated Statements of Financial Position in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

(c) The written consent of the Independent Business and Market Research Consultants for the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus and have not been subsequently withdrawn.

14.9 DOCUMENTS FOR INSPECTION

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

(a) our Constitution;

(b) the IMR Report referred to in Section 8 of this Prospectus;

(c) the Reporting Accountants' Report on the Compilation of Pro Forma Statements of Financial Position of our Group as at 31 August 2023 referred to in Section 12.5 of this Prospectus;

(d) the Accountant's Report as included in Section 13 of this Prospectus;

(e) the material contracts referred to in Section 14.6 of this Prospectus;

(f) the letters of consent referred to in Section 14.8 of this Prospectus;

(g) our audited financial statements for the period from our incorporation up to 31 December 2022 and for the FPE 2023; and

(h) the audited consolidated financial statements of TSA Industries, and audited financial statements of Mitra Bintang, TSA Pipes and TSA Singapore for the Financial Years Under Review.

14.10 RESPONSIBILITY STATEMENTS

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

AmInvestment Bank, being our Principal Adviser, Sponsor, Placement Agent and Underwriter, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 27 DECEMBER 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 17 JANUARY 2024

Applications for the IPO Shares will open and close at the dates stated above.

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

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application for our IPO Shares by the Malaysian Public and Eligible Persons

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

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

15.2.2 Application by selected investors via placement

Types of Application	Application Method
Applications by selected investors	Our Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

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

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Application.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

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

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

15.3.2 Application by the Malaysian Public

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

(i) You must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(b) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

(a) White Application Form; or

(b) Electronic Share Application; or

(c) Internet Share Application.

15.3.3 Application by Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions in the said document and where relevant, in the Prospectus.

Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, AmInvestment Bank, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

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

The FULL amount payable is RM0.55 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 750"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

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

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

(b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No.8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 17 January 2024 or by such other time and date specified in any change to the date or time for closing.

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

15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

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

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

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

15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

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

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

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

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

(i) reject Applications which:

(a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

(b) are illegible, incomplete or inaccurate; or

(c) are accompanied by an improperly drawn up or improper form of remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

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

15.8 OVER/UNDER-SUBSCRIPTION

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

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the issuing house to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the issuing house's website at https://tiih.online within 1 market day after the balloting date.

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

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangements and reallocation as set out in Section 4.10 and Section 4.2.1 (i) and (ii) of this Prospectus, any of the abovementioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

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

15.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

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

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

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

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS Account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.

(iv) In accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

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

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

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