

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 OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS

9.1.1 We are dependent on certain major customers which contributed significantly to our total revenue and the loss of one or more of these customers may affect our financial performance

We are dependent on certain major customers which contributed significantly to our total revenue during the Period Under Review. The customers and their respective revenue contributions which accounted for more than 10.00% of our total annual revenue during the Period Under Review are set out below:

	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Rapiscan Group	⁽¹⁾ 27,267	42.11	⁽²⁾ 30,895	34.38	39,021	33.20	25,096	34.79
Customer E Group	⁽¹⁾ 21,365	32.99	⁽³⁾ 20,878	23.23	35,385	30.10	22,618	31.36
Makino Asia Pte Ltd	8,688	13.42	16,540	18.41	16,684	14.19	12,440	17.25
Customer D Group	860	1.33	11,493	12.79	11,977	10.19	4,235	5.87
Sub-total	58,180	89.85	79,806	88.81	103,067	87.68	64,389	89.27

Notes:

- (1) Being revenue generated indirectly through Wencor under the Indirect Business Arrangement.
- (2) Out of the total RM30.90 million, RM26.55 million was revenue generated indirectly through Wencor under the Indirect Business Arrangement, while the balance of RM4.35 million was revenue generated directly from Rapiscan Group.
- (3) Out of the total RM20.88 million, RM20.58 million was revenue generated indirectly through Wencor under the Indirect Business Arrangement, while the balance of RM0.30 million was revenue generated directly from Customer E Group.

For the Period Under Review, we were dependent on Rapiscan Group, Customer E Group, Makino Asia Pte Ltd and Customer D Group by virtue of their revenue contribution. Collectively, this group of customers accounted for 89.85%, 88.81%, 87.68% and 89.27% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

Our financial performance may be adversely affected if we lose any one or more of these major customers or if they reduce their purchases of our products, for whatever reason. In the event we fail to promptly secure or replace the loss of any one or more of these major customers with new customers that can contribute to our revenue in a similar manner, our financial performance would be adversely affected. For further information on our major customers, please refer to Section 7.12 of this Prospectus.

Notwithstanding our business relationships with the aforementioned group of customers, which ranges between 2 and 13 years for the FPE 2023, there can be no assurance that we will be able to continue to retain them as our customers nor can we assure that we will be able to maintain their revenue contribution in the future.

9. RISK FACTORS (CONT'D)

9.1.2 We may be exposed to unfavourable foreign currency exchange rate fluctuations

We are exposed to the risk of foreign exchange fluctuations as part of our revenue and purchases are transacted in foreign currencies. During the Period Under Review, our revenue transacted in foreign currencies, namely USD and SGD, accounted for 24.84%, 42.78%, 67.00% and 64.92% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, our purchases of materials and services that were denominated in foreign currencies accounted for 43.68%, 38.03%, 37.63% and 43.94% of our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively. This includes foreign currencies such as SGD, Euro, USD and GBP.

The breakdown of our revenue and purchases transacted in RM and foreign currencies during the 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	48,674	75.16	51,413	57.22	38,788	33.00	25,302	35.08
Foreign Currencies	16,085	24.84	38,441	42.78	78,752	67.00	46,827	64.92
<i>USD</i>	6,335	9.78	18,073	20.11	55,987	47.63	31,101	43.12
<i>SGD</i>	9,750	15.06	20,368	22.67	22,765	19.37	15,726	21.80
Total Revenue	64,759	100.00	89,854	100.00	117,540	100.00	72,129	100.00
Purchases								
RM	16,458	56.32	27,949	61.97	32,886	62.37	17,538	56.06
Foreign Currencies	12,763	43.68	17,149	38.03	19,844	37.63	13,749	43.94
<i>SGD</i>	4,898	16.76	8,318	18.44	8,524	16.16	5,797	18.53
<i>Euro</i>	2,962	10.14	5,437	12.06	7,979	15.13	4,740	15.15
<i>USD</i>	2,137	7.31	2,817	6.25	3,030	5.75	1,937	6.19
<i>GBP</i>	2,766	9.47	577	1.28	311	0.59	1,275	4.07
Total purchases	29,221	100.00	45,098	100.00	52,730	100.00	31,287	100.00

Note:

^ Percentage of total revenue or total purchases.

Additionally, our combined financial statements are presented in RM, which is our Group's functional and presentation currency while the individual financial statements for one of our subsidiaries, namely WEPL, are presented in SGD.

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 recorded by WEPL are translated from SGD into RM for financial reporting and repatriation purposes.

We also face risks associated with our purchases of input materials that are denominated in foreign currencies. A weak RM relative to the foreign currencies in which our imported input materials are denominated would result in higher purchase prices in RM terms. This may increase our costs of purchasing these input materials and may in turn have an adverse effect on our earnings.

As we are unable to ascertain the future movements of RM relative to foreign currencies and estimate their impact on our revenue and financial performance, any significant adverse fluctuations in foreign currency exchange rates, particularly the USD, SGD, Euro and GBP relative to RM, may have a significant negative impact on our financial performance.

For the FYE 2020, we recorded a net loss of RM0.47 million on foreign currency exchange while we recorded a net gain of RM0.44 million, RM1.57 million and RM1.15 million in FYE 2021, FYE 2022 and FPE 2023 respectively. While foreign currency exchange rate fluctuations have not had material adverse effect on our financial performance during the Period Under Review, there can be no assurance that we will not be adversely affected in the future.

9. RISK FACTORS (CONT'D)

9.1.3 We are exposed to fluctuations in the market prices of metal input materials

We are exposed to fluctuations in the market prices of metals, particularly steel, lead and aluminium, through our purchases of these metals as input materials which include the following:

- Steel materials, including carbon and stainless steel sheets, blocks and tubes;
- Lead sheets, which are incorporated into the interior of the x-ray chamber of the security screening equipment;
- Aluminium materials, including aluminium profiles, sheets, blocks and tubes;
- Other metal products, including brass and copper sheets and tubes.

The value of purchases of metal input materials during the Period Under Review is summarised in the following table:

Metal input materials	FYE 2020		FYE 2021		FYE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Steel ⁽¹⁾	6,727	23.02	13,393	29.70	14,404	27.32	7,477	23.90
Lead	5,651	19.34	5,740	12.73	8,342	15.82	5,649	18.05
Aluminium ⁽²⁾	2,637	9.02	3,348	7.42	5,266	9.99	3,303	10.56
Other metals ⁽³⁾	96	0.33	165	0.37	209	0.40	79	0.25
Metal input materials sub-total	15,111	51.71	22,646	50.22	28,221	53.53	16,508	52.76

Notes:

* Percentage of total purchases of input materials and services.

(1) Steel materials include carbon and stainless steel sheets, steel blocks and tubes.

(2) Aluminium materials include aluminium profiles, sheets, blocks and tubes.

(3) Other metal materials include brass and copper sheets and tubes.

Steel, lead and aluminium are commodities whose market prices are affected by, among others, global economic conditions, geopolitical events, demand and supply conditions, and production capacity. Fluctuations in the market prices of steel, lead and aluminium may affect our purchase prices for metal input materials made from the corresponding metal.

For the Period Under Review, the movement of our average purchase prices of metal input materials including steel products, lead sheets and aluminium products are as follows:

- For steel materials: our purchase price increased by 52.63% from RM3.61/kg in FYE 2020 to RM5.51/kg in FYE 2021, and further increased by 12.34% to RM6.19/kg in FYE 2022. Subsequently, our purchase price for steel materials decreased by 19.87% to RM4.96/kg in FPE 2023;
- For lead sheets: our purchase price increased by 3.79% from RM12.39/kg in FYE 2020 to RM12.86/kg in FYE 2021, and further increased by 15.40% to RM14.84/kg FYE 2022. Subsequently, our purchase price for lead sheets increased by 1.95% to RM15.13/kg in FPE 2023; and
- For aluminium materials: our purchase price increased by 14.15% from RM16.32/kg in FYE 2020 to RM18.63/kg in FYE 2021, and further increased by 32.69% to RM24.72/kg in FYE 2022. Subsequently, our purchase price for aluminium materials decreased by 10.23% to RM22.19/kg in FPE 2023.

According to the Industry Overview Report, the global hot-rolled steel prices increased by 231.2% from USD385 per tonne on 11 May 2020 to USD1,275 per tonne on 11 April 2022, which subsequently declined by 53.3% to USD595 per tonne on 11 December 2023. The global lead prices were relatively stable between January 2019 and November 2023. The global average aluminium prices grew by 139.6% from USD1,460 per tonne in April 2020 to USD3,498 per tonne in March 2022, which subsequently declined by 37.0% to USD2,202 per tonne in November 2023.

Overall, between 2020 and 2022, the global steel and aluminium prices experienced significant volatility due to the impact of COVID-19 pandemic on global supply chains and demand. In early 2022, the prices increased further due to supply concerns attributed to the Russia-Ukraine conflict. Between April 2022 and November 2023, global steel and aluminium prices started to decline due to subdued global demand amid growing inflationary pressures and the tightening of financial conditions, as well as improved global supply of aluminium from China. (Source: *Industry Overview Report*)

9. RISK FACTORS (CONT'D)

As the purchases of steel, lead and aluminium input materials collectively accounted for 51.38%, 49.85%, 53.13% and 52.51% of our total purchases of input materials and services in FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively, increases in the market prices of steel, lead or aluminium may lead to an increase in our costs of fabricated semifinished metal products and metal parts. If we are unable to pass on the increases in costs to our customers, our margins and financial performance may be adversely affected.

9.1.4 We are subjected to changes and uncertainties in the security screening equipment manufacturing industry

We mainly supply semifinished metal products and finished assembled products to customers in the security screening equipment manufacturing industry, which constitutes our largest type of customer industry. Consequently, our business prospects are dependent, to a certain extent, on the growth and performance of this industry, which are in turn subject to, among others, global demand for security screening equipment. Demand for security screening equipment is affected by factors including, among others, increase in activities which requires security checks relating to cross-border trading of goods and cross border movement of people as well as the occurrence of organised events. If the demand for security screening equipment were to increase unexpectedly, we may need to increase our production capacity and resources such as adequate funding, labour and input materials to meet an increase in orders for semifinished metal bodies and fully finished assembled products from our customers.

For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, security screening equipment sector as a user industry accounted for 75.10%, 57.63%, 63.34% and 66.16% (including revenue from the Indirect Business Arrangement with Wencor) of our total revenue respectively. Failure to increase our capacity and resources adequately and timely to meet an increase in demand for security screening equipment may result in the loss of orders from our existing customers or the inability to secure new customers from the same industry, which may in turn adversely affect our future financial performance.

If the demand for security screening equipment were to decline unexpectedly, our customers may reduce or stop placing orders for semifinished metal products and fully finished assembled products with us, or may require us to reduce our pricing to retain their business. This may adversely affect our future financial performance and margin.

While we seek to manage these risks by working closely with our customers, providing good customer service, maintaining our product quality, fulfilling orders promptly and continuing to meet their needs and requirements, there can be no assurance that our business will not be affected by changes and uncertainties in the security screening equipment manufacturing industry.

9.1.5 We do not have any long-term contracts with our customers

We do not have any long-term contracts with our customers for the fabrication of semifinished metal products, fabrication of metal parts and assembly of finished products. We supply goods to our customers based on purchase orders placed to us from time to time. Hence, the financial performance of our Group would be dependent on our ability to secure new purchase orders on a consistent basis. While we have supply agreements with 5 of our customers (2 of which are our major customers for the FYE 2022), the supply agreements do not constitute an order to purchase and our customers are under no obligation to purchase any goods from us.

In the absence of long-term contracts, there can be no assurance that our customers will continue to place orders with us. If we lose any one or more of our major customers and we are unable to replace these customers promptly, our financial performance and prospects may be adversely affected.

9. RISK FACTORS (CONT'D)

9.1.6 There is no assurance that we will succeed in implementing our business strategies and plans

Our business strategies and plans involve leveraging our core competencies and strengths by establishing a new fabrication plant and purchasing new machinery and equipment to expand our existing business operations. The total budgeted cost of constructing the new fabrication plant is RM67.95 million, of which RM40.00 million will be funded by our IPO proceeds and the remaining RM27.95 million by internally generated funds and/or bank borrowings. The total budgeted cost of purchasing, installing, testing and commissioning the new machinery and equipment is RM42.39 million, of which RM25.03 million will be funded by our IPO proceeds and the remaining RM17.36 million by internally generated funds and/or bank borrowings. For further information on our business strategies and plans, please refer to Section 7.17 of this Prospectus.

There is a risk that we may fail to successfully implement our business strategies and plans due to, among others, material delays, cost over-runs, failure to complete the new fabrication plant or install and commission the new machinery and equipment, failure to secure sufficient new orders from existing or new customers to utilise the new machinery and equipment at an economical level, and/or adverse market conditions when the new fabrication plant, machinery and equipment become operational. Any delays or failure to successfully implement and derive economic benefits from our business strategies and plans may adversely affect our expected or future financial performance and growth.

9.1.7 We are dependent on our key senior management team

We are dependent on the experience, expertise, technical knowledge and contributions of our key senior management team in implementing the appropriate strategies to drive the overall growth and development of our Group. We are also dependent on our key senior management team for their experience, expertise and technical knowledge in their respective areas of responsibility to facilitate the smooth running of our day-to-day operations.

Our day-to-day business operations and the implementation of our business strategies may be adversely affected if we lose the services of one or more of our key senior management personnel and are unable to engage a suitable replacement promptly. For further information on the profiles of our key senior management team, please refer to Section 5.4.2 of this Prospectus.

9.1.8 We are subject to the risk of returns or warranty claims from our customers for any non-conformity or defective semifinished metal products and metal parts, and fully assembled products

We provide 1 year to 3 years warranty for customers with supply agreement for our semifinished metal products (comprising metal bodies and accessories) and metal parts. In the event that a customer finds our product to be defective or do not conform to specifications, the customer may return and claim against the warranty. We will have to make good the products either by reworking, repairing or replacing the product at our own cost.

We do not provide any warranty to other customers that do not have a supply agreement with us. However, as a gesture of goodwill towards our customers, it is our practice to make good the products at our own cost if our customers return our products due to defective products or damaged products during transportation. This is a voluntary practice and it is not stipulated in our invoices to our customers.

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9. RISK FACTORS (CONT'D)

During the Period Under Review, the value of the products returned from customers due to either products that were defective or did not meet with customer specifications amounted to RM0.32 million, RM0.16 million, RM0.21 million and RM0.14 million for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. In this respect, any material product returns or material claims from customers against our products may adversely affect our financial performance due to costs to be incurred for product rework, repair or replacement. Our reputation may also be adversely affected if any of our customers express dissatisfaction on the quality of our products.

9.1.9 We are required to comply with HSE laws and regulations and any breaches may result in the suspension of our operations and/or penalties

We are required to comply with the relevant HSE laws and regulations that apply to our fabrication plants. We operate various machinery and equipment at our plants, including CNC machines, equipment, surface treatment and coating lines, overhead cranes and forklifts. In addition, our employees and contract workers at our fabrication plants carry out manual laser and conventional welding. Many of these operations are subjected to various HSE laws and regulations that are concerned with, among others, the occupational health and safety of our employees and contract workers as they perform their jobs and the effects that our fabrication operations may have on the surrounding environment.

Workplace accidents and/or failure to comply with the relevant HSE laws and regulations could result in administrative or legal actions taken against us by affected employees or contract workers, customers and/or regulatory authorities:

- Employees or contract workers who are injured or harmed by workplace accidents may take legal or other action against us;
- Regulatory authorities may take action against us in the event of workplace accidents and/or failure to comply with the relevant HSE laws and regulations. Such action may include suspending or placing restrictions on our work, and/or imposing other penalties. These could disrupt our day-to-day fabrication and assembly operations and result in delays or failure to fulfil customer orders.

During the Period Under Review and up to the LPD, there were no material injuries or harm at our plants that involved our employees or contract workers, or any material breach or failure by us 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 We are subject to the risk of inadequate insurance coverage

We maintain insurance coverage for our operational facilities, material assets and business operations. As at the LPD, we have insurance policies for, among others, general liability, group personal accident, fire and flood insurance for our operational facilities, goods in transit, machinery and equipment breakdown, burglary insurance and public liability insurance. Although we maintain coverage for these insurance policies at levels that we believe are customary to the nature of our business, we may incur losses or liabilities that exceed our policy limits or that are not covered by our insurance at all. As at the LPD, the total sum insured under our insurance policies in Malaysia and Singapore is approximately RM61.43 million and SGD1.44 million (equivalent to RM4.86 million), respectively. There have been no material claims against our insurance policies during the Period Under Review and up to the LPD.

In addition, all of our insurance policies are subject to annual renewal, which may involve changes in the insurance premium, terms and/or policy limits. Any significant increase in the premium on our insurance policies will lead to 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 policies when they expire.

9. RISK FACTORS (CONT'D)

If we suffer losses or incur liabilities arising from insufficiently insured risks or uninsured risks, our financial performance or business operations may be adversely affected. Notwithstanding that we have not made any material claims against our insurance policies during the Period Under Review, there can be no assurance that we will not have any material claims in the future.

9.1.11 We are exposed to credit risk from some of our customers

We are exposed to credit risk from customers that we have extended credit to. During the Period Under review and as at the LPD, the normal credit terms that we extend to our customers range from 30 days to 60 days. For the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, our average trade receivable turnover period was 75 days, 78 days, 74 days and 87 days respectively.

A material deterioration in the business performance of our customers may adversely affect their ability to make timely and full payments to us for the products that we have supplied to them, which may in turn adversely affect our cash flow and profitability. If a customer fails to pay us within the stipulated credit period or fails to pay us at all, we could be required to make an allowance for impairment losses to our trade receivables which will be updated at each reporting period to reflect changes in credit risk since initial recognition of trade receivables.

During the Period Under Review, we recorded a net impairment loss on our trade receivables amounting to RM0.13 million in FYE 2021. The impairment loss recorded in FYE 2021 was based on the expected credit loss computation pursuant to the MFRS 9. Notwithstanding that we have not recorded material impairment losses on our trade receivables during the Period Under Review, there can be no assurance that we will not incur material additions to allowance for impairment losses to our trade receivables and/or bad debts written off in the future.

9.1.12 We are exposed to regulatory compliance risk

We are exposed to regulatory compliance risk as our business operations are subject to various laws, regulations and rules. Please refer to Section 7.21 of this Prospectus for further information of our Group's major approvals, licences and permits.

Our major approvals, licences and permits are contingent upon adherence to the relevant rules, regulations, and requirements. The approvals, licences and permits that we have obtained are subject to conditions and requirements imposed by the various issuing bodies. In the event of non-compliance by our Group, these approvals, licences and permits may be terminated, revoked or may not be renewed upon expiry. Notwithstanding our internal process to monitor compliance and track the validity of our approvals, licences and permits, there can be no assurance that we will be able to renew our licences, permits and approvals in a timely manner or be able to comply with any new conditions imposed. This may adversely affect our business operations and our future financial performance.

In addition, as disclosed in Note (2) of Section 7.21 of this Prospectus, WESB has yet to comply with the conditions of the manufacturing license for Lot 11 and Lot 58 in regard to the total workforce of WESB which shall consist at least 80.00% Malaysian citizen. Pursuant to the Guideline on Application For E-Manufacturing Licence issued by MIDA on 3 November 2022, the MITI has extended the requirement to comply with the said condition until 31 December 2024.

There is no assurance that WESB will be able to meet such conditions by 31 December 2024. In the event such conditions are not met by 31 December 2024 and there is no further extension of time granted by the MIDA, the MIDA may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and / or revoking our manufacturing licences for any breach or non-compliance of the condition. Under the event of a revocation of the manufacturing licence of WESB, our Group's operations and financial performance will be materially affected. As at the LPD, save as disclosed above, we have complied with the relevant rules, regulations and requirements that apply to our major approvals, licences and permits.

9. RISK FACTORS (CONT'D)

9.1.13 Our business operations may be interrupted by shortages of input materials or labour

We purchase input materials, including metal materials such as steel, lead, aluminium and other metals, as well as parts, devices and equipment, surface treatment and coating materials, and other materials for our business activities. In addition, we require labour to carry out the fabrication works and assembly activities. A shortage of key input materials or shortage of labour may result in delays in meeting our delivery obligations or the failure to complete certain orders from our customers. This may have an adverse effect on our financial performance and reputation.

During the Period Under Review and as at the LPD, we have not experienced any shortages of input materials or labour that resulted in a material interruption of our business operations and/or the inability to meet our delivery obligations. Nevertheless, there can be no assurance that we will not experience any shortages of input materials or labour in the future.

9.1.14 Breakdown of machinery may disrupt our fabrication business operations and affect our delivery schedules

We use various CNC machines and equipment for our business operations, which are set out in Section 7.4.4(i) of this Prospectus.

Breakdown of any of these CNC machines and equipment may disrupt our fabrication business operations as we may not be able to perform certain tasks in the fabrication process. This is particularly pertinent in relation to the types of machinery where we have only 1 unit, namely the CNC turret punching machine, CNC tube laser cutting machine, CNC robotic-arm laser welding machine and CNC robotic-arm TIG welding machine. Such disruptions may result in delays in meeting our delivery obligations or failure to complete certain orders from our customers, which could adversely affect our financial performance and reputation.

During the Period Under Review and as at the LPD, we have not experienced any breakdown of machinery that resulted in a material disruption of our business operations. To minimise the occurrence of machinery breakdown, we carry out periodic maintenance our CNC machines and equipment according to their respective manufacturer's recommended schedule. We also operate our CNC machines and equipment within the parameters recommended by their respective manufacturers. However, there can be no assurance that any breakdown of our CNC machines and equipment will not adversely affect our business operations in the future.

9.1.15 Failure to purchase new CNC machines to improve our fabrication capabilities may result in the loss of our customers

Manufacturers of CNC machines introduce new models with improved features taking into consideration advances in technology from time to time. These new models may provide better performance compared to the CNC machines that we are currently utilising. Some of these advances may include higher precision and accuracy, shorter processing time and/or the capacity to work on larger workpieces. If we do not keep up with the advancements in technology including the purchase of new or advanced models of CNC machines to improve our fabrication operations, there is a risk that we may lose our customers, which would adversely affect our financial performance and prospects. For FPE 2023, the average age of our CNC machines are as follows:

- 8 years for CNC laser cutting and/or turret punching machines;
- 9 years for CNC bending machines;
- 4 years for CNC welding machines; and
- 6 years for CNC milling machines.

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9. RISK FACTORS (CONT'D)

As part of our business strategies, we intend to purchase new CNC machines and equipment. These new machinery and equipment include units with higher accuracy and precision compared to our existing CNC machines, which would enable us to fabricate precision metal components. Please refer to Section 7.17.3 for additional information on the new machinery and equipment that we intend to purchase for the fabrication of precision metal components. However, there can be no assurance that the new machinery and equipment that we intend to purchase will enable us to remain competitive and continue to meet the expectations and requirements of our customers.

9.2 RISKS RELATING TO THE INDUSTRY IN WHICH WE OPERATE

9.2.1 We are subject to competition from other operators in the industry

In 2022, there were over 1,000 industry players in Malaysia, including integrated providers that supply low-volume, high-mix products as well as various fabricated metal parts and modules that cater for high-technology industries. There are few barriers to entry for the fabricated metal products industry as there are no onerous licences, regulations or restrictions governing the entry of new players. Additionally, there are no material impediments to purchasing, selling, importing and exporting these fabricated metal products. *(Source: Industry Overview Report)*

We face competition from other operators in the fabricated metal products industry. Operators in our industry compete based on factors such as, among others, the ability to meet customers' technical specifications, quality and other requirements, range of services offered to customers, technical capabilities, promptness in fulfilling orders and pricing. Our current and prospective customers have the option of ordering semifinished metal products and metal parts from our competitors, and of engaging our competitors to assemble their products. Competition may result in, among other adverse effects, reduction in our product pricing, revenue and/or profit margins, loss of existing customers and/or failure to secure new customers, which may adversely affect our financial performance and growth prospects.

9.2.2 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 where we operate, namely Malaysia and Singapore, could have a material adverse effect on our business operations, financial performance and growth prospects. These include, but are not limited to, the occurrence of war, civil war, rebellion or civil disobedience, changes in political leadership or system of government, changes in economic conditions and interest rates, changes in government policies regarding taxation, trade, corporate ownership, investment, foreign exchange and profit repatriation, 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 major epidemic and/or pandemic outbreak such as the COVID-19 pandemic, 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 THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained.

9. RISK FACTORS (CONT'D)

Furthermore, notwithstanding that our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, prospects and future plans and our financial and operating history, we cannot assure you that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing and that the market price of our Shares will not decline below the IPO Price or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

9.3.2 Our Share price and trading volume may be volatile

The market price of our Shares may be highly volatile and could be subject to wide fluctuations in response to, among others, the following factors, some of which are beyond our control:

- (i) variation in our operating results;
- (ii) success or failure of our management in implementing business and growth strategies;
- (iii) changes in securities analysts' recommendations, perceptions or estimates of our financial performance;
- (iv) changes in conditions affecting the industry, general economic conditions or stock market sentiments or other events or factors;
- (v) changes in market valuations and share prices of companies with similar businesses to our Company that may be listed in Malaysia or anywhere else in the world;
- (vi) additions or departures of key management;
- (vii) fluctuations in stock market prices and volume;
- (viii) involvement in litigation; or
- (ix) changes in government policy, legislation or regulation.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and global stock exchanges, 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 on Bursa Securities, thus adding risks to the market price of our Shares.

9.3.3 Our Listing is exposed to risk that it may be aborted or delayed

Our Listing may be aborted or delayed due to possible occurrences of certain events, which include the following:

- (i) the selected investors fail to subscribe for their portion of our IPO Shares;
- (ii) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself of its obligations under such agreement;
- (iii) we are unable to meet the minimum public shareholding spread requirement under the Listing Requirements of having at least 25.00% of the total number of our Shares for which our Listing is sought being in the hands of a minimum number of 200 public shareholders holding not less than 100 Shares each at the point of our Listing; and/ or
- (iv) the revocation of the approvals from the relevant authorities for our Listing for whatever reason.

9. RISK FACTORS (CONT'D)

Although we endeavour to comply with the various regulatory requirements, in any event these events as mentioned above occurs, the investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the application within 14 days, failing which the provisions of Section 243(2) of the CMSA shall apply. Our Company shall be liable to return such monies with interest at the rate of 10.00% per annum or at such other rate as may be specified by the SC upon expiration of that period until the full refund is made.

If our Listing is aborted/ terminated and our Shares have been allotted to the investors, all monies paid in respect of all applications for our IPO Shares will be refunded to the investors only by way of cancellation of share capital as provided under Sections 116 and 117 of the Act and its related rules.

Such cancellation requires the approval of the shareholders by special resolution in a general meeting, the consent of our creditors (if required), with the sanction of the High Court of Malaysia or with notice to be sent to the Director General of the Inland Revenue Board and Registrar of Companies within 7 days of the date of the special resolution and meeting the solvency requirements under Section 117(3) of the Act. There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

Nonetheless, our Board will endeavour to comply with the various regulatory requirements, including, inter alia, public shareholding spread requirements for our Listing. However, there can be no assurance that the abovementioned factors/ events will not cause a delay in or non-implementation of our Listing.

9.3.4 Future sale or issuance of our Shares could adversely affect our Share price

Any future sale, issuance or availability of our Shares can have an adverse effect on our Share price. The sale of a significant amount of our Shares in the public market after the IPO, or the perception that such sales may occur, could adversely affect the market price of our Shares. These factors also affect our ability to raise funds from the issue of additional equity securities.

If our Promoters sell, or are perceived to sell, substantial amounts of Shares in the public market following the expiry of the moratorium period, this may result in a dampening effect on our Share price.

9.3.5 Our future fund raising exercise may result in dilution of your shareholdings

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our client base and the need to maintain and expand our service offering. Thus, we may need additional capital expenditure for future expansions and/ or investments. An issue of new Shares or other securities to raise funds will dilute shareholders' equity interest and may, in case of a rights issue, require additional investments by shareholders.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisitions and as disclosed below, we have not entered into any related party transactions with our related parties for the Period Under Review and up to the LPD:

Transacting parties	Interested persons and nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD
			RM'000	RM'000	RM'000	RM'000	RM'000
WESB and Wencor	<u>Wencor</u> is a major shareholder of our Company. <u>Wong Kim Fatt</u> Wong Kim Fatt is a Promoter and major shareholder of our Company, and is a director and major shareholder of Wencor.	Rental expenses paid to Wencor for Lot 11	1,319 (2.44% of our Group's cost of sales)	1,426 (2.12% of our Group's cost of sales)	1,426 (1.65% of our Group's cost of sales)	1,069 (1.99% of our Group's cost of sales)	307
		Sales to Wencor ⁽¹⁾	48,632 (75.10% of our Group's revenue)	47,123 (52.44% of our Group's revenue)	-	-	-
		Purchases of parts and components from Wencor	155 (0.29% of our Group's cost of sales)	110 (0.16% of our Group's cost of sales)	17 (0.02% of our Group's cost of sales)	-	-
WESB and Wencor	<u>Loo Sok Ching</u> Loo Sok Ching is a Promoter and indirect major shareholder of our Company, and is a director and major shareholder of Wencor.	Licensing of trademark ⁽²⁾	-	-	-	*	-
		Assignment of trademark ⁽²⁾	-	-	*	-	-
		Expenses paid by WESB on behalf of Wencor for purchases of IT accessories and equipment ⁽³⁾	71 (0.13% of our Group's NA)	82 (0.12% of our Group's NA)	-	-	-
		Expenses paid by Wencor on behalf of WESB for utilities for Lot 11 ⁽³⁾	809 (1.47% of our Group's NA)	960 (1.42% of our Group's NA)	2 (**% of our Group's NA)	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Interested persons and nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD	
			RM'000	RM'000	RM'000	RM'000	RM'000	
WESB and Wencor (cont'd)	<p>Wencor Wencor is a major shareholder of our Company.</p> <p>Wong Kim Fatt Wong Kim Fatt is a Promoter and major shareholder of our Company, and is a director and major shareholder of Wencor.</p> <p>Loo Sok Ching Loo Sok Ching is a Promoter and indirect major shareholder of our Company, and is a director and major shareholder of Wencor.</p>	<p>Expenses paid by Wencor on behalf of WESB for purchases of personal protective equipment⁽³⁾</p> <p>Disposal of WESB's entire equity interests in Ocean Megaview to Wencor⁽⁴⁾</p>	38 (0.07% of our Group's NA)	- (5.18% of our Group's NA)	-	-	-	-

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Interested persons and nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD
			RM'000	RM'000	RM'000	RM'000	RM'000
WESB and 5E Resources	<p>Loo Sok Ching Loo Sok Ching is a Promoter and indirect major shareholder of our Company, and is a director and indirect major shareholder of 5E Resources via her shareholding in 5E Resources Limited.</p> <p>Wong Kim Fatt Wong Kim Fatt is a Promoter and major shareholder of our Company, and is an indirect major shareholder of 5E Resources via his shareholding in 5E Resources Limited.</p> <p>Ban Kim Wah Ban Kim Wah is a Promoter and major shareholder of our Company, and is an indirect major shareholder of 5E Resources via his shareholding in 5E Resources Limited.</p>	<p>Engagement of 5E Resources for scheduled waste management services</p> <p>Expenses paid by WESB on behalf of 5E Resources for utilities up to February 2020[^] and COVID-19 test kits in FYE 2021⁽³⁾</p> <p>[^]5E Resources previously operated on a land and building rented from WESB. 5E Resources acquired the land and building from WESB on 26 September 2019. The relevant utility expenses were paid by WESB on behalf of 5E Resources during the transitional period following the said acquisition.</p>	122 (0.23% of our Group's cost of sales)	93 (0.14% of our Group's cost of sales)	181 (0.21% of our Group's cost of sales)	119 (0.22% of our Group's cost of sales)	41
			115 (0.21% of our Group's NA)	9 (0.01% of our Group's NA)	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Interested persons and nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD
			RM'000	RM'000	RM'000	RM'000	RM'000
WESB and TS Heuls	<p><u>Loo Sok Ching</u> Loo Sok Ching is a Promoter and indirect major shareholder of our Company, and is a director and indirect major shareholder of TS Heuls via her shareholding in 5E Resources Limited.</p> <p><u>Wong Kim Fatt</u> Wong Kim Fatt is a Promoter and major shareholder of our Company, and is an indirect major shareholder of TS Heuls via his shareholding in 5E Resources Limited.</p> <p><u>Ban Kim Wah</u> Ban Kim Wah is a Promoter and major shareholder of our Company, and is an indirect major shareholder of TS Heuls via his shareholding in 5E Resources Limited.</p>	Purchases of chemical products from TS Heuls	4 (0.01% of our Group's cost of sales)	-	-	-	-

10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Interested persons and nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD
			RM'000	RM'000	RM'000	RM'000	RM'000
WESB and Wanfy	<p>Wong Kim Fatt is a Promoter and major shareholder of our Company, and was a director and major shareholder of Wanfy up to 15 July 2020.</p> <p>Loo Sok Ching is a Promoter and indirect major shareholder of our Company, and was a director and major shareholder of Wanfy up to 15 July 2020.</p>	Purchases of consumables from Wanfy	151 (0.28% of our Group's cost of sales)	-	-	-	-

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Interested persons and nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD
			RM'000	RM'000	RM'000	RM'000	RM'000
WESB and Denford	Loo Sok Ching Loo Sok Ching is a promoter and indirect major shareholder of our Company, and is a person connected of Tan Chye Hoon (sister-in-law of Loo Sok Ching), the director and shareholder of Denford and Nova Spectrum.	Purchases of sheet metal, lead sheets and parts from Denford	2,900 (5.37% of our Group's cost of sales)	2,228 (3.32% of our Group's cost of sales)	1,805 (2.09% of our Group's cost of sales)	2,400 (4.46% of our Group's cost of sales)	24
WEPL and Nova Spectrum	Loo Juan Pang Loo Juan Pang is a director of WEPL, and is a person connected of Tan Chye Hoon (spouse of Loo Juan Pang), the director and shareholder of Denford and Nova Spectrum.	Provision of quality control checking and labelling services to Nova Spectrum	35 (0.05% of our Group's revenue)	36 (0.04% of our Group's revenue)	37 (0.03% of our Group's revenue)	10 (0.01% of our Group's revenue)	-

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Transacting parties	Interested persons and nature of relationship	Nature of transaction	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD
			RM'000	RM'000	RM'000	RM'000	RM'000
WESB and Ocean Megaview	<p>Wencor Wencor is a major shareholder of our Company, and also a major shareholder of Ocean Megaview.</p> <p>Wong Kim Fatt Wong Kim Fatt is a Promoter and major shareholder of our Company, and is a director and major shareholder of Wencor.</p> <p>Loo Sok Ching Loo Sok Ching is a Promoter and indirect major shareholder of our Company, and is a director and major shareholder of Wencor.</p>	Advances to Ocean Megaview to finance its repayment of borrowings obtained for its purchase of freehold commercial lands	1,934 (3.52% of our Group's NA)	-	-	-	-

Notes:

* Less than RM500 / Negligible.

(1) These sales to Wencor were made under the Indirect Business Arrangement, which ceased in December 2021. Please refer to Section 7.2.4 of this Prospectus for further details.

10. RELATED PARTY TRANSACTIONS (CONT'D)

(2) Pursuant to a trademark assignment agreement dated 19 December 2022 between WESB and Wencor, Wencor has agreed to assign the trademarks as set out in Section 7.22 of this Prospectus ("**Relevant Trademarks**") to WESB together with the goodwill of the business of Wencor in relation to the services for which the Relevant Trademarks are registered for a consideration of RM10.00 ("**Trademark Assignment**"). The Trademark Assignment was completed on 14 June 2023 and the Relevant Trademarks are currently registered under WESB's name.

Pending the completion of the Trademark Assignment, Wencor has agreed to grant to our Group an exclusive perpetual license to use the Relevant Trademarks in all countries and territories worldwide in respect of our Group's metal fabrication business activities pursuant to a trademark licensing agreement dated 20 March 2023 between WESB and Wencor ("**Trademark Licensing Agreement**") and the Addendum to the Trademark Licensing Agreement dated 31 March 2023 between WESB and Wencor ("**Trademark License**"). WESB shall pay to Wencor RM1.00 per annum in consideration of Wencor granting the Trademark License. Following the completion of the Trademark Assignment on 14 June 2023, the Trademark Licensing Agreement is deemed terminated on the same date.

(3) These expenses were subsequently reimbursed based on actual cost incurred.

(4) The disposal of 33.00% equity interest in Ocean Megaview to Wencor was completed on 15 December 2021. Ocean Megaview is principally involved in the business of realty investment and management. The disposal consideration of approximately RM3.49 million was arrived at after taking into consideration the latest unaudited NA of Ocean Megaview as at 30 November 2021 of RM10.57 million. The said unaudited NA of Ocean Megaview has taken into account the market value in November 2021 ascribed by the independent valuer appointed by Ocean Megaview on the freehold commercial lands owned by Ocean Megaview. These freehold commercial lands accounted for more than 99.00% of Ocean Megaview's total asset value.

The tenancy agreement for Lot 11 from Wencor has a validity period from 1 October 2021 to 30 September 2024. This tenancy agreement is based on terms which are commonly adopted by tenancy arrangements of a similar nature entered into by parties dealing on arm's length basis. WESB shall give Wencor notice in writing of its desire on the renewal of tenancy not later than two (2) months prior to the expiration of the tenancy agreement. The rental rate of this factory, which amounts to RM1.43 million per annum, is also in line with those of other factories within the vicinity. Therefore, our Group's management is of the opinion that our Group's rental of Lot 11 from Wencor is carried out on an arm's length basis and based on terms and conditions which are not unfavourable to our Group.

Save for expenses paid by our Group on behalf of its related parties or by its related parties on behalf of our Group, advances to Ocean Megaview, provision of quality control checking and labelling services to Nova Spectrum, licensing and assignment of the Relevant Trademarks and the sales by WESB to Wencor under the Indirect Business Arrangement, our Group's management is of the view that other related party transactions including our Group's rental of Lot 11 from Wencor as set out in the table above were conducted on arm's length basis and based on terms and conditions which were not unfavourable to our Group.

10. RELATED PARTY TRANSACTIONS (CONT'D)

For purchases of products or services from related parties (including purchases of parts / components / products from related parties as well as engagement of 5E Resources for scheduled waste management services), we generally compared the pricing offered by our related parties with that offered by unrelated third parties for the similar products / services. This served to ensure that the price and terms offered by our related parties were fair and reasonable as well as in line with the market rate as compared to pricing and terms offered by unrelated third parties, which in turn render an arm's length basis for these transactions. These transactions were mainly carried out in our Group's ordinary course of business in line with our Group's costing strategy for input materials and services procured.

For assignment and licensing of the Relevant Trademarks, the consideration was determined considering that these trademarks were not relevant to Wencor's business operations and the short licensing period expected pending completion of the Trademark Assignment. As there is no publicly available information to ascertain pricing for trademark assignment and licensing of similar nature for comparison, we are unable to conclude that these transactions were carried out on an arm's length basis. Nonetheless, we are of the view that these transactions were based on terms and conditions which are not unfavourable to our Group in view of the minimal amount involved.

For provision of quality control checking and labelling services to Nova Spectrum, we adopt a cost-plus pricing based on staff's time costs for providing such services. We are of the view that this pricing method is reasonable taking into consideration that our GP margin from these services is similar to that generated from a non-related party customer by our assembly of finished products segment, both of which are labour-based services. As there is no publicly available information to ascertain whether other providers adopt a similar pricing method for such services, we are unable to conclude that this transaction was carried out on an arm's length basis. Nonetheless, we are of the view that the provision of such services is based on terms and conditions which are not unfavourable to our Group in view of the GP margin generated from the provision of such services.

The transactions in relation to expenses paid by our Group on behalf of its related parties or by its related parties on behalf of our Group as well as the advances to Ocean Megaview were not conducted on arm's length basis as the outstanding amount arising from these payments and the said advances were interest-free. Nevertheless, our Group will not enter into any transaction of such nature moving forward. As at the LPD, all outstanding amount arising from these transactions have been fully settled.

The sales by WESB to Wencor under the Indirect Business Arrangement were not conducted on arm's length basis as they were not common business transactions which independent parties would enter into. Nevertheless, the Indirect Business Arrangement has ceased in December 2021, and our Group will not enter into any transaction of such nature moving forward.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

Our Board has confirmed that there are no other material related party transactions that we had entered into with the related parties but not yet effected up to the date of this Prospectus.

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into. Our Audit and Risk Management Committee is responsible for the review of the terms of all related party transactions. In order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions ("RRPTs")

- (i) At least 2 other contemporaneous transactions with third parties for similar products/services and/or quantities will be used as a comparison, wherever possible, to determine whether the price and terms offered to / by all related parties are fair and reasonable and comparable to those offered to / by third parties; or
- (ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be based on prevailing market rates / prices that are agreed upon based on usual business practices and policies and on terms that are generally in line with industry norms in order to ensure that the RRPT is not detrimental to our Company or our Group.

Our Board may seek a mandate from our shareholders at general meetings of our Company to enter into any RRPTs. The said shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into. The interested persons shall abstain from voting on resolutions pertaining to the respective transactions.

(b) Other related party transactions

Assessments will be carried out to determine:

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

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

10. RELATED PARTY TRANSACTIONS (CONT'D)

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

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

10.1.1 Other transactions**(a) Transactions which are unusual in their nature or conditions**

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

(b) Loans and guarantees

As part of the terms of the banking facilities extended to our Group, Wong Kim Fatt, Ban Kim Wah, Tai Yuan Heng and Loo Sok Ching have jointly and severally provided personal guarantees to the financial institution extending these facilities, i.e. OCBC Bank (Malaysia) Berhad ("**Financier**"). In conjunction with our Listing, we have applied to the Financier for a release and/or discharge of the personal guarantees. As at the LPD, we have received conditional approval from the Financier for the said release of personal guarantees subject to us replacing them with a corporate guarantee from our Company upon our successful Listing. In view of this, we will replace the aforesaid personal guarantees with a corporate guarantee from our Company within 2 months upon our Listing.

(c) Amount due to / from related parties / directors**(i) Amount due from related parties**

	As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2022 RM'000	As at 30 September 2023 RM'000	As at LPD RM'000
Amount due from related parties	505	14	-	-	-

The amount due from related parties as at the end of the respective financial year / period during the Period Under Review was in relation to expenses paid on behalf of related parties by our Group.

10. RELATED PARTY TRANSACTIONS (CONT'D)**(ii) Amount due to related parties**

	As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2022 RM'000	As at 30 September 2023 RM'000	As at LPD RM'000
Amount due to related parties	78	88	-	-	-

The amount due to related parties as at the end of the respective financial year / period during the Period Under Review was in relation to expenses paid on behalf of our Group by our related parties.

(iii) Amount due from directors

	As at 31 December 2020 RM'000	As at 31 December 2021 RM'000	As at 31 December 2022 RM'000	As at 30 September 2023 RM'000	As at LPD RM'000
Amount due from directors	175	-	-	-	-

The amount due from directors as at the end of the respective financial year / period during the Period Under Review was in relation to advances to directors.

(iv) Amount due to directors

There were no outstanding amount due to directors as at the end of the respective financial year / period during the Period Under Review and as at the LPD.

(v) Financial assistance provided for the benefit of a related party

There were no financial assistance provided by us for the benefit of any related party for the Period Under Review and up to the LPD.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS

10.2.1 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. It also 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 will submit an annual report to our Board summarising its activities during the financial year and the related significant results and findings.

10.2.2 Our Group's policy on related party transactions

Related party transactions, by their nature, involve conflict of interest between our Group and the related parties with whom our Group has entered into such transactions. Any such related party transactions may individually and in aggregate give rise to potential conflicts of interest.

It is the policy of our Group that all related party transactions in the course of our business are made on an arm's length basis and on normal commercial terms which are not more favourable to the related party than those generally available to the public and these terms are not detrimental to our non-interested shareholders who are not part of the transaction. The related parties and any other parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations and voting on resolutions pertaining to the matters and/or transactions where a conflict of interest may arise.

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11. CONFLICT OF INTERESTS

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

As at the LPD, save as disclosed below, none of our Directors (including a director of our subsidiary) and/or substantial shareholders has any interest, direct or indirect, in other businesses or corporations which are carrying on a similar trade as our Group or which are the customers and/or suppliers of our Group:

Name of company	Nature of transaction	Principal activities	Nature of interest
5E Resources	Provision of scheduled waste management services to our Group	Waste disposal management, recycling of chemical products, transportation of the waste and warehousing of recycled and recovered products	<ul style="list-style-type: none"> Wong Kim Fatt, Loo Sok Ching and Ban Kim Wah, all being Promoters and substantial shareholders of Wentel Engineering, are deemed interested in 5E Resources as they are also substantial shareholders of 5E Resources Limited, the holding company of 5E Resources.
Denford	Sale of input materials to our Group	Wholesale trade of a variety of goods without a dominant product	<ul style="list-style-type: none"> Loo Sok Ching is also a director of 5E Resources.
Nova Spectrum	Provision of control and product labelling services by our Group	Import / export and trading of electrical, electronics and mechanical parts	<ul style="list-style-type: none"> Loo Juan Pang, a director of WEPL, is deemed interested in Denford by virtue of the substantial shareholding of his spouse, Tan Chye Hoon, in Denford. Loo Juan Pang, a director of WEPL, is deemed interested in Nova Spectrum by virtue of the substantial shareholding of his spouse, Tan Chye Hoon, in Nova Spectrum.

Nevertheless, our Board is of the view that any potential conflict of interest situation which may arise through the aforesaid interests has been mitigated on the following basis:

(i) 5E Resources

(a) In the conduct of our business activities, we engage 5E Resources for scheduled waste management services. Nevertheless, our Group is not dependent on 5E Resources' services for our business operations as there are other service providers in the market;

(b) Wong Kim Fatt and Loo Sok Ching are solely substantial shareholders of our Company, while Ban Kim Wah is a substantial shareholder and the Non-Independent Non-Executive Chairman of our Company. They do not have any managerial or executive position in our Group. As such, they do not deal with our Group's day-to-day operations, including any appointment of service providers for scheduled waste management services; and

11. CONFLICT OF INTERESTS (CONT'D)

- (c) As transactions between our Group and 5E Resources are related party transactions, our Group has established and is required to follow the relevant procedures in order to ensure that these transactions are undertaken on arm's length basis and on normal commercial terms which are not more favourable to 5E Resources than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders.

(ii) Denford

- (a) Notwithstanding that the input materials purchased from Denford are required for our Group's business operations, we are not dependent on Denford for our business operations as there are other suppliers for these input materials in the market;
- (b) Loo Juan Pang is solely a director of WEPL and he is not involved in the business operations of WESB, including any engagement of suppliers by WESB; and
- (c) As transactions between our Group and Denford are related party transactions, our Group has established and is required to follow the relevant procedures in order to ensure that these transactions are undertaken on arm's length basis and on normal commercial terms which are not more favourable to Denford than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders.

(iii) Nova Spectrum

WEPL provided quality control and product labelling services to Nova Spectrum up to 7 April 2023. As set out in Section 10.1 of this Prospectus, we are unable to establish an arm's length basis for these services due to the absence of publicly available information on the pricing of similar services. As such, WEPL has ceased to provide the said services to Nova Spectrum since 8 April 2023.

Our Directors will declare to our Nomination Committee and our Board of their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then evaluate if such Director's involvement gives rise to a potential conflict of interest situation with our Group's business activities. If our Directors are involved in a similar business as our Group or businesses of our customers and/or our suppliers, our Nomination Committee shall inform our Audit and Risk Management Committee of such involvement. When a determination has been made that there is a conflict of interest of a Director, our Nomination Committee will:

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

11. CONFLICT OF INTERESTS (CONT'D)

Where there are related party transactions between our Group and our Directors (or persons connected with them) or companies in which our Directors (or persons connected with them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.2 of this Prospectus for the procedures that we will take to ensure that such related party transactions (if any) are undertaken on arm's length basis.

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) TA Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Principal Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (b) Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.
- (c) David Lai & Tan has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors as to the laws of Malaysia for our Listing.
- (d) Avant Law LLC has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Solicitors as to the laws of Singapore for our Listing.
- (e) Vital Factor has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Group's historical audited financial information comprise the combined statements of financial position, combined statements of profit or loss and other comprehensive income and combined statements of cash flows for the Period Under Review. These historical financial information have been prepared in accordance with MFRS and IFRS.

The following financial information should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations set out in Section 12.3 of this Prospectus and Accountants' Report included in Section 13 of this Prospectus.

12.1.1 Combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our Group's audited combined statements of profit or loss and other comprehensive income for the Period Under Review, which was extracted from the Accountants' Report set out in Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	64,759	89,854	117,540	88,027	72,129
Cost of sales	(53,988)	(67,195)	(86,349)	(65,375)	(53,851)
GP	10,771	22,659	31,191	22,652	18,278
Other income	589	647	1,953	2,753	1,764
Selling and distribution expenses	(82)	(91)	(117)	(77)	(126)
Administrative expenses	(6,170)	(5,420)	(7,015)	(5,088)	(5,235)
Other expenses	(549)	(18)	-	-	-
Finance cost	(436)	(344)	(386)	(303)	(210)
(Impairment losses)/ reversal of impairment on financial assets, net	51	(126)	67	-	-
PBT	4,174	17,307	25,693	19,937	14,471
Income tax expense	(594)	(3,601)	(5,213)	(3,621)	(3,470)
PAT from continuing operations	3,580	13,706	20,480	16,316	11,001
Discontinued operations					
LAT from discontinued operations	(805)	(1,299)	-	-	-
PAT	2,775	12,407	20,480	16,316	11,001
Foreign currency translation differences	187	28	(173)	(56)	97
Total Comprehensive Income	2,962	12,435	20,307	16,260	11,098
PAT attributable to:					
Owners of the Company:					
- continuing operations	3,580	13,706	20,480	16,316	11,001
- discontinued operations	(805)	(1,299)	-	-	-
	2,775	12,407	20,480	16,316	11,001
Total comprehensive income attributable to:					
Owners of the Company:					
- continuing operations	3,766	13,734	20,307	16,260	11,098
- discontinued operations	(804)	(1,299)	-	-	-
	2,962	12,435	20,307	16,260	11,098

12. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
EBITDA ⁽¹⁾	12,795	24,892	32,876	25,554	18,446
GP margin (%) ⁽²⁾	16.63	25.22	26.54	25.73	25.34
PBT margin (%) ⁽³⁾	6.45	19.26	21.86	22.65	20.06
PAT margin (%) ⁽⁴⁾	5.53	15.25	17.42	18.54	15.25
Number of Shares assumed in issue ('000) ⁽⁵⁾	1,150,000	1,150,000	1,150,000	1,150,000	1,150,000
Basic / diluted EPS (sen) ⁽⁶⁾	0.31	1.19	1.78	1.42	0.96

Notes:

(1) The table below sets forth a reconciliation of our PBT to EBITDA:

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	4,174	17,307	25,693	19,937	14,471
Adjusted for:					
Interest income	(114)	(87)	(105)	(71)	(316)
Interest expense	436	344	386	303	210
Depreciation of property, plant and equipment	8,299	7,328	6,902	5,385	4,081
EBITDA	12,795	24,892	32,876	25,554	18,446

- (2) GP margin is computed based on our GP over revenue.
- (3) PBT margin is computed based on our PBT over revenue.
- (4) PAT margin is computed based on our PAT from continuing operations over revenue.
- (5) Assumed enlarged number of Shares in issue in Wentel Engineering after our IPO.
- (6) Computed based on PAT from continuing operations attributable to owners of the Group divided by our enlarged number of Shares in issue after our IPO. The diluted EPS is equal to the basic EPS as there were no potential dilutive ordinary shares outstanding at the end of the respective financial year / period.

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

The following table sets out a summary of our Group's audited combined statements of financial position for the Period Under Review, which was extracted from the Accountants' Report set out in Section 13 of this Prospectus.

	Audited			
	As at 31 December			As at 30
	2020	2021	2022	September 2023
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	32,143	28,437	26,929	43,280
Right-of-use assets	891	4,652	2,723	1,964
Intangible assets	-	-	(1)-	(1)-
	33,034	33,089	29,652	45,244
Current assets				
Inventories	8,172	13,658	14,812	15,408
Trade receivables	13,386	24,962	22,811	23,008
Other receivables, deposits and prepayments	2,268	1,184	3,471	3,246
Current tax assets	1,080	473	-	1,270
Fixed deposits with a licensed bank	5,092	5,167	3,151	11,274
Cash and bank balances	8,137	13,966	33,654	13,084
	38,134	59,410	77,899	67,290
Non-current asset held for sale	4,806	-	-	-
TOTAL ASSETS	75,974	92,499	107,551	112,534
EQUITY AND LIABILITIES				
Equity				
Share capital	1,237	1,237	1,237	87,680
Merger deficit	-	-	-	(86,442)
Foreign exchange translation reserve	589	617	444	541
Retained profits	53,131	65,538	86,018	97,018
Total equity / NA	54,957	67,392	87,699	98,797
Non-current liabilities				
Lease liabilities	-	2,792	1,048	244
Term loan	7,970	6,557	2,948	1,810
Deferred tax liabilities	-	444	-	-
	7,970	9,793	3,996	2,054
Current liabilities				
Trade payables	5,019	7,700	7,027	5,710
Other payables and accruals	5,788	4,365	5,576	2,690
Lease liabilities	933	1,892	1,759	1,792
Term loan	1,307	1,357	1,447	1,491
Current tax liabilities	-	-	47	-
	13,047	15,314	15,856	11,683
Total liabilities	21,017	25,107	19,852	13,737
TOTAL EQUITY AND LIABILITIES	75,974	92,499	107,551	112,534

Note:

- (1) Refer to our trademarks with total carrying amount of RM10. Please refer to Section 7.22 of this Prospectus for further details of the trademarks registered by our Group.

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

The following table sets out a summary of our Group's audited combined statements of cash flows for the Period Under Review, which was extracted from the Accountants' Report set out in Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
Profit / (loss) before taxation					
- continuing operations	4,174	17,307	25,693	19,937	14,471
- discontinued operations	(805)	(1,299)	-	-	-
<u>Adjustments for:</u>					
Bad debts written off	-	23	-	-	-
Depreciation of property, plant and equipment	6,346	5,361	4,950	3,923	2,605
Depreciation of right-of-use assets	1,953	1,967	1,953	1,462	1,476
Impairment losses on investment in an associate	549	-	-	-	-
Interest expenses on lease liabilities	94	89	187	149	90
Interest expenses on term loan	341	255	199	154	120
Interest income	(114)	(87)	(105)	(70)	(316)
Loss on disposal of associate	-	18	-	-	-
Loss / (Gain) on disposal of property, plant and equipment	30	-	(107)	(105)	(118)
Property, plant and equipment written off	(1)-	(1)-	(1)-	(1)-	4
(Reversal of) / Impairment losses on trade receivables	(52)	126	(67)	-	-
Share of net losses of equity accounted associates	805	1,299	-	-	-
Unrealised loss / (gain) on foreign exchange	233	(235)	(429)	(1,659)	(653)
Operating profit before working capital changes	13,554	24,824	32,274	23,791	17,679
Increase in inventories	(597)	(5,486)	(1,153)	(367)	(596)
(Increase) / Decrease in trade and other receivables	(755)	(11,359)	(627)	(2,903)	797
(Decrease) / Increase in trade and other payables	(686)	1,200	723	2,355	(4,318)
Cash from operations	11,516	9,179	31,217	22,876	13,562
Income tax paid	(1,135)	(2,550)	(5,141)	(3,133)	(4,794)
Income tax refunded	2,768	-	-	-	-
Net cash from operating activities	13,149	6,629	26,076	19,743	8,768

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12. FINANCIAL INFORMATION (CONT'D)

	Audited			Unaudited	Audited
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows (for) / from investing activities					
Additions of fixed deposits with tenure of more than 3 months	(1,009)	(16)	(17)	(13)	(21)
Advances from / (Repayment to) corporate shareholder	14	8	(75)	(74)	-
Advances to associate	(1,934)	-	-	-	-
Interest income received	114	87	105	70	316
Proceeds from disposal of property, plant and equipment	40	-	175	173	118
Proceeds from disposal of non-current asset held for sale	-	3,489	-	-	-
Purchase of intangible assets	-	-	(1)-	-	-
Purchase of property, plant and equipment	(3,894)	(1,652)	(3,504)	(2,465)	(18,957)
Repayment from directors	-	176	-	-	-
Repayment from related parties	-	471	-	-	-
Net cash (for) / from investing activities	(6,669)	2,563	(3,316)	(2,309)	(18,544)
Cash flows for financing activities					
Interest paid	(436)	(344)	(386)	(303)	(210)
Proceeds from issuance of ordinary shares	-	-	-	-	(1)-
Repayment of lease liabilities	(1,977)	(1,978)	(1,901)	(1,415)	(1,488)
Repayment on term loan	(2,276)	(1,363)	(3,519)	(3,159)	(1,093)
Net cash for financing activities	(4,689)	(3,685)	(5,806)	(4,877)	(2,791)
Net increase / (decrease) in cash and cash equivalents	1,791	5,507	16,954	12,557	(12,567)
Effect of exchange rate translation	(201)	382	700	1,143	100
Cash and cash equivalents at beginning of the financial year / period	10,629	12,219	18,108	18,108	35,762
Cash and cash equivalents at end of the financial year / period	12,219	18,108	35,762	31,808	23,295

Note:

(1) Represents less than RM1,000.

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

The following table sets out our Group's capitalisation and indebtedness based on our unaudited combined financial statements as at 30 November 2023 and after adjusting for the effects of our Public Issue and utilisation of proceeds from our Public Issue.

	Unaudited	I	II
	As at 30 November 2023	After our Public Issue	After I and utilisation of proceeds
	RM	RM	RM
Indebtedness⁽¹⁾			
Short-term indebtedness			
- Term loan	1,446,516	1,446,516	1,446,516
Long-term indebtedness			
- Term loan	1,608,368	1,608,368	1,608,368
Total indebtedness	3,054,884	3,054,884	3,054,884
Capitalisation			
Shareholders' equity	102,591,541	173,623,541	167,695,522
Total capitalisation	102,591,541	173,623,541	167,695,522
Total capitalisation and indebtedness	105,646,425	176,678,425	170,750,406
Gearing ratio (times) ⁽²⁾	0.03	0.02	0.02

Notes:

- (1) All of our indebtedness are secured and guaranteed.
(2) Computed based on total indebtedness divided by total shareholders' equity.

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12. FINANCIAL INFORMATION (CONT'D)

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

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

12.3.1 Overview of our business operations

We are involved in the fabrication of semifinished metal products, fabrication of metal parts, and assembly of finished products. We are supported by our in-house fabrication facilities including CNC machine and other manufacturing equipment as well as surface treatment and coating facilities. These semifinished metal products and parts are used by our customers for further processing into finished products. Our customers are manufacturers of security screening equipment, semiconductor manufacturing equipment, CNC machines, medical diagnostic equipment, passenger coaches and industrial 3D printers.

Please refer to Section 7.2 of this Prospectus for further information on our business operations.

12.3.2 Overview of our financial results

Revenue

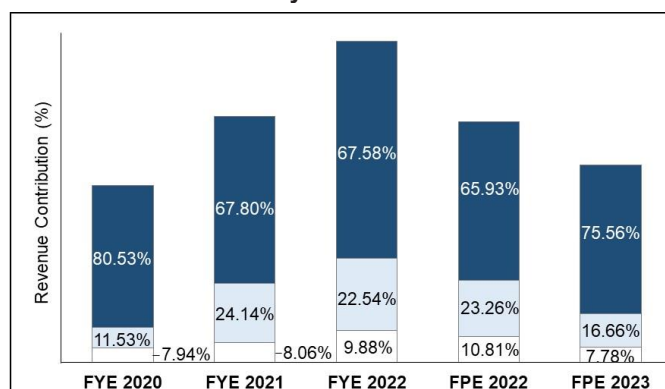
Our revenue is derived from the fabrication of semifinished metal products, fabrication of metal parts, and assembly of finished products. Our revenue is recognised when the goods have been delivered to the customer and all the criteria for acceptance have been satisfied.

Our total revenue increased from RM64.76 million in FYE 2020 to RM117.54 million in FYE 2022, representing a CAGR of 34.72%. We recorded revenue of RM72.13 million in FPE 2023.

The growth was contributed by the overall increase in revenue from both fabrication and assembly segments.

Our revenue from the fabrication of semifinished metal products constituted the largest revenue contributor having accounted for 80.53% (RM52.15 million), 67.80% (RM60.92 million), 67.58% (RM79.44 million) and 75.56% (RM54.50 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Revenue by business activities



	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Fabrication of semifinished metal products	52,149	60,923	79,435	58,038	54,499
Fabrication of metal parts	7,464	21,694	26,488	20,477	12,019
Assembly of finished products	5,146	7,237	11,617	9,512	5,611
Total revenue	64,759	89,854	117,540	88,027	72,129

The revenue from the fabrication of semifinished metal products increased from RM52.15 million in FYE 2020 to RM79.44 million in FYE 2022, representing a CAGR of 23.42%. This was mainly due to an increase in revenue from the fabrication of metal bodies and accessories for CNC machines and security screening equipment from our existing customers. Revenue from the fabrication of semifinished metal products accounted for RM54.50 million in FPE 2023.

12. FINANCIAL INFORMATION (CONT'D)

Revenue from the fabrication of metal parts accounted for 11.53% (RM7.46 million), 24.14% (RM21.69 million), 22.54% (RM26.49 million) and 16.66% (RM12.02 million) of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The revenue from the fabrication of metal parts increased from RM7.46 million in FYE 2020 to RM26.49 million in FYE 2022, representing a CAGR of 88.38%. This was mainly due to an increase in revenue from the fabrication of metal parts for semiconductor manufacturing equipment from our existing customers. Revenue from the fabrication of metal parts accounted for RM12.02 million in FPE 2023.

The remaining revenue was contributed by the assembly of finished products which accounted for 7.94% (RM5.15 million), 8.06% (RM7.24 million), 9.88% (RM11.62 million) and 7.78% (RM5.61 million) of our total revenue for FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. The revenue from assembly of finished products increased from RM5.15 million in FYE 2020 to RM11.62 million in FYE 2022, representing a CAGR of 50.25%. This was mainly due to the increase in sales orders for the assembly of walk-through metal detectors from an existing customer. Revenue from the assembly of finished products accounted for RM5.61 million in FPE 2023.

Please refer to Section 12.3.3 of this Prospectus for further analysis on our revenue by business activities.

For the Period Under Review, our principal markets are Malaysia and Singapore which accounted for most of our revenue. A small proportion of our revenue is derived from the United States. Please refer to Section 12.4.3 of this Prospectus for further details on revenue by geographical markets.

We have business operations and subsidiaries in Malaysia and Singapore. 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. For our Malaysian entities, the functional and presentation currency of Wentel Engineering and WESB is in RM. Meanwhile, for our Singapore entity, the functional and presentation currency of WEPL is in SGD.

Our combined financial statements are presented in RM, which is our Group's functional and presentation currency. The foreign currency exchange rates used in our combined financial statements for conversion of values denominated in SGD to RM are summarised in the following table:

	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023
Average exchange rate relative to SGD1.00 ⁽¹⁾	RM3.0462	RM3.0842	RM3.1913	RM3.1576	RM3.3697
Change in the value of RM relative to SGD compared to the previous FYE*	-	1.25%	3.47%	-	6.72%
Closing exchange rate relative to SGD1.00 ⁽²⁾	RM3.0396	RM3.0853	RM3.2740	RM3.2389	RM3.4439
Change in the value of RM relative to SGD compared to the previous FYE*	-	1.50%	6.12%	-	6.33%

Notes:

- * A positive change in value indicates that the value of the RM depreciated relative to the SGD while a negative change in value indicates that the value of the RM appreciated relative to the SGD.
- (1) Average exchange rate used for consolidated statements of profit or loss and other comprehensive income.
- (2) Closing exchange rate used for consolidated statements of financial position and cash flow.

12. FINANCIAL INFORMATION (CONT'D)**GP and GP margin**

For the Period Under Review, the performance of our GP has been in line with that of our revenue. Our GP increased from RM10.77 million in FYE 2020 to RM31.19 million in FYE 2022, representing a CAGR of 70.18%. As compared to the CAGR of 34.72% recorded by our revenue for the Period Under Review, the higher CAGR recorded by our GP was mainly due to the improvement in our GP margin.

Our GP margin increased from 16.63% in FYE 2020 to 25.22% in FYE 2021 and further improved to 26.54% in FYE 2022.

Our GP decreased by 19.31% or RM4.37 million from RM22.65 million in FPE 2022 to RM18.28 million in FPE 2023, while GP margin declined slightly from 25.73% in FPE 2022 to 25.34% in FPE 2023.

The variances in our GP margin over the Period Under Review was partly due to the changes in the customer's industry mix for our revenue as set out below:

Revenue by customer's industry	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Security screening equipment ⁽¹⁾	48,636	75.11	51,783	57.63	74,448	63.34	53,922	61.25	47,721	66.16
Semiconductor manufacturing equipment	3,221	4.97	18,900	21.03	23,066	19.62	17,974	20.42	10,889	15.10
CNC machine	8,688	13.42	16,540	18.41	16,684	14.19	13,695	15.56	12,440	17.24
Medical diagnostic equipment	3,169	4.89	2,316	2.58	3,193	2.72	2,314	2.63	972	1.35
Others ⁽²⁾	1,045	1.61	315	0.35	149	0.13	122	0.14	107	0.15
TOTAL	64,759	100.00	89,854	100.00	117,540	100.00	88,027	100.00	72,129	100.00

Notes:

(1) Including revenue generated from the Indirect Business Arrangement where the end customers are security screening equipment manufacturers.

(2) Others include manufacturers of passenger coaches and industrial 3D printers.

As illustrated above, we generated a higher proportion of our revenue from customers in the semiconductor manufacturing equipment and CNC machine industries in FYE 2021, FYE 2022 and FPE 2023 as compared to FYE 2020. This was mainly driven by an increase in orders from these customers.

Orders from our customers in the CNC machine and semiconductor manufacturing equipment industries generally yield higher GP margin mainly due to higher requirements arising from the complexity of products and parts fabricated. As a result, the higher proportion of our revenue from customers in these industries in FYE 2021, FYE 2022 and FPE 2023 contributed to an improvement in our overall GP margin.

Moving forward, our GP margin may vary depending on the changes in the customer's industry mix for our revenue at the relevant point in time. Please refer to Section 12.3.5 of this Prospectus for further analysis on our GP and GP margin for the Period Under Review.

12. FINANCIAL INFORMATION (CONT'D)**12.3.3 Segmental analysis by revenue****(i) Revenue by business activities**

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fabrication of semifinished metal products	52,149	80.53	60,923	67.80	79,435	67.58	58,038	65.93	54,499	75.56
Fabrication of metal parts	7,464	11.53	21,694	24.14	26,488	22.54	20,477	23.26	12,019	16.66
Assembly of finished products	5,146	7.94	7,237	8.06	11,617	9.88	9,512	10.81	5,611	7.78
Total	64,759	100.00	89,854	100.00	117,540	100.00	88,027	100.00	72,129	100.00

(ii) Revenue by geographical markets

	FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	48,743	75.27	51,737	57.58	75,629	64.34	53,948	61.29	49,781	69.02
Foreign countries										
Singapore	15,765	24.34	36,945	41.12	39,906	33.95	32,218	36.60	21,988	30.48
United States	251	0.39	1,172	1.30	2,005	1.71	1,861	2.11	360	0.50
	16,016	24.73	38,117	42.42	41,911	35.66	34,079	38.71	22,348	30.98
Total	64,759	100.00	89,854	100.00	117,540	100.00	88,027	100.00	72,129	100.00

12. FINANCIAL INFORMATION (CONT'D)**(iii) Commentaries on revenue****Comparison between FYE 2020 and FYE 2021**

Our revenue increased by 38.75% or RM25.10 million from RM64.76 million in FYE 2020 to RM89.85 million in FYE 2021. This was due to the overall increase in revenue from both fabrication and assembly business segments.

(a) Fabrication of semifinished metal products

Our revenue from the fabrication of semifinished metal products segment increased by 16.82% or RM8.77 million from RM52.15 million in FYE 2020 to RM60.92 million in FYE 2021. This was mainly contributed by higher revenue from metal bodies and accessories for CNC machines arising from an increase in revenue by RM7.85 million from Makino Asia Pte Ltd in FYE 2021. This was mainly attributed to higher orders for more complex metal bodies and accessories that were associated with higher selling price as it requires additional finishing processes, and/or additional steps in the fabrication of the product to meet customer's requirements and specifications.

The revenue growth from this segment was also partly contributed by an increase in revenue from metal bodies and accessories for security screening equipment namely Rapiscan Group (including Indirect Business Arrangement) by RM1.41 million in FYE 2021. This was mainly attributed to the increase in revenue from metal accessories such as the tray return system and console table.

This was partially offset by the decrease in revenue from our customer, Customer E Group relating to the orders for metal bodies and accessories used in security screening equipment (including Indirect Business Arrangement) by RM0.49 million. The decrease in revenue was attributed to product mix, mainly arising from the lower sales of higher priced metal bodies.

(b) Fabrication of metal parts

Our revenue from fabrication of metal parts segment increased by 190.65% or RM14.23 million from RM7.46 million in FYE 2020 to RM21.69 million in FYE 2021. This was mainly attributed to the higher revenue from metal parts for semiconductor manufacturing equipment which increased by 486.77% or RM15.68 million to RM18.90 million in FYE 2021 (FYE 2020: RM3.22 million). This was largely contributed by an increase in revenue from Customer D Group by RM10.63 million, mainly from new sales orders of metal parts. In addition, the increase was contributed by Customer B1 by RM2.74 million in FYE 2021, mainly driven by higher sales orders.

The increase in revenue from this segment was partially offset by the decrease in revenue due to lower sales orders for the following:

- metal parts used in medical diagnostic equipment by RM0.85 million from Customer A; and
- metal parts used in industrial 3D printer by RM0.75 million from Customer C Group in FYE 2021.

(c) Assembly of finished products

Our revenue from the assembly of finished products segment increased by 40.63% or RM2.09 million from RM5.15 million in FYE 2020 to RM7.24 million in FYE 2021. This was contributed by an increase in sales orders for the assembly of walk-through metal detectors from Rapiscan Group.

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

Our revenue increased by 30.81% or RM27.69 million from RM89.85 million in FYE 2021 to RM117.54 million in FYE 2022. This was due to the overall increase in revenue from both fabrication and assembly business segments. The revenue growth was also partly attributed to the appreciation in the value of the USD and SGD relative to the RM as reflected in the increase of 6.53% and 3.47% in the average exchange rate of RM relative to the USD and SGD respectively in FYE 2022 as compared to FYE 2021.

(a) Fabrication of semifinished metal products

Our revenue from fabrication of semifinished metal products segment increased by 30.39% or RM18.51 million from RM60.92 million in FYE 2021 to RM79.44 million in FYE 2022. This was mainly contributed by the increase in revenue from metal bodies and accessories for security screening equipment by 41.39% or RM18.37 million to RM62.75 million in FYE 2022 (FYE 2021: RM44.38 million). This was due to an increase in revenue from Customer E Group by RM14.51 million and Rapiscan Group by RM3.86 million in FYE 2022. Additionally, the increase in revenue was partly contributed by the upward revision of selling prices of fabricated metal bodies sold to these customers on the back of higher average purchase price for metal input materials.

(b) Fabrication of metal parts

Our revenue from fabrication of metal parts segment increased by 22.10% or RM4.80 million from RM21.69 million in FYE 2021 to RM26.49 million in FYE 2022. This was mainly due to the increase in revenue from metal parts for semiconductor manufacturing equipment by 22.04% or RM4.17 million to RM23.07 million in FYE 2022 (FYE 2021: RM18.90 million). This was largely contributed by an increase in revenue by RM2.29 million from Customer B1 and an increase of RM1.53 million collectively from two other manufacturers of semiconductor manufacturing equipment in FYE 2022. In addition, there was an increase in revenue from Customer A by RM0.88 million in FYE 2022 relating to metal parts for medical diagnostic equipment. This was mainly driven by an increase in sales orders from these respective customers.

(c) Assembly of finished products

Our revenue from assembly of finished products increased by 60.52% or RM4.38 million from RM7.24 million in FYE 2021 to RM11.62 million in FYE 2022. This was contributed by an increase in orders for the assembly of walk-through metal detectors from Rapiscan Group.

Comparison between FPE 2022 and FPE 2023

Our revenue decreased by 18.06% or RM15.90 million from RM88.03 million in FPE 2022 to RM72.13 million in FPE 2023. This was due to the overall decrease in revenue from both fabrication and assembly business segments.

(a) Fabrication of semifinished metal products

Our revenue from the fabrication of semifinished metal products segment decreased by 6.10% or RM3.54 million from RM58.04 million in FPE 2022 to RM54.50 million in FPE 2023. This was mainly due to the decrease in revenue from metal bodies and accessories for security screening equipment by 5.15% or RM2.28 million to RM42.06 million in FPE 2023 (FPE 2022: RM44.34 million). This was mainly attributed to the decrease in revenue from Rapiscan

12. FINANCIAL INFORMATION (CONT'D)

Group by RM1.64 million and Customer E Group by RM0.65 million due to lower sales orders.

The decrease in revenue from this segment was also partly due to the decrease in revenue from metal bodies and accessories for CNC machines by 9.16% or RM1.26 million to RM12.44 million in FPE 2023 (FPE 2022: RM13.70 million). This was due to lower sales orders from Makino Asia Pte Ltd in FPE 2023.

(b) Fabrication of metal parts

Our revenue from fabrication of metal parts segment decreased by 41.30% or RM8.46 million from RM20.48 million in FPE 2022 to RM12.02 million in FPE 2023. This was mainly due to the decrease in revenue from metal parts for semiconductor manufacturing equipment by 39.42% or RM7.09 million to RM10.89 million in FPE 2023 (FPE 2022: RM17.97 million). This was attributed to the decrease in revenue by RM5.58 million from Customer D Group and RM1.35 million from Customer B1 arising from lower sales orders from these customers. The decrease in revenue from this segment was also partly due to the decrease in revenue from Customer A by RM1.34 million as there were lower sales orders of metal parts for medical diagnostic equipment.

(c) Assembly of finished products

Our revenue from assembly of finished products decreased by 41.01% or RM3.90 million from RM9.51 million in FPE 2022 to RM5.61 million in FPE 2023. This was contributed by the decrease in orders for the assembly of walk-through metal detectors from Rapiscan Group.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.4 Cost of Sales

(i) Cost of sales by business activities

	FYE 2020		Audited		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fabrication of semifinished metal products	44,964	83.29	47,809	71.15	61,981	71.78	45,816	70.08	42,730	79.35
Fabrication of metal parts	4,346	8.05	12,678	18.87	13,571	15.72	10,714	16.39	5,893	10.94
Assembly of finished products	4,678	8.66	6,708	9.98	10,797	12.50	8,845	13.53	5,228	9.71
Total	53,988	100.00	67,195	100.00	86,349	100.00	65,375	100.00	53,851	100.00

(ii) Cost of sales by cost component

	FYE 2020		Audited		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Material costs	28,299	52.41	36,841	54.83	50,609	58.61	38,849	59.43	30,171	56.03
Subcontractor costs	1,252	2.32	4,294	6.39	2,873	3.33	2,395	3.66	1,560	2.90
Labour costs	11,336	21.00	12,736	18.96	18,139	21.00	12,993	19.87	12,758	23.69
Depreciation costs	7,503	13.90	6,581	9.79	5,809	6.73	4,583	7.01	3,119	5.79
Factory overheads	5,598	10.37	6,743	10.03	8,919	10.33	6,555	10.03	6,243	11.59
Total	53,988	100.00	67,195	100.00	86,349	100.00	65,375	100.00	53,851	100.00

12. FINANCIAL INFORMATION (CONT'D)**(iii) Commentaries for cost of sales**

Our cost of sales mainly consists of the following:

- **Material costs**

Material costs consists of input materials used in the fabrication of semifinished metal products and metal parts, and assembly of finished products, as well as packaging materials used for packaging of goods for delivery to customers. Input materials includes metal materials, parts, devices and equipment, surface treatment and coating materials, and other input materials.

For the FYE 2021, our material costs increased by 30.18% or RM8.54 million mainly due to the increase in purchases of input materials by 45.89% or RM12.84 million to RM40.80 million (FYE 2020: RM27.97 million). This includes metal materials, parts, devices and equipment, surface treatment and coating materials and other input materials which was in line with the increase in revenue by 38.75% in FYE 2021.

For the FYE 2022, our material costs increased by 37.37% or RM13.77 million mainly due to the increase in purchases of input materials by 22.19% or RM9.05 million to RM49.86 million (FYE 2021: RM40.80 million). This includes metal materials, parts, devices and equipment, surface treatment and coating materials and other input materials which was in line with the increase in revenue by 30.81% in FYE 2022.

For the FPE 2023, our material costs decreased by 22.34% or RM8.68 million mainly due to the decrease in purchases of input materials during the FPE 2023 coupled with a lower average purchase price of metal input materials.

- **Subcontractor costs**

Subcontractor costs include subcontracted services for our fabrication and assembly business activities such as machining, powder coating, chemical film, nickel electroplating and other services. We subcontract machining services to customer's approved suppliers for certain metal parts based on the customer's requests and requirements. We also engage other subcontracted services, where were mainly for activities which we do not undertake in-house such as sandblasting (prior to our sandblasting facilities becoming operational in December 2022), chemical film treatment, nickel electroplating, chrome electroplating and aluminium anodising.

For the FYE 2021, our subcontractor costs increased by 242.97% or RM3.04 million largely attributed by the increase in subcontracted machining services mainly for the machining works of metal parts which were required to be subcontracted to our customers' approved suppliers. These were mainly for new metal part orders received in FYE 2021 and this was also reflected in the increase of 190.65% in revenue from fabrication of metal parts segment in FYE 2021.

For the FYE 2022, our subcontractor costs decreased by 33.09% or RM1.42 million mainly due to the decrease in subcontracted machining services in FYE 2022 mainly due to the decrease in orders of the certain metal parts which were required to be subcontracted out to approved suppliers.

For the FPE 2023, our subcontractor costs decreased by 34.86% or RM0.84 million mainly due to the decrease in subcontracted machining and powder coating services.

12. FINANCIAL INFORMATION (CONT'D)

- **Labour costs**

Labour costs consist salaries, bonus, allowances, and employee contribution plans for employees who are involved in the production, engineering, quality assurance, purchasing / procurement, store, customer service, sales & marketing, compliance, planning, logistics, technology development as well as management information systems (MIS) department of our Group.

For the FYE 2021, our labour costs increased by 12.35% or RM1.40 million mainly due to the increment of salaries and bonus in FYE 2021.

For the FYE 2022, our labour costs increased by 42.42% or RM5.40 million mainly due to the increase in number of employees from 256 employees as at 31 December 2021 to 352 employees as at 31 December 2022 coupled with an increment in salaries and bonus in FYE 2022.

For the FPE 2023, our labour costs decreased by 1.81% or RM0.24 million mainly due to lower production activities in FPE 2023.

- **Depreciation costs**

Depreciation costs consist of the depreciation charges for plant, machinery and equipment. Our depreciation costs decreased by 12.29% or RM0.92 million and 11.73% or RM0.77 million in FYE 2021 and FYE 2022, respectively, due to certain plant, machinery and equipment being fully depreciated during the respective financial years. For FPE 2023, our depreciation costs decreased by 31.94% or RM1.46 million as some of the plants, machinery and equipment have been fully depreciated.

- **Factory overheads**

Factory overheads consist of carriage inwards, water and electricity charges, upkeep of equipment and building, consumable tools, gases, security charges, chemicals, rental expense, personal protective equipment and others.

For the FYE 2021, our factory overheads increased by 20.45% or RM1.15 million which was mainly due to the increase in carriage inwards by RM0.37 million, gases by RM0.19 million and consumable tools by RM0.19 million, arising from increases in revenue and production activities during the financial year.

For the FYE 2022, our factory overheads increased by 32.27% or RM2.18 million and this was mainly due to the increase in carriage inwards by RM0.57 million, upkeep of equipment and building by RM0.55 million, water and electricity by RM0.32 million, gases by RM0.18 million, and consumable tools by RM0.17 million, arising from increases in revenue and production activities during the financial year.

For the FPE 2023, our factory overheads decreased by 4.76% or RM0.31 million and this was mainly due to the decrease in consumable tools by RM0.17 million and upkeep of equipment and building by RM0.10 million, due to decreases in revenue and production activities during the financial period.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.5 Segmental Analysis by GP

(i) GP and GP margin by business activities

	FYE 2020			Audited FYE 2021			FYE 2022		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
Fabrication of semifinished metal products	7,185	66.71	13.78	13,114	57.88	21.53	17,454	55.96	21.97
Fabrication of metal parts	3,118	28.95	41.77	9,016	39.79	41.56	12,917	41.41	48.77
Assembly of finished products	468	4.34	9.09	529	2.33	7.31	820	2.63	7.06
Total	10,771	100.00	16.63	22,659	100.00	25.22	31,191	100.00	26.54
	Unaudited			Audited					
	FPE 2022			FPE 2023					
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
Fabrication of semifinished metal products	12,222	53.96	21.06	11,769	64.39	21.59			
Fabrication of metal parts	9,763	43.10	47.68	6,126	33.52	50.97			
Assembly of finished products	667	2.94	7.01	383	2.09	6.83			
Total	22,652	100.00	25.73	18,278	100.00	25.34			

12. FINANCIAL INFORMATION (CONT'D)**(ii) GP and GP margin by geographical markets**

	Audited								
	FYE 2020		FYE 2021		FYE 2022				
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)			
Malaysia	6,513	60.47	13.36	10,158	44.83	19.63	15,350	49.21	20.30
Foreign countries									
Singapore	4,153	38.56	26.34	12,041	53.14	32.59	14,991	48.06	37.57
United States	105	0.97	41.83	460	2.03	39.25	850	2.73	42.39
	4,258	39.53	26.59	12,501	55.17	32.80	15,841	50.79	37.80
Total	10,771	100.00	16.63	22,659	100.00	25.22	31,191	100.00	26.54

	Unaudited			Audited		
	FPE 2022			FPE 2023		
	RM'000	%	GP margin (%)	RM'000	%	GP margin (%)
Malaysia	10,295	45.45	19.08	10,063	55.05	20.21
Foreign countries						
Singapore	11,470	50.63	35.60	8,031	43.94	36.52
United States	887	3.92	47.66	184	1.01	51.11
	12,357	54.55	36.26	8,215	44.94	36.76
Total	22,652	100.00	25.73	18,278	100.00	25.34

12. FINANCIAL INFORMATION (CONT'D)**(iii) Commentaries for GP and GP margin****Comparison between FYE 2020 and FYE 2021**

Our total GP increased by 110.37% or RM11.89 million from RM10.77 million in FYE 2020 to RM22.66 million in FYE 2021 which was due to the increase in our total revenue. Our GP margin improved from 16.63% in FYE 2020 to 25.22% in FYE 2021. This was mainly contributed by the higher contribution of GP from the fabrication of semifinished metal products namely metal bodies and accessories for CNC machines and fabrication of metal parts segment which generally yields higher GP margin. There was no material adverse impact from the rising costs of metal input materials on our GP margin in FYE 2021 as there was upward revision of our selling prices for some of our products to partly address the higher costs.

(a) Fabrication of semifinished metal products

Our GP from the fabrication of semifinished metal products improved by 82.52% or RM5.93 million from RM7.19 million in FYE 2020 to RM13.11 million in FYE 2021. This was mainly contributed by the following:

- Increase in GP from metal bodies and accessories for CNC machines by 127.20% or RM4.07 million in FYE 2021 as reflected in the increased revenue arising from higher orders for more complex metal bodies and accessories which were associated with higher selling prices and margins.
- Increase in GP from metal bodies and accessories for security screening equipment by 46.66% or RM1.86 million as reflected in the higher revenue from metal accessories such as the tray return system and console table.

The GP margin from semifinished metal products improved from 13.78% in FYE 2020 to 21.53% in FYE 2021. This was mainly attributed to the following:

- improvement in GP margin from metal bodies and accessories for CNC machines by 7.12% in FYE 2021, mainly attributed to the increase in sales of higher margin products, namely fabricated metal bodies that were more complex.
- improvement in GP margin from metal bodies and accessories for security screening equipment by 4.00% in FYE 2021. This was mainly attributed to product mix, arising from an increase in the sales of higher margin products, namely fabricated metal bodies that were more complex.

(b) Fabrication of metal parts

Our GP from the fabrication of metal parts improved by 189.16% or RM5.90 million from RM3.12 million in FYE 2020 to RM9.02 million in FYE 2021. The increase in GP was mainly contributed by metal parts for semiconductor manufacturing equipment which increased by 560.68% or RM6.90 million to RM8.13 million in FYE 2021 (FYE 2020: RM1.23 million), which was also reflected in revenue growth of 486.77% for this type of metal parts. The GP margin remained relatively consistent at 41.77% in FYE 2020 and 41.56% in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**(c) Assembly of finished products**

Our GP from the assembly of finished products increased by 13.03% or RM0.06 million from RM0.47 million in FYE 2020 to RM0.53 million in FYE 2021. This was mainly due to the increase in revenue for the assembly of walk-through metal detectors.

GP margin for this business segment decreased from 9.09% in FYE 2020 to 7.31% in FYE 2021, mainly due to the increases in the cost of materials and parts namely aluminium profiles, as well as cable and wire harness used in the assembly of walk-through metal detectors.

Comparison between FYE 2021 and FYE 2022

Our GP increased by 37.65% or RM8.53 million from RM22.66 million in FYE 2021 to RM31.19 million in FYE 2022, due to the increase in our total revenue. Our GP margin improved from 25.22% in FYE 2021 to 26.54% in FYE 2022. This was mainly contributed by the increase in GP and GP margin for both fabrication of semifinished metal products and fabrication of metal parts segment. There was no material adverse impact from the rising costs of metal input materials on our GP margin in FYE 2022 as there was upward revision of our selling prices for some of our products to partly address the higher costs.

(a) Fabrication of semifinished metal products

Our GP from the fabrication of semifinished metal products increased by 33.09% or RM4.34 million from RM13.11 million in FYE 2021 to RM17.45 million in FYE 2022, as reflected in our revenue growth of 30.39% from this segment. The increase in GP was mainly contributed by the increase in GP from the fabrication of metal bodies and accessories for security screening equipment which grew by 76.17% or RM4.45 million to RM10.30 million in FYE 2022 (FYE 2021: RM5.85 million). The GP margin remained relatively consistent at 21.53% in FYE 2021 and 21.97% in FYE 2022.

(b) Fabrication of metal parts

Our GP from the fabrication of metal parts improved by 43.27% or RM3.90 million from RM9.02 million in FYE 2021 to RM12.92 million in FYE 2022, as reflected in the increase in revenue by 22.10%. The increase in GP from this business segment was mainly contributed by the GP from metal parts for semiconductor manufacturing equipment which increased by 45.56% or RM3.71 million to RM11.84 million in FYE 2022 (FYE 2021: RM8.13 million).

The GP margin improved from 41.56% in FYE 2021 to 48.77% in FYE 2022. The improvement in the GP margin was mainly due to the lower subcontracted machining costs in FYE 2022. This was mainly due to the decrease in orders of the certain metal parts which were required to be subcontracted out to approved suppliers.

(c) Assembly of finished products

Our GP from the assembly of finished products increased by 55.01% or RM0.29 million from RM0.53 million in FYE 2021 to RM0.82 million in FYE 2022 as reflected in the increase in revenue by 60.52% from the assembly of walk-through metal detectors.

GP margin for this business segment decreased slightly from 7.31% in FYE 2021 to 7.06% in FYE 2022, mainly due to the increase in cost of materials and parts namely aluminium profiles, and cable and wire harness used in the assembly of walk-through metal detectors.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FPE 2022 and FPE 2023**

Our GP decreased by 19.31% or RM4.37 million from RM22.65 million in FPE 2022 to RM18.28 million in FPE 2023, due to the decrease in our total revenue. Our GP margin declined slightly from 25.73% in FPE 2022 to 25.34% in FPE 2023.

a) Fabrication of semifinished metal products

Our GP from the fabrication of semifinished metal products decreased by 3.71% or RM0.45 million from RM12.22 million in FPE 2022 to RM11.77 million in FPE 2023, which was also reflected in the decrease in our revenue by 6.10% from this segment. The decrease in GP was mainly attributed to the decrease in GP from the fabrication of metal bodies and accessories for CNC machines by 4.26% or RM0.25 million to RM5.60 million in FPE 2023 (FPE 2022: RM5.85 million). The decrease in GP was also partly due to the decrease in GP from the fabrication of metal bodies and accessories for security screening equipment by 3.20% or RM0.20 million to RM6.17 million in FPE 2023 (FPE 2022: RM6.38 million).

The GP margin from fabrication of semifinished metal products improved from 21.06% in FPE 2022 to 21.59% in FPE 2023, mainly due to the decrease in the average purchase price for metal input materials.

(b) Fabrication of metal parts

Our GP from the fabrication of metal parts declined by 37.25% or RM3.64 million from RM9.76 million in FPE 2022 to RM6.13 million in FPE 2023, which was also reflected in the decrease in our revenue by 41.30% from this segment. The decrease in GP was mainly attributed to the decrease in GP from the fabrication of metal parts for semiconductor manufacturing equipment by 36.24% or RM3.25 million to RM5.72 million in FPE 2023 (FPE 2022: RM8.97 million).

The GP margin from the fabrication of metal parts improved from 47.68% in FPE 2022 to 50.97% in FPE 2023. The improvement in the GP margin was mainly due to lower subcontracted machining costs coupled with the decrease in the average purchase price for metal input materials in FPE 2023.

(c) Assembly of finished products

Our GP from the assembly of finished products decreased by 42.58% or RM0.28 million from RM0.67 million in FPE 2022 to RM0.38 million in FPE 2023, which was also reflected in the decrease in our revenue by 41.01% from the assembly of walk-through metal detectors. GP margin for this business segment declined from 7.01% in FPE 2022 to 6.83% in FPE 2023, mainly due to product mix arising from higher proportion of sales of lower margin models.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.6 Other income and net gain on impairment on financial assets**

	FYE 2020		Audited		FYE 2022		Unaudited		Audited	
	RM'000	%	FYE 2021	%	RM'000	%	RM'000	%	RM'000	%
			RM'000							
Other income										
Gains of foreign exchange	-	-	443	68.47	1,570	80.38	2,492	90.52	1,151	65.25
Gains on disposal of PPE	-	-	-	-	107	5.48	105	3.81	118	6.69
Interest income	114	19.35	87	13.45	105	5.38	71	2.58	316	17.91
Sales of scrap	27	4.59	52	8.04	102	5.23	80	2.91	97	5.50
Others ⁽¹⁾	448	76.06	65	10.04	69	3.53	5	0.18	82	4.65
Total	589	100.00	647	100.00	1,953	100.00	2,753	100.00	1,764	100.00

Net gains from impairment on financial assets

Reversal of impairment losses on trade receivables	52	100.00	-	-	67	100.00	-	-	-	-
	52	100.00	-	-	67	100.00	-	-	-	-

Note:

(1)

Includes wage subsidies received by WEPL from the Singaporean Government namely Senior Employment Credit for certain senior employees, Wage Credit Scheme for certain Singapore Citizen employees and Jobs Support Scheme as part of the support during the circuit breaker period, as well as rental discount received as part of support from building owner during the COVID-19 period in FYE 2020 and FYE 2021. There was no rental discount received in FYE 2022.

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12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2020 and FYE 2021**

Our other income increased by 9.85% or RM0.06 million from RM0.59 million in FYE 2020 to RM0.65 million in FYE 2021. This was mainly due to the gains in foreign exchange of RM0.44 million in FYE 2021 attributed to the strengthening of SGD against RM during the FYE 2021. The increase in other income was partially offset by the decrease in income from wage subsidy for WEPL and rental discount received by RM0.26 million and RM0.12 million respectively in FYE 2021. Additionally, there was a decrease in interest income by RM0.03 million in FYE 2021.

The net gains from impairment on financial assets of RM0.05 million in FYE 2020 comprised the reversal of impairment losses on trade receivables which were recognised based on the expected credit losses computed in accordance with MFRS 9. The amounts of expected credit losses were updated at each reporting period to reflect changes in credit risk since the initial recognition of trade receivables.

Comparison between FYE 2021 and FYE 2022

Our other income increased by 201.70% or RM1.31 million from RM0.65 million in FYE 2021 to RM1.95 million in FYE 2022. This was mainly due to the increase in gains from foreign exchange by RM1.13 million in FYE 2022, attributed to the strengthening of the USD and SGD against RM during the FYE 2022. Additionally, in FYE 2022, we recorded gains on disposal of PPE of RM0.11 million pertaining to the disposal of 2 units of motor vehicles and 1 unit of robotic welding equipment.

Additionally, there were net gains from impairment on financial assets of RM0.07 million in FYE 2022 due to the reversal of impairment losses on trade receivables.

Comparison between FPE 2022 and FPE 2023

Our other income decreased by 35.92% or RM0.99 million from RM2.75 million in FPE 2022 to RM1.76 million in FPE 2023. This was mainly due to the decrease in gains from foreign exchange by RM1.34 million in FPE 2023, attributed to lower unrealised gains as a result of our lower exposure in USD during FPE 2023. The decrease was partially offset by the increase in interest income by RM0.25 million in FPE 2023, attributed to the increase in fixed deposits with a licensed bank.

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12. FINANCIAL INFORMATION (CONT'D)

12.3.7 Administrative expenses

	FYE 2020		Audited FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	1,799	29.16	1,544	28.49	2,066	29.45	1,471	28.91	2,337	44.64
Directors' remuneration	2,442	39.58	2,238	41.29	2,539	36.19	1,939	38.11	614	11.73
Depreciation cost	796	12.90	746	13.76	1,093	15.58	801	15.74	963	18.40
Others ⁽¹⁾	1,133	18.36	892	16.46	1,317	18.78	877	17.24	1,321	25.23
Total	6,170	100.00	5,420	100.00	7,015	100.00	5,088	100.00	5,235	100.00

Note:

(1)

Includes expenses on upkeep of equipment; professional fee, licence fee, water and electricity, audit fee, printing and stationery, quit rent, telephone and fax charges, bank interest and charges, and other administrative expenses. In FYE 2020, it includes realised and unrealised loss on foreign exchange. In FPE 2023, it includes stamp duty.

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12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2020 and FYE 2021**

Our administrative expenses decreased by 12.16% or RM0.75 million from RM6.17 million in FYE 2020 to RM5.42 million in FYE 2021. This was mainly due to the following:

- decrease in staff costs by RM0.26 million largely due to the resignation of the business development manager for WEPL in January 2021;
- decrease in directors' remuneration by RM0.20 million due to salary reduction for WEPL's directors since April 2020; and
- decrease in other administrative expenses by RM0.24 million in FYE 2021 as there was no foreign exchange losses in FYE 2021. In FYE 2020, there was a loss on foreign exchange of RM0.47 million.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by 29.43% or RM1.60 million from RM5.42 million in FYE 2021 to RM7.02 million in FYE 2022. This was mainly due to the following:

- increase in staff costs by RM0.52 million largely contributed by the increase in number of administrative staff for our Group from 19 employees as at 31 December 2021 to 26 employees as at 31 December 2022;
- increase in other administrative expenses by RM0.43 million mainly due to the increase in professional fees for architect, legal and surveyor for the purchase of the new factory;
- increase in depreciation costs by RM0.35 million mainly due to increased depreciation of computer, furniture and fittings, office equipment, renovation and software; and
- increase in directors' remuneration by RM0.30 million due to the increase in salary of WEPL's directors since January 2021.

Comparison between FPE 2022 and FPE 2023

Our administrative expenses increased by 2.89% or RM0.15 million from RM5.09 million in FPE 2022 to RM5.24 million in FPE 2023. This was mainly due to the following:

- increase in staff costs by RM0.87 million, mainly attributed to the increase in the number of administrative staff for our Group from an average of 19 employees in FPE 2022 to an average of 25 employees in FPE 2023 as well as the classification of the remuneration paid to our Promoter, Wong Kim Fatt under staff costs instead of directors' remuneration following his resignation as a director of WESB and WEPL in 2022;
- increase in other administrative expenses by RM0.44 million, mainly due to RM0.26 million paid for stamp duty pertaining to the agreements for the Acquisitions, as well as increase of RM0.18 million in licence fee mainly for the subscription to software used for our business operations; and
- increase in depreciation costs by RM0.16 million mainly due to the increase in depreciation of computer, furniture and fittings, office equipment, renovation and software.

The increase in administrative expenses was moderated by a decrease in directors' remuneration by RM1.33 million mainly following the resignation of our Promoters, Wong Kim Fatt as a director of WESB and WEPL in 2022, Loo Sok Ching as a director of WESB and WEPL in December 2022, as well as Ban Kim Wah as a director of WESB and WEPL in March 2023.

12. FINANCIAL INFORMATION (CONT'D)

12.3.8 Finance costs

	Audited		Unaudited		Audited	
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2023	
	RM'000	RM'000	RM'000	RM'000	RM'000	%
Interest expenses on:						
- Term loans	341	255	199	154	120	57.14
- Lease liabilities	95	89	187	149	90	42.86
Total	436	344	386	303	210	100.00

Comparison between FYE 2020 and FYE 2021

Our finance costs decreased by 21.10% or RM0.09 million in FYE 2021 mainly due to the decrease in interest expenses on term loans and lease liabilities due to the reducing balances of these liabilities.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by 12.21% or RM0.04 million in FYE 2022 mainly due to the increase in interest expenses on lease liabilities due to the additional lease liabilities pertaining to renewal of tenancy agreement for our factories.

Comparison between FPE 2022 and FPE 2023

Our finance costs decreased by 30.69% or RM0.09 million in FPE 2023, mainly due to the decrease in interest expenses on lease liabilities and term loans due to the reducing balances of these liabilities.

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12. FINANCIAL INFORMATION (CONT'D)**12.3.9 Other expenses and net losses from impairment on financial assets**

	FYE 2020		Audited		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Other expenses												
Losses on investment in associate	549	100.00	-	-	-	-	-	-	-	-	-	-
Loss on disposal of associate	-	-	18	100.00	-	-	-	-	-	-	-	-
Total	549	100.00	18	100.00	-	-	-	-	-	-	-	-
Net losses from impairment on financial assets												
Impairment losses on trade receivables	-	-	126	100.00	-	-	-	-	-	-	-	-
	-	-	126	100.00	-	-	-	-	-	-	-	-

In FYE 2020, we recognised losses on investment in associate of RM0.55 million which was relating to the write-down of investment in a former associate company, namely Ocean Megaview. The disposal of Ocean Megaview was completed on 15 December 2021.

In FYE 2021, we recognised a loss on disposal of associate of RM0.02 million pursuant to the disposal of Ocean Megaview as mentioned above.

In FYE 2021, there was net losses from impairment on financial assets of RM0.13 million relating to the impairment losses on trade receivables. The increase in impairment loss was mainly due to higher impairments made on trade receivables in FYE 2021 based on the expected credit losses computation pursuant to the MFRS 9. The amount of expected credit losses were updated at each reporting period to reflect changes in credit risk since initial recognition of trade receivables.

12. FINANCIAL INFORMATION (CONT'D)

12.3.10 PBT, taxation and PAT

	Audited			Unaudited		Audited	
	FYE 2020	FYE 2021	FYE 2022	FPE 2022	FPE 2022	FPE 2023	FPE 2023
PBT (RM'000)	4,174	17,307	25,693	19,937	19,937	14,471	14,471
- Malaysia operations (RM'000)	4,544	15,413	24,154	18,185	18,185	13,483	13,483
- Singapore operations (RM'000)	(370)	1,894	1,539	1,752	1,752	988	988
PBT margin (%)	6.45	19.26	21.86	22.65	22.65	20.06	20.06
Total taxation (RM'000)	595	3,601	5,214	3,621	3,621	3,470	3,470
- Malaysia operations (RM'000)	595	3,601	5,115	3,548	3,548	3,348	3,348
- Singapore operations (RM'000)	-	-(1)	99	73	73	122	122
Effective tax rate (%)							
- Group	14.25	20.81	20.29	18.16	18.16	23.98	23.98
- Malaysia operations	13.09	23.36	21.18	19.51	19.51	24.83	24.83
- Singapore operations	-	-	6.43	4.17	4.17	12.35	12.35
Statutory tax rate (%)							
- Malaysia operations	24.00	24.00	24.00	24.00	24.00	24.00	24.00
- Singapore operations	17.00	17.00	17.00	17.00	17.00	17.00	17.00
PAT from continuing operations (RM'000)	3,580	13,706	20,480	16,316	16,316	11,001	11,001
PAT margin (%)	5.53	15.25	17.42	18.54	18.54	15.25	15.25

Note:

(1) For our Singapore operations, there was no taxation in FYE 2021 mainly due to the unutilised losses carried forward from prior years.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 2020 and FYE 2021

Our PBT increased by 314.64% or RM13.13 million to RM17.31 million in FYE 2021, mainly due to the increase in our GP coupled with the decrease in our total operating expenses (comprising administrative and finance costs). Our PBT margin improved from 6.45% in FYE 2020 to 19.26% in FYE 2021 which was mainly due to the improvement in our GP margin from 16.63% in FYE 2020 to 25.22% in FYE 2021, coupled with the decrease in total operating expenses.

Our PAT had also improved by 282.85% or RM10.13 million in FYE 2021 following from the improvement in our PBT. Similarly, our PAT margin had also improved from a PAT margin of 5.53% in FYE 2020 to 15.25% in FYE 2021.

In FYE 2021, we recorded an effective tax rate of 23.36% for our Malaysia operations, which was lower than the statutory tax rate of 24.00%. This was due to the tax effects on non-taxable income, utilisation of deferred tax assets previously not recognised and overprovision of current tax in the previous financial years.

Comparison between FYE 2021 and FYE 2022

Our PBT increased by 48.45% or RM8.39 million to RM25.69 million in FYE 2022, mainly due to the increase in GP coupled with the increase in other income. Our PBT margin improved from 19.26% in FYE 2021 to 21.86% in FYE 2022 which was mainly due to the increase in our GP margin from 25.22% in FYE 2021 to 26.54% in FYE 2022 coupled with the increase in other income.

Our PAT had also improved by 49.42% or RM6.77 million in FYE 2022 following from the improvement in our PBT. Similarly, our PAT margin had also improved from a PAT margin of 15.25% in FYE 2021 to 17.42% in FYE 2022.

In FYE 2022, we recorded an effective tax rate of 21.18% for our Malaysia operations, which was lower than the statutory tax rate of 24.00%. This was due to the tax effects on utilisation of deferred tax assets previously not recognised, over provision of deferred taxation in the previous financial year, non-taxable income and overprovision of current tax in the previous financial years.

For our Singapore operations, our effective tax rate was 6.43% which was lower than the statutory tax rate of 17.00%. This was mainly due to unutilised losses carried forward from prior years.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FPE 2022 and FPE 2023

Our PBT decreased by RM5.47 million or 27.42% to RM14.47 million in FPE 2023, mainly due to the decrease in GP coupled with the increase in administrative expenses. Our PBT margin decreased from 22.65% in FPE 2022 to 20.06% in FPE 2023, which was mainly due to the increase in administrative expenses as well as decrease in our GP margin from 25.73% in FPE 2022 to 25.34% in FPE 2023.

Our PAT also decreased by RM5.32 million or 32.58% to RM11.00 million in FPE 2023 as a result of a lower PBT. Similarly, our PAT margin declined from 18.54% in FPE 2022 to 15.25% in FPE 2023.

In FPE 2023, we recorded an effective tax rate of 24.83% for our Malaysia operations, which was slightly higher than the statutory tax rate of 24.00% and this was mainly due to the under provision of current tax in the previous financial year.

For our Singapore operations, our effective tax rate was 12.35%, which was lower than the statutory tax rate of 17.00% and this was mainly due to non-taxable income.

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12. FINANCIAL INFORMATION (CONT'D)**12.4 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE****(i) Dependency on certain major customers which contributed significantly to our total revenue and our ability to retain our major customers**

For the Period Under Review, we were dependent on Rapiscan Group, Customer E Group, Makino Asia Pte Ltd and Customer D Group by virtue of their revenue contribution. Collectively, this group of customers accounted for 89.85%, 88.81%, 87.68% and 89.27% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Our financial performance may be adversely affected if we lose any one or more of these major customers or if they reduce their purchases of our products, for whatever reason. In the event we fail to promptly secure or replace the loss of any one or more of these major customers with new customers that can contribute to our revenue in a similar manner, our financial performance would be adversely affected. For further information on our major customers, please refer to Section 7.12 of this Prospectus.

Notwithstanding our business relationships with the aforementioned group of customers, which ranges between 2 and 13 years for the FPE 2023, there can be no assurance that we will be able to continue to retain them as our customers nor can we assure that we will be able to maintain their revenue contribution in the future.

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

(ii) Impact on foreign exchange fluctuations

We are exposed to the risk of foreign exchange fluctuations as part of our revenue and purchases are transacted in foreign currencies. During the Period Under Review, our revenue was transacted in foreign currencies, namely USD and SGD, which accounted for 24.84%, 42.78%, 67.00% and 64.92% of our total revenue for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. Meanwhile, our purchases of materials and services that are denominated in foreign currencies accounted for 43.68%, 38.03%, 37.63% and 43.94% of our total purchases of materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively. This includes foreign currencies such as SGD, Euro, USD and GBP. The breakdown of our revenue and purchases transacted in RM and foreign currencies during the 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	48,674	75.16	51,413	57.22	38,788	33.00	25,302	35.08
Foreign Currencies	16,085	24.84	38,441	42.78	78,752	67.00	46,827	64.92
<i>USD</i>	6,335	9.78	18,073	20.11	55,987	47.63	31,101	43.12
<i>SGD</i>	9,750	15.06	20,368	22.67	22,765	19.37	15,726	21.80
Total Revenue	64,759	100.00	89,854	100.00	117,540	100.00	72,129	100.00
Purchases								
RM	16,458	56.32	27,949	61.97	32,886	62.37	17,538	56.06
Foreign Currencies	12,763	43.68	17,149	38.03	19,844	37.63	13,749	43.94
<i>SGD</i>	4,898	16.76	8,318	18.44	8,524	16.16	5,797	18.53
<i>Euro</i>	2,962	10.14	5,437	12.06	7,979	15.13	4,740	15.15
<i>USD</i>	2,137	7.31	2,817	6.25	3,030	5.75	1,937	6.19
<i>GBP</i>	2,766	9.47	577	1.28	311	0.59	1,275	4.07
Total purchases	29,221	100.00	45,098	100.00	52,730	100.00	31,287	100.00

12. FINANCIAL INFORMATION (CONT'D)Note:

^ Percentage of total revenue or total purchases.

Additionally, our combined financial statements are presented in RM, which is our Group's functional and presentation currency while the individual financial statement for one of our subsidiaries, namely WEPL, are presented in SGD.

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

We also face risks associated with our purchases of input materials that are denominated in foreign currencies. Fluctuations in foreign currency exchange rates between the RM and foreign currencies, namely SGD, USD, Euro and GBP, may have a material effect on our reported income and expenses, which are stated in RM in our combined 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 foreign currencies in which our imported input materials are denominated would result in higher purchase prices in RM terms. This may in turn increase our costs of purchasing these input materials and may in turn have an adverse effect on our earnings.

As we are unable to ascertain the future movements of RM relative to foreign currencies and estimate their impact on our revenue and financial performance, any significant adverse fluctuations in foreign currency exchange rates, particularly the USD, SGD, Euro and GBP relative to RM, may have a significant negative impact on our financial performance.

While foreign currency exchange rate fluctuations have not had any material effect on our financial performance during the Period Under Review, there can be no assurance that we will not be adversely affected in the future.

The following table demonstrates the sensitivity analysis of our net profit to a reasonably possible change in the foreign currency within our Group, with all other variables held constant:

Effects on PAT/other comprehensive income	FYE 2020 RM	FYE 2021 RM	FYE 2022 RM	FPE 2023 RM
EUR/RM				
- strengthened by 10%	(117,720)	(29,565)	182,988	13,568
- weakened by 10%	117,720	29,565	(182,988)	(13,568)
GBP/RM				
- strengthened by 10%	374	231	562	1,284
- weakened by 10%	(374)	(231)	(562)	(1,284)
USD/RM				
- strengthened by 10%	347,516	597,611	2,914,271	1,186,354
- weakened by 10%	(347,516)	(597,611)	(2,914,271)	(1,186,354)

12. FINANCIAL INFORMATION (CONT'D)

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
	<u>RM</u>	<u>RM</u>	<u>RM</u>	<u>RM</u>
Effects on PAT/other comprehensive income				
SGD/RM				
- strengthened by 10%	255,467	487,565	701,920	695,260
- weakened by 10%	(255,467)	(487,565)	(701,920)	(695,260)

For the FYE 2020, we had a net loss on foreign currency exchange while we recorded a net gain in FYE 2021, FYE 2022 and FPE 2023. Details of our foreign currency exchange gains and losses are set out below:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Unrealised (loss)/gain on foreign exchange	(232)	235	429	653
Realised (loss)/gain on foreign exchange	(238)	208	1,140	498
Net (loss)/gain on foreign exchange	(470)	443	1,569	1,151

Please refer to Section 9.1.2 of this Prospectus for further details on the risk pertaining to fluctuations in foreign currency exchange.

(iii) Impact on the fluctuations of metal input material prices

We are exposed to fluctuations in the market prices of metals, particularly steel, lead and aluminium, through our purchases of these metals as input materials which include steel products, lead sheets, aluminium products and other metal products.

The value of purchases of metal input materials during the Period Under Review accounted for 51.71%, 50.22%, 53.53% and 52.76% of our total purchases of input materials and services for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

Steel, lead and aluminium are commodities whose market prices are affected by, among others, global economic conditions, geopolitical events, demand, supply and production capacity. Fluctuations in the market prices of steel, lead and aluminium may affect our purchase prices for metal input materials made from the corresponding metal.

For the Period Under Review, the movement of our average purchase prices of metal input materials including steel products, lead sheets and aluminium products are as follows:

- For steel materials: our purchase price increased by 52.63% from RM3.61/kg in FYE 2020 to RM5.51/kg in FYE 2021, and further increased by 12.34% to RM6.19/kg in FYE 2022. Subsequently, our purchase price for steel materials decreased by 19.87% to RM4.96/kg in FPE 2023;
- For lead sheets: our purchase price increased by 3.79% from RM12.39/kg in FYE 2020 to RM12.86/kg in FYE 2021, and further increased by 15.40% to RM14.84/kg FYE 2022. Subsequently, our purchase price for lead sheets increased by 1.95% to RM15.13/kg in FPE 2023; and
- For aluminium materials: our purchase price increased by 14.15% from RM16.32/kg in FYE 2020 to RM18.63/kg in FYE 2021, and further increased by 32.69% to RM24.72/kg in FYE 2022. Subsequently, our purchase price for aluminium materials decreased by 10.23% to RM22.19/kg in FPE 2023.

12. FINANCIAL INFORMATION (CONT'D)

According to the Industry Overview Report, the global hot-rolled steel prices increased by 231.2% from USD385 per tonne on 11 May 2020 to USD1,275 per tonne on 11 April 2022, which subsequently declined by 53.3% to USD595 per tonne on 11 December 2023. The global lead prices were relatively stable between January 2019 and November 2023. The global average aluminium prices grew by 139.6% from USD1,460 per tonne in April 2020 to USD3,498 per tonne in March 2022, which subsequently declined by 37.0% to USD2,202 per tonne in November 2023.

Overall, between 2020 and 2022, the global steel and aluminium prices experienced significant volatility due to the impact of COVID-19 pandemic on global supply chains and demand. In early 2022, the prices increased further due to supply concerns attributed to the Russia-Ukraine conflict. Between April 2022 and November 2023, global steel and aluminium prices started to decline due to subdued global demand amid growing inflationary pressures and the tightening of financial conditions, as well as improved global supply of aluminium from China. (*Source: Industry Overview Report*)

Increases in the market prices of steel, lead or aluminium may lead to an increase in our costs of fabricated semifinished metal products and metal parts. If we are unable to pass on the increases in costs to our customers, our margins and financial performance may be adversely affected.

Please refer to Section 9.1.3 of this Prospectus for further details on the risk pertaining to fluctuations in input material prices.

(iv) Impact of interest rates fluctuations

As at 30 September 2023, our total borrowings comprising term loan was RM3.30 million, all of which were interest bearing, and was based on floating interest rates. Our interest expenses on term loans decreased from RM0.34 million in FYE 2020 to RM0.26 million in FYE 2021, and further decreased to RM0.20 million in FYE 2022. For FPE 2023, our interest expenses on term loans decreased from RM0.15 million in FPE 2022 to RM0.12 million in FPE 2023. In this respect, any increases in interest rates may adversely affect our results of operations and financial performance.

All of our borrowings were based on the prevailing bank's base lending rate or base financing rate plus/minus a margin agreed with banking institutions when the respective loans and financing were granted.

In this respect, we face financial risks relating to the increase in interest rates which may impact on our financial performance including profitability and margins. During the Period Under Review and up to the LPD, we have not defaulted on any payments of either principal sums and/or interests in relation to our borrowings.

(v) Impact of inflation

Our financial performances during the Period Under Review were not materially affected by the impact of inflation. However, there can be no assurance that future inflation would not have an impact on our business and financial performance.

(vi) Impact of government / economic / fiscal / monetary policies

Our business is subject to risks relating to government, political, economic, fiscal or monetary policies and regulatory risks, geopolitical events, as well as occurrence of force majeure events in Malaysia and Singapore. Any unfavourable changes in such government policies, economic conditions, or fiscal or monetary policies may materially affect our operations in Malaysia and Singapore. Please refer to Section 9.2.1 of this Prospectus for further details on this risk.

12. FINANCIAL INFORMATION (CONT'D)**12.5 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 banking facilities from financial institutions. These funds are mainly used to finance our business operations and growth.

As at 30 September 2023, our cash and bank balances amounted to RM13.08 million and our total borrowings were RM3.30 million (excluding lease liabilities). As at 30 September 2023, our gearing ratio is 0.03 times and current ratio is 5.76 times. As at the LPD, we have banking facilities namely trade facilities of RM3.00 million, of which RM2.62 million has yet to be utilised.

Based on the above, expected cash flow to be generated from our operations, the amount that is available under our existing banking facilities, as well as proceeds to be raised from the Public Issue, our Board believes that we have adequate working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus.

(ii) Cash flow

The following is the summary of our combined statements of cash flow for the Period Under Review. This should be read in conjunction with the Accountants' Report as set out in Section 13 of this Prospectus.

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	13,149	6,629	26,076	8,768
Net cash (for)/from investing activities	(6,669)	2,563	(3,316)	(18,544)
Net cash for financing activities	(4,689)	(3,685)	(5,806)	(2,791)
Net increase in cash and cash equivalents	1,791	5,507	16,954	(12,567)
Effects of foreign exchange translation	(201)	382	700	100
Cash and cash equivalents at the beginning of the financial year	10,629	12,219	18,108	35,762
Cash and cash equivalents at the end of the financial year	12,219	18,108	35,762	23,295
Details of the cash and cash equivalents:				
Cash and bank balances	8,136	13,966	33,654	13,084
Fixed deposits with a licensed bank	5,092	5,167	3,150	11,274
	13,228	19,133	36,804	24,358
Less: Fixed deposits with tenure of more than 3 months	(1,009)	(1,025)	(1,042)	(1,063)
	12,219	18,108	35,762	23,295

12. FINANCIAL INFORMATION (CONT'D)**(a) Net cash from operating activities****FYE 2020**

For the FYE 2020, our operating profit before working capital changes was RM13.55 million. Our net cash from operating activities was RM13.15 million after taking into account the following:

- increase in trade and other receivables of RM0.76 million mainly due to advance payment to suppliers pertaining to deposits for the purchases of input materials;
- decrease in trade and other payables of RM0.69 million mainly due to other payables and accruals pursuant to the settlement of the outstanding amount owing for the purchase of 1 unit of bending equipment which were purchased in FYE 2019;
- increase in inventories of RM0.60 million mainly due to the increase in raw materials balances in FYE 2020 attributed to lower orders and production at the end of the financial year; and
- income tax payment of RM1.14 million which was offset by an income tax refunded of RM2.77 million.

FYE 2021

For the FYE 2021, our operating profit before working capital changes was RM24.82 million. Our net cash from operating activities was RM6.63 million after taking into account the following:

- increase in trade and other receivables of RM11.36 million mainly due the higher revenue and billings during the last quarter of FYE 2021;
- increase in trade and other payables of RM1.20 million mainly attributed to trade payables arising from the higher purchases of metal input materials at the end of FYE 2021 which was to fulfil orders received at the last quarter of FYE 2021. Meanwhile, there were lower other payables and accruals pursuant to the settlement of the outstanding amount owing to equipment supplier for 1 unit of CNC laser welding equipment that was purchased in FYE 2019;
- increase in inventories of RM5.49 million mainly due to the increase in raw materials balances in FYE 2021 attributed to increased purchases of metal input materials to fulfil incoming orders towards the end of the financial year; and
- income tax payment of RM2.55 million.

FYE 2022

For the FYE 2022, our operating profit before working capital changes was RM32.27 million. Our net cash from operating activities was RM26.08 million after taking into account the following:

- increase in inventories of RM1.15 million mainly due to the increase in finished goods balances in FYE 2022 which are pending for delivery to customers. As at the LPD, the finished goods have been delivered to our customers;

12. FINANCIAL INFORMATION (CONT'D)

- increase in trade and other receivables of RM0.63 million mainly attributed to other receivables, deposits and prepayments arising from the deposit of RM1.72 million paid for a land acquisition. Meanwhile, there were lower trade receivables due to the lower outstanding balance from 2 major customers as at 31 December 2022;
- increase in trade and other payables of RM0.72 million mainly due to increase in accruals by RM1.12 million pertaining to staff salaries and bonus. This was offset by the decrease in trade payables by RM0.67 million due to the lower outstanding balance attributed to timely payments to our suppliers; and
- income tax payment of RM5.14 million.

FPE 2023

For FPE 2023, our operating profit before working capital changes was RM17.68 million. Our net cash from operating activities was RM8.77 million after taking into account the following:

- decrease in trade and other payables of RM4.32 million, mainly due to decrease in accruals pertaining to staff salaries and bonus, as well as decrease in trade payables due to decrease in purchases of input materials during the FPE 2023;
- increase in inventories of RM0.60 million, mainly due to higher inventory of finished metal bodies pertaining to secured orders scheduled for product delivery in the fourth quarter of 2023;
- decrease in trade and other receivables of RM0.80 million, mainly attributed to the decrease in other receivables, deposits and prepayments which were mainly pertaining to the deposit of RM1.72 million paid for a land acquisition in FYE 2022. The decrease in other receivables was partially offset by the increase in prepayments relating mainly to IPO listing expenses; and
- income tax paid of RM4.79 million.

(b) Net cash (for)/from investing activities**FYE 2020**

For FYE 2020, our net cash for investing activities was RM6.67 million and this was mainly due to the cash outflow of the following:

- RM1.93 million was used as advances to our former associate company, namely Ocean Megaview, in which our Group held 33.00% equity interest in FYE 2020. This entire equity interest was disposed of in FYE 2021;
- RM3.89 million was used to fund the purchase of PPE including RM2.59 million for the purchase of plant and machinery comprising 1 unit of double column CNC machine and 1 unit of vertical milling machine, RM0.82 million for the land use conversion premium for Lot 815, and RM0.49 million for the purchase of other PPE comprising mainly server storage and factory equipment; and
- RM1.01 million was placed into fixed deposits with tenure more than 3 months.

This was partially offset by the inflow of cash from interest income received of RM0.11 million, proceeds from disposal of PPE of RM0.04 million and advances from Wencor of RM0.01 million. As at the LPD, the said advances have been settled.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021**

For FYE 2021, our net cash from investing activities was RM2.56 million and this was mainly due to the cash inflow of the following:

- RM3.49 million from the proceeds of disposal of our former associate company, namely Ocean Megaview;
- RM0.47 million and RM0.18 million from the repayment of advances from related parties and directors, respectively. The advances to related parties and directors were payment of expenses on behalf of the related parties and directors; and
- RM0.09 million from interest income received for fixed deposits placed in bank.

This was partially offset by the cash outflow mainly for the purchase of PPE of RM1.65 million including RM0.59 million for renovation, electrical and piping installation, RM0.44 million for the purchase of office equipment, computer, printer, CCTV system and software, RM0.26 million for the purchase of plant and machinery as well as RM0.10 million for capital work in progress relating to design fee for construction of the New Manufacturing Plant on Lot 815.

FYE 2022

For FYE 2022, our net cash for investing activities was RM3.32 million and this was mainly due to the cash outflow of the following:

- RM3.50 million was used to fund the purchase of PPE including mainly RM1.12 million for the purchase of 4 units of motor vehicles, RM0.95 million for the purchase of computer, printer, software, furniture and fittings, RM0.90 million for the purchase of plant and machinery comprising 4 units of robotic welding equipment and 3 units of manual laser welding machines, and RM0.16 million for capital work in progress relating mainly to design fee for the construction of the New Manufacturing Plant on Lot 815;
- RM0.07 million for the repayment of advances to Wencor. As at the LPD, all the advances to Wencor has been settled; and
- RM0.02 million was placed into fixed deposits with tenure more than 3 months.

This was partially offset by the inflow of cash from proceed from disposal of PPE of RM0.18 million pertaining to the disposal of 2 units of motor vehicles and 1 unit of robot welding machine as well as interest income received of RM0.10 million for placement of fixed deposits in bank.

FPE 2023

For FPE 2023, our net cash for investing activities was RM18.54 million and this was mainly due to the cash outflow of RM18.96 million used to fund the purchase of PPE. This includes mainly RM17.65 million for the purchase of Lot 879 & 881 for our future expansion.

This was partially offset by the inflow of cash from the interest income received of RM0.32 million for fixed deposits placed in bank as well as RM0.12 million of proceeds from the disposal of PPE pertaining to the disposal of a motor vehicle.

12. FINANCIAL INFORMATION (CONT'D)**(c) Net cash for financing activities****FYE 2020**

For FYE 2020, our net cash for financing activities was RM4.69 million. This was due to the repayment of term loan of RM2.28 million according to the scheduled loan repayment, decrease in lease liabilities of RM1.98 million, as well as payment of interest of RM0.44 million.

FYE 2021

For FYE 2021, our net cash for financing activities was RM3.68 million. This was due to the repayment of term loan of RM1.36 million according to the scheduled loan repayment, decrease in lease liabilities of RM1.98 million, as well as payment of interest of RM0.34 million.

FYE 2022

For FYE 2022, our net cash for financing activities was RM5.81 million. This was due to the repayment of term loan of RM3.52 million according to the scheduled loan repayment, decrease in lease liabilities of RM1.90 million, as well as payment of interest of RM0.38 million.

FPE 2023

For FPE 2023, our net cash for financing activities was RM2.79 million. This was due to the decrease in lease liabilities of RM1.49 million, repayment of term loans of RM1.09 million according to the scheduled loan repayment as well as payment of interest of RM0.21 million.

(iii) Borrowings

For the Period Under Review, our bank borrowings are all interest bearing based on floating interest rates and denominated in RM. The breakdown of our bank borrowings is set out below:

Type of borrowings	Purpose	Effective interest rates (%)	As at 30 September 2023		
			Payable within 12 months	Payable after 12 months	Total
			RM'000	RM'000	RM'000
Term loan	To part finance the purchase of land	4.83	1,491	1,810	3,301
Total			1,491	1,810	3,301
Gearing ratio⁽¹⁾					0.03

Note:

(1) Calculated based on total borrowings divided by total equity.

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12. FINANCIAL INFORMATION (CONT'D)

The maturity profile of our bank borrowings as at 30 September 2023 are set out below:

Type of borrowings	As at 30 September 2023			Total
	Less than 1	1 to 5 years	More than 5	
	year	years	years	
	RM'000	RM'000	RM'000	RM'000
Term loan	1,491	1,810	-	3,301
Total	1,491	1,810	-	3,301

Our Group has not defaulted on payments of either interest and/or principal sum in respect of any borrowings during the Period Under Review and up to the LPD. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities. 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.

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

Types of credit facilities	Credit limit	Balance unutilised as at the LPD
	RM'000	RM'000
Trade facilities ⁽¹⁾	3,000	2,618
	3,000	2,618

Note:

(1) Multi trade line facility comprising letter of credit, trust receipts, bankers' acceptances, shipping guarantee and standby letter of credit. It also includes bank guarantee with a sub-limit of RM1.00 million.

As at the LPD, we have a foreign exchange line of RM5.26 million but have yet to be utilised. Saved as disclosed above, our Group did not use any other credit facilities as at the LPD.

(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. The normal credit terms granted by our suppliers range from 30 days to 90 days.

As at the LPD, our Group's borrowings from financial institution consist of term loan used to part finance the purchase of land.

As at the LPD, our Group has banking facilities amounting to approximately RM3.00 million, where approximately RM2.62 million has yet to be fully utilised.

The interest rates of our borrowings as at the LPD are based on 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.

12. FINANCIAL INFORMATION (CONT'D)

(v) Financial instruments for hedging purposes

For Period Under Review and as at the LPD, our Group does not utilise any financial instrument for hedging purposes. As at the LPD, we have a foreign exchange line of RM5.26 million but have yet to be utilised.

(vi) Financial guarantee contracts

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

(vii) Contingent liabilities

As at the LPD, there is no indirect and/or material contingent liabilities incurred by our Group, which may have a substantial impact on the financial position of our Group.

(viii) Material litigation, claims or arbitration

As at the LPD, we are not involved in any legal action, proceeding, prosecution or arbitration, either as plaintiff or defendant, which may have a material adverse effect on the business or our financial position, and our Directors are not aware of any legal proceeding, pending or threatened, or of any fact to give rise to any legal proceeding which may have a material adverse effect on our business or financial position.

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12. FINANCIAL INFORMATION (CONT'D)**(ix) Capital expenditure and divestiture****Capital expenditure**

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

	FYE 2020	FYE 2021	FYE 2022	FPE 2023	1 October 2023 up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Land and building	815	-	-	17,647	54
Motor vehicles	-	-	1,119	223	-
Plant and machinery	2,589	263	898	473	11
Capital work in progress	-	100	164	249	-
Renovation and related works	69	586	107	-	64
Office equipment, hardware and software	263	441	945	323	21
Furniture and fittings	-	245	33	5	-
Others ⁽¹⁾	158	17	238	37	46
Total	3,894	1,652	3,504	18,957	196

Note:

(1) Includes mainly factory equipment.

FYE 2020

For FYE 2020, our Group's capital expenditure was RM3.89 million comprising mainly the following:

- RM2.59 million for the purchase of plant and machinery comprising 1 unit of double column CNC machine and 1 unit of vertical milling machine;
- RM0.82 million for the land use conversion premium for Lot 815; and
- RM0.49 million for the purchase of other PPE comprising mainly server storage and factory equipment.

FYE 2021

For FYE 2021, our Group's capital expenditure was RM1.65 million comprising mainly the following:

- RM0.59 million for renovation, electrical and piping installation;
- RM0.44 million for the purchase of office equipment, computer, printer, CCTV system and software;
- RM0.26 million for the purchase of plant and machinery; and

12. FINANCIAL INFORMATION (CONT'D)

- RM0.10 million for capital work in progress relating to design fee for construction of the New Manufacturing Plant on Lot 815.

FYE 2022

For FYE 2022, our Group's capital expenditure was RM3.50 million comprising mainly the following:

- RM1.12 million for the purchase of 4 units of motor vehicles;
- RM0.95 million for the purchase of computer, printer, software, furniture and fittings;
- RM0.90 million for the purchase of plant and machinery comprising 4 units of robotic welding equipment and 3 units of manual laser welding machines; and
- RM0.16 million for capital work in progress relating mainly to design fee for the construction of the New Manufacturing Plant on Lot 815.

FPE 2023

For FPE 2023, our Group's capital expenditure of RM18.96 million comprising mainly RM17.65 million for purchase of land and building. This includes mainly RM17.65 million for the purchase of the Lot 879 & 881 for our future expansion.

1 October 2023 up to the LPD

From 1 October 2023 and up to the LPD, our Group's capital expenditure was RM0.20 million which mainly comprised RM0.06 million for the electrical and piping installation and RM0.05 million for the conversion premium for Lot 879 & 881.

Capital divestitures

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>	<u>1 October 2023 up to LPD</u>
	<u>RM'000[^]</u>	<u>RM'000[^]</u>	<u>RM'000[^]</u>	<u>RM'000[^]</u>	<u>RM'000[^]</u>
Motor vehicles	70	-	68	#	-
Plant and machinery	-	-	*	-	-
Total	70	-	68	#	-

Notes:

[^] Refers to net book value.

* Fully depreciated.

Less than RM1,000.

Save for the capital divestitures of RM0.07 million from the disposal of motor vehicles for FYE 2020, RM0.07 million from the disposal of motor vehicles and plant and machinery for FYE 2022 and less than RM1,000 from the disposal of motor vehicles for FPE 2023, our Group had no capital divestiture for FYE 2021 and between 1 October 2023 up to the LPD.

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12. FINANCIAL INFORMATION (CONT'D)**(x) Material capital commitment**

Our capital commitment as at the LPD is as follow:

	Capital commitment <i>RM'000</i>	Source of funds	
		Internally generated funds / Borrowings <i>RM'000</i>	IPO proceeds <i>RM'000</i>
Approved but not contracted for:			
• Construction of the New Manufacturing Plant ⁽¹⁾	67,950	27,950	40,000
• Purchase of new machinery and equipment ⁽²⁾	42,392	17,360	25,032
Total	110,342	45,310	65,032

Notes:

- (1) We plan to construct the New Manufacturing Plant on Lot 815 in Johor Bahru, Johor to carry out our existing fabrication of semifinished metal products and fabrication of metal parts.
- (2) We plan to purchase a new range of machinery and equipment with higher accuracy and precision compared to our existing CNC machines and manufacturing equipment.

(xi) Key financial ratios

Our key financial ratios for the Period Under Review are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Average trade receivable turnover period (days) ⁽¹⁾	75	78	74	87
Average trade payable turnover period (days) ⁽²⁾	34	35	31	32
Average inventory turnover period (days) ⁽³⁾	53	59	60	77
Current ratio (times) ⁽⁴⁾	2.92	3.88	4.91	5.76
Gearing ratio (times) ⁽⁵⁾	0.17	0.12	0.05	0.03

Notes:

- (1) Computed based on average of the opening and closing trade receivable over total revenue for the financial year/period and multiplied by 365 days/273 days for each financial year/period.
- (2) Computed based on average of the opening and closing trade payables over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period.
- (3) Computed based on average of the opening and closing inventory over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period.
- (4) Computed based on the current assets over the current liabilities.
- (5) Computed based on the borrowings over the total equity.

12. FINANCIAL INFORMATION (CONT'D)**(a) Trade receivables turnover ratio**

A summary of our trade receivables for the Period Under Review is set out as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade receivables (RM'000)	13,386	24,962	22,811	23,008
Revenue (RM'000)	64,759	89,854	117,540	72,129
Average trade receivable turnover period (days) ⁽¹⁾	75	78	74	87

Note:

- (1) Computed based on average of the opening and closing trade receivable over total revenue for the financial year/period and multiplied by 365 days/273 days for each financial year/period.

We deal with our customers on credit terms. Generally, the credit terms granted to our customers are assessed and approved on a case-to-case basis. The factors that are taken into consideration when determining the credit period granted to customers include their creditworthiness, payment history, quantum of amount owing to us and length of relationship with us.

As part of our credit control policy, our finance team closely monitor our ageing report and assess the collectability of trade receivables on an individual customer basis regularly to ensure prompt payment within the credit period granted. For any trade receivables which have exceeded the normal credit period granted to customers, we will follow up with calls and send reminders and where appropriate, provide for specific impairments on those trade receivables where recoverability is uncertain based on our dealings with the customers.

For the Period Under Review, the credit terms that we granted to our customers are as follows:

	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Credit terms (days)	30 to 90	30 to 90	30 to 60	30 to 60

Generally, for the Period Under Review, our Group's credit period to customers ranges from 30 days to 60 days. For FYE 2020 and FYE 2021, we granted a credit term of 90 days to Wencor to facilitate the collections from the customers under the Indirect Business Arrangement which usually pay Wencor approximately 65 days to 78 days after invoicing. We no longer have this Indirect Business Arrangement since FYE 2022 where we dealt directly with the customers and the credit terms granted to these customers were 60 days. Notwithstanding this, the payments from these customers who were previously under the Indirect Business Arrangement continued to be slow i.e. 65 days to 78 days after invoicing. Given the significant contribution of these customers to our Group's revenue for the Period Under Review, we recorded average trade receivables turnover period for the Period Under Review ranging from 74 days to 78 days, which is generally reflective of the outstanding period of our receivables from the said customers.

Our average trade receivables turnover period increased from 75 days in FYE 2020 to 78 days in FYE 2021. This was mainly due to the increase in trade receivables in FYE 2021 arising from the increase in billings in the last quarter of FYE 2021 compared to the corresponding period in FYE 2020.

12. FINANCIAL INFORMATION (CONT'D)

Our average trade receivables turnover period decreased from 78 days in FYE 2021 to 74 days in FYE 2022. This was mainly due to the lower trade receivable balances of RM22.81 million at the end of the FYE 2022 (FYE 2021: RM24.96 million) on the back of a higher total revenue of RM117.54 million in FYE 2022 (FYE 2021: RM89.85 million).

Our average trade receivables turnover period of 74 days in FYE 2022 which exceeds the normal credit terms of 30 to 60 days was mainly due to the overdue receivables from the customers which were previously under the Indirect Business Arrangement. Despite the 60-day credit term granted to these customers, the payments from these customers continued to be slow as they usually make payments approximately 65 days to 78 days after invoicing, which exceeded the credit terms granted.

Our average trade receivables turnover period increased from 74 days in FYE 2022 to 87 days in FPE 2023. This was mainly due to slow payments from a major customer. The outstanding receivables from this major customer accounted for 48.44% (RM11.14 million) of our total net trade receivables, or 56.70% (RM6.41 million) of our total past due trade receivables as at 30 September 2023.

The ageing analysis of our trade receivables as at 30 September 2023 and the subsequent collections up to the LPD are set out below:

	Within Credit Period	Exceeded Credit Period				Total
		1-30 days	31-60 days	61-90 days	More than 90 days	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	11,735	7,597	2,839	870	43	23,084
Less: Impairment	(26)	(33)	(2)	(1)	(15)	(1)(77)
Net trade receivables	11,709	7,564	2,837	869	28	23,007
% of total net trade receivables	50.89	32.88	12.33	3.78	0.12	100.00
Subsequent collections as at the LPD	(6,939)	(7,564)	(2,837)	(869)	(28)	(18,237)
Net trade receivables net of subsequent collections	4,770	-	-	-	-	4,770
% of total net trade receivables net of subsequent collections	100.00	-	-	-	-	100.00

Note:

(1) Approximately RM47,000 of the trade receivables that were impaired had also been collected from our customers as at the LPD.

As at the LPD, RM18.24 million or 79.27% of our total net trade receivables outstanding as at 30 September 2023 have been collected. The remaining RM4.77 million or 20.73% of our total net trade receivables are still outstanding as at the LPD.

(b) Trade payables turnover ratio

A summary of our trade payables for the Period Under Review is set out as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Trade payables (RM'000)	5,019	7,700	7,027	5,710
Cost of sales (RM'000)	53,988	67,195	86,349	53,851
Average trade payable turnover period (days) ⁽¹⁾	34	35	31	32

12. FINANCIAL INFORMATION (CONT'D)Note:

- (1) Computed based on average of the opening and closing trade payables over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period.

We deal with our suppliers on cash and credit terms. The normal credit terms granted to us by our suppliers are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FPE 2023</u>
Normal credit terms (days)	30 to 90	30 to 90	30 to 90	30 to 90

For FYE 2021, our average trade payables turnover period increased from 34 days in FYE 2020 to 35 days in FYE 2021. This was mainly due to the higher purchases of metal input materials at the end of FYE 2021 to fulfil orders received at the last quarter of FYE 2021.

For FYE 2022, our average trade payables turnover period improved from 35 days in FYE 2021 to 31 days in FYE 2022. This was mainly due to the timely payments made to our suppliers.

For FPE 2023, our average trade payables turnover period was 32 days which falls within our normal credit terms.

The ageing analysis of our trade payables as at 30 September 2023 and the subsequent payments up to the LPD are set out below:

	<u>Within Credit Period</u>	<u>Exceeded Credit Period</u>				<u>Total</u>
		<u>1-30 days</u>	<u>31-60 days</u>	<u>61-90 days</u>	<u>More than 90 days</u>	
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	
Trade payables	5,705	5	-	-	-	5,710
% of total trade payables	99.91	0.09	-	-	-	100.00
Subsequent payments as at the LPD	(5,066)	(5)	-	-	-	5,071
Trade payables net of subsequent payments	639	-	-	-	-	639
% of total trade payables net of subsequent payments	100.00	-	-	-	-	100.00

As at the LPD, RM5.07 million or 88.81% of our total trade payables outstanding as at 30 September 2023 have been settled. The remaining RM0.64 million or 11.19% of our trade payables are still outstanding as at the LPD.

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12. FINANCIAL INFORMATION (CONT'D)**(c) Inventory turnover ratio**

The breakdown of our inventories for the Period Under Review are as follows:-

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Total inventory (RM'000)	8,172	13,658	14,812	15,408
Consisting of:				
- Raw material	4,589	9,756	9,626	8,503
- Work-in-progress	1,330	2,362	2,177	2,593
- Finished goods	2,253	1,540	3,009	4,312
Cost of sales (RM'000)	53,988	67,195	86,349	53,851
Average inventory turnover period (days) ⁽¹⁾	53	59	60	77

Note:

- (1) Computed based on average of the opening and closing inventory over total cost of sales for the financial year/period and multiplied by 365 days/273 days for each financial year/period.

Our inventory comprises the following:

- Raw materials comprising metal input materials such as steel, lead, aluminium and other metal products, parts, devices and equipment, surface treatment and coating materials, gaskets, fasteners and adhesives;
- Work in progress comprise products which are undergoing fabrication and assembly process into finished goods (i.e. semifinished metal bodies, metal parts, and accessories) and this may include parts that have gone through machining and other services by our subcontractors; and
- Finished goods comprise products that have completed its production and that are stored prior to final delivery to customers.

Our average inventory turnover period increased from 53 days in FYE 2020 to 59 days in FYE 2021 largely due to the increase in orders towards the end of FYE 2021 which resulted in the increase in the purchases of metal input materials in the last quarter of FYE 2021.

For FYE 2022, our average inventory turnover period increased slightly from 59 days in FYE 2021 to 60 days in FYE 2022. This was mainly due to the increase in finished fabricated metal bodies as at the end of FYE 2022 that was pending for delivery to customers.

For FPE 2023, our average inventory turnover period increased from 60 days in FYE 2022 to 77 days in FPE 2023. This was mainly due to the higher inventory despite our lower cost of sales resulting from the overall decrease in revenue from both fabrication and assembly business segments. The higher inventory as at 30 September 2023 was mainly attributed to the higher inventory of finished metal bodies pertaining to secured orders scheduled for product delivery in the fourth quarter of 2023.

12. FINANCIAL INFORMATION (CONT'D)**(d) Current ratio**

The summary of our current ratio for the Period Under Review is as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Current assets (RM'000)	38,134	59,410	77,898	67,290
Current liabilities (RM'000)	13,047	15,313	15,855	11,683
Current ratio (times) ⁽¹⁾	2.92	3.88	4.91	5.76

Note:

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

As at 31 December 2021, our current ratio was 3.88 times which was higher compared to 2.92 times as at 31 December 2020. This was mainly due to the increase in current assets by RM21.28 million attributed largely to the increase in trade receivables of RM11.58 million and inventories of RM5.49 million, driven by higher revenue from existing customers in FYE 2021. Additionally, our cash position generated from our business operations was higher by RM5.83 million as at 31 December 2021.

As at 31 December 2022, our current ratio was 4.91 times which was higher compared to 3.88 times as at 31 December 2021. This was mainly due to the increase in current assets by RM18.49 million attributed largely to the increase in our Group's overall cash position generated from our business operations which increased from RM13.97 million as at 31 December 2021 to RM33.65 million as at 31 December 2022.

As at 30 September 2023, our current ratio was 5.76 times, which was higher compared to 4.91 times as at 31 December 2022. This was mainly due to the decrease in current liabilities by RM4.17 million arising from lower accruals pertaining to staff salaries and bonus.

(e) Gearing ratio

The summary of our gearing ratio for the Period Under Review is as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FPE 2023
Borrowings (RM'000)	9,277	7,914	4,394	3,301
Total equity (RM'000)	54,957	67,392	87,699	98,797
Gearing ratio (times) ⁽¹⁾	0.17	0.12	0.05	0.03

Note:

(1) Computed based on the borrowings over the total equity.

As at 31 December 2021, our gearing ratio was at 0.12 times, which was lower compared to 0.17 times as at 31 December 2020. This was mainly due to the decrease in borrowings resulting from the scheduled repayment of our term loans, coupled with the increase in total equity resulting from the increased retained profits by RM12.41 million attributed from the higher PAT recorded in FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)

As at 31 December 2022, our gearing ratio was at 0.05 times, which was lower compared to 0.12 times as at 31 December 2021. This was mainly due to the decrease in borrowings resulting from the scheduled repayment of our term loans, coupled with the increase in total equity resulting from the increased retained profits by RM20.48 million attributed from the higher PAT recorded in FYE 2022.

As at 30 September 2023, our gearing ratio was 0.03 times, which was lower compared to 0.05 times as at 31 December 2022. This was mainly due to the decrease in borrowings resulting from the scheduled repayment of our term loans, coupled with the increase in total equity resulting from the increased retained profits by RM11.00 million.

12.6 ACCOUNTING POLICIES AND AUDIT QUALIFICATION

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 Periods Under Review. The Accountants' Report did not contain any audit qualification for the Periods Under Review.

12.7 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, save as disclosed in this section and Sections 7 and 9 of this Prospectus;
- (ii) material commitment for capital expenditure;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this section and Sections 7 and 9 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 as disclosed in this section and Sections 7 and 9 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, save as disclosed in this Section and Sections 7 and 9 of this Prospectus.

12.8 ORDER BOOK

We do not maintain an order book as we do not have any long-term contracts with our customers as our sales are made based on confirmed purchased orders.

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12. FINANCIAL INFORMATION (CONT'D)

12.9 DIVIDEND POLICY

It is our Boards' policy to recommend dividends to allow our shareholders to participate in the profits of our Group. Nonetheless, our Company does not have any formal dividend policy.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures. Save for certain banking restrictive covenants which WESB is subject to arising from credit facilities obtained from financial institutions, there is no other dividend restriction imposed on our subsidiaries as at the LPD. The said covenants require WESB to obtain prior written consent from the bank in the event of declaration of any dividends in excess of such percentage of its paid-up capital or its annual net income after tax as may be stipulated by the bank, provided always that any such permissible declaration of dividends may only be made if debt servicing is current.

In addition to the factors above which may affect the ability of our subsidiaries to pay dividends to us, our Board will also consider, among others the following, when recommending the actual dividends for approval by shareholders or when declaring any interim dividends:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our working capital requirements;
- (iv) our other investment plans;
- (v) any material impact of tax laws and other regulatory requirements; and
- (vi) any restrictive covenants contained in our current and future financing arrangements.

The payment and amount of any dividends and distributions to our shareholders will be at the discretion of our Board and will depend on the factors mentioned above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Dividend payments will not be subject to Malaysian taxation and no withholding tax is imposed on our Company for any dividend payment. Further, dividend distributed by our Company, if any, will be exempt from tax in the hands of our shareholders.

During the Period Under Review and up to the LPD, there were no dividends declared or payable by our Group. We do not intend to pay or declare any dividends subsequent to the LPD and prior to our Listing.

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13. ACCOUNTANTS' REPORT

Wentel Engineering Holdings Berhad

(Incorporated in Malaysia)

Registration No: 202301007290 (1501211-T)

**Accountants' Report on the
Combined Financial Statements**

13. ACCOUNTANTS' REPORT (CONT'D)



28 DEC 2023

The Board of Directors
Wentel Engineering Holdings Berhad
No. 11, Jalan Gagah,
Kawasan Perindustrian Larkin,
80350 Johor Bahru, Johor.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Level 16, Tower C, Megan Avenue II
12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
www.crowe.my

Dear Sirs/Madam,

**REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED
IN THE ACCOUNTANTS' REPORT OF WENTEL ENGINEERING HOLDINGS BERHAD
("WEHB" OR "THE COMPANY")**

Opinion

We have audited the financial information of WEHB, Wentel Engineering Sdn. Bhd. ("WESB") and Wentel Engineering Pte. Ltd. (formerly known as Wentel Corporation Pte. Ltd.) ("WEPL") (collectively known as "the Group") which comprises the combined statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 31 December 2020, 31 December 2021 and 31 December 2022 and for the financial period ended 30 September 2023, and notes to the combined financial statements, including a summary of significant accounting policies as set out on page 4 to 105.

This historical financial information has been prepared for inclusion in the prospectus of WEHB in connection with the listing and quotation of the entire issued share capital of WEHB on the ACE Market of Bursa Malaysia Securities Berhad ("the Prospectus"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and is given for the purpose of complying with Prospectus Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the financial positions of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 30 September 2023 and of their financial performance and their cash flows for each of the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and for the financial period ended 30 September 2023 in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

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 Accountant's 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.

13. ACCOUNTANTS' REPORT (CONT'D)**Responsibilities of the Directors for the Financial Statements**

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

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

Reporting Accountants' Responsibilities for the Audit of 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 combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the 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.

13. ACCOUNTANTS' REPORT (CONT'D)



Reporting Accountants' Responsibilities 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 financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

OTHER MATTERS

The comparative information in respect of the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity, combined statements of cash flows and related notes to the combined financial statements of the Group for the 9-month financial period ended 30 September 2022 have not been audited.

RESTRICTION ON DISTRIBUTION AND USE

We understand that this report will be used solely for the purpose of inclusion in the Prospectus of WEHB in connection with the listing and quotation of the entire issued share capital of WEHB 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.

A handwritten signature in black ink, appearing to read "Crowe Malaysia PLT".

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, appearing to read "Chan Kuan Chee".

Chan Kuan Chee
02271/10/2025 J
Chartered Accountant

13. ACCOUNTANTS' REPORT (CONT'D)

For Identification Only


 Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
WENTEL ENGINEERING HOLDINGS BERHAD**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	32,143,521	28,436,609	26,928,790	43,280,029
Right-of-use assets	5	890,673	4,651,947	2,723,371	1,963,942
Intangible assets	6	-	-	10	10
		<u>33,034,194</u>	<u>33,088,556</u>	<u>29,652,171</u>	<u>45,243,981</u>
CURRENT ASSETS					
Inventories	7	8,171,796	13,658,224	14,811,664	15,407,725
Trade receivables	8	13,385,973	24,962,264	22,811,055	23,007,560
Other receivables, deposits and prepayments	9	2,267,960	1,183,760	3,471,270	3,246,404
Current tax assets		1,079,524	472,492	-	1,269,946
Fixed deposits with a licensed bank	10	5,091,922	5,167,197	3,150,663	11,273,888
Cash and bank balances		8,136,577	13,966,359	33,653,775	13,084,433
		<u>38,133,752</u>	<u>59,410,296</u>	<u>77,898,427</u>	<u>67,289,956</u>
Non-current asset held for sale	11	4,805,802	-	-	-
TOTAL ASSETS		<u>75,973,748</u>	<u>92,498,852</u>	<u>107,550,598</u>	<u>112,533,937</u>

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

For Identification Only


 Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
WENTEL ENGINEERING HOLDINGS BERHAD**COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	12	1,237,181	1,237,181	1,237,181	87,680,000
Merger Deficit		-	-	-	(86,442,719)
Foreign exchange translation reserve	13	588,668	617,122	444,346	541,312
Retained profits		53,131,241	65,537,932	86,017,612	97,018,183
TOTAL EQUITY		54,957,090	67,392,235	87,699,139	98,796,776
NON-CURRENT LIABILITIES					
Lease liabilities	14	-	2,791,718	1,048,146	243,568
Term loan	15	7,969,789	6,557,182	2,948,028	1,810,337
Deferred tax liabilities	16	-	444,346	-	-
		7,969,789	9,793,246	3,996,174	2,053,905
CURRENT LIABILITIES					
Trade payables	17	5,018,879	7,700,302	7,026,700	5,710,220
Other payables and accruals	18	5,788,086	4,364,584	5,575,720	2,690,065
Lease liabilities	14	933,031	1,892,008	1,758,897	1,792,032
Term loan	15	1,306,873	1,356,477	1,446,516	1,490,939
Current tax liabilities		-	-	47,452	-
		13,046,869	15,313,371	15,855,285	11,683,256
TOTAL LIABILITIES		21,016,658	25,106,617	19,851,459	13,737,161
TOTAL EQUITY AND LIABILITIES		75,973,748	92,498,852	107,550,598	112,533,937

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

For Identification Only


 Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
WENTEL ENGINEERING HOLDINGS BERHAD**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	Audited			Unaudited	Audited
		< -- Financial Year Ended 31 December -- >			1.1.2022	1.1.2023
		2020	2021	2022	to	to
		RM	RM	RM	30.9.2022	30.9.2023
					RM	RM
CONTINUING OPERATIONS						
REVENUE	19	64,759,401	89,854,172	117,540,466	88,026,588	72,128,945
COST OF SALES		(53,988,805)	(67,195,265)	(86,349,878)	(65,374,511)	(53,850,695)
GROSS PROFIT		10,770,596	22,658,907	31,190,588	22,652,077	18,278,250
OTHER INCOME		588,799	646,963	1,952,522	2,752,702	1,764,153
		11,359,395	23,305,870	33,143,110	25,404,779	20,042,403
SELLING AND DISTRIBUTION EXPENSES		(81,714)	(91,055)	(116,502)	(76,766)	(126,465)
ADMINISTRATIVE EXPENSES		(6,170,334)	(5,420,319)	(7,014,973)	(5,087,719)	(5,235,213)
OTHER EXPENSES		(548,993)	(17,802)	-	-	-
FINANCE COSTS		(435,564)	(343,645)	(385,620)	(302,874)	(209,987)
NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL ASSETS	20	51,671	(125,955)	67,404	-	-
PROFIT BEFORE TAXATION	21	4,174,461	17,307,094	25,693,419	19,937,420	14,470,738
INCOME TAX EXPENSE	22	(594,729)	(3,601,378)	(5,213,739)	(3,621,223)	(3,470,167)
PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		3,579,732	13,705,716	20,479,680	16,316,197	11,000,571

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

For Identification Only



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201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

WENTEL ENGINEERING HOLDINGS BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

		Audited < -- Financial Year Ended 31 December -- >			Unaudited	Audited
	Note	2020	2021	2022	1.1.2022 to 30.9.2022	1.1.2023 to 30.9.2023
		RM	RM	RM	RM	RM
DISCONTINUED OPERATIONS						
LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS	23	(804,640)	(1,299,025)	-	-	-
PROFIT/(LOSS) AFTER TAXATION		2,775,092	12,406,691	20,479,680	16,316,197	11,000,571
OTHER COMPREHENSIVE INCOME						
<u>Items that Will be Reclassified Subsequently to Profit or Loss</u>						
Foreign currency translation differences		186,451	28,454	(172,776)	(56,109)	96,966
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		2,961,543	12,435,145	20,306,904	16,260,088	11,097,537
PROFIT/(LOSS) AFTER TAXATION ATTRIBUTABLE TO:						
Owners of the Company:						
- continuing operations		3,579,732	13,705,716	20,479,680	16,316,197	11,000,571
- discontinued operations		(804,640)	(1,299,025)	-	-	-
		2,775,092	12,406,691	20,479,680	16,316,197	11,000,571

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

For Identification Only



Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

WENTEL ENGINEERING HOLDINGS BERHAD

COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)

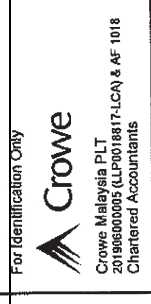
	Note	Audited < -- Financial Year Ended 31 December -- >			Unaudited	Audited
		2020 RM	2021 RM	2022 RM	1.1.2022 to 30.9.2022 RM	1.1.2023 to 30.9.2023 RM
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-						
Owners of the Company:						
- continuing operations		3,766,183	13,734,170	20,306,904	16,260,088	11,097,537
- discontinued operations		(804,640)	(1,299,025)	-	-	-
		<u>2,961,543</u>	<u>12,435,145</u>	<u>20,306,904</u>	<u>16,260,088</u>	<u>11,097,537</u>
EARNINGS/(LOSS) PER SHARE	24					
Basic:						
- continuing operations		3.25	12.46	18.62	14.83	0.01
- discontinued operations		(0.73)	(1.18)	-	-	-
		<u>2.52</u>	<u>11.28</u>	<u>18.62</u>	<u>14.83</u>	<u>0.01</u>
Diluted:						
- continuing operations		3.25	12.46	18.62	14.83	0.01
- discontinued operations		(0.73)	(1.18)	-	-	-
		<u>2.52</u>	<u>11.28</u>	<u>18.62</u>	<u>14.83</u>	<u>0.01</u>

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

**WENTEL ENGINEERING HOLDINGS BERHAD
COMBINED STATEMENTS OF CHANGES IN EQUITY**



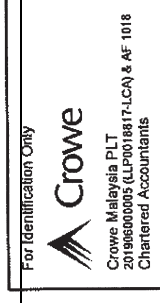
	Share Capital RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to the Owners of the Company RM	Total Equity RM
Audited					
Balance at 1. 1. 2020	1,237,181	402,217	50,356,149	51,995,547	51,995,547
Profit after taxation for the financial year	-	-	2,775,092	2,775,092	2,775,092
Other comprehensive income for the financial year: - Foreign currency translations difference	-	186,451	-	186,451	186,451
Total comprehensive income for the financial year	-	186,451	2,775,092	2,961,543	2,961,543
Balance at 31. 12. 2020	1,237,181	588,668	53,131,241	54,957,090	54,957,090

The annexed notes form an integral part of these financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)



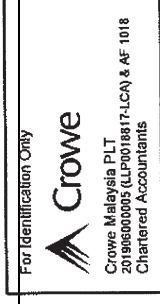
	Share Capital RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to the Owners of the Company RM	Total Equity RM
Audited					
Balance at 1.1.2021	1,237,181	588,668	53,131,241	54,957,090	54,957,090
Profit after taxation for the financial year	-	-	12,406,691	12,406,691	12,406,691
Other comprehensive income for the financial year:					
- Foreign currency translations difference	-	28,454	-	28,454	28,454
Total comprehensive income for the financial year	-	28,454	12,406,691	12,435,145	12,435,145
Balance at 31.12.2021/1.1.2022	1,237,181	617,122	65,537,932	67,392,235	67,392,235
Profit after taxation for the financial year	-	-	20,479,680	20,479,680	20,479,680
Other comprehensive expense for the financial year:					
- Foreign currency translations difference	-	(172,776)	-	(172,776)	(172,776)
Total comprehensive income for the financial year	-	(172,776)	20,479,680	20,306,904	20,306,904
Balance at 31.12.2022	1,237,181	444,346	86,017,612	87,699,139	87,699,139

The annexed notes form an integral part of these financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

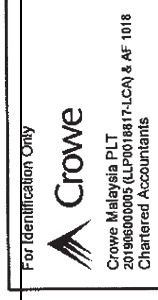


	Share Capital RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to the Owners of the Company RM	Total Equity RM
Unaudited					
Balance at 1.1.2022	1,237,181	617,122	65,537,932	67,392,235	67,392,235
Profit after taxation for the financial period	-	-	16,316,197	16,316,197	16,316,197
Other comprehensive income for the financial period: - Foreign currency translations difference	-	(56,109)	-	(56,109)	(56,109)
Total comprehensive income for the financial period	-	(56,109)	16,316,197	16,260,088	16,260,088
Balance at 30.9.2022	1,237,181	561,013	81,854,129	83,652,323	83,652,323

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)



	Share Capital RM	Merger Deficit RM	Foreign Exchange Translation Reserve RM	Retained Profits RM	Attributable to the Owners of the Company RM	Total Equity RM
Audited						
Balance at 1.1.2023	1,237,181	-	444,346	86,017,612	87,699,139	87,699,139
Issuance of new shares for cash	100	-	-	-	100	100
Issuance of shares pursuant to acquisition of subsidiaries company	87,679,900	-	-	-	87,679,900	87,679,900
Adjustment on acquisition of subsidiaries	(1,237,181)	(86,442,719)	-	-	(87,679,900)	(87,679,900)
Profit after taxation for the financial period	-	-	-	11,000,571	11,000,571	11,000,571
Other comprehensive income for the financial period: - Foreign currency translations difference	-	-	96,966	-	96,966	96,966
Total comprehensive income for the financial period	86,442,819	(86,442,719)	96,966	11,000,571	11,097,637	11,097,637
Balance at 30.9.2023	87,680,000	(86,442,719)	541,312	97,018,183	98,796,776	98,796,776

The annexed notes form an integral part of these financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

For Identification Only



Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

WENTEL ENGINEERING HOLDINGS BERHAD

COMBINED STATEMENTS OF CASH FLOWS

	Note	Audited < -- Financial Year Ended 31 December -- >			Unaudited	Audited
		2020 RM	2021 RM	2022 RM	1.1.2022 to 30.9.2022 RM	1.1.2023 to 30.9.2023 RM
CASH FLOWS						
FROM						
OPERATING						
ACTIVITIES						
Profit/(Loss) before taxation:						
- continuing operations		4,174,461	17,307,094	25,693,419	19,937,420	14,470,738
- discontinued operations		(804,640)	(1,299,025)	-	-	-
Adjustments for:-						
Bad debts written off		-	23,350	-	-	-
Depreciation of property, plant and equipment		6,345,884	5,360,592	4,949,953	3,922,639	2,605,524
Depreciation of right-of-use assets		1,953,172	1,967,541	1,952,505	1,462,209	1,475,854
Impairment losses on investment in an associate		548,993	-	-	-	-
Interest expenses on lease liabilities		94,221	88,975	187,063	148,848	90,002
Interest expenses on term loan		341,343	254,670	198,557	154,026	119,985
Interest income		(114,058)	(87,126)	(104,653)	(70,647)	(316,386)
Loss on disposal of associate		-	17,802	-	-	-
Loss/(Gain) on disposal of property, plant and equipment		29,362	-	(106,665)	(104,666)	(117,999)
Property, plant and equipment written off (Reversal of)/		143	529	70	1	3,601
impairment losses on trade receivables		(51,671)	125,955	(67,404)	-	-
Share of net losses of equity accounted associates		804,640	1,299,025	-	-	-
Unrealised loss/(gain) on foreign exchange		232,431	(235,069)	(428,847)	(1,659,109)	(652,626)
Operating profit before working capital changes		13,554,281	24,824,313	32,273,998	23,790,721	17,678,693

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	Audited			Unaudited	Audited
		< -- Financial Year Ended 31 December -- >			1.1.2022	1.1.2023
		2020	2021	2022	to	to
		RM	RM	RM	30.9.2022	30.9.2023
					RM	RM
Increase in Inventories		(597,351)	(5,486,428)	(1,153,440)	(366,530)	(596,061)
Decrease/(Increase) in trade and other receivables		(755,183)	(11,358,995)	(627,451)	(2,903,499)	796,610
(Decrease)/Increase in trade and other payables		(685,536)	1,200,540	723,640	2,354,990	(4,317,758)
CASH FROM OPERATIONS		11,516,211	9,179,430	31,216,747	22,875,682	13,561,484
Income tax paid		(1,135,716)	(2,550,000)	(5,140,705)	(3,132,580)	(4,793,652)
Income tax refunded		2,768,040	-	-	-	-
NET CASH FROM OPERATING ACTIVITIES		13,148,535	6,629,430	26,076,042	19,743,102	8,767,832

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	Audited < -- Financial Year Ended 31 December -- >			Unaudited	Audited
		2020 RM	2021 RM	2022 RM	1.1.2022 to 30.9.2022 RM	1.1.2023 to 30.9.2023 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES						
Additions of fixed deposits with tenure of more than 3 months		(1,009,349)	(15,682)	(17,377)	(12,604)	(20,651)
Advances from/(Repayment to) corporate shareholder		14,269	7,580	(74,393)	(74,393)	-
Advances to an associate		(1,933,785)	-	-	-	-
Interest income received		114,058	87,126	104,653	70,647	316,386
Proceeds from disposal of property, plant and equipment		40,472	-	175,000	173,001	118,000
Proceeds from disposal of non-current asset held for sale		-	3,488,975	-	-	-
Purchase of intangible assets		-	-	(10)	-	-
Purchase of property, plant and equipment	25(a)	(3,894,254)	(1,651,628)	(3,504,385)	(2,465,246)	(18,957,373)
Repayment from directors		-	175,319	-	-	-
Repayment from related parties		-	470,900	-	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES		(6,668,589)	2,562,590	(3,316,512)	(2,308,595)	(18,543,638)

The annexed notes form an integral part of these financial statements.

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13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	Audited			Unaudited	Audited
		< -- Financial Year Ended 31 December -- >			1.1.2022	1.1.2023
		2020	2021	2022	to	to
		RM	RM	RM	30.9.2022	30.9.2023
					RM	RM
CASH FLOWS FOR FINANCING ACTIVITIES						
Interest paid	25(b)	(435,564)	(343,645)	(385,620)	(302,874)	(209,987)
Proceeds from issuance of ordinary shares		-	-	-	-	100
Repayment of lease liabilities	25(b)	(1,976,890)	(1,978,256)	(1,900,939)	(1,414,856)	(1,488,171)
Repayment of term loan	25(b)	(2,276,328)	(1,363,003)	(3,519,115)	(3,159,227)	(1,093,268)
NET CASH FOR FINANCING ACTIVITIES		(4,688,782)	(3,684,904)	(5,805,674)	(4,876,957)	(2,791,326)
NET INCREASE /(DECREASE) IN CASH AND CASH EQUIVALENTS		1,791,164	5,507,116	16,953,856	12,557,550	(12,567,132)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		(200,994)	382,259	699,649	1,142,268	100,364
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		10,628,980	12,219,150	18,108,525	18,108,525	35,762,030
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	25(d)	12,219,150	18,108,525	35,762,030	31,808,343	23,295,262

The annexed notes form an integral part of these financial statements.

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WENTEL ENGINEERING HOLDINGS BERHAD
NOTES TO THE COMBINED FINANCIAL STATEMENTS
1. GENERAL INFORMATION

Wentel Engineering Holdings Sdn. Bhd. ("WEHSB") was incorporated in Malaysia under the Companies Act 2016 on 1 March 2023, as a private limited company and is principally engaged in investment holding. On 12 June 2023, WEHSB was converted into a public limited company under the name of Wentel Engineering Holdings Berhad ("WEHB" or "the Company").

WEHB is embarking on the listing of and quotation of its enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

WEHB was incorporated with a total paid-up share capital of RM100 comprising 1,000 ordinary shares.

WEHB was incorporated for the purpose of acquiring the existing operating entities pursuant to the restructuring exercise as disclosed in Note 1.1 to the combined financial statements.

The information of the entities within the combined financial statements is as follows:

- (a) Wentel Engineering Sdn. Bhd. ("WESB"), a wholly-owned subsidiary, was incorporated on 20 November 2000 in Malaysia, as a private limited company and is principally engaged in the fabrication of semi-finished metal products, fabrication of metal parts, and assembly of finished products.
- (b) Wentel Engineering Pte. Ltd. (formerly known as Wentel Corporation Pte. Ltd.) ("WEPL"), a wholly-owned subsidiary, was incorporated on 6 May 2008 in Singapore, as a private limited company and is principally engaged in sales, marketing and after sales support.
- (c) The registered office and principal place of business of WEHB, WESB and WEPL are as follows:

Registered office : Third Floor, No.77, 79 & 81,
Jalan SS 21/60, Damansara Utama,
47400 Petaling Jaya,
Selangor Darul Ehsan.

Principal place of business : No.11 Jalan Gagah,
Kawasan Perindustrian Larkin,
80350 Johor Bahru,
Johor.

1 Corporation Drive,
#07-09 REVV,
Singapore 619775.

Notes:-

Wentel Engineering Holdings Berhad

- WEHB

Wentel Engineering Sdn. Bhd.

- WESB

Wentel Engineering Pte. Ltd. (formerly known as Wentel Corporation Pte. Ltd.)

- WEPL

(Collectively defined as "the Group")


WENTEL ENGINEERING HOLDINGS BERHAD
NOTES TO THE COMBINED FINANCIAL STATEMENTS
1. GENERAL INFORMATION (CONT'D)
1.1 RESTRUCTURING EXERCISE

The Company entered into two Share Sales and Purchase Agreements on 30 May 2023 to acquire the equity interests in the following companies:-

- (a) Acquisition of the entire equity interest in WESB for a purchase consideration of RM84,627,900, to be satisfied by the issuance of 846,279,000 ordinary shares in WEHB at an issue price of RM0.10 per Share.
- (b) Acquisition of the entire equity interest in WEPL for a consideration of RM3,052,000, to be satisfied by the issuance of 30,520,000 ordinary shares in WEHB at an issue price of RM0.10 per Share.

The acquisitions of the above companies were completed on 15 September 2023 and combined using merger method of accounting.

1.2 LISTING SCHEME

In conjunction with and as an integral part of the listing of and quotation for the entire issued share capital of WEHB on the ACE Market of Bursa Securities ("the Listing Scheme"), WEHB will implement the following:-

(i) Public Issue

The Public Issue of 273,200,000 new Shares, representing approximately 24% of the enlarged Share capital of WEHB at an issue price of RM0.26 per Share allocated in the following manner:-

- 57,500,000 Issue Shares made available for application by the Malaysian Public;
- 33,000,000 Issue Shares made available for application by the Group's eligible Directors, employees and other persons who have contributed to the success of the Group;
- 38,950,000 Issue Shares made available by way of private placement to selected investors; and
- 143,750,000 Issue Shares made available by way of private placement to Bumiputera investors approved by the Ministry of Investment, Trade and Industry ("MITI").

(ii) Offer for Sale

Concurrent with the Listing, the Offer for Sale of 46,000,000 Shares at the initial public offering price, payable in full upon application, will be made available by way of private placement to selected investors.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. GENERAL INFORMATION (CONT'D)****1.2 LISTING SCHEME (CONT'D)****(iii) Proposed Listing**

The admission of WEHB and the listing of and quotation for the entire enlarged issued share capital of WEHB of RM158,712,000 comprising 1,150,000,000 Shares on the ACE Market of Bursa Securities will be sought.

1.3 SHARE CAPITAL

As at the date of this report, the share capital of WEHB is RM87,680,000 comprising 876,800,000 Shares.

The details of the changes in the issued share capital of WEHB since its incorporation are as follows:-

Date of allotment	No. of shares allotted	Cumulative no. of shares allotted	Consideration RM	Consideration	Cumulative issued share capital RM
1 March 2023	1,000	1,000	100	Cash	100
15 September 2023	846,279,000	846,280,000	84,627,900	Acquisition of WESB	84,628,000
15 September 2023	30,520,000	876,800,000	3,052,000	Acquisition of WEPL	87,680,000
Upon listing	273,200,000	1,150,000,000	71,032,000	Public issue	158,712,000

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION**

- 2.1 On 1 March 2023, WEHSB was incorporated as a private limited liability company and domiciled in Malaysia. WEHSB was converted into a public limited company under the name of WEHB on 12 June 2023.

Our basis of preparation for the combined financial statements for the financial year ended ("FYE") 31 December 2020, 2021 and 2022 and for the financial period ended 30 September 2023 ("FPE"), are prepared based on the separate financial statements of WEHB, WESB and WEPL (collectively known as "the Group").

These combined financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the financial statements for the relevant financial years/periods as follows:

Company	Relevant reporting years/periods	Accounting standards applied	Auditors
WEHB	FPE 30 September 2023	MFRSs	Crowe Malaysia PLT
WESB	FYE 31 December 2020	MPERS	SE Lai CK
	FYE 31 December 2021	MPERS	SE Lai CK
	FYE 31 December 2022	MFRSs	Crowe Malaysia PLT
	FPE 30 September 2023	MFRSs	Crowe Malaysia PLT
WEPL	FYE 31 December 2020	IFRSs	Ecovis Assurance LLP
	FYE 31 December 2021	IFRSs	Ecovis Assurance LLP
	FYE 31 December 2022	IFRSs	Ecovis Assurance LLP
	FPE 30 September 2023	IFRSs	Ecovis Assurance LLP

Notes:-*FPE**- financial period ended**FYE**- financial year ended**MPERS**- Malaysian Private Entities Reporting Standard**MFRSs**- Malaysian Financial Reporting Standards**IFRSs**- International Financial Reporting Standards*

13. ACCOUNTANTS' REPORT (CONT'D)

For Identification Only



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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION (CONT'D)**

- 2.1 For the purposes of the combined financial statements, the entities of the Group consist of companies under common control for the FYE 31 December 2020, 31 December 2021, 31 December 2022 and FPE 30 September 2023 as described in Note 1 to the combined financial statements and continue to be under common control after FPE 30 September 2023. The audited financial statements are not subjected to any audit qualification, modification and disclaimer.

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 in a manner similar to the "pooling-of-interest" method, 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 or the date of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant period.

The identifiable assets and liabilities 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 financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs") and the Prospectus Guidelines.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION (CONT'D)**

- 2.2 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 year/period:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
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 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 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 combined financial statements of the Group upon their initial application.



WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

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 and Right-of-use Assets

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment and right-of-use assets 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 and right-of-use assets 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 amounts of property, plant and equipment and right-of-use assets as at the reporting date is disclosed in Notes 4 and 5 to the combined financial statements respectively.

(b) Impairment of Property, Plant and Equipment and Right-of-use Assets

The Group determines whether an item of its property, plant and equipment and right-of-use assets is 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 are 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 and right-of-use assets as at the reporting date are disclosed in Notes 4 and 5 to the combined financial statements respectively.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(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 7 to the combined financial statements.

(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 amount of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 8 to the combined financial statements.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default (probability of default) and expected loss if a default happens (loss given default). It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. 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 and forward-looking information. The carrying amounts of other receivables and amount owing by related parties as at the reporting date are disclosed in Note 9 to the combined financial statements respectively.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(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 of the Group as at the reporting date are as follows:-

	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Audited 30.9.2023
	RM	RM	RM	RM
Current tax assets/ (liabilities)	1,079,524	472,492	(47,452)	1,269,946

(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.

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 combined financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF COMBINATION**

Resulting from the restructuring exercise as disclosed in Note 1.1 above, the Group comprises entities under common control. Accordingly, the combined financial statements have been accounted for using principles of merger accounting.

Subsidiaries are entities 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(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.

However, an acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF COMBINATION (CONT'D)****(a) Business Combinations (Cont'd)**

In applying merger accounting, financial statements items of the combining entities of businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses first come under the control of the controlling party or parties. Under merger accounting, the Group recognizes the assets, liabilities and equity of the combining entities or businesses at the carrying amount as if such audited financial statements had been prepared by the controlling party including adjustments required for conforming to the Group's accounting policies and applying those policies to all period presented. There is no recognition of any goodwill or a gain from bargain purchase at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the audited combined financial statements of the Group.

(b) Non-controlling Interests

Non-controlling interests are presented within equity in the consolidated 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 the consideration paid or received is recognised directly in the 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.

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.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 FUNCTIONAL AND FOREIGN CURRENCIES****(a) Functional and Presentation Currency**

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

(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 (including any goodwill and fair value adjustments arising on acquisition) 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.

3.4 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the combined 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.



WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

(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).

(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.



WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

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.

(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 (excluding interest expense) 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 a shorter period (where appropriate).



WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.4 FINANCIAL INSTRUMENTS (CONT'D)

(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.

(d) 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.

(e) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as liabilities at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee or, when there is no specific contractual period, recognised in profit or loss upon discharge of the guarantee. If the debtor fails to make payment relating to a financial guarantee contract when it is due and the Group, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the amount of the credit loss determined in accordance with the expected credit loss model and the amount initially recognised less cumulative amortisation.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 INVESTMENTS IN ASSOCIATES**

An associate is an entity in which the Group has a long-term equity interest and where it exercises significant influences over the financial and operating policies.

The investment in an associate is accounted for in the combined financial statements using the equity method based on the financial statements of the associate made up to 31 December 2021. The Group's share of the post acquisition profits and other comprehensive income of the associate is included in the combined financial statement of profit or loss and other comprehensive income, after adjustment if any, to align the accounting policies with those of the Group, from the date that significant influence commences up to the effective date on which significant influence ceases or when the investment is classified as held for sale. The Group's investment in the associate is carried in the combined financial statement of financial position at cost plus the Group's share of the post acquisition retained profits and reserves. The cost of investment includes transactions costs.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation. The interest in the associate is the carrying amount of the investment in the associate determined using the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate.

Unrealised gains or losses on transactions between the Group and the associate are eliminated to the extent of the Group's interest in the associate. Unrealised losses are eliminated unless cost cannot be recovered.

When the Group ceases to have significant influence over an associate and the retained interest in the former associate is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as the initial carrying amount of the financial assets in accordance with MFRS 9. Furthermore, the Group also reclassifies its share of the gain or loss previously recognised in other comprehensive income of that associate to profit or loss when the equity method is discontinued.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 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, 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, plant 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:-

Single-storey terrace house	1%
Motor vehicles	20%
Plant and Machinery	20%
Other property, plant and equipment	20%
Software	20%
Electrical & piping Installation	20%

Capital work-in-progress included in property, plant 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.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 LEASES**

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 combined 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 adjusted 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.


WENTEL ENGINEERING HOLDINGS BERHAD
NOTES TO THE COMBINED FINANCIAL STATEMENTS
3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)
3.8 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 and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

3.9 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, 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. For the purpose of the combined statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.10 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.

3.11 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 and trade receivables, as well as on financial guarantee contracts.

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.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.11 IMPAIRMENT (CONT'D)****(a) Impairment of Financial Assets (Cont'd)**

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 and contract assets 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.

(b) Impairment of Non-financial Assets

The carrying amounts of assets, other than those to which MFRS 136 - Impairment of Assets 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 an asset is the higher of the assets' fair value less costs to sell and its value-in-use, which is measured by reference to discounted future cash flow using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. 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.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.12 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.

3.13 INCOME TAXES**(a) Current Tax**

Current tax assets and liabilities are the 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.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.13 INCOME TAXES (CONT'D)**

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.

3.14 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.

3.15 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the combined 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 combined 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.

3.16 BORROWING COSTS

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

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/period, 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.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.17 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 asset 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.

3.18 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.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.18 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

Sale of Products

Revenue from sale of products 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.

3.19 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

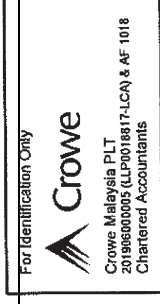
Interest income is recognised on an accrual basis using the effective interest method.

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT



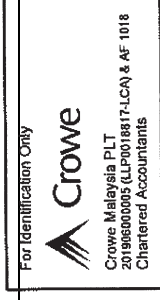
	At 1.1.2020 RM	Additions RM	Disposal RM	Write Off (Note 21) RM	Depreciation Charges (Note 21) RM	Effect of Movements in Exchange Rates RM	At 31.12.2020 RM
Audited							
31 December 2020							
<i>Carrying Amount</i>							
Freehold industrial land	18,283,244	815,068	-	-	-	-	19,098,312
Single-storey terrace house	124,775	-	-	-	(1,380)	-	123,395
Motor vehicles	807,271	-	(69,834)	-	(255,782)	(624)	481,031
Other property, plant and equipment	1,456,429	489,608	-	(140)	(527,754)	-	1,418,143
Plant and machinery	13,994,033	2,589,578	-	(3)	(5,560,968)	-	11,022,640
	34,665,752	3,894,254	(69,834)	(143)	(6,345,884)	(624)	32,143,521

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)



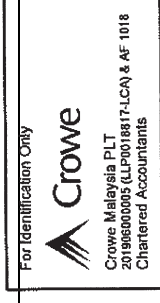
	At 1.1.2021	Additions	Write Off (Note 21)	Depreciation Charges (Note 21)	Effect of Movements in Exchange Rates	At 31.12.2021
	RM	RM	RM	RM	RM	RM
31 December 2021						
<i>Carrying Amount</i>						
Freehold industrial land	19,098,312	-	-	-	-	19,098,312
Single-storey terrace house	123,395	-	-	(1,380)	-	122,015
Motor vehicles	481,031	-	-	(175,281)	2,160	307,910
Other property, plant and equipment	1,418,143	1,288,622	(529)	(546,224)	421	2,160,433
Plant and machinery	11,022,640	262,865	-	(4,637,707)	-	6,647,798
Capital work in progress	-	100,141	-	-	-	100,141
	32,143,521	1,651,628	(529)	(5,360,592)	2,581	28,436,609

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)



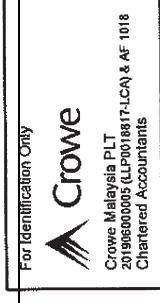
	At 1.1.2022	Additions	Disposal	Write Off (Note 21)	Depreciation Charges (Note 21)	Effect of Movements in Exchange Rates	At 31.12.2022
	RM	RM	RM	RM	RM	RM	RM
31 December 2022							
<i>Carrying Amount</i>							
Freehold industrial land	19,098,312	-	-	-	-	-	19,098,312
Single-storey terrace house	122,015	-	-	-	(1,380)	-	120,635
Motor vehicles	307,910	1,119,135	(68,334)	-	(189,588)	5,291	1,174,414
Other property, plant and equipment	2,160,433	1,323,196	-	(70)	(855,743)	863	2,628,679
Plant and machinery	6,647,798	897,761	(1)	-	(3,903,242)	-	3,642,316
Capital work in progress	100,141	164,293	-	-	-	-	264,434
	28,436,609	3,504,385	(68,335)	(70)	(4,949,953)	6,154	26,928,790

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)



Audited	At		Disposal	Write Off (Note 21)	Depreciation Charges (Note 21)	Effect of	
	1.1.2023	RM				RM	Movements in Exchange Rates
	RM	RM	RM	RM	RM	RM	RM
30 September 2023							
<i>Carrying Amount</i>							
Freehold industrial land	19,098,312	17,646,774	-	-	-	-	36,745,086
Single-storey terrace house	120,635	-	-	-	(1,035)	-	119,600
Motor vehicles	1,174,414	223,098	(1)	-	(251,383)	2,709	1,148,837
Other property, plant and equipment	2,628,679	365,974	-	(3,573)	(663,380)	283	2,327,983
Plant and machinery	3,642,316	472,645	-	(28)	(1,689,726)	-	2,425,207
Capital work in progress	264,434	248,882	-	-	-	-	513,316
	26,928,790	18,957,373	(1)	(3,601)	(2,605,524)	2,992	43,280,029

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31 December 2020			
Freehold industrial land	19,098,312	-	19,098,312
Single-storey terrace house	138,000	(14,605)	123,395
Motor vehicles	1,881,453	(1,400,422)	481,031
Other property, plant and equipment	5,589,705	(4,171,562)	1,418,143
Plant and machinery	41,475,976	(30,453,336)	11,022,640
	68,183,446	(36,039,925)	32,143,521
31 December 2021			
Freehold industrial land	19,098,312	-	19,098,312
Single-storey terrace house	138,000	(15,985)	122,015
Motor vehicles	1,884,560	(1,576,650)	307,910
Other property, plant and equipment	6,622,714	(4,462,281)	2,160,433
Plant and machinery	41,738,841	(35,091,043)	6,647,798
Capital work in progress	100,141	-	100,141
	69,582,568	(41,145,959)	28,436,609
31 December 2022			
Freehold industrial land	19,098,312	-	19,098,312
Single-storey terrace house	138,000	(17,365)	120,635
Motor vehicles	2,615,778	(1,441,364)	1,174,414
Other property, plant and equipment	7,340,969	(4,712,290)	2,628,679
Plant and machinery	42,483,602	(38,841,286)	3,642,316
Capital work in progress	264,434	-	264,434
	71,941,095	(45,012,305)	26,928,790

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
30 September 2023			
Freehold industrial land	36,745,086	-	36,745,086
Single-storey terrace house	138,000	(18,400)	119,600
Motor vehicles	2,471,592	(1,322,755)	1,148,837
Other property, plant and equipment	7,607,290	(5,279,307)	2,327,983
Plant and machinery	42,800,147	(40,374,940)	2,425,207
Capital work in progress	513,316	-	513,316
	90,275,431	(46,995,402)	43,280,029

- (a) The freehold industrial land of the Group has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 15 to the combined financial statements.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. RIGHT-OF-USE ASSETS

	At 1.1.2020 RM	Depreciation Charges (Note 21) RM	Effect of movements in exchange rates RM	At 31.12.2020 RM
Audited				
31 December 2020				
<i>Carrying Amount</i>				
Factory buildings	2,438,787	(1,721,496)	-	717,291
Office space	404,769	(231,676)	289	173,382
	<u>2,843,556</u>	<u>(1,953,172)</u>	<u>289</u>	<u>890,673</u>

	At 1.1.2021 RM	Modification of lease liabilities RM	Depreciation Charges (Note 21) RM	Effect of movements in exchange rates RM	At 31.12.2021 RM
Audited					
31 December 2021					
<i>Carrying Amount</i>					
Factory buildings	717,291	5,152,889	(1,725,478)	-	4,144,702
Office space	173,382	573,406	(242,063)	2,520	507,245
	<u>890,673</u>	<u>5,726,295</u>	<u>(1,967,541)</u>	<u>2,520</u>	<u>4,651,947</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

5. RIGHT-OF-USE ASSETS (CONT'D)

	At 1.1.2022 RM	Depreciation Charges (Note 21) RM	Effect of movements in exchange rates RM	At 31.12.2022 RM
Audited				
31 December 2022				
<i>Carrying Amount</i>				
Factory buildings	4,144,702	(1,678,762)	-	2,465,940
Office space	507,245	(273,743)	23,929	257,431
	<u>4,651,947</u>	<u>(1,952,505)</u>	<u>23,929</u>	<u>2,723,371</u>

	At 1.1.2023 RM	Modification of lease liabilities RM	Depreciation Charges (Note 21) RM	Effect of movements in exchange rates RM	At 30.9.2023 RM
Audited					
30 September 2023					
<i>Carrying Amount</i>					
Factory buildings	2,465,940	707,839	(1,259,071)	-	1,914,708
Office space	257,431	-	(216,783)	8,586	49,234
	<u>2,723,371</u>	<u>707,839</u>	<u>(1,475,854)</u>	<u>8,586</u>	<u>1,963,942</u>

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****5. RIGHT-OF-USE ASSETS (CONT'D)**

Audited	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
31 December 2020			
Factory buildings	4,160,283	(3,442,992)	717,291
Office space	635,729	(462,347)	173,382
	4,796,012	(3,905,339)	890,673
31 December 2021			
Factory buildings	9,313,172	(5,168,470)	4,144,702
Office space	1,218,694	(711,449)	507,245
	10,531,866	(5,879,919)	4,651,947
31 December 2022			
Factory buildings	9,313,172	(6,847,232)	2,465,940
Office space	1,293,230	(1,035,799)	257,431
	10,606,402	(7,883,031)	2,723,371
30 September 2023			
Factory buildings	10,021,011	(8,106,303)	1,914,708
Office space	1,360,341	(1,311,107)	49,234
	11,381,352	(9,417,410)	1,963,942

The Group leases certain factory buildings and an office space of which the leasing activities are summarised below:-

- (i) Factory buildings The Group has leased 2 factory buildings that run between 2 and 3 (31.12.2022 - 2 and 3, 31.12.2021 - 2 and 3, 31.12.2020 - 3) years, with an option to renew the lease after that date. The Group is not allowed to sublease the factory buildings.
- (ii) Office space The Group has leased an office that run between 1 and 2 (31.12.2022 - 1 and 2, 31.12.2021 - 1 and 2, 31.12.2020 - 1 and 3) years, with an option to renew the lease after that date. The Group is not allowed to sublease the office.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****6. INTANGIBLE ASSETS**

	Audited 31.12.2022	Audited 30.9.2023
	RM	RM
Trademarks		
Cost:-		
At 1 January	-	10
Additions during the financial year/period	10	-
At 31 December / At 30 September	<u>10</u>	<u>10</u>
Accumulated Amortisation:-		
At 1 January / At 31 December / At 30 September	-	-
Carrying amount:-		
At 31 December / At 30 September	<u>10</u>	<u>10</u>

7. INVENTORIES

	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Audited 30.9.2023
	RM	RM	RM	RM
Raw materials	4,588,622	9,755,776	9,625,683	8,502,443
Work-in-progress	1,330,056	2,362,436	2,177,110	2,592,971
Finished goods	2,253,118	1,540,012	3,008,871	4,312,311
	<u>8,171,796</u>	<u>13,658,224</u>	<u>14,811,664</u>	<u>15,407,725</u>
Recognised in profit or loss:-				
Inventories recognised as cost of sales	<u>29,357,347</u>	<u>40,749,253</u>	<u>53,423,747</u>	<u>31,723,424</u>

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****8. TRADE RECEIVABLES**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Trade receivables:				
- third parties	3,896,053	10,612,951	22,887,937	23,084,442
- corporate shareholder	9,508,251	14,493,599	-	-
	<u>13,404,304</u>	<u>25,106,550</u>	<u>22,887,937</u>	<u>23,084,442</u>
Allowance for impairment losses	(18,331)	(144,286)	(76,882)	(76,882)
	<u>13,385,973</u>	<u>24,962,264</u>	<u>22,811,055</u>	<u>23,007,560</u>
Allowance for impairment losses:-				
At 1 January	70,002	18,331	144,286	76,882
Addition during the financial year/period (Note 20)	-	125,955	-	-
Reversal during the financial year/period (Note 20)	(51,671)	-	(67,404)	-
At 31 December/ At 30 September	<u>18,331</u>	<u>144,286</u>	<u>76,882</u>	<u>76,882</u>

The Group's normal trade credit terms range from 30 to 60 (31.12.2022 - 30 to 60, 31.12.2021 - 30 to 90, 31.12.2020 - 30 to 90) days.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

9. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Other receivables:				
- third parties	24,796	300	3,559	25,533
- corporate shareholder	10,846	13,540	-	-
- directors	175,319	-	-	-
- related parties	494,060	-	-	-
	705,021	13,840	3,559	25,533
Advances to suppliers	1,016,496	586,687	197,162	101,916
Deposits	472,542	513,333	2,330,106	614,448
Prepayments	73,901	69,900	940,443	2,504,507
	<u>2,267,960</u>	<u>1,183,760</u>	<u>3,471,270</u>	<u>3,246,404</u>

- (a) The amount owing by corporate shareholder represents unsecured interest-free advance which are repayable on demand. The amount owing is to be settled by cash;
- (b) The amounts owing by related parties represents unsecured interest-free advance which are repayable on demand. The amounts owing are to be settled by cash;
- (c) The advances to suppliers are unsecured and interest-free. The amount owing will be offset against future purchases from the suppliers;
- (d) The amounts owing by directors represents unsecured interest-free advance which are repayable on demand. The amounts owing are settled by cash; and
- (e) Included in deposits as at 31 December 2022 is an amount of RM1,720,000 which represents initial deposits paid for the acquisition of twenty-four (24) vacant semi-detached and one (1) vacant detached light industry land.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****10. FIXED DEPOSITS WITH A LICENSED BANK**

The fixed deposits with a licensed bank of the Group at the end of the reporting period bore effective interest rates ranging from 2.80% to 3.70% (31.12.2022 - 2.45% to 2.55%, 31.12.2021 - 1.45% to 1.55%, 31.12.2020 - 1.45% to 1.55%) per annum. The fixed deposits have a maturity periods ranging from 1 to 6 (31.12.2022 - 1 to 6, 31.12.2021 - 1 to 6, 31.12.2020 - 1 to 6) months for the Group.

11. NON-CURRENT ASSET HELD FOR SALE

In the financial year 2020, the Group decided to dispose its associate. Accordingly, investment in an associate has been presented in the consolidated statement of financial position as "Non-current asset held for sale", measured at its carrying amount before it was reclassified as held for sale.

The carrying amount of the investment in associate is measured at the lower of its carrying amount and fair value less cost to sell. An impairment loss of RM548,993 representing the write-down of the investment in associate recognised in "Other Expenses" line item of the combined statement of profit of loss and other comprehensive income as disclosed in Note 21 to the financial statements. The disposal was completed on 15 December 2021.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****12. SHARE CAPITAL**

	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Audited 30.9.2023
Number Of Shares				
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 January	1,100,000	1,100,000	1,100,000	1,100,000
Issuance of new shares for cash	-	-	-	1,000
Issuance of shares pursuant to acquisition of subsidiaries company	-	-	-	876,799,000
Adjustment on acquisition of subsidiaries	-	-	-	(1,100,000)
At 31 December/ At 30 September	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>876,800,000</u>
	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Audited 30.9.2023
	RM	RM	RM	RM
Issued and Fully Paid-Up				
Ordinary Shares				
At 1 January	1,237,181	1,237,181	1,237,181	1,237,181
Issuance of new shares for cash	-	-	-	100
Issuance of shares pursuant to acquisition of subsidiaries company	-	-	-	87,679,900
Adjustment on acquisition of subsidiaries	-	-	-	(1,237,181)
At 31 December/ At 30 September	<u>1,237,181</u>	<u>1,237,181</u>	<u>1,237,181</u>	<u>87,680,000</u>

- (a) The holders of ordinary shares are entitled to receive dividends as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.
- (b) During the financial period, the Company increased its issued and paid-up share capital from RM1,237,181 to RM87,680,000 by way of:-
- (i) Issuance of 1,000 new ordinary shares at RM0.10 each for a consideration of RM100; and
 - (ii) Issuance of 876,799,000 new ordinary shares pursuant to acquisition of subsidiaries company at RM0.10 each for a share consideration of RM87,679,900.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Company.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****13. FOREIGN EXCHANGE TRANSLATION RESERVE**

The foreign exchange translation reserve arose from the translation of the financial statements of Wentel Engineering Pte. Ltd. (formerly known as Wentel Corporation Pte. Ltd.) whose functional currency is different from the Group's presentation currency.

14. LEASE LIABILITIES

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
At 1 January	2,909,635	933,031	4,683,726	2,807,043
Interest expense recognised in profit or loss (Note 21)	94,221	88,975	187,063	90,002
Changes due to lease modification (Notes 5 and 25(b))	-	5,726,295	-	707,839
Repayment of principal	(1,976,890)	(1,978,256)	(1,900,939)	(1,488,171)
Repayment of interest expense	(94,221)	(88,975)	(187,063)	(90,002)
Effect of movements in exchange rates	286	2,656	24,256	8,889
At 31 December/ At 30 September	<u>933,031</u>	<u>4,683,726</u>	<u>2,807,043</u>	<u>2,035,600</u>
Analysed by:-				
Current liabilities	933,031	1,892,008	1,758,897	1,792,032
Non-current liabilities	-	2,791,718	1,048,146	243,568
	<u>933,031</u>	<u>4,683,726</u>	<u>2,807,043</u>	<u>2,035,600</u>

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****15. TERM LOAN (SECURED)**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Current liabilities	1,306,873	1,356,477	1,446,516	1,490,939
Non-current liabilities	7,969,789	6,557,182	2,948,028	1,810,337
	<u>9,276,662</u>	<u>7,913,659</u>	<u>4,394,544</u>	<u>3,301,276</u>

(a) The term loan is secured by:-

- (i) The property, plant and equipment of the Group as disclosed in Note 4 to the financial statement; and
- (ii) Joint and several guarantee by directors.

The Group has to comply with covenant of adjusted leverage ratio of not more than 1.50 times.

(b) The interest rate profile of the term loan is summarised below:-

	Audited 31.12.2020 %	Audited 31.12.2021 %	Audited 31.12.2022 %	Audited 30.9.2023 %
Floating rate term loan	<u>3.58</u>	<u>3.58</u>	<u>4.58</u>	<u>4.83</u>

16. DEFERRED TAX LIABILITIES

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
At 1 January	-	-	444,346	-
Recognised in profit or loss (Note 22)	<u>-</u>	<u>444,346</u>	<u>(444,346)</u>	<u>-</u>
At 31 December/ At 30 September	<u>-</u>	<u>444,346</u>	<u>-</u>	<u>-</u>

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****16. DEFERRED TAX LIABILITIES (CONT'D)**

Movement in deferred tax liabilities/(assets):

Audited	At 1.1.2021 RM	Recognised in Profit or Loss (Note 22) RM	At 31.12.2021 RM
The Group			
31.12.2021			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	-	478,974	478,974
<i>Deferred Tax Assets</i>			
Provision	-	(34,628)	(34,628)
	<u>-</u>	<u>444,346</u>	<u>444,346</u>
Audited	At 1.1.2022 RM	Recognised in Profit or Loss (Note 22) RM	At 31.12.2022 RM
The Group			
31.12.2022			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	478,974	(478,974)	-
<i>Deferred Tax Assets</i>			
Provision	(34,628)	34,628	-
	<u>444,346</u>	<u>(444,346)</u>	<u>-</u>

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****17. TRADE PAYABLES**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Trade payables:				
- third parties	4,574,730	7,127,307	6,596,648	5,464,949
- corporate shareholder	120,922	10,514	-	-
- related parties	323,227	562,481	430,052	245,271
	<u>5,018,879</u>	<u>7,700,302</u>	<u>7,026,700</u>	<u>5,710,220</u>

The normal trade credit terms granted to the Group range from 30 to 90 (31.12.2022 - 30 to 90, 31.12.2021 - 30 to 90, 31.12.2020 - 30 to 90) days.

18. OTHER PAYABLES AND ACCRUALS

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Other payables:				
- third parties	3,267,540	983,678	1,163,873	976,209
- corporate shareholder	77,658	87,933	-	-
	3,345,198	1,071,611	1,163,873	976,209
Accruals	2,442,888	3,292,973	4,411,847	1,713,856
	<u>5,788,086</u>	<u>4,364,584</u>	<u>5,575,720</u>	<u>2,690,065</u>

- (a) The amount owing to corporate shareholder represents unsecured interest-free payment on behalf granted to the Group. The amount is repayable on demand and is to be settled in cash.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

19. REVENUE

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited < -- Financial Year Ended 31 December -- > 2021 RM	Audited < -- Financial Year Ended 31 December -- > 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Revenue recognised at a point in time					
Sales of goods	64,759,401	89,854,172	117,540,466	88,026,588	72,128,945

20. NET IMPAIRMENT (GAINS)/LOSSES ON FINANCIAL ASSETS

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited < -- Financial Year Ended 31 December -- > 2021 RM	Audited < -- Financial Year Ended 31 December -- > 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Impairment losses:					
- trade receivables (Note 8)	-	125,955	-	-	-
Reversal of impairment losses:					
- trade receivables (Note 8)	(51,671)	-	(67,404)	-	-
	<u>(51,671)</u>	<u>125,955</u>	<u>(67,404)</u>	<u>-</u>	<u>-</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

21. PROFIT BEFORE TAXATION

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited 2021 RM	Audited 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Profit before taxation is arrived at after charging/ (crediting):-					
Auditors' remuneration:					
- current financial year/period	37,886	37,622	92,550	59,800	57,896
- (over)/under provision in the previous financial year	(1,000)	-	-	-	1,110
Bad debts written off	-	23,350	-	-	-
Depreciation:					
- property, plant and equipment (Note 4)	6,345,884	5,360,592	4,949,953	3,922,639	2,605,524
- right-of-use assets (Note 5)	1,953,172	1,967,541	1,952,505	1,462,209	1,475,854
Directors' non-fee emoluments (Note 26):					
- salaries, bonuses and allowances	2,121,538	1,935,874	2,363,485	1,802,907	550,972
- defined contribution benefits	320,902	302,567	175,431	135,677	62,821
Impairment loss on investment in an associate (Note 11)	548,993	-	-	-	-

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

21. PROFIT BEFORE TAXATION (CONT'D)

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited 2021 RM	Audited 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Interest expenses on financial liabilities that are not at fair value through profit or loss:					
- term loan	341,343	254,670	198,557	154,026	119,985
Interest expense on lease liabilities (Note 14)	94,221	88,975	187,063	148,848	90,002
Interest income on financial assets measured at amortised cost:					
- fixed deposits with a licensed bank	(87,911)	(75,275)	(64,358)	(47,633)	(262,698)
- current accounts	(26,147)	(11,851)	(40,295)	(23,014)	(53,688)
Loss on disposal of associate	-	17,802	-	-	-
Loss/(Gain) on disposal of property, plant and equipment	29,362	-	(106,665)	(104,666)	(117,999)
Loss/(Gain) on foreign exchange:					
- realised	238,304	(208,071)	(1,140,079)	(833,033)	(498,135)
- unrealised	232,431	(235,069)	(428,847)	(1,659,109)	(652,626)
Property, plant and equipment written off (Note 4)	143	529	70	1	3,601
Short-term lease expenses	309,410	286,600	203,900	159,050	163,419
Staff costs:					
- short-term employee benefits	10,898,340	11,788,455	15,438,224	10,697,419	12,651,081
- defined contribution benefits	624,735	691,387	944,098	649,134	800,012
- others	3,013	2,609	2,917	2,185	1,614

13. ACCOUNTANTS' REPORT (CONT'D)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

22. INCOME TAX EXPENSE

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited 2021 RM	Audited 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Current tax expense (Over)/Under provision in the previous financial year	625,264	3,343,925	5,741,930	4,149,414	3,401,268
	(30,535)	(186,893)	(83,845)	(83,845)	68,899
	<u>594,729</u>	<u>3,157,032</u>	<u>5,658,085</u>	<u>4,065,569</u>	<u>3,470,167</u>
Deferred tax (Note 16)					
- origination and reversal of temporary differences	-	90,704	(79,856)	(79,856)	-
- under/(over) provision in the previous financial year	-	353,642	(364,490)	(364,490)	-
	<u>-</u>	<u>444,346</u>	<u>(444,346)</u>	<u>(444,346)</u>	<u>-</u>
	<u>594,729</u>	<u>3,601,378</u>	<u>5,213,739</u>	<u>3,621,223</u>	<u>3,470,167</u>

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****22. INCOME TAX EXPENSE (CONT'D)**

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

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited 2021 RM	Audited 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Profit before taxation	3,369,821	16,008,069	25,693,419	19,937,420	14,470,738
Tax at the statutory tax rate of 24% (31.12.2022 - 24%, 31.12.2021 - 24%, 31.12.2020 - 24%)	808,757	3,841,937	6,166,421	4,784,981	3,472,977
Tax effects of:-					
Non-deductible expenses	419,850	624,987	351,810	225,837	244,463
Non-taxable income	(1,003,436)	(582,552)	(326,636)	(563,240)	(249,137)
Deferred tax assets not recognised during the financial year/period	374,175	-	-	-	2,119
Differential in tax rate	25,918	(132,589)	(107,770)	(122,649)	(69,154)
Utilisation of deferred tax assets previously not recognised (Over)/Under provision of current tax in the previous financial year	(30,535)	(186,893)	(83,845)	(83,845)	68,899
Under/(Over) provision of deferred taxation in the previous financial year	-	353,642	(364,490)	(364,490)	-
	<u>594,729</u>	<u>3,601,378</u>	<u>5,213,739</u>	<u>3,621,223</u>	<u>3,470,167</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% (31.12.2022 - 24%, 31.12.2021 - 24%, 31.12.2020 - 24%) of the estimated assessable profit for the financial year/period. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

13. ACCOUNTANTS' REPORT (CONT'D)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

23. LOSS AFTER TAXATION FROM DISCONTINUED OPERATIONS

As disclosed in Note 11 to the combined financial statements the Group decided to dispose its associate. The disposal was completed on 15 December 2021.

The results of the discontinued operation represent the loss in the associate equity accounted for of RM804,640 and RM1,299,025 for the financial year ended 31 December 2020 and 31 December 2021 respectively.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

24. EARNINGS/(LOSS) PER SHARE

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited 2021 RM	Audited 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Continuing Operations					
Profit after taxation attributable to owners of the Group (Basic)	3,579,732	13,705,716	20,479,680	16,316,197	11,000,571
Discontinued Operations					
Profit after taxation attributable to owners of the Group (Basic)	(804,640)	(1,299,025)	-	-	-
Total	<u>2,775,092</u>	<u>12,406,691</u>	<u>20,479,680</u>	<u>16,316,197</u>	<u>11,000,571</u>
Weighted average number of ordinary shares in issue (Basic) (number)	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>876,800,000</u>
Basic earnings /(loss) per share:					
- continuing operations	3.25	12.46	18.62	14.83	0.01
- discontinued operations	(0.73)	(1.18)	-	-	-
	<u>2.52</u>	<u>11.28</u>	<u>18.62</u>	<u>14.83</u>	<u>0.01</u>

The Group has not issued any potential dilutive ordinary shares and hence, the diluted earnings/(loss) per share is equal to the basic earnings/(loss) per share.

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****25. CASH FLOW INFORMATION**

- (a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets are as follows:-

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Property, plant and equipment				
Cost of property, plant and equipment purchased (Note 4)	<u>3,894,254</u>	<u>1,651,628</u>	<u>3,504,385</u>	<u>18,957,373</u>
Right-of-use assets				
Cost of right-of-use acquired (Note 5)	-	5,726,295	-	707,839
Less: Additions of new lease liabilities	-	(5,726,295)	-	(707,839)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****25. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:-

Audited	Lease Liabilities RM	Term Loan RM	Total RM
30 December 2020			
At 1 January	2,909,635	11,552,990	14,462,625
<u>Changes in Financing Cash Flows</u>			
Repayment of principal	(1,976,890)	(2,276,328)	(4,253,218)
Repayment of interests	(94,221)	(341,343)	(435,564)
	(2,071,111)	(2,617,671)	(4,688,782)
<u>Non-cash Changes</u>			
Foreign exchange adjustments (Note 14)	286	-	286
Interest expense recognised in profit or loss (Notes 14 and 30.4)	94,221	341,343	435,564
	94,507	341,343	435,850
At 31 December	933,031	9,276,662	10,209,693
31 December 2021			
At 1 January	933,031	9,276,662	10,209,693
<u>Changes in Financing Cash Flows</u>			
Repayment of principal	(1,978,256)	(1,363,003)	(3,341,259)
Repayment of interests	(88,975)	(254,670)	(343,645)
	(2,067,231)	(1,617,673)	(3,684,904)
<u>Non-cash Changes</u>			
Modifications of leases (Note 14)	5,726,295	-	5,726,295
Foreign exchange adjustments (Note 14)	2,656	-	2,656
Interest expense recognised in profit or loss (Notes 14 and 30.4)	88,975	254,670	343,645
	5,817,926	254,670	6,072,596
At 31 December	4,683,726	7,913,659	12,597,385

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****25. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows (Cont'd):-

Audited	Lease Liabilities RM	Term Loans RM	Total RM
31 December 2022			
At 1 January	4,683,726	7,913,659	12,597,385
<u>Changes in Financing Cash Flows</u>			
Repayment of principal	(1,900,939)	(3,519,115)	(5,420,054)
Repayment of interests	(187,063)	(198,557)	(385,620)
	(2,088,002)	(3,717,672)	(5,805,674)
<u>Non-cash Changes</u>			
Foreign exchange adjustments (Note 14)	24,256	-	24,256
Interest expense recognised in profit or loss (Note 14 and 30.4)	187,063	198,557	385,620
	211,319	198,557	409,876
At 31 December	2,807,043	4,394,544	7,201,587
30 September 2023			
At 1 January	2,807,043	4,394,544	7,201,587
<u>Changes in Financing Cash Flows</u>			
Repayment of principal	(1,488,171)	(1,093,268)	(2,581,439)
Repayment of interests	(90,002)	(119,985)	(209,987)
	(1,578,173)	(1,213,253)	(2,791,426)
<u>Non-cash Changes</u>			
Modifications of leases (Note 14)	707,839	-	707,839
Foreign exchange adjustments (Note 14)	8,889	-	8,889
Interest expense recognised in profit or loss (Note 14 and 30.4)	90,002	119,985	209,987
	806,730	119,985	926,715
At 30 September	2,035,600	3,301,276	5,336,876

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****25. CASH FLOW INFORMATION (CONT'D)**

(c) The total cash outflows for leases as a lessee are as follows:-

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Payment of short-term leases	309,410	286,600	203,900	163,419
Interest paid on lease liabilities	94,221	88,975	187,063	90,002
Payment of lease liabilities	1,976,890	1,978,256	1,900,939	1,488,171
	<u>2,380,521</u>	<u>2,353,831</u>	<u>2,291,902</u>	<u>1,741,592</u>

(d) The cash and cash equivalents comprise the following:-

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited 2021 RM	Audited 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Fixed deposits with a licensed bank	5,091,922	5,167,197	3,150,663	3,133,939	11,273,888
Cash and bank balances	8,136,577	13,966,359	33,653,775	29,712,039	13,084,433
	13,228,499	19,133,556	36,804,438	32,845,978	24,358,321
Less: Fixed deposits with tenure of more than 3 months	(1,009,349)	(1,025,031)	(1,042,408)	(1,037,635)	(1,063,059)
	<u>12,219,150</u>	<u>18,108,525</u>	<u>35,762,030</u>	<u>31,808,343</u>	<u>23,295,262</u>

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

26. KEY MANAGEMENT PERSONNEL COMPENSATION

The key management personnel of the Group include executive directors and non-executive directors of and certain members of senior management of the Group.

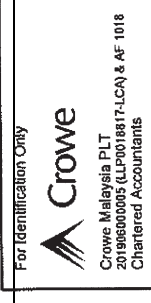
The key management personnel compensation during the financial year/period are as follows:-

	Audited < -- Financial Year 2020 RM	Audited Year Ended 31 2021 RM	Audited December --> 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
(a) Directors of the Group					
<u>Directors of the Group</u>					
Short-term employee benefits:	2,121,538	1,935,874	2,363,485	1,802,907	550,972
- salaries, bonuses and other benefits	320,902	302,567	175,431	135,677	62,821
Defined contribution benefits					
Total directors' remuneration (Note 21)	<u>2,442,440</u>	<u>2,238,441</u>	<u>2,538,916</u>	<u>1,938,584</u>	<u>613,793</u>

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS



26. KEY MANAGEMENT PERSONNEL COMPENSATION (CONT'D)

The key management personnel compensation during the financial year/period are as follows (Cont'd):-

	Audited < -- Financial Year Ended 31 December -- > 2020 RM	Audited Financial Year Ended 31 December -- > 2021 RM	Audited 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
(b) Other Key Management Personnel					
Short-term employee benefits	388,267	470,276	612,897	453,224	527,104
Defined contribution benefits	45,965	56,932	73,175	54,126	49,284
Total compensation for other key management personnel	434,232	527,208	686,072	507,350	576,388

27. 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 combined financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

27. RELATED PARTY DISCLOSURES (CONT'D)

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the combined financial statements, the Group also carried out the following transactions with the related parties during the financial year/period:-

	Audited < -- Financial Year 2020 RM	Audited Year Ended 31 December 2021 RM	Audited December --> 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
<u>Corporate shareholder</u>					
Sales	48,631,779	47,122,842	-	-	-
Purchase	(155,299)	(110,325)	(17,252)	(17,252)	-
Factory rental paid	(1,318,869)	(1,425,804)	(1,425,804)	(1,069,353)	(1,069,353)
Disposal of associate	-	3,488,975	-	-	-
Trademark	-	-	(10)	-	(1)
<u>Related Parties</u>					
Sales	35,092	35,530	36,764	27,282	9,705
Purchase	(3,176,537)	(2,321,309)	(1,986,271)	(1,221,228)	(2,519,165)

The significant outstanding balances of the related parties together with their terms and conditions are disclosed in the respective notes to the combined financial statements.

**WENTEL ENGINEERING HOLDINGS BERHAD****NOTES TO THE COMBINED FINANCIAL STATEMENTS****28. OPERATING SEGMENTS**

Operating segments are prepared in a manner consistent with the internal reporting provided to the Board of Directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance. For management purposes, the Group is organised into business units based on their products and services provided. In addition, the businesses are also considered from a geographical perspective.

The Group is organized into 3 main reportable segments as follows:

- (i) Fabrication of semi-finished products - products such as machine bodies and modules that are not finished products.
- (ii) Fabrication of metal parts - other products such as components and parts.
- (iii) Assembly of finished products - products that are complete, finished and ready to use.

Chief operating decision maker monitors the segment results of its business units separately for the purpose of making decisions about resources allocation and performance assessment. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis but exclude tax asset and liabilities.

Segment assets and liabilities information are not provided to the chief operating decision maker. Hence, no disclosure is made on segment assets and liabilities.

Transaction between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on combination.

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS

Audited 31 December 2020	Fabrication of semi-finished products	Fabrication of metal parts	Assembly of finished products	The Group	
				RM	RM
Revenue					
External revenue	52,149,178	7,463,878	5,146,345	64,759,401	
Inter-segment revenue	-	-	-	-	
	<u>52,149,178</u>	<u>7,463,878</u>	<u>5,146,345</u>	<u>64,759,401</u>	

Results

Segments profit	5,159,018
Finance costs	(435,564)
Impairment loss on investment in associate	(548,993)
Share of losses of equity accounted associate	(804,640)
Profit before taxation	<u>3,369,821</u>
<u>Other information</u>	
Depreciation	8,299,056
Interest income	(114,058)
Interest expenses	435,564
Reversal of impairment losses on trade receivables	(51,671)
Unrealised foreign exchange losses	<u>232,431</u>

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS (CONT'D)

Audited 31 December 2021	Fabrication of semi-finished products	Fabrication of metal parts	Assembly of finished products	The Group
	RM	RM	RM	RM
Revenue				
External revenue	60,923,221	21,693,492	7,237,459	89,854,172
Inter-segment revenue	-	-	-	-
	<u>60,923,221</u>	<u>21,693,492</u>	<u>7,237,459</u>	<u>89,854,172</u>

Results

Segments profit	17,668,541
Finance costs	(343,645)
Loss on disposal of associate	(17,802)
Share of losses of equity accounted associate	(1,299,025)
Profit before taxation	<u>16,008,069</u>
<u>Other information</u>	
Depreciation	7,328,133
Impairment losses on trade receivables	125,955
Interest income	(87,126)
Interest expenses	343,645
Loss on disposal of associate	17,802
Unrealised foreign exchange gains	<u>(235,069)</u>

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS (CONT'D)

Audited 31 December 2022	Fabrication of semi-finished products	Fabrication of metal parts	Assembly of finished products	The Group
	RM	RM	RM	RM
Revenue	79,435,150	26,488,187	11,617,129	117,540,466
External revenue	-	-	-	-
Inter-segment revenue	79,435,150	26,488,187	11,617,129	117,540,466

Results

Segments profit	26,079,039
Finance costs	(385,620)
Profit before taxation	<u>25,693,419</u>
<u>Other information</u>	
Depreciation	6,902,458
Reversal of Impairment losses on trade receivables	(67,404)
Interest income	(104,653)
Interest expenses	385,620
Unrealised foreign exchange gains	<u>(428,847)</u>

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS (CONT'D)

Unaudited 30 September 2022	Fabrication of semi-finished products	Fabrication of metal parts	Assembly of finished products	The Group
	RM	RM	RM	RM
Revenue				
External revenue	58,038,007	20,476,515	9,512,066	88,026,588
Inter-segment revenue	-	-	-	-
	<u>58,038,007</u>	<u>20,476,515</u>	<u>9,512,066</u>	<u>88,026,588</u>

Results

Segments profit	20,240,294
Finance costs	(302,874)
Profit before taxation	<u>19,937,420</u>
<u>Other information</u>	
Depreciation	5,384,848
Reversal of Impairment losses on trade receivables	-
Interest income	(70,647)
Interest expenses	302,874
Unrealised foreign exchange gains	<u>(1,659,109)</u>

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

28. OPERATING SEGMENTS (CONT'D)

28.1 BUSINESS SEGMENTS (CONT'D)

Audited 30 September 2023	Fabrication of semi-finished products	Fabrication of metal parts	Assembly of finished products	The Group
	RM	RM	RM	RM
Revenue				
External revenue	54,498,775	12,019,097	5,611,073	72,128,945
Inter-segment revenue	-	-	-	-
	<u>54,498,775</u>	<u>12,019,097</u>	<u>5,611,073</u>	<u>72,128,945</u>

Results

Segments profit	14,680,725
Finance costs	(209,987)
Profit before taxation	<u>14,470,738</u>
<u>Other information</u>	
Depreciation	4,081,378
Reversal of Impairment losses on trade receivables	-
Interest income	(316,386)
Interest expenses	209,987
Unrealised foreign exchange gains	<u>(652,626)</u>

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****29. CAPITAL COMMITMENTS**

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Construction of property, plant and equipment	-	468,000	338,000	624,000
Purchase of property, plant and equipment	-	-	15,480,000	-
	<u>-</u>	<u>468,000</u>	<u>15,818,000</u>	<u>624,000</u>

30. FINANCIAL INSTRUMENTS

The Group's activities are exposed to a variety of market risk (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.

30.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the 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 currencies other than the functional currency of entities within the Group. The currencies giving rise to this risk are primarily European Monetary Unit ("EUR"), Great Britain Pound ("GBP"), United States Dollar ("USD"), and Singapore Dollar ("SGD"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. The Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

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:-

Foreign Currency Exposure

The Group

**Audited
31 December 2020**

	EUR RM	GBP RM	USD RM	SGD RM	MYR RM	Total RM
<u>Financial Assets</u>						
Trade receivables	-	-	2,200,983	1,689,571	9,495,419	13,385,973
Other receivables	494,060	-	-	199,821	11,140	705,021
Fixed deposits with a licensed bank	-	-	-	-	5,091,922	5,091,922
Cash and bank balances	285,216	3,735	1,523,151	1,635,944	4,688,531	8,136,577
	779,276	3,735	3,724,134	3,525,336	19,287,012	27,319,493
<u>Financial Liabilities</u>						
Term loan	-	-	-	-	(9,276,662)	(9,276,662)
Trade payables	-	-	(248,972)	(531,496)	(4,238,411)	(5,018,879)
Other payables and accruals	(1,956,478)	-	-	(439,175)	(3,392,433)	(5,788,086)
	(1,956,478)	-	(248,972)	(970,671)	(16,907,506)	(20,083,627)
Net Currency Exposure	(1,177,202)	3,735	3,475,162	2,554,665	2,379,506	7,235,866

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	EUR RM	GBP RM	USD RM	SGD RM	MYR RM	Total RM
Audited						
31 December 2021						
Financial Assets						
Trade receivables	-	-	2,716,431	3,365,434	18,880,399	24,962,264
Other receivables	-	-	-	-	13,840	13,840
Fixed deposits with a licensed bank	-	-	-	-	5,167,197	5,167,197
Cash and bank balances	3,527	2,307	3,546,552	3,020,072	7,393,901	13,966,359
	3,527	2,307	6,262,983	6,385,506	31,455,337	44,109,660
Financial Liabilities						
Term loan	-	-	-	-	(7,913,659)	(7,913,659)
Trade payables	(299,181)	-	(286,875)	(1,307,352)	(5,806,894)	(7,700,302)
Other payables and accruals	-	-	-	(202,506)	(4,162,078)	(4,364,584)
	(299,181)	-	(286,875)	(1,509,858)	(17,882,631)	(19,978,545)
Net Currency Exposure	(295,654)	2,307	5,976,108	4,875,648	13,572,706	24,131,115

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	EUR RM	GBP RM	USD RM	SGD RM	MYR RM	Total RM
Audited						
31 December 2022						
<u>Financial Assets</u>						
Trade receivables	-	-	10,809,293	1,916,783	10,084,979	22,811,055
Other receivables	-	-	-	-	3,559	3,559
Fixed deposits with a licensed bank	-	-	-	-	3,150,663	3,150,663
Cash and bank balances	2,033,235	5,617	18,449,216	6,337,631	6,828,076	33,653,775
	2,033,235	5,617	29,258,509	8,254,414	20,067,277	59,619,052
<u>Financial Liabilities</u>						
Term loan	-	-	-	-	(4,394,544)	(4,394,544)
Trade payables	(203,358)	-	(115,801)	(967,409)	(5,740,132)	(7,026,700)
Other payables and accruals	-	-	-	(267,807)	(5,307,913)	(5,575,720)
	(203,358)	-	(115,801)	(1,235,216)	(15,442,589)	(16,996,964)
Net Currency Exposure	1,829,877	5,617	29,142,708	7,019,198	4,624,688	42,622,088

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd)

The Group	EUR RM	GBP RM	USD RM	SGD RM	MYR RM	Total RM
Audited						
30 September 2023						
<u>Financial Assets</u>						
Trade receivables	-	-	8,904,991	2,878,405	11,224,164	23,007,560
Other receivables	-	-	-	-	7,504	7,504
Fixed deposits with a licensed bank	-	-	-	-	11,273,888	11,273,888
Cash and bank balances	430,597	12,844	3,079,867	4,559,627	5,001,498	13,084,433
	430,597	12,844	11,984,858	7,438,032	27,507,054	47,373,385
<u>Financial Liabilities</u>						
Term loan	-	-	-	-	(3,301,276)	(3,301,276)
Trade payables	(294,917)	-	(121,319)	(410,419)	(4,883,565)	(5,710,220)
Other payables and accruals	-	-	-	(75,015)	(2,615,050)	(2,690,065)
	(294,917)	-	(121,319)	(485,434)	(10,799,891)	(11,701,561)
Net Currency Exposure	135,680	12,844	11,863,539	6,952,598	16,707,163	35,671,824

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13. ACCOUNTANTS' REPORT (CONT'D)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 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:-

	Audited 2020 RM	Audited Financial Year Ended 31 2021 RM	Audited December -> 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Effects on Profit After Taxation/ Other Comprehensive Income					
EUR/RM					
- strengthened by 10%	(117,720)	(29,565)	182,988	290,641	13,568
- weakened by 10%	117,720	29,565	(182,988)	(290,641)	(13,568)
GBP/RM					
- strengthened by 10%	374	231	562	203	1,284
- weakened by 10%	(374)	(231)	(562)	(203)	(1,284)

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13. ACCOUNTANTS' REPORT (CONT'D)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Risk Sensitivity Analysis (Cont'd)

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 (Cont'd):-

	Audited 2020 RM	Audited Year Ended 31 December 2021 RM	Audited December -> 2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Effects on Profit After Taxation/ Other Comprehensive Income					
USD/RM					
- strengthened by 10%	347,516	597,611	2,914,271	2,512,989	1,186,354
- weakened by 10%	(347,516)	(597,611)	(2,914,271)	(2,512,989)	(1,186,354)
SGD/RM					
- strengthened by 10%	255,467	487,565	701,920	616,751	695,260
- weakened by 10%	(255,467)	(487,565)	(701,920)	(616,751)	(695,260)

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 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 and borrowings 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 are disclosed in Note 15 to the combined financial statements.

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont)

Interest Rate Risk Sensitivity Analysis

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

	Audited 31.12.2020	Audited 31.12.2021	Audited 31.12.2022	Unaudited 30.9.2022	Audited 30.9.2023
	RM	RM	RM	RM	RM
Effects on Profit After Taxation/Other Comprehensive Income					
Increase of 100 basis points	(71,000)	(60,000)	(33,000)	(36,000)	(25,000)
Decrease of 100 basis points	71,000	60,000	33,000	36,000	25,000

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 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 quoted investments, cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 2 (2022 - 2, 2021 - 2, 2020 - 2) customers which constituted approximately 80% (2022 - 78%, 2021 - 74% , 2020 - 81%) of its trade receivables (including related parties) at the end of the reporting period.

(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 combined statement of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

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 difficulty 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;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables

The Group uses a more lagging past due criterion for certain trade receivables when it is more appropriate to reflect their loss patterns.

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

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

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

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 12 (2022 - 12, 2021 - 12, 2020 - 12) months before 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.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for Impairment Losses

	Gross Amount RM	Collective Impairment RM	Carrying Amount RM
Audited			
31 December 2020			
Current (not past due)	12,029,742	(2,646)	12,027,096
1 to 30 days past due	1,347,832	(5,685)	1,342,147
31 to 60 days past due	25	-	25
61 to 90 days past due	16,705	-	16,705
Over 90 days past due	10,000	(10,000)	-
Credit impaired	-	-	-
	13,404,304	(18,331)	13,385,973

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 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)*

	Gross Amount RM	Collective Impairment RM	Carrying Amount RM
Audited			
31 December 2021			
Current (not past due)	20,096,397	(17,666)	20,078,731
1 to 30 days past due	4,441,732	(98,815)	4,342,917
31 to 60 days past due	242,562	(27,805)	214,757
61 to 90 days past due	120,859	-	120,859
Over 90 days past due	205,000	-	205,000
Credit impaired	-	-	-
	25,106,550	(144,286)	24,962,264
Audited			
31 December 2022			
Current (not past due)	11,929,693	(8,596)	11,921,097
1 to 30 days past due	8,212,899	(13,831)	8,199,068
31 to 60 days past due	1,885,711	(4,974)	1,880,737
61 to 90 days past due	131,904	(7,108)	124,796
Over 90 days past due	727,730	(42,373)	685,357
Credit impaired	-	-	-
	22,887,937	(76,882)	22,811,055

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****30. FINANCIAL INSTRUMENTS (CONT'D)**

30.1 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)*

	Gross Amount RM	Collective Impairment RM	Carrying Amount RM
Audited			
30 September 2023			
Current (not past due)	11,735,296	(26,327)	11,708,969
1 to 30 days past due	7,597,202	(33,077)	7,564,125
31 to 60 days past due	2,838,994	(2,162)	2,836,832
61 to 90 days past due	870,133	(712)	869,421
Over 90 days past due	42,817	(14,604)	28,213
Credit impaired	-	-	-
	23,084,442	(76,882)	23,007,560

The movements in the loss allowances in respect of trade receivables is disclosed in Note 8 to the combined financial statements.

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Amount Owing by Related Parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

Under this approach, the Group assesses whether there is a significant increase in credit risk for receivables by comparing the risk of default as at the reporting date with the risk of default as at the date of initial recognition. The Group considers there has been a significant increase in credit risk when there are changes in contractual terms or delay in payment. Regardless of the assessment, a significant increase in credit risk is presumed if a receivable is more than 30 days past due in making a contractual payment.

The Group uses 3 categories to reflect their credit risk and how the loss allowance is determined for each category:-

Category	Definition of category	Loss Allowance
Performing:	Receivables have a low risk of default and a strong capacity to meet contractual cash flows	12-months expected credit losses
Underperforming:	Receivables for which there is a significant increase in credit risk	Lifetime expected credit losses
Not performing:	There is evidence indicating the receivable is credit impaired or more than 90 days past due	Lifetime expected credit losses

The Group measures the expected credit losses of receivables having significant balances, receivables that are credit impaired and receivables with a high risk of default on individual basis. Other receivables are grouped based on shared credit risk characteristics and assessed on collective basis.

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).

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30.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Amount Owing by Related Parties (Cont'd)*Inputs, Assumptions and Techniques used for Estimating Impairment Losses (Cont'd)*

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.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

Allowance for Impairment Losses

Based on the assessment performed, the identified impairment loss was immaterial and hence, it is not provided for.

Fixed Deposits with a Licensed Bank, Cash and Bank Balances

The Group considers the licensed bank has low credit risk. 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.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

13. ACCOUNTANTS' REPORT (CONT'D)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 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):-

	Weighted average effective Interest rate	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 years RM
Audited						
31 December 2020						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.58% - 5.25%	933,031	946,067	946,067	-	-
Term loan	3.58%	9,276,662	10,399,076	1,617,672	8,088,360	693,044
Trade payables	-	5,018,879	5,018,879	5,018,879	-	-
Other payables and accruals	-	5,788,086	5,788,086	5,788,086	-	-
		21,016,658	22,152,108	13,370,704	8,088,360	693,044

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 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	Weighted average effective interest rate	Carrying Amount RM	Contractual Undiscounted Cash Flows RM		Within 1 Year RM	1 - 5 Years RM	Over 5 years RM
31 December 2021							
<u>Non-derivative Financial Liabilities</u>							
Lease liabilities	4.83% - 5.25%	4,683,726	4,985,519	2,078,269	2,907,250	-	-
Term loan	3.58%	7,913,659	8,712,932	1,617,672	7,095,260	-	-
Trade payables	-	7,700,302	7,700,302	7,700,302	-	-	-
Other payables and accruals	-	4,364,584	4,364,584	4,364,584	-	-	-
		24,662,271	25,763,337	15,760,827	10,002,510	-	-

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30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 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):-

	Weighted average effective interest rate	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM			1 - 5 Years RM		Over 5 years RM
				1 Year RM	1 - 5 Years RM	Over 5 years RM			
Audited									
31 December 2022									
<u>Non-derivative Financial Liabilities</u>									
Lease liabilities	4.83% - 5.25%	2,807,043	2,923,071	1,853,718	1,069,353	-	-	-	-
Term loan	4.58%	4,394,544	4,701,933	1,617,672	3,084,261	-	-	-	-
Trade payables	-	7,026,700	7,026,700	7,026,700	-	-	-	-	-
Other payables and accruals	-	5,575,720	5,575,720	5,575,720	-	-	-	-	-
		19,804,007	20,227,424	16,073,810	4,153,614	-	-	-	-

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 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	Weighted average effective interest rate	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	RM		
				Within 1 Year	1 - 5 Years	Over 5 years
30 September 2023						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.83% - 5.25%	2,035,600	2,098,000	1,850,000	248,000	-
Term loan	4.83%	3,301,276	3,482,554	1,617,672	1,864,882	-
Trade payables	-	5,710,220	5,710,220	5,710,220	-	-
Other payables and accruals	-	2,690,065	2,690,065	2,690,065	-	-
		13,737,161	13,980,839	11,867,957	2,112,882	-

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Chartered Accountants

13. ACCOUNTANTS' REPORT (CONT'D)

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 Chartered Accountants
WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****30. FINANCIAL INSTRUMENTS (CONT'D)****30.2 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 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Term loan	9,276,662	7,913,659	4,394,544	3,301,276
Less: Cash and bank balances	(8,136,577)	(13,966,359)	(33,653,775)	(13,084,433)
Less: Fixed deposits with a licensed bank	(5,091,922)	(5,167,197)	(3,150,663)	(11,273,888)
Net excess	(3,951,837)	(11,219,897)	(32,409,894)	(21,057,045)
Total equity attributable to owners of the Group	54,957,090	67,392,235	87,699,139	98,796,776
Debt-to-equity ratio	*	*	*	*

* Not applicable as the Company's cash and cash equivalents exceed its borrowings.

There was no change in the Group's approach to capital management during the financial year/period.

13. ACCOUNTANTS' REPORT (CONT'D)

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WENTEL ENGINEERING HOLDINGS BERHAD**NOTES TO THE COMBINED FINANCIAL STATEMENTS****30. FINANCIAL INSTRUMENTS (CONT'D)**

30.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Audited 31.12.2020 RM	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 30.9.2023 RM
Financial Assets				
<u>Amortised Cost</u>				
Trade receivables	13,385,973	24,962,264	22,811,055	23,007,560
Other receivables	705,021	13,840	3,559	7,504
Fixed deposits with a licensed bank	5,091,922	5,167,197	3,150,663	11,273,888
Cash and bank balances	8,136,577	13,966,359	33,653,775	13,084,433
	<u>27,319,493</u>	<u>44,109,660</u>	<u>59,619,052</u>	<u>47,373,385</u>
Financial Liabilities				
<u>Amortised Cost</u>				
Term loan	9,276,662	7,913,659	4,394,544	3,301,276
Trade payables	5,018,879	7,700,302	7,026,700	5,710,220
Other payables and accruals	5,788,086	4,364,584	5,575,720	2,690,065
	<u>20,083,627</u>	<u>19,978,545</u>	<u>16,996,964</u>	<u>11,701,561</u>

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.4 GAINS OR (LOSSES) ARISING FROM FINANCIAL INSTRUMENTS

	Audited 1.1.2020 to 31.12.2020 RM	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Unaudited 1.1.2022 to 30.9.2022 RM	Audited 1.1.2023 to 30.9.2023 RM
Financial Assets					
<u>Amortised Cost</u>					
Interest income:-					
Interest income on fixed deposits	87,911	75,275	64,358	47,633	262,698
Interest income on current accounts	26,147	11,851	40,295	23,014	53,688
Impairment loss on trade receivables	-	(125,955)	-	-	-
Reversal of impairment loss on trade receivables	51,671	-	67,404	-	-
Net gains/(losses) recognised in profit or loss	165,729	(38,829)	172,057	70,647	316,386

Financial Liability

<u>Amortised Cost</u>					
Interest expense on term loan	(341,343)	(254,670)	(198,557)	(154,026)	(119,985)
Net losses recognised in profit or loss	(341,343)	(254,670)	(198,557)	(154,026)	(119,985)

13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

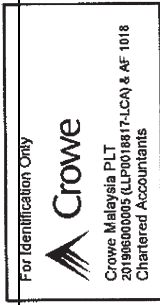
30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 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:-

Audited	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM	RM	RM	RM	RM	RM	RM	RM
31 December 2020								
<u>Financial Liability</u>								
Term loan: - floating rate	-	-	-	-	9,276,662	-	9,276,662	9,276,662
Audited								
31 December 2021								
<u>Financial Liability</u>								
Term loan: - floating rate	-	-	-	-	7,913,659	-	7,913,659	7,913,659



13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

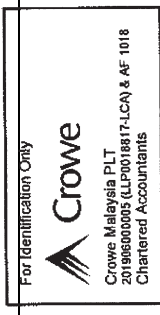
NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 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):-

Audited	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM	RM	RM	RM	RM	RM	RM	RM
31 December 2022								
<u>Financial Liability</u>								
Term loan:								
- floating rate	-	-	-	-	4,394,544	-	4,394,544	4,394,544
Unaudited								
30 September 2022								
<u>Financial Liability</u>								
Term loan:								
- floating rate	-	-	-	-	4,754,432	-	4,754,432	4,754,432



13. ACCOUNTANTS' REPORT (CONT'D)

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 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):-

Audited	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments not Carried at Fair Value			Total Fair Value	Carrying Amount
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3		
	RM	RM	RM	RM	RM	RM	RM	RM
30 September 2023								
<u>Financial Liability</u>								
Term loan:								
- floating rate	-	-	-	-	3,301,276	-	3,301,276	3,301,276

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Chartered Accountants

13. ACCOUNTANTS' REPORT (CONT'D)

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Chartered Accountants

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE COMBINED FINANCIAL STATEMENTS

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5. FAIR VALUE INFORMATION (CONT'D)

Fair Value of Financial Instruments Not Carried at Fair Value

The fair value of the Group's term loan that carry floating interest rate approximated their carrying amount as it is repriced to market interest rate on or near the reporting date.

13. ACCOUNTANTS' REPORT (CONT'D)

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Chartered Accountants

WENTEL ENGINEERING HOLDINGS BERHAD

STATEMENT BY DIRECTORS

We, Ban Kim Wah and Wong Chun Wei, being two of the directors of Wentel Engineering Holdings Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 105 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), 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 30 September 2023 and of their financial performance and cash flows for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and for the financial period ended 30 September 2023.

Signed in accordance with a resolution of the directors dated **28 DEC 2023**

Ban Kim Wah

Wong Chun Wei

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION



28 DEC 2023

The Board of Directors
Wentel Engineering Holdings Berhad
No. 11, Jalan Gagah
Kawasan Perindustrian Larkin
80350 Johor Bahru, Johor.

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
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12, Jalan Yap Kwan Seng
50450 Kuala Lumpur
Malaysia
Main +6 03 2788 9999
Fax +6 03 2788 9998
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Dear Sirs

**WENTEL ENGINEERING HOLDINGS BERHAD (“WEHB” or the “Company”)
REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS
AT 30 SEPTEMBER 2023**

We have completed our assurance engagement to report on the compilation of Pro Forma Statements of Financial Positions of WEHB and its subsidiaries (collectively known as the “Group”) prepared by the Board of Directors of the Company. The Pro Forma Statements of Financial Position consists of the Combined Statements of Financial Position as at 30 September 2023 together with the accompanying notes thereon, for which we have stamped for the purpose of identification.

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

The application criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Statements of Financial Position are set out in the notes thereon to the Pro Forma Statements of Financial Position. The pro forma statements of financial position is prepared in accordance with the requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia (“Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”).

The Pro Forma Statements of Financial Position has been compiled by the Board of Directors of the Company to illustrate the impact of the transactions as set out in the notes of the Pro Forma Statements of Financial Position as at 30 September 2023 as if the events has been in existence on 30 September 2023. As part of this process, information about the Group’s financial position as at 30 September 2023 has been extracted by the Board of Directors of the Company from the Group’s audited financial statements for the financial period ended 30 September 2023.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)



THE BOARD OF DIRECTORS' RESPONSIBILITIES

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

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

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

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management 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, about whether the pro forma financial information has been compiled, 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 and the Guidance Note.

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

For the 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.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)



REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflects 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 has 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 has been compiled, in all material respects, on the basis as described in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

OTHER MATTER

This letter has been prepared solely for the purpose stated above, in connection with the Listing. As such, this letter 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 letter contrary to the aforesaid purpose.

Yours faithfully

A handwritten signature in black ink, appearing to read "Crowe Malaysia PLT".

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
Kuala Lumpur

A handwritten signature in black ink, appearing to read "Chan Kuan Chee".

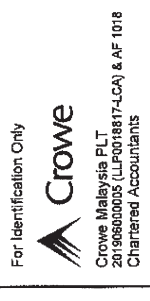
Chan Kuan Chee
02271/10/2025 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)

WENTEL ENGINEERING HOLDINGS BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023



APPENDIX A

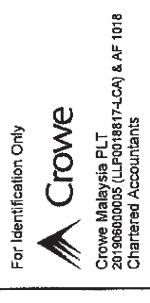
	<u>Audited</u>	<u>Pro Forma I</u>	<u>Pro Forma II</u>
Note	As at 30 September 2023 RM	After Public Issue RM	After Pro Forma I and Utilisation of Proceeds RM
	RM	RM	RM
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	43,280,029	43,280,029	43,280,029
Right-of-use assets	1,963,942	1,963,942	1,963,942
Intangible assets	10	10	10
	<u>45,243,981</u>	<u>45,243,981</u>	<u>45,243,981</u>
CURRENT ASSETS			
Inventories	15,407,725	15,407,725	15,407,725
Trade receivables	23,007,560	23,007,560	23,007,560
Other receivables, deposits and prepayments	3,246,404	3,246,404	857,111
Current tax assets	1,269,946	1,269,946	1,269,946
Fixed deposits with licensed banks	11,273,888	11,273,888	11,273,888
Cash and bank balances	13,084,433	84,116,433	80,577,707
	71,032,000	(3,538,726)	(3,538,726)
	<u>67,289,956</u>	<u>138,321,956</u>	<u>132,393,937</u>
TOTAL ASSETS	<u>112,533,937</u>	<u>183,565,937</u>	<u>177,637,918</u>
		Utilisation of Proceeds RM	
		After Public Issue RM	
		Pro Forma I and Utilisation of Proceeds RM	

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)

WENTEL ENGINEERING HOLDINGS BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

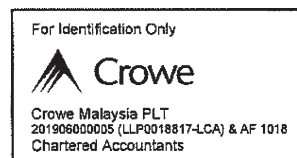


APPENDIX A

	<u>Audited</u>	<u>Pro Forma I</u>		<u>Pro Forma II</u>
Note	As at 30 September 2023 RM	Public Issue RM	After Public Issue RM	After Pro Forma I and Utilisation of Proceeds RM
NON-CURRENT LIABILITIES				
Lease liabilities	243,568	-	243,568	243,568
Term loans	1,810,337	-	1,810,337	1,810,337
	<u>2,053,905</u>		<u>2,053,905</u>	<u>2,053,905</u>
CURRENT LIABILITIES				
Trade payables	5,710,220	-	5,710,220	5,710,220
Other payables and accruals	2,690,065	-	2,690,065	2,690,065
Lease liabilities	1,792,032	-	1,792,032	1,792,032
Term loans	1,490,939	-	1,490,939	1,490,939
	<u>11,683,256</u>		<u>11,683,256</u>	<u>11,683,256</u>
TOTAL LIABILITIES	<u>13,737,161</u>		<u>13,737,161</u>	<u>13,737,161</u>
TOTAL EQUITY AND LIABILITIES	<u>112,533,937</u>		<u>183,565,937</u>	<u>177,637,918</u>
Number of ordinary shares	876,800,000	273,200,000	1,150,000,000	1,150,000,000
Net assets ("NA") (RM)	98,796,776	-	169,828,776	163,900,757
NA per ordinary share (RM)	0.11	-	0.15	0.14

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)

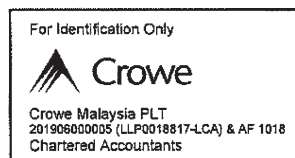
**APPENDIX A****WENDEL ENGINEERING HOLDINGS BERHAD****NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023****1. ABBREVIATIONS**

Unless the context otherwise requires, the following abbreviations shall apply throughout this report:

IPO	Initial public offering comprising the Public Issue and the Offer for Sale
IPO Price	The issue/offer price of RM0.26 per IPO Share
IPO Share(s)	Collectively, the Issue Share(s) and the Offer Share(s)
Issue Share(s)	New Share(s) to be issued by the Company under the Public Issue
Listing	Admission to the Official List, and the listing of and quotation for the entire enlarged issued share capital of WEHB of 1,150,000,000 Shares on the ACE Market of Bursa Malaysia Securities Berhad
Malaysian Public	Malaysian citizens, companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Offer for Sale	Offer for sale of 46,000,000 Offer Shares at the IPO Price representing approximately 4.00% of the enlarged issued share capital, which are reserved for private placement to selected investors
Offer Share(s)	Existing Share(s) to be offered by the selling shareholders pursuant to the Offer for Sale
Public Issue	Public issue of 273,200,000 Issue Shares at the IPO Price comprising: <ol style="list-style-type: none"> (a) 57,500,000 Issue Shares, representing approximately 5.00% of the enlarged issued share capital, are reserved for application by the Malaysian Public by way of balloting; (b) 33,000,000 Issue Shares, representing approximately 2.87% of the enlarged issued share capital, are reserved for application by the Eligible Persons; and (c) 182,700,000 Issue Shares, representing approximately 15.89% of the enlarged issued share capital, are reserved for private placement to selected investors and Bumiputera investors approved by the Ministry of Investment, Trade and Industry of Malaysia.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)



APPENDIX A

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

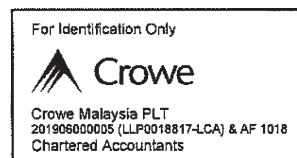
1. ABBREVIATIONS (CONT'D)

Unless the context otherwise requires, the following abbreviations shall apply throughout this report (Cont'd):

RM and sen	Ringgit Malaysia and sen, the lawful currency of Malaysia
Share(s)	Ordinary share(s) in the Company
The Company or WEHB	Wentel Engineering Holdings Berhad (Registration No: 202301007290 (1501211-T))
The Group	WEHB and its subsidiaries

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)



APPENDIX A

WENDEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

2. INTRODUCTION

The Pro Forma Statements of Financial Position of the Group as at 30 September 2023 (“the Pro Forma Statements of Financial Position”) together with the notes thereon, for which the Board of Directors of the Company (“the Directors”) are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus of the Company to be issued in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

The Pro Forma Statements of Financial Position have been prepared based on the audited combined statements of financial position of the Group as at 30 September 2023, which was prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) and International Financial Reporting Standards (“IFRS”), and in a manner consistent with the format of the financial statements and the accounting policies of the Group.

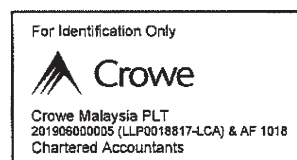
The Pro Forma Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Notes 4, 5, and 6 to the Pro Forma Statements of Financial Position on the audited financial statements of the Group as at 30 September 2023 had the events occurred or transactions been undertaken on 30 September 2023. As part of this process, information about the Group’s financial position have been extracted by the Directors from the audited financial statements of the Group for the financial period ended 30 September 2023, on which an audit report has been issued.

The financial statements used in the preparation of this Pro Forma Statements of Financial Position for the financial period ended 30 September 2023 were not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Statements of Financial Position are not necessary indicative of the financial position that would have been attained had the IPO actually occurred at the respective dates. 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 financial position of the Group.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)

**APPENDIX A****WENDEL ENGINEERING HOLDINGS BERHAD****NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)****4. LISTING SCHEME**

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

4.1 Public Issue

The Public Issue involves an issuance of 273,200,000 Issue Shares, representing approximately 23.76% of the Company's enlarged issued share capital upon Listing at the IPO Price.

4.2 Offer for Sale

The selling shareholders will undertake an Offer for Sale of 46,000,000 Offer Shares, representing approximately 4.00% of the Company's enlarged issued share capital upon Listing at the IPO Price.

4.3 Listing

Upon completion of the IPO, the Company's entire enlarged issued share capital of approximately RM158,712,000 comprising 1,150,000,000 Shares shall be listed on the ACE Market of Bursa Malaysia Securities Berhad.

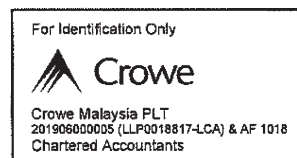
4.4 Proposed Utilisation of Proceeds

The estimated gross proceeds from the Public Issue of RM71,032,000 will accrue entirely to the Group and are planned to be utilised in the following manner:

Utilisation of proceeds	RM	%	Estimated timeframe for utilisation from the date of Listing
Part finance the construction of 2 blocks of single storey factory (with double storey office) and 2 blocks of workers' hostel ⁽¹⁾	40,000,000	56.31	Within 18 months
Part finance the purchase of new machinery and equipment ⁽²⁾	25,032,000	35.24	Within 18 months
Estimated listing expenses ⁽³⁾	6,000,000	8.45	Within 3 months
Total	71,032,000	100.00	

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)

**APPENDIX A****WENTEL ENGINEERING HOLDINGS BERHAD****NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)****4. LISTING SCHEME (CONT'D)**

4.4 Proposed Utilisation of Proceeds (Cont'd)

Notes:

- (1) *The Group intends to utilise RM40,000,000 of its IPO proceeds to construct a new manufacturing plant comprising two (2) blocks of single-storey factory (with double storey office) and two (2) blocks of workers' hostel at Lot 815 (a piece of freehold land owned by the Group which is located at Kawasan Perindustrian Selatan, Johor Bahru, Johor). The total estimated construction cost is approximately RM67,950,000. The balance funding of RM27,950,000 will be met via the Group's internally generated funds and/or bank borrowings. As at latest practicable date of the prospectus, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the above capital expenditure. Accordingly, the utilisation is not reflected in the Pro Forma Statements of Financial Position.*
- (2) *The Group intends to utilise RM25,032,000 of its IPO proceeds to purchase new machinery and equipment including CNC combined laser cutting and/or turret punching machines, CNC milling machines, CNC bending machines, CNC robotic-arm welding machines, zinc electroplating line and others. As at latest practicable date of the prospectus, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the above of new machinery and equipment. Accordingly, the utilisation is not reflected in the Pro Forma Statements of Financial Position.*
- (3) *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 RM4,200,000 that is attributable to the Listing will be charged to the Statements of Profit or Loss and Other Comprehensive Income. As of 30 September 2023, RM2,389,293 and RM71,981 has been paid and debited into other receivables, deposits and prepayments and charged to the profit or loss account respectively.*

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)



APPENDIX A

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

5.1 Pro Forma I

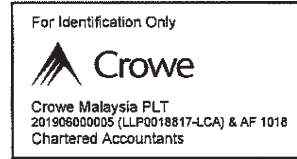
Pro Forma I incorporates the effects of Public Issue, Offer for Sale and Listing as set out in Notes 4.1, 4.2 and 4.3 to the Pro Forma Statements of Financial Position.

5.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and Utilisation of Proceeds as set out in Note 4.4 to the Pro Forma Statements of Financial Position.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)



APPENDIX A

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION

6.1 Movement in other receivables, deposits and prepayments

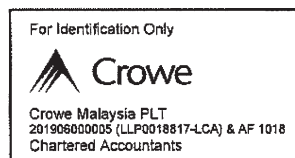
	RM
As at 30 September 2023/As per Pro Forma I	3,246,404
Pursuant to Adjustment for Pro Forma II: Prepaid listing expenses	(2,389,293)
As per Pro Forma II	857,111

6.2 Movement in cash and bank balances

	RM
As at 30 September 2023	13,084,433
Pursuant to Adjustment for Pro Forma I: Proceeds from Public Issue	71,032,000
As per Pro Forma I	84,116,433
Pursuant to Adjustments for Pro Forma II: Estimated listing expenses	(3,538,726)
As per Pro Forma II	80,577,707

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)



APPENDIX A

WENTEL ENGINEERING HOLDINGS BERHAD

NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023 (CONT'D)

6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

6.3 Movement in share capital and invested capital

	RM
As at 30 September 2023	87,680,000
Pursuant to Adjustment for Pro Forma I: Proceeds from Public Issue	71,032,000
As per Pro Forma I	158,712,000
Pursuant to Adjustment for Pro Forma II: Estimated listing expenses	(1,800,000)
As per Pro Forma II	156,912,000

6.4 Movement in retained profits

	RM
As at 30 September 2023/As per Pro Forma I:	97,018,183
Pursuant to Adjustment for Pro Forma II: Estimated listing expenses	(4,128,019)
As per Pro Forma II	92,890,164

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)

Registration No: 202301007290 (1501211-T)

WENTEL ENGINEERING HOLDINGS BERHAD

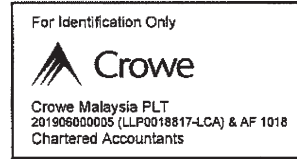
APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Wentel Engineering Holdings Berhad in accordance with a resolution dated **28 DEC 2023**

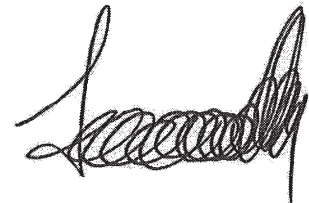
On behalf of the Board of Directors,



Ban Kim Wah



APPENDIX A



Wong Chun Wei

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) No Shares will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of this Prospectus.
- (ii) As at the date of this Prospectus, we only have 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (iii) None of our Group's share capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (iv) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.
- (v) There is no scheme involving our Directors and employees in the capital of our Group, except for the Pink Form Allocation.
- (vi) Save as disclosed in Sections 4.3 and 6.1.3 of this Prospectus, no shares, debentures, warrants, options, convertible securities or uncalled capital of our Group have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 3 years preceding the date of this Prospectus.
- (vii) As at the date of this Prospectus, our Group does not have any outstanding convertible securities, options, warrants or uncalled capital.

15.2 EXTRACT OF OUR CONSTITUTION

The following provisions relating to the selected matters are reproduced from our Constitution which complies with the Listing Requirements, the Act and the Rules.

The words, terms and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires:

15.2.1 Remuneration, voting and borrowing power of DirectorsDirectors' remunerationClause 103 – Directors' remuneration

The fees of the Directors and any benefits payable to the Directors shall from time to time be approved by way of an ordinary resolution of the Company in a general meeting annually and such fees shall be divided among the Directors in such proportions and manner as the Directors may determine and in default of agreement equally, except that if a Director has held office for part only of the period in respect of which such fees are payable, such a Director shall be entitled only to that proportion of the fees as is related to the period during which he has held office PROVIDED ALWAYS that:

- (i) salaries, benefits and other emoluments payable to executive Director(s) pursuant to an employment contract or a contract of service need not be determined by the Company in a general meeting but such salaries may not include a commission on or percentage of turnover;
- (ii) fees payable to non-executive Directors shall be a fixed sum and not by way of a commission on or percentage of profits or turnover; and

15. ADDITIONAL INFORMATION (CONT'D)

- (iii) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 104 – Reimbursement of expenses

- (i) The Directors shall be entitled to be reimbursed for all travelling or expenses as may be incurred in attending meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors. In addition to the foregoing, a Director shall be entitled to such reasonable fixed allowance as may be determined by the Directors in respect of any attendance at any meeting and/or the performance of any duty or other things required of him as a Director.
- (ii) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of non-executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an executive Director, such fee may be either in addition to or in substitution for any director's fees payable to him from time to time.

Clause 130 – Remuneration of chief executive, executive Director, managing Director

The remuneration of the chief executive, executive Director, managing Director or any person holding an equivalent position, shall, from time to time be fixed by the Directors and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive a pension, gratuity or other benefits upon their retirement.

Voting and Borrowing Powers of our Directors

Clause 82 – Chairman's casting vote

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a second or casting vote except when at the meeting only two (2) Directors are present and form the quorum or at which only two (2) Directors are competent to vote on the question at issue, the Chairman shall not have a second or casting vote and the question arising at the meeting shall be deemed to have been lost or not carried.

Clause 108 – Directors' borrowing powers

- (i) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or any related company (as defined under Section 7 of the Act) as may be thought fit subject always to the Act and/or the Listing Requirements.
- (ii) The Directors shall not borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property or any uncalled capital, or issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 122 – Votes by majority and Chairman to have casting vote

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes of the Directors present and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote except where at the meeting only two (2) Directors form a quorum and only such a quorum is present at the meeting or only two (2) Directors are competent to vote on the question at issue.

Clause 125 – Restriction on voting

Subject to the Act, a Director shall not participate in any discussion or vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly an interest and if he shall do so his vote shall not be counted. A Director shall, notwithstanding his interest, be counted in the quorum for any meeting where a decision is to be taken upon any contract or proposed contract or arrangement in which he is in any way interested.

Clause 126 – Power to vote

A Director may vote in respect of:

- (i) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company;
- (ii) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of security;
- (iii) any contract by a Director to subscribe for or underwrite shares or debentures of the Company; or
- (iv) any contract or arrangement with any other company in which he is interested only as an officer of the Company or as a holder of shares or other securities in that company.

15.2.2 Changes to share capital

Clause 61 – Power to increase capital

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

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15. ADDITIONAL INFORMATION (CONT'D)

Clause 62 – Offer of new shares

In accordance with the Listing Requirements, subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before 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. The offer shall be made by notice specifying the number of shares or securities offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The Directors may 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. Notwithstanding the above, the Directors shall not be required to offer any new ordinary shares for the time being unissued and not allotted and any new shares or other convertible securities from time to time to be created to the holders of the existing shares where the said shares or securities are to be issued as consideration or part consideration for the acquisition of shares or assets by the Company.

For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained for implementation of a scheme that involves a new issuance of shares or other convertible securities to employees of the Company and its subsidiaries and approval obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable.

In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply and the Company is not required to offer new shares or convertible securities in proportion to the shareholdings of the existing Members.

Clause 64 – Power to alter capital

Subject to the provisions of this Constitution and the Act, the Company may by ordinary resolution:

- (i) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares;
- (ii) subdivide its share capital or any part thereof into shares of smaller amount by subdivision of its existing shares or any of them subject nevertheless to the provisions of the Act;
- (iii) convert and/or re-classify any class of shares into any other class of shares; or
- (iv) cancel shares which at the date of the passing of the resolution on that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Clause 65 – Power to reduce capital

The Company may by special resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Act and the Applicable Laws.

15. ADDITIONAL INFORMATION (CONT'D)

15.2.3 Transfer of securities

Clause 30 – Transfer in writing

Subject to this Constitution, the Central Depositories Act and the Rules, any Member may transfer all or any of his Securities (except those Deposited Securities which are for the time being designated as securities in suspense) by an instrument in writing in the form prescribed and approved by the Stock Exchange upon which the Company is listed on the Exchange. The instrument shall have been executed by or on behalf of the transferor and the transferee and the transferor shall remain the holder of the Securities transferred until the transfer is registered and the name of the transferee is entered in the Record of Depositors.

Clause 31 – Transfer of Securities

The transfer of any Deposited Securities shall be made by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed Securities.

Clause 32 – No restriction on the transfer of fully paid Securities

Subject to the Central Depositories Act and the Rules, there shall be no restriction on the transfer of fully paid Securities except where required by law.

Clause 33 (a) – Refusal to Register

The Central Depository may, in its absolute discretion, refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and/or the Rules.

15.2.4 Rights, preferences, restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 6 – Allotment of shares

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares and subject to the provisions of this Constitution, the Act, any Applicable Laws, and to the provisions of any resolution of the Company, the Board may issue, allot or otherwise dispose of such shares to such persons at such price, on such terms and conditions, with such preferred, deferred or other special rights and subject to such restrictions and at such times as the Board may determine but the Board in making any issue of shares shall comply with the following conditions:

- (i) in the case of shares, other than ordinary shares, no special rights shall be attached until the same has been expressed in this Constitution and in the resolution creating the same;
- (ii) no shares shall be issued which shall have the effect of transferring a controlling interest in the Company without the prior approval of the Members in general meetings;
- (iii) no Director shall participate in a scheme that involves a new issuance of shares or other convertible securities to employees unless the Members in a general meeting have approved the specific allotment to be made to such Director; and

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15. ADDITIONAL INFORMATION (CONT'D)

- (iv) except in the case of an issue of Securities on a pro-rata basis to all Members, placements undertaken in compliance with the Listing Requirements or issuance pursuant to a dividend reinvestment scheme, there shall be no issue of Securities to a Director, major shareholder, chief executive or person connected with any Director, major shareholder or chief executive (hereinafter referred to as the "interested Director", "interested major shareholder", "interested chief executive" or "interested person connected with a Director, major shareholder or chief executive" respectively) unless the Members in a general meeting have approved of the specific allotment to be made to such aforesaid interested Director, interested major shareholder, interested chief executive or interested person connected with a Director, major shareholder or chief executive, as the case may be. In this Constitution, "major shareholder", "chief executive" and "person connected with any Director, major shareholder or chief executive" shall have the meaning ascribed thereto in the Listing Requirements.

Clause 7 – Rights of preference shareholders

Subject to the Act and the Listing Requirements, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed and the Company shall not issue preference shares ranking in priority above preference shares already issued, but may issue preference shares ranking equally therewith. Preference shareholders shall have:

- (i) the same rights as ordinary shareholders as regards receiving notices, reports and audited accounts and attending general meetings of the Company; and
- (ii) the right to vote at any meeting convened for the purpose of reducing the capital of the Company or on a proposal to wind up or during the winding up of the Company, or sanctioning a sale of the whole of the Company's undertaking, property or business, or where any resolution to be submitted to the meeting directly affects their rights and privileges, or when the dividend on the preference shares or part of the dividend is in arrears for more than six (6) months.

Clause 9 – Variation of class rights

Subject to Section 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with:

- (i) the consent in writing of the holders of not less than seventy-five per centum (75%) of the total voting rights of the shareholders in that class; or
- (ii) the sanction of a special resolution passed at a separate general meeting of the holders of the shares of the class. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons holding or representing by proxy at least one-third of the number of the issued shares of the class excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll and shall be entitled on a poll to one vote for every such share held by him. For adjourned meetings, the quorum is one (1) person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

Clause 10 – Ranking of class rights

The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects *pari passu* therewith.

15. ADDITIONAL INFORMATION (CONT'D)

Clause 43 – Person entitled may receive dividends etc

Where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee of his estate, as the case may be, shall, upon the production of such evidence as may from time to time be properly required by the Directors in that behalf, be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Company or to voting or otherwise) as the registered holder would have been entitled to if he had not died or become bankrupt.

Clause 59 – Rights of stock holders

The holders of stock shall, according to the amount of the stock held by them have the same rights, privileges and advantages with regard to dividends, participation in assets on a winding up, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, so that none of such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by an amount of the stock which would not if existing in shares, have conferred such right, privilege or advantage.

Clause 151 – Payment of dividends

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect whereof the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Constitution as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

15.3 LIMITATION ON THE RIGHT TO OWN SECURITIES

There are no limitations imposed by law or by the constituent documents of our Company on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.4 MATERIAL LITIGATION

Our Group is not engaged in any material litigation and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors are not aware of any proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business as at the LPD.

15.5 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any material contract (not being contracts entered into in the ordinary course of business) for the Period Under Review up to the date of this Prospectus:

- (i) sale and purchase agreement dated 28 December 2022 for the acquisition of Lot 879 & 881 by WESB from Keytower Sdn Bhd (Registration No.:199201006326 (237830-A)) for a total purchase price of RM17,200,000 which has been fully paid by WESB. Lot 879 & 881 is located at Mukim Tebrau, Daerah Johor Bahru, Johor. This acquisition has been completed on 15 May 2023. Please refer to Section 7.20 of this Prospectus for further details of Lot 879 & 881;

15. ADDITIONAL INFORMATION (CONT'D)

- (ii) share sale agreement dated 30 May 2023 entered into between Wentel Engineering and Wong Kim Fatt, Wencor, Ban Kim Wah and Tai Yuan Heng for the Acquisition of WESB. Please refer to Section 6.1.2(i) of this Prospectus for further details;
- (iii) share swap agreement dated 30 May 2023 entered into between Wentel Engineering and Wong Kim Fatt, Loo Sok Ching, Ban Kim Wah and Tai Yuan Heng for the Acquisition of WEPL. Please refer to Section 6.1.2(ii) of this Prospectus for further details; and
- (iv) Underwriting Agreement dated 28 December 2023 between our Company and the Underwriter for the underwriting of 57,500,000 Issue Shares based on the underwriting commission at the rate set out in Section 4.9.2 of this Prospectus. Please refer to Section 4.10 of this Prospectus for further details of the Underwriting Agreement.

15.6 CONSENTS

- (i) The written consents of our Principal Adviser, Sponsor, Underwriter and Placement Agent, Solicitors for our IPO, Issuing House, Share Registrar and Company Secretaries 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 issuance of this Prospectus, and have not subsequently been withdrawn.
- (ii) The written consent of the Auditors and Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Compilation of Pro Forma Statements of Financial Position in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.
- (iii) The written consent of the IMR for the inclusion in this Prospectus of its name and the Industry Overview Report and all references thereto in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus, and has not subsequently been withdrawn.

15.7 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

- (i) Our Constitution;
- (ii) The Accountants' Report as included in Section 13 of this Prospectus;
- (iii) The Reporting Accountants' Report on the Compilation of Pro Forma Statements of Financial Position of our Group as included in Section 14 of this Prospectus;
- (iv) The material contracts referred to in Section 15.5 of this Prospectus;
- (v) The letters of consent referred to in Section 15.6 of this Prospectus;
- (vi) The Industry Overview Report as included in Section 8 of this Prospectus; and
- (vii) The audited financial statements of:
 - (a) Wentel Engineering for the FPE 2023;
 - (b) WESB for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023; and
 - (c) WEPL for the FYE 2020, FYE 2021, FYE 2022 and FPE 2023.

15. ADDITIONAL INFORMATION (CONT'D)

15.8 RESPONSIBILITY STATEMENTS

- (i) TA Securities acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts relating to our IPO.

- (ii) This Prospectus has been seen and approved by our Directors, Promoters and the Offerors and 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 that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

16.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 15 January 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 22 January 2024

Applications for the IPO Shares will open and close at the times and dates stated above.

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 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 your Application will succeed. You agree to be bound by our Constitution.

Types of application and category of investors	Application method
(a) Applications by the Malaysian Public: (i) Individuals	<ul style="list-style-type: none"> • White Application Form; or • Electronic Share Application; or • Internet Share Application White Application Form only
(ii) Non-Individuals	
(b) Applications by Eligible Persons:	Pink Application Form only

16.2.2 Application by selected investors via private placement

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

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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3 ELIGIBILITY**16.3.1 General**

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts** will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

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

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

16.3.2 Application by the Malaysian Public

You can only apply for our 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;
 - (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 our Issuing House or an immediate family member of a director or employee of our Issuing House; and
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

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16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3.3 Application by Eligible Persons

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 on the said documents and where relevant, in this 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, our Issuing House, TA Securities, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

The Eligible Persons are not precluded from making additional application under the Malaysian Public category using either the White Application Form, Electronic Share Application or Internet Share Application.

16.4 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 based on the IPO Price of RM0.26 for each IPO Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 756**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

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

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

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at the following address:

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 22 January 2024 or by such other time and date specified in any change to the date or time for closing.

We, together with our 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 our Issuing House.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.5 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.

16.6 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.

16.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

Our 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 16.9 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 our Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.8 OVER / UNDER-SUBSCRIPTION

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

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

Pursuant to the Listing Requirements, we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our IPO Shares by the Malaysian Public and/or Eligible Persons, subject to the underwriting arrangement and reallocation as set out in Sections 4.3.3 and 4.3.4 of our 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.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

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

16.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be refunded 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 documents 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 our Issuing House as per items (i) and (ii) above (as the case may be).

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iv) Our 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 post / 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).

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

- (i) Our 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 Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our 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 our 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 Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

16.10 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 Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)**16.11 ENQUIRIES**

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

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at +603-2783 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://tjih.online>, within **1 Market Day** after the balloting date.

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

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