
13. ACCOUNTANTS' REPORT

SIN-KUNG LOGISTICS BERHAD
[Registration No.: 199401035432 (321115-P)]
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT

**Registered office and
principal place of business:
Lot 1928, Jalan Bukit Kemuning
40460 Shah Alam
Selangor Darul Ehsan, Malaysia**

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SIN-KUNG LOGISTICS BERHAD
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT

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Date: 1 April 2024

The Board of Directors
Sin-Kung Logistics Berhad
Lot 1928, Jalan Bukit Kemuning
40460 Shah Alam
Selangor Darul Ehsan, Malaysia

UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

Dear Sirs,

REPORTING ACCOUNTANTS' OPINION ON THE CONSOLIDATED FINANCIAL STATEMENTS CONTAINED IN THE ACCOUNTANTS' REPORT OF SIN-KUNG LOGISTICS BERHAD ("THE COMPANY")

Opinion

We have audited the consolidated financial statements of the Company and its subsidiary companies (collectively known as "the Group"), which comprises the consolidated statements of financial position as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 of the Group, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years then ended, and notes to the consolidated financial statements, including material accounting policy information, as set out on pages 5 to 102.

These historical consolidated financial statements have been prepared for inclusion in the prospectus of Sin-Kung Logistics Berhad in connection with the listing of and quotation for its entire enlarged issued share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("Prospectus Guidelines") and is given for the purpose of complying the Chapter 10, Part II Division 1: Equity of Prospectus Guidelines and for no other purposes.

In our opinion, the accompanying consolidated financial statements of the Group contained in the Accountants' Report give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023, and of their financial performance and their cash flows for the financial years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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Basis for Opinion

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

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.

Responsibilities of the Directors for the Consolidated Financial Statements

The Directors of the Company are responsible for the preparation of consolidated financial statements that give 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 consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue an accountants' 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 consolidated financial statements of the Group.

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

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

- Identify and assess the risks of material misstatement of the consolidated 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 accountants' report to the related disclosures in the consolidated financial statements 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 accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements of the Group, including the disclosures, and whether the consolidated financial statements and of represent 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 consolidated 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.

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

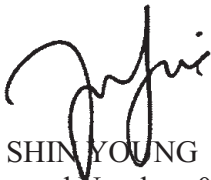
We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Restriction on Distribution and Use

This report will be used solely for the purpose of inclusion in the prospectus of the Company in connection with the listing of and quotation for its entire issued share capital of the Company on the ACE Market of Bursa Securities and for no other purpose. We do not assume responsibility to any other person for the content of this report.



UHY
Firm Number: AF 1411
Chartered Accountants



TIO SHIN YOUNG
Approved Number: 03355/02/2026 J
Chartered Accountant

KUALA LUMPUR

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SIN-KUNG LOGISTICS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

		<----- Audited ----->			
	Note	2023 RM	2022 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	59,750,531	46,343,898	42,559,169	46,397,495
Investment properties	5	12,625,277	12,625,277	14,466,639	14,466,639
Right-of-use assets	6	40,348,048	21,756,557	13,512,878	9,624,719
Other investments	7	5,000	5,000	5,000	5,000
Total non-current assets		<u>112,728,856</u>	<u>80,730,732</u>	<u>70,543,686</u>	<u>70,493,853</u>
Current assets					
Inventories	8	2,918,596	3,105,695	3,077,916	-
Trade receivables	9	7,985,947	7,021,619	8,399,036	6,938,807
Other receivables	10	3,925,130	3,667,158	1,569,315	1,816,037
Amount due from:					
- former holding company	11	-	-	-	43,809
- former related companies	12	-	-	-	667,004
Tax recoverable		612,087	273,970	4,312	6,058
Cash and bank balances		10,148,700	15,808,853	9,460,652	5,683,932
Total current assets		<u>25,590,460</u>	<u>29,877,295</u>	<u>22,511,231</u>	<u>15,155,647</u>
Total assets		<u>138,319,316</u>	<u>110,608,027</u>	<u>93,054,917</u>	<u>85,649,500</u>

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SIN-KUNG LOGISTICS BERHAD

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CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	<----- Audited ----->			
		2023 RM	2022 RM	2021 RM	2020 RM
EQUITY					
Share capital	13	8,000,000	8,000,000	8,000,000	8,000,000
Reserves	14	52,202,954	45,791,085	34,257,650	19,792,287
Equity attributable to owners of the parent		60,202,954	53,791,085	42,257,650	27,792,287
Non-controlling interests		65,350	76,205	72,771	(77,904)
Total equity		60,268,304	53,867,290	42,330,421	27,714,383
LIABILITIES					
Non-current liabilities					
Lease liabilities	15	12,061,338	12,572,269	7,197,746	5,471,274
Loans and borrowings	16	49,727,306	29,801,475	31,078,181	31,681,107
Deferred tax liabilities	17	3,828,098	2,796,947	2,260,340	1,315,643
Total non-current liabilities		65,616,742	45,170,691	40,536,267	38,468,024
Current liabilities					
Trade payables	18	186,381	538,013	1,138,750	904,221
Other payables	19	1,379,015	1,589,156	1,441,881	8,953,220
Dividends payable		-	-	-	4,000,000
Amount due to former related companies	12	-	-	51,479	656,082
Tax payable		27,967	3,752	219,757	140,162
Lease liabilities	15	5,719,694	5,494,900	4,195,014	2,337,197
Loans and borrowings	16	5,121,213	3,944,225	3,141,348	2,476,211
Total current liabilities		12,434,270	11,570,046	10,188,229	19,467,093
Total liabilities		78,051,012	56,740,737	50,724,496	57,935,117
Total equity and liabilities		138,319,316	110,608,027	93,054,917	85,649,500

The accompanying notes form an integral part of the consolidated financial statements.

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SIN-KUNG LOGISTICS BERHAD

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

	Note	<----- Audited ----->			
		2023 RM	2022 RM	2021 RM	2020 RM
Revenue	20	51,983,788	56,742,795	52,255,926	43,070,728
Cost of sales		<u>(27,955,267)</u>	<u>(28,698,769)</u>	<u>(27,776,173)</u>	<u>(24,113,093)</u>
Gross profit		24,028,521	28,044,026	24,479,753	18,957,635
Other income		247,356	111,778	3,714,575	143,350
Administrative expenses		<u>(10,966,485)</u>	<u>(10,275,883)</u>	<u>(8,423,435)</u>	<u>(6,722,817)</u>
Profit from operations		13,309,392	17,879,921	19,770,893	12,378,168
Finance costs	21	<u>(3,628,144)</u>	<u>(2,656,846)</u>	<u>(2,266,751)</u>	<u>(2,104,053)</u>
Profit before tax	22	9,681,248	15,223,075	17,504,142	10,274,115
Taxation	23	<u>(3,274,175)</u>	<u>(2,880,280)</u>	<u>(3,000,133)</u>	<u>(885,902)</u>
Profit for the financial year		<u>6,407,073</u>	<u>12,342,795</u>	<u>14,504,009</u>	<u>9,388,213</u>
Other comprehensive (loss)/income					
Item that will not be reclassified subsequently to profit or loss					
Exchange translation differences of foreign operations		<u>(6,059)</u>	<u>(5,926)</u>	<u>(13,662)</u>	<u>97</u>
Total comprehensive income for the financial year		<u>6,401,014</u>	<u>12,336,869</u>	<u>14,490,347</u>	<u>9,388,310</u>

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SIN-KUNG LOGISTICS BERHAD

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

Note	<----- Audited ----->			
	2023 RM	2022 RM	2021 RM	2020 RM
Profit/(Loss) for the financial year attributable to:				
Owners of the parent	6,417,928	12,339,361	14,495,667	9,384,660
Non-controlling interests	(10,855)	3,434	8,342	3,553
	6,407,073	12,342,795	14,504,009	9,388,213
Total comprehensive income/(loss) for the financial year attributable to:				
Owners of the parent	6,411,869	12,333,435	14,482,005	9,384,757
Non-controlling interests	(10,855)	3,434	8,342	3,553
	6,401,014	12,336,869	14,490,347	9,388,310

The accompanying notes form an integral part of the consolidated financial statements.

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SIN-KUNG LOGISTICS BERHAD
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to owners of the parent		Total RM	Non- controlling interests RM	Total equity RM	
		Non-distributable	Distributable				
		Share capital RM	Foreign currency translation reserve RM				Retained earnings RM
Audited							
At 1 January 2023		8,000,000	(18,552)	45,809,637	53,791,085	76,205	53,867,290
Profit/(Loss) for the financial year		-	-	6,417,928	6,417,928	(10,855)	6,407,073
Other comprehensive loss for the financial year:							
Foreign exchange translation reserve		-	(6,059)	-	(6,059)	-	(6,059)
Total comprehensive (loss)/income for the financial year		-	(6,059)	6,417,928	6,411,869	(10,855)	6,401,014
At 31 December 2023		8,000,000	(24,611)	52,227,565	60,202,954	65,350	60,268,304

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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent					Non-controlling interests RM	Total equity RM
		Non-distributable		Distributable		Total RM		
		Share capital RM	Foreign currency translation reserve RM	Retained earnings RM				
Audited (Cont'd)								
At 1 January 2022		8,000,000	(12,626)	34,270,276	42,257,650	72,771	42,330,421	
Profit for the financial year		-	-	12,339,361	12,339,361	3,434	12,342,795	
Other comprehensive loss for the financial year:								
Foreign exchange translation reserve		-	(5,926)	-	(5,926)	-	(5,926)	
Total comprehensive (loss)/income for the financial year		-	(5,926)	12,339,361	12,333,435	3,434	12,336,869	
Transaction with owners:								
Dividends to owners of the Company	24	-	-	(800,000)	(800,000)	-	(800,000)	
At 31 December 2022		8,000,000	(18,552)	45,809,637	53,791,085	76,205	53,867,290	

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SIN-KUNG LOGISTICS BERHAD
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CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent		Total RM	Non- controlling interests RM	Total equity RM	
		Non-distributable	Distributable				
		Share capital RM	Foreign currency translation reserve RM	Retained earnings RM			
Audited (Cont'd)							
At 1 January 2021		8,000,000	1,036	19,791,251	27,792,287	(77,904)	27,714,383
Profit for the financial year		-	-	14,495,667	14,495,667	8,342	14,504,009
Other comprehensive loss for the financial year:							
Foreign exchange translation reserve		-	(13,662)	-	(13,662)	-	(13,662)
Total comprehensive (loss)/income for the financial year		-	(13,662)	14,495,667	14,482,005	8,342	14,490,347
Transactions with owners:							
Changes in ownership interests							
in subsidiary companies	32	-	-	(16,642)	(16,642)	64,830	48,188
Disposal of subsidiary companies	32	-	-	-	-	77,503	77,503
		-	-	(16,642)	(16,642)	142,333	125,691
At 31 December 2021		8,000,000	(12,626)	34,270,276	42,257,650	72,771	42,330,421

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SIN-KUNG LOGISTICS BERHAD
(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Attributable to owners of the parent		Total	Non-controlling interests	Total equity	
		Non-distributable	Distributable				
		Share capital	Foreign currency translation reserve				Retained earnings
Audited (Cont'd)		RM	RM	RM	RM	RM	
At 1 January 2020		8,000,000	939	14,406,591	22,407,530	(89,104)	22,318,426
Profit for the financial year		-	-	9,384,660	9,384,660	3,553	9,388,213
Other comprehensive income for the financial year:							
Foreign exchange translation reserve		-	97	-	97	-	97
Total comprehensive income for the financial year		-	97	9,384,660	9,384,757	3,553	9,388,310
Transactions with owners:							
Dividends to owners of the Company	24	-	-	(4,000,000)	(4,000,000)	-	(4,000,000)
Strike off of a subsidiary company		-	-	-	-	7,647	7,647
		-	-	(4,000,000)	(4,000,000)	7,647	(3,992,353)
At 31 December 2020		8,000,000	1,036	19,791,251	27,792,287	(77,904)	27,714,383

The accompanying notes form an integral part of the consolidated financial statements.

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SIN-KUNG LOGISTICS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CASH FLOWS

	<----- Audited ----->			
	2023	2022	2021	2020
Note	RM	RM	RM	RM
Cash flows from operating activities				
Profit before tax	9,681,248	15,223,075	17,504,142	10,274,115
Adjustments for:				
Amortisation of right-of-use assets	3,727,112	2,503,226	2,074,526	1,467,460
Bad debts written off	-	-	3,700	-
Depreciation of property, plant and equipment	1,025,309	886,451	896,162	902,678
Finance costs	3,628,144	2,656,846	2,266,751	2,104,053
Gain on modification of lease terms	(930)	(9,167)	-	-
Gain on struck off of investment in a subsidiary company	-	-	-	(22,487)
Interest income	(6,053)	(131)	-	-
Loss/(Gain) on disposal of property, plant and equipment	800	(2,999)	(2,504,875)	-
Loss/(Gain) on disposal of investment in subsidiary companies	-	12,225	(926,324)	-
Loss/(Gain) on disposal of right-of-use assets	48,744	26,808	(87,646)	-
Property, plant and equipment written off	-	1	177,883	-
Right-of-use assets written off	63,000	-	-	-
Unrealised (gain)/loss on foreign exchange	(49,020)	31,506	(101,063)	(21,038)
Operating profit before working capital changes	18,118,354	21,327,841	19,303,256	14,704,781

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SIN-KUNG LOGISTICS BERHAD

(Incorporated in Malaysia)

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	<----- Audited ----->			
Note	2023 RM	2022 RM	2021 RM	2020 RM
Cash flows from operating activities (Cont'd)				
Changes in working capital:				
Inventories	187,099	(27,779)	(3,077,916)	-
Trade receivables	(964,772)	1,383,507	(1,466,211)	(2,794,011)
Other receivables	(2,384,415)	(928,331)	737,978	226,472
Trade payables	(351,632)	(600,737)	234,529	125,407
Other payables	(210,752)	362,983	321,986	(3,311,081)
Former related companies	-	-	(656,082)	636,382
Cash generated from operations	14,393,882	21,517,484	15,397,540	9,587,950
Tax paid	(2,558,155)	(2,825,803)	(1,977,074)	(932,986)
Tax refunded	1,116	-	-	-
Net cash from operating activities	11,836,843	18,691,681	13,420,466	8,654,964

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SIN-KUNG LOGISTICS BERHAD

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CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	<----- Audited ----->			
		2023 RM	2022 RM	2021 RM	2020 RM
Cash flows from investing activities					
Acquisition of property, plant and equipment	4(b)	(5,534,927)	(2,829,688)	(3,010,773)	(398,579)
Acquisition of investment properties	5(a)	-	-	-	(351,905)
Acquisition of right-of-use assets	6(b)	(2,378,677)	-	-	-
Deposits paid for acquiring property, plant and equipment and right-of-use assets		(18,370)	(1,626,030)	(571,860)	-
Decrease in ownership interests in a subsidiary company	32(b)	-	-	68,188	-
Increase in ownership interests in a subsidiary company	32(b)	-	-	(20,000)	-
Interest received		6,053	131	-	-
Proceeds from disposal of property, plant and equipment		624	3,000	8,280,800	-
Proceeds from disposal of right-of-use assets		237,690	323,690	696,200	-
Proceeds from disposal of subsidiary companies, net of cash	32(c)	-	424,878	724,605	-
Net cash (used in)/from investing activities		<u>(7,687,607)</u>	<u>(3,704,019)</u>	<u>6,167,160</u>	<u>(750,484)</u>

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SIN-KUNG LOGISTICS BERHAD
(Incorporated in Malaysia)**CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

		<----- Audited ----->			
		2023	2022	2021	2020
		RM	RM	RM	RM
Cash flows from financing activities					
Dividends paid	27	-	(800,000)	(4,000,000)	-
Interest paid		(3,633,770)	(2,654,254)	(2,272,200)	(2,020,386)
Payments of lease liabilities	27	(5,721,123)	(4,413,827)	(2,986,950)	(2,283,572)
Proceeds from term loans	27	3,880,000	3,000,000	3,000,000	2,500,000
Repayment of term loans	27	(4,381,555)	(3,476,421)	(3,042,228)	(1,647,379)
(Repayment to)/Advances from:					
- directors	27	-	(207,782)	(7,360,792)	504,901
- former holding company	27	-	-	43,809	(20,044)
- former related companies	27	-	(51,479)	718,483	(652,141)
Net cash used in financing activities		<u>(9,856,448)</u>	<u>(8,603,763)</u>	<u>(15,899,878)</u>	<u>(3,618,621)</u>
Net (decrease)/increase in cash and cash equivalents		(5,707,212)	6,383,899	3,687,748	4,285,859
Cash and cash equivalents at the beginning of the financial year		15,808,853	9,460,652	5,683,932	1,395,472
Effect of exchange translation differences on cash and bank balances		<u>47,059</u>	<u>(35,698)</u>	<u>88,972</u>	<u>2,601</u>
Cash and cash equivalents at the end of the financial year		<u>10,148,700</u>	<u>15,808,853</u>	<u>9,460,652</u>	<u>5,683,932</u>
Cash and cash equivalents at the end of the financial year comprise:					
Cash and bank balances		<u>10,148,700</u>	<u>15,808,853</u>	<u>9,460,652</u>	<u>5,683,932</u>

The accompanying notes form an integral part of the consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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SIN-KUNG LOGISTICS BERHAD

(Incorporated in Malaysia)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

Sin-Kung Logistics Berhad (“the Company”) was incorporated and domiciled in Malaysia under the Companies Act 1965 as a private limited liability company on 25 October 1994 under the name of Sin-Kung Logistics Sdn. Bhd.. On 1 August 2022, the Company was converted into a public limited liability company and assumed its present name of Sin-Kung Logistics Berhad.

The registered office and principal place of business of the Company is located at Lot 1928, Jalan Bukit Kemuning, 40460 Shah Alam, Selangor Darul Ehsan, Malaysia.

The principal activities of the Company consist of providing lorry transport services, hiring of trucks and warehousing/maintenance services. The principal activities of its subsidiary companies are disclosed in Note 32 to the consolidated financial statements. There have been no significant changes in the nature of these activities of the Company and its subsidiary companies during the financial year.

2. Basis of Preparation

(a) Statement of compliance

The Accountants' Report comprises the audited consolidated financial statements of the Company and its subsidiary companies (collectively known as “the Group”) for the financial years ended 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and are prepared solely for the purpose of inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) and for no other purpose.

The consolidated financial statements of the Group have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRSs”) and International Financial Reporting Standards (“IFRSs”).

The consolidated financial statements of the Group have been prepared under the historical cost convention, unless otherwise indicated in the material accounting policies below.

13. ACCOUNTANTS' REPORT (Cont'd)

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2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)****Adoption of new and amended standards**

During the financial year, the Group has adopted the following new and amendments to MFRSs issued by the Malaysian Accounting Standards Board ("MASB") that are mandatory for current financial year:

MFRS 17	Insurance Contracts
Amendments to MFRS 17	Insurance Contracts
Amendments to MFRS 101 and MFRS Practice Statement 2	Disclosure of Accounting Policies
Amendments to MFRS 108	Definition of Accounting Estimates
Amendments to MFRS 112	Deferred Tax related to Assets and Liabilities arising from a Single Transaction
Amendments to MFRS 17	Initial Application of MFRS 17 and MFRS 9 - Comparative Information
Amendments to MFRS 112	International Tax Reform - Pillar Two Model Rules

The adoption of the new and amendments to MFRSs did not have any significant impact on the consolidated financial statements of the Group, except for:

Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 - *Disclosure of Accounting Policies*

The Group adopted Amendments to MFRS 101 *Presentation of Financial Statements* and MFRS Practice Statement 2 - *Disclosure of Accounting Policies* for the first time in 2023. Although the amendments did not result in any changes to the accounting policies themselves, they impacted the accounting policy information disclosed in the financial statements.

The amendments require the disclosure of 'material', rather than 'significant', accounting policies. The amendments also provide guidance on the application of materiality to disclosure of accounting policies, assisting entities to provide useful, entity-specific accounting policy information that users need to understand other information in the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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2. Basis of Preparation (Cont'd)**(a) Statement of compliance (Cont'd)****Standards issued but not yet effective**

The Group has not applied the following amendments to MFRSs that have been issued by the MASB but are not yet effective for the Group:

		<u>Effective dates for financial periods beginning on or after</u>
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
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred until further noticed

The Group intends to adopt the above amendments to MFRSs when they become effective.

The initial application of the above-mentioned amendments to MFRSs are not expected to have any significant impacts on the consolidated financial statements of the Group.

(b) Functional and presentation currency

These consolidated financial statements of the Group are presented in Ringgit Malaysia ("RM") which is the Group's functional currency. All financial information is presented in RM and has been rounded to the nearest RM except when otherwise stated.

(c) Use of estimates and judgements

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

13. ACCOUNTANTS' REPORT (Cont'd)

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2. Basis of Preparation (Cont'd)**(c) Use of estimates and judgements (Cont'd)****Judgements**

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements:

Classification between investment properties and property, plant and equipment

The Group has developed certain criteria based on MFRS 140 *Investment Property* in making judgement whether a property qualifies as an investment property. Investment property is a property held to earn rentals or for capital appreciation or both.

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes.

If these portions could be sold separately (or leased out separately), the Group would account for the portions separately. If the portions could not be sold separately, the property is an investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

Judgement is made on an individual property basis to determine whether ancillary services are significant that a property does not qualify as investment property.

Determining the lease term of contracts with renewal and termination options - Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

13. ACCOUNTANTS' REPORT (Cont'd)

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2. Basis of Preparation (Cont'd)**(c) Use of estimates and judgements (Cont'd)****Judgements (Cont'd)**

The following are the judgements made by management in the process of applying the Group's accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements: (Cont'd)

Determining the lease term of contracts with renewal and termination options - Group as lessee (Cont'd)

The Group includes the renewal period as part of the lease term for leases of buildings with non-cancellable period included as part of the lease term as these are reasonably certain to be exercised because there will be a significant negative effect on operation if a replacement asset is not readily available. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below:

Useful lives/depreciation of property, plant and equipment and investment properties and amortisation of right-of-use ("ROU") assets

The Group regularly reviews the estimated useful lives of property, plant and equipment, investment properties and ROU assets based on factors such as business plan and strategies, expected level of usage and future technological developments. Future results of operations could be materially affected by changes in these estimates brought about by changes in the factors mentioned above. A reduction in the estimated useful lives of property, plant and equipment, investment properties and ROU assets would increase the recorded depreciation/amortisation and decrease the value of property, plant and equipment, investment properties and ROU assets.

The carrying amounts at the reporting date for property, plant and equipment, investment properties and ROU assets are disclosed in Notes 4, 5 and 6 respectively.

13. ACCOUNTANTS' REPORT (Cont'd)

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2. Basis of Preparation (Cont'd)**(c) Use of estimates and judgements (Cont'd)****Key sources of estimation uncertainty (Cont'd)**

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period are set out below: (Cont'd)

Discount rate 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 ROU 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.

Income taxes

Judgement is involved in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business.

The Group recognises liabilities for tax based on estimates of whether additional taxes will be due. Where the final tax outcome of these tax matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. As at 31 December 2023, the Group has tax recoverable of RM612,087 (2022: RM273,970; 2021: RM4,312; 2020: RM6,058) and tax payable of RM27,967 (2022: RM3,752; 2021: RM219,757; 2020: RM140,162).

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements and have been applied consistently by the Group, unless otherwise stated.

(a) Basis of consolidation**(i) Subsidiary companies**

Subsidiary companies are all entities (including structured entities) over which the Group has control. 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. Subsidiary companies are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary company is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed in profit or loss as incurred.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is re-measured at its acquisition-date fair value and the resulting gain or loss is recognised in profit or loss.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (which cannot exceed one year from the acquisition date), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed at the acquisition date, if known, would have affected the amounts recognised at that date.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(a) Basis of consolidation (Cont'd)****(i) Subsidiary companies (Cont'd)**

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of MFRS 9 *Financial Instruments* is measured at fair value with the changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances and unrealised gains or losses on transactions between Group companies are eliminated. Unrealised losses are eliminated only if there is no indication of impairment. Where necessary, accounting policies of subsidiary companies have been changed to ensure consistency with the policies adopted by the Group.

(ii) Changes in ownership interests in subsidiary companies without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions - that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary company is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiary companies

If the Group loses control of a subsidiary company, the assets and liabilities of the subsidiary company, including any goodwill, and non-controlling interests are derecognised at their carrying value on the date that control is lost. Any remaining investment in the entity is recognised at fair value. The difference between the fair value of consideration received and the amounts derecognised and the remaining fair value of the investment is recognised as a gain or loss on disposal in profit or loss. Any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(a) Basis of consolidation (Cont'd)****(iv) Goodwill on consolidation**

The excess of the aggregate of the consideration transferred the amount of any non-controlling interest in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total consideration transferred, non-controlling interest recognised and previously held interest measured at fair value is less than the fair value of the net assets of the subsidiary company acquired (i.e. a bargain purchase), the gain is recognised in profit or loss.

Following the initial recognition, goodwill is measured at cost less accumulated impairment losses. Goodwill is not amortised but instead, it is reviewed for impairment annually or more frequent when there is objective evidence that the carrying value may be impaired. See accounting policy Note 3(k) to the consolidated financial statements on impairment of non-financial assets.

(b) Foreign currency translation**(i) Foreign currency transactions and balances**

Transactions in foreign currency are recorded in the functional currency of the respective Group entities using the exchange rates prevailing at the dates of the transactions. At each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the reporting date are included in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation. These are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Company's net investment in foreign operation are recognised in profit or loss in the Company's financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the reporting period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. Exchange differences arising from such non-monetary items are also recognised in other comprehensive income.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(b) Foreign currency translation (Cont'd)****(ii) Foreign operations**

The assets and liabilities of foreign operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at the rate of exchange prevailing at the reporting date, except for goodwill and fair value adjustments arising from business combinations before 1 January 2012 (the date of transition to MFRS) which are treated as assets and liabilities of the Company. The income and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

The assets and liabilities of foreign operations denominated in functional currencies other than RM are translated to RM at the rate of exchange prevailing at the reporting date and income and expenses, excluding foreign operations in hyperinflationary economies, are translated to RM at exchange rates at the dates of the transactions.

Goodwill and fair value adjustments arising on the acquisition of foreign operations on or after 1 January 2006 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Goodwill and fair value adjustment which arose on the acquisition of foreign subsidiaries before 1 January 2006 are deemed to be assets and liabilities of the parent company and are recorded in RM at the rates prevailing at the date of acquisition.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly owned subsidiary company, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the FCTR related that foreign operations reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary company that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(c) Property, plant and equipment**

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k) to the consolidated financial statements.

(i) Recognition and measurement

Cost includes expenditures that are directly attributable to the acquisition of the assets and any other costs directly attributable to bringing the asset to working condition for its intended use, cost of replacing component parts of the assets, and the present value of the expected cost for the decommissioning of the assets after their use. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. All other repair and maintenance costs are recognised in profit or loss as incurred.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

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.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss.

Capital work-in-progress consists of buildings under construction. The amount is stated at cost related to property, plant and equipment under construction until the property, plant and equipment are ready for their intended use.

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(c) Property, plant and equipment (Cont'd)****(iii) Depreciation**

Depreciation is recognised in the profit or loss on straight line basis to write off the cost of each asset to its residual value over its estimated useful life. Freehold land and capital work-in-progress are not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for its intended use.

Property, plant and equipment are depreciated based on the estimated annual depreciation rates of the assets as follows:

Freehold building	1%
Plant and machinery	10%
Furniture, fittings, office equipment and renovation	10% - 20%
Motor/Commercial vehicles	10%

The residual values, useful lives and depreciation method are reviewed at each reporting period end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in property, plant and equipment.

(d) LeasesAs lessee

The Group recognises a ROU asset and a lease liability at the lease commencement date. The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or site on which it is located, less any lease incentives received.

The ROU asset is subsequently measured at cost less any accumulated depreciation, accumulated impairment loss and, if applicable, adjusted for any remeasurement of lease liabilities. The policy of recognition and measurement of impairment losses is in accordance with Note 3(k) to the consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(d) Leases (Cont'd)**As lessee (Cont'd)

The ROU asset under cost model is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the ROU asset or the end of the lease term. The estimated annual depreciation rates of the ROU assets are determined on the same basis as those of property, plant and equipment as follows:

Leasehold land and building	Over the remaining lease period
Leasehold land	Over the remaining lease period
Buildings	Over the remaining lease term
Computer software and equipment	10%
Motor/Commercial vehicles	10%
Plant and machinery	10%

The ROU assets are subject to impairment.

The lease liability is initially measured at the present value of future lease payments at the commencement date, discounted using the Group's incremental borrowing rates. Lease payments included in the measurement of the lease liability include fixed payments, any variable lease payments, amount expected to be payable under a residual value guarantee, and exercise price under an extension option that the Group is reasonably certain to exercise.

Variable lease payments that do not depend on an index or a rate and are dependent on a future activity are recognised as expenses in profit or loss in the period in which the event or condition that triggers the payment occurs.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in rate, or if the Group changes its assessment of whether it will exercise an extension or termination option.

Lease payments associated with short term leases and leases of low value assets are recognised on a straight-line basis as an expense in profit or loss. Short term leases are leases with a lease term of 12 months or less and do not contain a purchase option. Low value assets are those assets valued at less than RM20,000 each when purchased new.

The Group applies the lease of low-value assets recognition exemption to leases of computer software and equipment that are considered to be low value.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(d) Leases (Cont'd)**As lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. Leases in which the Group does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

If the lease arrangement contains lease and non-lease components, the Group applies MFRS 15 *Revenue from Contracts with Customers* to allocate the consideration in the contract based on the stand-alone selling price.

The Group recognises assets held under a finance lease in its consolidated statements of financial position and presents them as a receivable at an amount equal to the net investment in the lease. The Group uses the interest rate implicit in the lease to measure the net investment in the lease.

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of MFRS 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

The Group recognises lease payments under operating leases as income on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which benefit from the use of the underlying asset is diminished. The lease payment recognised is included as part of "other income". Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(e) Investment properties**

Investment properties are properties held either to earn rental income or for capital appreciation or for both. Investment properties are measured at cost, including transaction costs, less any accumulated depreciation and impairment losses.

The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day servicing of an investment property.

Freehold land is not depreciated.

The residual values, useful lives and depreciation methods are reviewed, and adjusted if appropriate, at each reporting date.

Where an indication of impairment exists, the carrying amount of the asset is assessed and written down immediately to its recoverable amount. See accounting policy Note 3(k) to the consolidated financial statements on impairment of non-financial assets.

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefits are expected from their disposal. Upon disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the profit or loss.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(f) Financial assets**

Financial assets are recognised in the consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss ("FVTPL"), directly attributable transaction costs.

The Group determines the classification of its financial assets at initial recognition, and the categories include trade and other receivables, amount due from former holding company, amount due from former related companies, cash and bank balances and other investments.

(a) Financial assets at amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- the financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

(b) Financial assets at fair value through other comprehensive income ("FVOCI")**Debt instruments**

A debt security is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(f) Financial assets (Cont'd)**

- (b) Financial assets at fair value through other comprehensive income ("FVOCI") (Cont'd)

Equity instruments

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in OCI on an investment-by-investment basis.

Financial assets categorised as FVOCI are subsequently measured at fair value, with unrealised gains and losses recognised directly in OCI and accumulated under fair value reserve in equity. For debt instruments, when the investment is derecognised or determined to be impaired, the cumulative gain or loss previously recorded in equity is reclassified to the profit or loss. For equity instruments, the gains or losses are never reclassified to profit or loss.

The Group has not designated any financial assets as FVOCI.

- (c) Financial assets at fair value through profit or loss

All financial assets not classified as measured at amortised cost or FVOCI, as described above, are measured at FVTPL. This includes derivative financial assets (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as FVTPL are subsequently measured at their fair value with gains or losses recognised in the profit or loss.

All financial assets, except for those measured at FVTPL and equity investments measured at FVOCI, are subject to impairment.

Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received for financial instrument is recognised in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(g) Financial liabilities**

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments. All financial liabilities are recognised initially at fair value plus, in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(h) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(i) Inventories

Spare parts and consumables inventories are stated at the lower of cost and net realisable value.

Cost of spare parts and consumables inventories comprise cost of purchase and other costs incurred in bringing it to their present location and condition are determined on a first-in-first-out basis.

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

(j) Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(k) Impairment of assets****(i) Non-financial assets**

The carrying amounts of non-financial assets (except for inventories) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives, or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a cash-generating unit or a group of cash-generating units that are expected to benefit from the synergies of the combination.

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

An impairment loss is recognised if the carrying amount of an asset or cash-generating unit exceeds its estimated recoverable amount. Impairment loss is recognised in profit or loss, unless the asset is carried at a revalued amount, in which such impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(k) Impairment of assets (Cont'd)****(i) Non-financial assets (Cont'd)**

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed only if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised for asset in prior years. Such reversal is recognised in the profit or loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

(ii) Financial assets

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(l) Share capital**

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity.

Dividend distribution to the Company's shareholders is recognised as a liability in the period they are approved by the Board of Directors except for the final dividend which is subject to approval by the Company's shareholders.

(m) Employee benefits**(i) Short term employee benefits**

Wages, salaries, bonuses, fees and social security contributions are recognised as an expense in the reporting period in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensation absences. Short term non-accumulating compensated absences such as sick and medical leave are recognised when the absences occur.

The expected cost of accumulating compensated absences is measured as additional amount expected to be paid as a result of the unused entitlement that has accumulated at the end of the reporting period.

(ii) Defined contribution plans

As required by law, companies in Malaysia contribute to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit and loss as incurred. Once the contribution has been paid, the Group has no further payment obligation.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(n) Revenue and other income recognition****(i) Revenue from contracts with customers**

Revenue is recognised when the Group satisfied a performance obligation ("PO") by transferring a promised good or services to the customer, which is when the customer obtains control of the good or service. A PO may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied PO.

The Group recognises revenue from rendering of services.

Revenue from services are recognised in the reporting period in which the services are rendered, which simultaneously received and consumes the benefits provided by the Group, and the Group has a present right to payment for the services.

(ii) Rental income

Rental income is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iii) Interest income

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

(o) Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of the assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group incurred in connection with the borrowing of funds.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)**(o) Borrowing costs (Cont'd)**

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

(p) Income taxes

Tax expense in profit or loss comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

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

Deferred tax is recognised using the liability method for all temporary differences between the carrying amounts of assets and liabilities in the consolidated statements of financial position and their tax bases. Deferred tax is not recognised for the temporary differences arising from the initial recognition of goodwill, the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax is based on the expected manner of realisation or settlement of the carrying amount of the assets and liabilities, at the end of the reporting period. Deferred tax assets and liabilities are not discounted.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

13. ACCOUNTANTS' REPORT (Cont'd)

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3. Material Accounting Policies (Cont'd)

(q) Segments reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-makers are responsible for allocating resources and assessing performance of the operating segments and make overall strategic decisions. The Group's operating segments are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit that offers different products and serves different markets.

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment

	Freehold land RM	Freehold building RM	Plant and machinery RM	Furniture, fittings, office equipment and renovation RM	Motor/ Commercial vehicles RM	Capital work-in- progress RM	Total RM
Audited 2023 Cost							
At 1 January 2023	14,652,526	29,816,218	3,628,621	5,699,685	28,277,758	-	82,074,808
Control transfer	-	-	-	-	501,315	-	501,315
Additions	-	941,047	36,950	780,128	119,611	10,750,891	12,628,627
Disposals	-	-	-	(52,815)	-	-	(52,815)
Transfer from right-of-use assets (Note 6)	-	-	-	-	5,159,894	-	5,159,894
Foreign currency translation differences	-	-	-	474	-	-	474
At 31 December 2023	14,652,526	30,757,265	3,665,571	6,427,472	34,058,578	10,750,891	100,312,303

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Freehold building RM	Plant and machinery RM	Furniture, fittings, office equipment and renovation RM	Motor/ Commercial vehicles RM	Capital work-in- progress RM	Total RM
Audited							
2023 (Cont'd)							
Accumulated depreciation							
At 1 January 2023	-	1,890,557	2,533,313	4,533,289	26,773,751	-	35,730,910
Control transfer	-	-	-	-	501,315	-	501,315
Charge for the financial year	-	305,029	136,567	243,690	340,023	-	1,025,309
Disposals	-	-	-	(51,391)	-	-	(51,391)
Transfer from right-of-use assets (Note 6)	-	-	-	-	3,355,338	-	3,355,338
Foreign currency translation differences	-	-	-	291	-	-	291
At 31 December 2023	-	2,195,586	2,669,880	4,725,879	30,970,427	-	40,561,772
Carrying amount							
At 31 December 2023	14,652,526	28,561,679	995,691	1,701,593	3,088,151	10,750,891	59,750,531

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Freehold building RM	Plant and machinery RM	Furniture, fittings, office equipment and renovation RM	Motor/ Commercial vehicles RM	Total RM
Audited						
2022						
Cost						
At 1 January 2022	12,811,164	28,789,088	2,885,248	5,419,805	33,748,076	83,653,381
Control transfer	-	-	-	-	222,330	222,330
Additions	-	1,027,130	813,373	280,544	709,001	2,830,048
Disposals	-	-	-	-	(70,338)	(70,338)
Disposal of subsidiary companies (Note 32)	-	-	-	-	(6,305,235)	(6,305,235)
Transfer from investment properties (Note 5)	9,344,000	-	-	-	-	9,344,000
Transfer to investment properties (Note 5)	(7,502,638)	-	-	-	-	(7,502,638)
Written off	-	-	(70,000)	-	(26,076)	(96,076)
Foreign currency translation differences	-	-	-	(664)	-	(664)
At 31 December 2022	14,652,526	29,816,218	3,628,621	5,699,685	28,277,758	82,074,808

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Freehold building RM	Plant and machinery RM	Furniture, fittings, office equipment and renovation RM	Motor/ Commercial vehicles RM	Total RM
Audited						
2022 (Cont'd)						
Accumulated depreciation						
At 1 January 2022	-	1,594,648	2,498,812	4,311,043	32,689,709	41,094,212
Control transfer	-	-	-	-	222,330	222,330
Charge for the financial year	-	295,909	104,500	222,682	263,360	886,451
Disposals	-	-	-	-	(70,337)	(70,337)
Disposal of subsidiary companies (Note 32)	-	-	-	-	(6,305,235)	(6,305,235)
Written off	-	-	(69,999)	-	(26,076)	(96,075)
Foreign currency translation differences	-	-	-	(436)	-	(436)
At 31 December 2022	-	1,890,557	2,533,313	4,533,289	26,773,751	35,730,910
Carrying amount						
At 31 December 2022	14,652,526	27,925,661	1,095,308	1,166,396	1,504,007	46,343,898

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Freehold building RM	Plant and machinery RM	Furniture, fittings, office equipment and renovation RM	Motor/ Commercial vehicles RM	Total RM
Audited						
2021						
Cost						
At 1 January 2021	18,567,460	26,884,561	2,602,458	5,204,595	45,743,063	99,002,137
Control transfer	-	-	-	-	(1,168,214)	(1,168,214)
Additions	-	1,904,527	282,790	498,446	325,010	3,010,773
Disposals	(5,756,296)	-	-	-	(4,032,002)	(9,788,298)
Disposal of subsidiary companies (Note 32)	-	-	-	(268,686)	(4,594,016)	(4,862,702)
Written off	-	-	-	(15,858)	(2,525,765)	(2,541,623)
Foreign currency translation differences	-	-	-	1,308	-	1,308
At 31 December 2021	12,811,164	28,789,088	2,885,248	5,419,805	33,748,076	83,653,381

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Freehold building RM	Plant and machinery RM	Furniture, fittings, office equipment and renovation RM	Motor/ Commercial vehicles RM	Total RM
Audited						
2021 (Cont'd)						
Accumulated depreciation						
At 1 January 2021	-	1,306,910	2,361,128	4,345,974	44,590,630	52,604,642
Control transfer	-	-	-	-	(1,168,214)	(1,168,214)
Charge for the financial year	-	287,738	137,684	239,359	231,381	896,162
Disposals	-	-	-	-	(4,012,373)	(4,012,373)
Disposal of subsidiary companies (Note 32)	-	-	-	(268,686)	(4,594,016)	(4,862,702)
Written off	-	-	-	(6,041)	(2,357,699)	(2,363,740)
Foreign currency translation differences	-	-	-	437	-	437
At 31 December 2021	-	1,594,648	2,498,812	4,311,043	32,689,709	41,094,212
Carrying amount						
At 31 December 2021	12,811,164	27,194,440	386,436	1,108,762	1,058,367	42,559,169

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

	Freehold land RM	Freehold building RM	Plant and machinery RM	Furniture, fittings, office equipment and renovation RM	Motor/ Commercial vehicles RM	Total RM
Audited						
2020						
Cost						
At 1 January 2020	18,555,580	14,875,027	2,550,658	4,976,407	45,707,413	86,665,085
Additions	11,880	12,009,534	51,800	227,965	35,650	12,336,829
Foreign currency translation differences	-	-	-	223	-	223
At 31 December 2020	18,567,460	26,884,561	2,602,458	5,204,595	45,743,063	99,002,137
Accumulated depreciation						
At 1 January 2020	-	1,038,064	2,247,988	4,147,974	44,267,924	51,701,950
Charge for the financial year	-	268,846	113,140	197,986	322,706	902,678
Foreign currency translation differences	-	-	-	14	-	14
At 31 December 2020	-	1,306,910	2,361,128	4,345,974	44,590,630	52,604,642
Carrying amount						
At 31 December 2020	18,567,460	25,577,651	241,330	858,621	1,152,433	46,397,495

13. ACCOUNTANTS' REPORT (Cont'd)

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4. Property, Plant and Equipment (Cont'd)

(a) Assets pledged as securities to financial institutions

The carrying amount of property, plant and equipment of the Group pledged as securities for loans and borrowings as disclosed in Note 16 to the consolidated financial statements are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Freehold land	14,652,526	14,652,526	12,811,164	18,567,460
Freehold building	28,561,679	27,925,661	27,194,440	25,577,651
Capital work-in-progress	10,750,891	-	-	-
	<u>53,965,096</u>	<u>42,578,187</u>	<u>40,005,604</u>	<u>44,145,111</u>

(b) Acquisition of property, plant and equipment

The aggregate cost for the property, plant and equipment of the Group acquired under loan financing, deposits paid and cash payments are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Cost of property, plant and equipment acquired	12,628,627	2,830,048	3,010,773	12,336,829
Less: Loan financing	(6,760,000)	-	-	(9,000,000)
Less: Deposits paid	(333,700)	(360)	-	(2,938,250)
Cash payments	<u>5,534,927</u>	<u>2,829,688</u>	<u>3,010,773</u>	<u>398,579</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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5. Investment Properties

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Freehold land				
At cost				
At 1 January	12,625,277	14,466,639	14,466,639	5,114,734
Additions	-	-	-	9,351,905
Transfer from property, plant and equipment (Note 4)	-	7,502,638	-	-
Transfer to property, plant and equipment (Note 4)	-	(9,344,000)	-	-
At 31 December	<u>12,625,277</u>	<u>12,625,277</u>	<u>14,466,639</u>	<u>14,466,639</u>
 Fair value of investment properties	 <u>12,750,000</u>	 <u>12,750,000</u>	 <u>18,882,314</u>	 <u>17,996,498</u>

Fair value of investment properties was estimated by Directors based on internal appraisal of market values of comparable properties. The fair values are within Level 3 of the fair value hierarchy.

(a) Acquisition of investment properties

The aggregate costs for the investment properties of the Group acquired under loan financing and cash payments are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Aggregate costs	-	-	-	9,351,905
Less: Loan financing	-	-	-	(9,000,000)
Cash payments	<u>-</u>	<u>-</u>	<u>-</u>	<u>351,905</u>

(b) Investment properties pledged as securities to financial institutions

Investment properties of the Group amounting to RM12,625,277 (2022: RM12,625,277; 2021: RM14,466,639; 2020: RM14,466,639) are pledged as securities for loans and borrowings as disclosed in Note 16 to the consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Right-of-Use Assets

	Leasehold land and building RM	Buildings RM	Computer software and equipment RM	Motor/ Commercial vehicles RM	Plant and machinery RM	Total RM
Audited						
2023						
Cost						
At 1 January 2023	-	2,581,972	318,010	23,163,255	3,214,928	29,278,165
Additions	18,518,423	447,725	-	2,874,689	2,646,405	24,487,242
Derecognition arising from lease expiration	-	(362,603)	-	-	-	(362,603)
Disposals	-	-	-	(731,321)	-	(731,321)
Modification of lease terms	-	(82,365)	-	-	-	(82,365)
Transfer to property, plant and equipment (Note 4)	-	-	-	(5,159,894)	-	(5,159,894)
Written off	-	-	-	(180,000)	-	(180,000)
At 31 December 2023	18,518,423	2,584,729	318,010	19,966,729	5,861,333	47,249,224

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Right-of-Use Assets (Cont'd)

	Leasehold land and building RM	Buildings RM	Computer software and equipment RM	Motor/ Commercial vehicles RM	Plant and machinery RM	Total RM
Audited						
2023 (Cont'd)						
Accumulated amortisation						
At 1 January 2023	-	591,687	63,602	6,463,292	403,027	7,521,608
Charge for the financial year	115,758	882,397	31,801	2,296,967	400,189	3,727,112
Derecognition arising from lease expiration	-	(362,603)	-	-	-	(362,603)
Disposals	-	-	-	(444,887)	-	(444,887)
Modification of lease terms	-	(67,716)	-	-	-	(67,716)
Transfer to property, plant and equipment (Note 4)	-	-	-	(3,355,338)	-	(3,355,338)
Written off	-	-	-	(117,000)	-	(117,000)
At 31 December 2023	<u>115,758</u>	<u>1,043,765</u>	<u>95,403</u>	<u>4,843,034</u>	<u>803,216</u>	<u>6,901,176</u>
Carrying amount						
At 31 December 2023	<u>18,402,665</u>	<u>1,540,964</u>	<u>222,607</u>	<u>15,123,695</u>	<u>5,058,117</u>	<u>40,348,048</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Right-of-Use Assets (Cont'd)

	Buildings RM	Computer software and equipment RM	Motor/ Commercial vehicles RM	Plant and machinery RM	Total RM
Audited					
2022					
Cost					
At 1 January 2022	1,214,305	318,010	16,066,441	1,731,220	19,329,976
Additions	1,921,117	-	7,822,579	1,483,708	11,227,404
Disposals	-	-	(725,765)	-	(725,765)
Modification of lease terms	(553,450)	-	-	-	(553,450)
At 31 December 2022	<u>2,581,972</u>	<u>318,010</u>	<u>23,163,255</u>	<u>3,214,928</u>	<u>29,278,165</u>
Accumulated amortisation					
At 1 January 2022	567,431	31,801	5,044,744	173,122	5,817,098
Charge for the financial year	447,705	31,801	1,793,815	229,905	2,503,226
Disposals	-	-	(375,267)	-	(375,267)
Modification of lease terms	(423,449)	-	-	-	(423,449)
At 31 December 2022	<u>591,687</u>	<u>63,602</u>	<u>6,463,292</u>	<u>403,027</u>	<u>7,521,608</u>
Carrying amount					
At 31 December 2022	<u>1,990,285</u>	<u>254,408</u>	<u>16,699,963</u>	<u>2,811,901</u>	<u>21,756,557</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Right-of-Use Assets (Cont'd)

	Leasehold land RM	Buildings RM	Computer software and equipment RM	Motor/ Commercial vehicles RM	Plant and machinery RM	Total RM
Audited						
2021						
Cost						
At 1 January 2021	433,270	851,701	-	12,277,303	-	13,562,274
Additions	-	362,604	318,010	4,159,405	1,731,220	6,571,239
Disposals	(433,270)	-	-	(370,267)	-	(803,537)
31 December 2021	-	1,214,305	318,010	16,066,441	1,731,220	19,329,976
Accumulated amortisation						
At 1 January 2021	55,905	304,472	-	3,577,178	-	3,937,555
Charge for the financial year	-	262,959	31,801	1,606,644	173,122	2,074,526
Disposals	(55,905)	-	-	(139,078)	-	(194,983)
31 December 2021	-	567,431	31,801	5,044,744	173,122	5,817,098
Carrying amount						
At 31 December 2021	-	646,874	286,209	11,021,697	1,558,098	13,512,878

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Right-of-Use Assets (Cont'd)

	Leasehold land RM	Buildings RM	Motor/ Commercial vehicles RM	Total RM
Audited				
2020				
Cost				
At 1 January 2020	433,270	655,061	11,015,053	12,103,384
Additions	-	196,640	1,262,250	1,458,890
31 December 2020	<u>433,270</u>	<u>851,701</u>	<u>12,277,303</u>	<u>13,562,274</u>
Accumulated amortisation				
At 1 January 2020	48,917	71,730	2,349,448	2,470,095
Charge for the financial year	6,988	232,742	1,227,730	1,467,460
At 31 December 2020	<u>55,905</u>	<u>304,472</u>	<u>3,577,178</u>	<u>3,937,555</u>
Carrying amount				
At 31 December 2020	<u>377,365</u>	<u>547,229</u>	<u>8,700,125</u>	<u>9,624,719</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Right-of-Use Assets (Cont'd)

- (a) The right-of-use assets of the Group pledged as securities for the related lease liabilities as disclosed in Note 15 to the consolidated financial statements are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Computer software and equipment	222,607	254,408	286,209	-
Motor/Commercial vehicles	15,123,695	16,469,089	10,697,926	8,246,126
Plant and machinery	5,058,117	2,811,901	1,558,098	-
	<u>20,404,419</u>	<u>19,535,398</u>	<u>12,542,233</u>	<u>8,246,126</u>

- (b) Acquisition of right-of-use assets

The aggregate cost for the right-of-use assets of the Group acquired under lease financing, loan financing, deposits paid and cash payments are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Cost of right-of-use assets acquired	24,487,242	11,227,404	6,571,239	1,458,890
Less: Lease financing	(5,450,565)	(11,227,404)	(6,571,239)	(1,458,890)
Less: Loan financing	(14,850,000)	-	-	-
Less: Deposits paid	(1,808,000)	-	-	-
Cash payments	<u>2,378,677</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Right-of-Use Assets (Cont'd)

- (c) Assets pledged as securities to financial institutions

The carrying amount of right-of-use assets of the Group pledged as securities for loans and borrowings as disclosed in Note 16 to the consolidated financial statements are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Leasehold land and building	18,402,665	-	-	-
Leasehold land	-	-	-	377,365
	18,402,665	-	-	377,365

- (d) The remaining period of the lease term of the right-of-use assets are as follow:

	<----- Audited ----->			
	2023	2022	2021	2020
Leasehold land and building	93 years	-	-	-
Leasehold land	-	-	-	55 years
	-	-	-	55 years

7. Other Investments

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Non-current				
<u>Financial assets measured at fair value through profit or loss</u>				
Quoted shares in Malaysia	5,000	5,000	5,000	5,000
	5,000	5,000	5,000	5,000

The quoted shares above are classified as Level 1 and the fair value measurement are derived from quoted prices (unadjusted) in active market for identical assets.

13. ACCOUNTANTS' REPORT (Cont'd)

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8. Inventories

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Spare parts and consumables	2,918,596	3,105,695	3,077,916	-
Recognised in profit or loss:				
Inventories recognised as cost of sales	683,315	975,836	536,143	-

9. Trade Receivables

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Trade receivables:				
- Third parties	7,985,947	7,021,619	8,399,036	6,938,807

Trade receivables are non-interest bearing and the normal credit terms are ranged from 7 to 90 days (2022: 14 to 90 days; 2021: 14 to 90 days; 2020: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The aging analysis of trade receivables as at the end of each reporting period are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Neither past due nor impaired	6,243,479	4,351,051	5,779,683	4,937,265
Past due but not impaired:				
Less than 30 days	1,581,694	2,367,994	2,087,202	1,853,866
31 to 60 days	127,616	221,663	524,574	133,118
More than 60 days	33,158	80,911	7,577	14,558
	1,742,468	2,670,568	2,619,353	2,001,542
	7,985,947	7,021,619	8,399,036	6,938,807

13. ACCOUNTANTS' REPORT (Cont'd)

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9. Trade Receivables (Cont'd)

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group.

As at 31 December 2023, trade receivables of RM1,742,468 (2022: RM2,670,568; 2021: RM2,619,353; 2020: RM2,001,542) were past due but not impaired. These related to a number of independent customers from whom there is no recent history of default.

10. Other Receivables

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Other receivables	340,277	114,780	18,416	1,040,576
Amount due from related parties	-	-	-	200,531
Deposits	671,674	2,764,963	918,043	287,753
Prepayments	2,913,179	787,415	632,856	287,177
	<u>3,925,130</u>	<u>3,667,158</u>	<u>1,569,315</u>	<u>1,816,037</u>

Included in the deposits is RM74,200 (2022: RM2,197,530; 2021: RM571,860; 2020: Nil) paid for the acquisition of property, plant and equipment and right-of-use assets.

The amount due from related parties are non-interest bearing, unsecured and repayable on demand.

11. Amount Due From Former Holding Company

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Amount due from former holding company				
Non-trade related	-	-	-	43,809
	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,809</u>

The amount due from former holding company is non-interest bearing, unsecured and repayable on demand.

On 24 January 2022, Preferred Advantage Sdn. Bhd., the holding company of the Company has disposed its shareholdings in Sin-Kung Logistics Berhad. Following the disposal of the shareholdings in Sin-Kung Logistics Berhad, Preferred Advantage Sdn. Bhd. ceased to be the holding company of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

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12. Amount Due From/(To) Former Related Companies

		<----- Audited ----->			
		2023	2022	2021	2020
Note		RM	RM	RM	RM
Amount due from former related companies					
Non-trade related	(a)	-	-	-	667,004
Amount due to former related companies					
Trade related	(b)	-	-	-	656,082
Non-trade related	(a)	-	-	51,479	-
		-	-	51,479	656,082

- (a) The amount due from/(to) former related companies are non-interest bearing, unsecured and repayable on demand.
- (b) The amount due to former related companies are non-interest bearing and the normal credit terms granted to the Group is 30 days for the financial year ended 31 December 2020.

Following the cessation of Preferred Advantage Sdn. Bhd. as the holding company of the Company on 24 January 2022, the subsidiary company and associates of Preferred Advantage Sdn. Bhd. also ceased to be the related companies of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

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13. Share Capital

	<----- Audited ----->			
	Number of shares			
	2023	2022	2021	2020
	Units	Units	Units	Units
Ordinary shares issued and fully paid:				
At 1 January	1,000,000,000	8,000,000	8,000,000	8,000,000
Issuance of bonus shares	-	992,000,000	-	-
At 31 December	<u>1,000,000,000</u>	<u>1,000,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>
		Amount		
	2023	2022	2021	2020
	RM	RM	RM	RM
Ordinary shares issued and fully paid:				
At 1 January/ 31 December	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>	<u>8,000,000</u>

During the financial year ended 31 December 2022, the Company has allotted and issued 992,000,000 bonus shares by way of a bonus issue to the shareholders of the Company on the basis of 124 bonus shares for every 1 existing share held by the shareholders.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company's residual assets.

13. ACCOUNTANTS' REPORT (Cont'd)

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14. Reserves

The nature of reserves of the Group is as follows:

(a) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Translation reserve is not available for distribution to shareholders.

(b) Retained earnings

The entire retained earnings of the Group is available for distribution as single-tier dividends. Under the single-tier system of taxation, dividends payable to shareholders are deemed net of income taxes. There are no potential income tax consequences that would result from the payment of dividends to shareholders.

15. Lease Liabilities

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
At 1 January	18,067,169	11,392,760	7,808,471	8,633,153
Additions	5,450,565	11,227,404	6,571,239	1,458,890
Modification of lease terms	(15,579)	(139,168)	-	-
Payments	<u>(5,721,123)</u>	<u>(4,413,827)</u>	<u>(2,986,950)</u>	<u>(2,283,572)</u>
At 31 December	<u>17,781,032</u>	<u>18,067,169</u>	<u>11,392,760</u>	<u>7,808,471</u>
Presented as:				
Non-current	12,061,338	12,572,269	7,197,746	5,471,274
Current	<u>5,719,694</u>	<u>5,494,900</u>	<u>4,195,014</u>	<u>2,337,197</u>
	<u>17,781,032</u>	<u>18,067,169</u>	<u>11,392,760</u>	<u>7,808,471</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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15. Lease Liabilities (Cont'd)

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
The maturity analysis of lease liabilities of the Group at the end of the reporting period:				
Minimum lease payments:				
Within one year	6,669,953	6,446,156	4,778,831	2,753,239
Later than one year and not later than two years	5,477,247	5,201,493	3,233,890	3,170,410
Later than two years and not later than five years	7,687,903	8,646,586	4,652,146	2,720,055
	<u>19,835,103</u>	<u>20,294,235</u>	<u>12,664,867</u>	<u>8,643,704</u>
Less: Future finance charges	<u>(2,054,071)</u>	<u>(2,227,066)</u>	<u>(1,272,107)</u>	<u>(835,233)</u>
Present value of minimum lease payments	<u>17,781,032</u>	<u>18,067,169</u>	<u>11,392,760</u>	<u>7,808,471</u>
Present value of minimum lease payments:				
Within one year	5,719,694	5,494,900	4,195,014	2,337,197
Later than one year and not later than two years	4,863,667	4,548,563	2,878,205	2,904,478
Later than two years and not later than five years	7,197,671	8,023,706	4,319,541	2,566,796
	<u>17,781,032</u>	<u>18,067,169</u>	<u>11,392,760</u>	<u>7,808,471</u>

The Group leases various buildings, computer software and equipment, motor/commercial vehicles and plant and machinery. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions.

As at 31 December 2023, the carrying amount of RM16,189,255 (2022: RM16,048,467; 2021: RM10,721,808; 2020: RM7,240,226) is under hire purchase arrangement and is secured by computer software and equipment, motor/commercial vehicles and plant and machinery as disclosed in Note 6 to the consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

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15. Lease Liabilities (Cont'd)

The average effective interest rates per annum are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	%	%	%	%
Lease liabilities	<u>3.80 - 7.65</u>	<u>3.80 - 7.65</u>	<u>3.80 - 7.30</u>	<u>4.97 - 7.30</u>

16. Loans and Borrowings

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Secured				
Term loans	<u>54,848,519</u>	<u>33,745,700</u>	<u>34,219,529</u>	<u>34,157,318</u>
Analysed as:				
Non-current				
Term loans	49,727,306	29,801,475	31,078,181	31,681,107
Current				
Term loans	<u>5,121,213</u>	<u>3,944,225</u>	<u>3,141,348</u>	<u>2,476,211</u>
	<u>54,848,519</u>	<u>33,745,700</u>	<u>34,219,529</u>	<u>34,157,318</u>

The term loans are secured by the following:

- (i) First party legal charge over the freehold and leasehold lands and buildings as disclosed in Notes 4, 5 and 6 to the consolidated financial statements;
- (ii) Existing Deed of Assignment over the rights, titles and interests over the capital work-in-progress as disclosed in Note 4 to the consolidated financial statements;
- (iii) Joint and several guarantee by certain Directors;
- (iv) Corporate guarantee by the former holding company, Preferred Advantage Sdn. Bhd.;
- (v) Corporate guarantee by a shareholder of the Company, Lille Management Sdn. Bhd.;
- (vi) 70% guarantee coverage by the Government of Malaysia;

13. ACCOUNTANTS' REPORT (Cont'd)

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16. Loans and Borrowings (Cont'd)

The term loans are secured by the following: (Cont'd)

- (vii) Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad for RM2,400,000 under Pemulih Government Guarantee Scheme; and
- (viii) Credit Level Term Assurance (CLTA) without Money Back Protector (MBP) of total premium not exceeding of RM380,000 to cover insured a director for 15 years and insurance policy is to be assigned to the financial institution.

The average effective interest rates per annum are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	%	%	%	%
Term loans	4.86 - 8.20	5.17 - 7.95	6.42 - 6.95	6.45 - 6.95

17. Deferred Tax Liabilities

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
At 1 January	2,796,947	2,260,340	1,315,643	1,213,846
Recognised in profit or loss	1,104,250	733,868	935,476	278,495
(Over)/Under provision in prior years	(73,099)	(197,261)	9,221	(176,698)
At 31 December	3,828,098	2,796,947	2,260,340	1,315,643

The net deferred tax liabilities and assets shown on the consolidated statements of financial position after appropriate offsetting are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Deferred tax liabilities	3,828,098	2,796,947	2,260,340	1,723,825
Deferred tax assets	-	-	-	(408,182)
	3,828,098	2,796,947	2,260,340	1,315,643

13. ACCOUNTANTS' REPORT (Cont'd)

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17. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows:

	Property, plant and equipment RM	Right-of-use assets RM	Lease liabilities RM	Total RM
Audited				
Deferred tax liabilities				
At 1 January 2023	2,804,653	508,632	(516,338)	2,796,947
Recognised in profit or loss (Over)/Under provision in prior years	1,109,625 (73,986)	(107,837) (30,963)	102,462 31,850	1,104,250 (73,099)
At 31 December 2023	<u>3,840,292</u>	<u>369,832</u>	<u>(382,026)</u>	<u>3,828,098</u>
At 1 January 2022	2,260,340	-	-	2,260,340
Recognised in profit or loss (Over)/Under provision in prior years	735,793 (191,480)	353,382 155,250	(355,307) (161,031)	733,868 (197,261)
At 31 December 2022	<u>2,804,653</u>	<u>508,632</u>	<u>(516,338)</u>	<u>2,796,947</u>
At 1 January 2021	1,723,825	-	-	1,723,825
Recognised in profit or loss Over provision in prior years	633,653 (97,138)	- -	- -	633,653 (97,138)
At 31 December 2021	<u>2,260,340</u>	<u>-</u>	<u>-</u>	<u>2,260,340</u>
At 1 January 2020	1,213,846	-	-	1,213,846
Recognised in profit or loss Over provision in prior years	686,677 (176,698)	- -	- -	686,677 (176,698)
At 31 December 2020	<u>1,723,825</u>	<u>-</u>	<u>-</u>	<u>1,723,825</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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17. Deferred Tax Liabilities (Cont'd)

The components and movements of deferred tax liabilities and assets are as follows:
(Cont'd)

	Unutilised reinvestment allowance RM
Audited	
Deferred tax assets	
At 1 January 2021	(408,182)
Recognised in profit or loss	301,823
Over provision in prior years	106,359
At 31 December 2021	<u>-</u>
At 1 January 2020	-
Recognised in profit or loss	(408,182)
At 31 December 2020	<u>(408,182)</u>

The amounts of temporary differences for which no deferred tax assets have been recognised are as follow:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Unutilised tax losses	<u>72,782</u>	<u>249</u>	<u>-</u>	<u>-</u>

Deferred tax assets have not been recognised in respect of these items as they may not have sufficient taxable profits to be used to offset or they have arisen in subsidiary companies that have a recent history of losses.

18. Trade Payables

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Trade payables:				
- Third parties	186,381	538,013	1,138,750	615,495
- Related parties	-	-	-	288,726
	<u>186,381</u>	<u>538,013</u>	<u>1,138,750</u>	<u>904,221</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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18. Trade Payables (Cont'd)

Trade payables are non-interests bearing and the normal credit terms granted to the Group ranged from 3 to 120 days (2022: 3 to 120 days; 2021: 30 to 90 days; 2020: 30 to 90 days), depending on the term of contracts.

19. Other Payables

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Amount due to directors	-	-	207,782	7,568,574
Amount due to related parties	-	-	2,600	154,729
Other payables	138,297	534,769	137,329	143,387
Deposits received	95,650	90,650	85,650	95,650
Accruals	1,145,068	963,737	1,008,520	990,880
	<u>1,379,015</u>	<u>1,589,156</u>	<u>1,441,881</u>	<u>8,953,220</u>

The amount due to directors and related parties are non-interest bearing, unsecured and repayable on demand.

20. Revenue

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Revenue from contracts with customers:				
Rendering of services	43,805,740	49,914,295	48,480,936	40,293,307
Revenue from other sources:				
Warehouse income	8,178,048	6,828,500	3,774,990	2,777,421
	<u>51,983,788</u>	<u>56,742,795</u>	<u>52,255,926</u>	<u>43,070,728</u>

The timing of revenue recognition is at a point in time for the revenue from contracts with customers.

13. ACCOUNTANTS' REPORT (Cont'd)

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21. Finance Costs

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Interest expenses of financial liabilities not at fair value through profit or loss:				
- Term loans	2,568,730	1,902,313	1,791,179	1,581,907
- Lease liabilities	1,055,816	753,807	472,035	522,133
- Others	3,598	726	3,537	13
	3,628,144	2,656,846	2,266,751	2,104,053

22. Profit Before Tax

Profit before tax is determined after charging/(crediting) amongst other, the following items:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Auditors' remuneration:				
- statutory audits				
- UHY	43,500	43,500	43,500	46,500
- other auditors	9,549	8,989	8,033	7,774
- other services				
- UHY	-	110,300	76,300	3,900
Amortisation of right- of-use assets	3,727,112	2,503,226	2,074,526	1,467,460
Bad debts written off	-	-	3,700	-
Depreciation of property, plant and equipment	1,025,309	886,451	896,162	902,678
(Gain)/Loss on foreign exchange:				
- realised	(193)	(599)	(6,449)	20,133
- unrealised	(49,020)	31,506	(101,063)	(21,038)
Gain on modification of lease terms	(930)	(9,167)	-	-
Gain on struck off of investment in a subsidiary company	-	-	-	(22,487)

13. ACCOUNTANTS' REPORT (Cont'd)

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22. Profit Before Tax (Cont'd)

Profit before tax is determined after charging/(crediting) amongst other, the following items: (Cont'd)

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Interest income	(6,053)	(131)	-	-
Lease expenses relating to low value assets:				
- computer software and equipment	126,886	116,312	-	-
Lease expenses relating to short-term leases:				
- buildings	1,962	11,150	109,960	21,609
- motor vehicles	112,030	98,430	17,610	130,800
Loss/(Gain) on disposal of property, plant and equipment	800	(2,999)	(2,504,875)	-
Loss/(Gain) on disposal of investment in subsidiary companies	-	12,225	(926,324)	-
Loss/(Gain) on disposal of right-of-use assets	48,744	26,808	(87,646)	-
Non-executive Directors' remunerations:				
- fees	180,000	69,194	-	-
- other emoluments	88,023	66,393	5,000	-
Property, plant and equipment written off	-	1	177,883	-
Rental income	(4,500)	-	-	-
Right-of-use assets written off	63,000	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

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23. Taxation

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Tax expenses recognised in profit or loss:				
<u>Current tax</u>				
- Current financial year	645,678	1,980,993	1,747,622	605,519
- Under provision in prior years	1,597,346	328,680	46,214	178,586
	2,243,024	2,309,673	1,793,836	784,105
<u>Deferred tax</u>				
- Origination and reversal of temporary differences	1,104,250	733,868	935,476	278,495
- (Over)/Under provision in prior years	(73,099)	(197,261)	9,221	(176,698)
	1,031,151	536,607	944,697	101,797
<u>Real property gains tax</u>				
- Current financial year	-	-	261,600	-
- Under provision in prior years	-	34,000	-	-
	-	34,000	261,600	-
	3,274,175	2,880,280	3,000,133	885,902

Malaysian income tax is calculated at the statutory tax rate of 24% (2022: 24%; 2021: 24%; 2020: 24%) of the estimated assessable profits for the financial year.

13. ACCOUNTANTS' REPORT (Cont'd)

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23. Taxation (Cont'd)

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

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Profit before tax	9,681,248	15,223,075	17,504,142	10,274,115
At Malaysian statutory tax rate of 24% (2022: 24%; 2021: 24%; 2020: 24%)	2,323,500	3,653,538	4,200,994	2,465,788
Expenses not deductible for tax purposes	538,396	519,930	296,265	178,953
Income not subject to tax	(9,808)	(720)	(640,094)	(3,491)
Investment tax allowance	(1,174,693)	(1,457,887)	(1,174,067)	(1,755,100)
Deferred tax assets not recognised	72,533	-	-	-
Utilisation of previously unrecognised deferred tax assets	-	-	-	(2,136)
Real property gains tax	-	-	261,600	-
	<u>1,749,928</u>	<u>2,714,861</u>	<u>2,944,698</u>	<u>884,014</u>
Under provision of income tax expense in prior years	1,597,346	328,680	46,214	178,586
(Over)/Under provision of deferred tax in prior years	(73,099)	(197,261)	9,221	(176,698)
Under provision of real property gains tax in prior years	-	34,000	-	-
	<u>3,274,175</u>	<u>2,880,280</u>	<u>3,000,133</u>	<u>885,902</u>

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendments to Section 44(5F) of Income Tax Act 1967, the time limit of the carried forward unutilised tax losses has been extended to maximum of 10 consecutive years of assessment. This amendment is deemed to have effect from the year of assessment 2019 and subsequent years of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

13. ACCOUNTANTS' REPORT (Cont'd)

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23. Taxation (Cont'd)

The Group has estimated unutilised tax losses carried forward, available to set-off against future taxable profit as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Unutilised tax losses, expiring on:				
- year assesment 2032	1,038	1,038	-	-
- year assesment 2033	302,222	-	-	-
	303,260	1,038	-	-

24. Dividends

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Dividends recognised as distribution to ordinary shareholders of the Company:				
- A single tier dividend of RM0.10 per ordinary share in respect of financial year ended 31 December 2022	-	800,000	-	-
- A single tier dividend of RM0.50 per ordinary share in respect of financial year ended 31 December 2020	-	-	-	4,000,000
	-	800,000	-	4,000,000

13. ACCOUNTANTS' REPORT (Cont'd)

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25. Staff Costs

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Salaries, wages and other emoluments	14,152,329	13,155,672	8,927,264	5,756,128
Defined contribution plans	1,219,131	992,746	591,489	438,948
Social security contribution	129,772	111,117	73,877	54,947
	<u>15,501,232</u>	<u>14,259,535</u>	<u>9,592,630</u>	<u>6,250,023</u>

Included in staff costs is aggregate amount of remuneration received and receivable by the Executive Directors of the Group as below:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Executive Directors				
Salaries and other emoluments	1,806,900	1,121,800	501,000	456,000
Defined contribution plans	234,897	146,084	58,500	48,360
Social security contribution	4,588	3,453	1,847	1,847
	<u>2,046,385</u>	<u>1,271,337</u>	<u>561,347</u>	<u>506,207</u>
Estimated value of benefit-in-kind	59,600	52,513	47,900	47,900
	<u>2,105,985</u>	<u>1,323,850</u>	<u>609,247</u>	<u>554,107</u>

26. Commitments**(a) Capital expenditure**

	Audited 2023 RM
Authorised and contracted for:	
Freehold land and building	57,460,000
Authorised but not contracted for:	
Plant and machinery	245,000
Motor/Commercial vehicles	1,307,130
	<u>59,012,130</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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26. Commitments (Cont'd)**(a) Capital expenditure (Cont'd)**

	Audited 2022 RM
Authorised and contracted for:	
Leasehold land and building	15,840,000
Authorised but not contracted for:	
Freehold land and building	67,300,000
Plant and machinery	2,144,965
Motor/Commercial vehicles	4,653,060
	<u>89,938,025</u>

(b) Investment in subsidiary companies

In the Articles of Association of its subsidiary company, Shanghai Shuntong International Freight Forwarding Co. Ltd., Sin-Kung Logistics (HK) Limited, a subsidiary company of the Company, has committed to contribute RMB3,000,000 (equivalent to HKD3,297,147; which also equivalent to RM1,937,400) as the registered capital into Shanghai Shuntong International Freight Forwarding Co. Ltd. within 30 years from the date of incorporation on 16 November 2017, i.e. not later than 15 November 2047. No contribution has been made up to the date of this report.

13. ACCOUNTANTS' REPORT (Cont'd)

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27. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes:

	At 1 January 2023 RM	Financing cash flows (i) RM	Non-cash changes			At 31 December 2023 RM
			Modification of lease terms (Note 15) RM	New lease (Note 15) RM	Other changes (ii) RM	
Audited						
Lease liabilities (Note 15)	18,067,169	(5,721,123)	(15,579)	5,450,565	-	17,781,032
Term loans (Note 16)	33,745,700	(501,555)	-	-	21,604,374	54,848,519
	<u>51,812,869</u>	<u>(6,222,678)</u>	<u>(15,579)</u>	<u>5,450,565</u>	<u>21,604,374</u>	<u>72,629,551</u>

	At 1 January 2022 RM	Financing cash flows (i) RM	Non-cash changes			At 31 December 2022 RM
			Modification of lease terms (Note 15) RM	New lease (Note 15) RM	Other changes (ii) RM	
Audited						
Amount due to directors (Note 19)	207,782	(207,782)	-	-	-	-
Amount due to former related companies (Note 12)	51,479	(51,479)	-	-	-	-
Dividends payable	-	(800,000)	-	-	800,000	-
Lease liabilities (Note 15)	11,392,760	(4,413,827)	(139,168)	11,227,404	-	18,067,169
Term loans (Note 16)	34,219,529	(476,421)	-	-	2,592	33,745,700
	<u>45,871,550</u>	<u>(5,949,509)</u>	<u>(139,168)</u>	<u>11,227,404</u>	<u>802,592</u>	<u>51,812,869</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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27. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes: (Cont'd)

	At 1 January 2021 RM	Financing cash flows (i) RM	Non-cash changes		At 31 December 2021 RM
			New lease (Note 15) RM	Other changes (ii) RM	
Audited					
Amount due to directors (Note 19)	7,568,574	(7,360,792)	-	-	207,782
Amount due from former holding company (Note 11)	(43,809)	43,809	-	-	-
Amount due from former related companies (Note 12)	(667,004)	667,004	-	-	-
Amount due to former related companies (Note 12)	-	51,479	-	-	51,479
Dividends payable	4,000,000	(4,000,000)	-	-	-
Lease liabilities (Note 15)	7,808,471	(2,986,950)	6,571,239	-	11,392,760
Term loans (Note 16)	34,157,318	(42,228)	-	104,439	34,219,529
	<u>52,823,550</u>	<u>(13,627,678)</u>	<u>6,571,239</u>	<u>104,439</u>	<u>45,871,550</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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27. Reconciliation of Liabilities Arising from Financing Activities (Cont'd)

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes: (Cont'd)

	At 1 January 2020 RM	Financing cash flows (i) RM	Non-cash changes		At 31 December 2020 RM
			New lease (Note 15) RM	Other changes (ii) RM	
Audited					
Amount due to directors (Note 19)	7,063,673	504,901	-	-	7,568,574
Amount due from former holding company (Note 11)	(23,765)	(20,044)	-	-	(43,809)
Amount due from former related companies (Note 12)	(14,863)	(652,141)	-	-	(667,004)
Dividends payable	-	-	-	4,000,000	4,000,000
Lease liabilities (Note 15)	8,633,153	(2,283,572)	1,458,890	-	7,808,471
Term loans (Note 16)	15,304,697	852,621	-	18,000,000	34,157,318
	<u>30,962,895</u>	<u>(1,598,235)</u>	<u>1,458,890</u>	<u>22,000,000</u>	<u>52,823,550</u>

Note:

- (i) The financing cash flows from amount due to directors, amount due from former holding company, amount due from former related companies, amount due to former related companies, dividends payable, lease liabilities and term loans make up the net amount of proceeds from or repayments or payment of borrowings in the consolidated statements of cash flows.
- (ii) Other changes include dividends payable to owners of the Group, interest payable and loan financing for acquisition of property, plant and equipment, investment properties and right-of-use assets.

13. ACCOUNTANTS' REPORT (Cont'd)

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28. Related Party Disclosures

(a) Identified related parties

For the purposes of these consolidated financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or joint 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. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel comprise the Directors and management personnel of the Group, having authority and responsibility for planning, directing and controlling the activities of the Group entities directly or indirectly.

(b) Significant related party transactions

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the consolidated financial statements, the significant related party transactions of the Group are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
(i) Transactions with former related companies				
- Hiring of trucks paid and payable	-	-	-	14,400
- Upkeep of motor vehicles received and receivable	-	-	-	3,510
- Ground handling service paid and payable	-	-	514,827	621,982

13. ACCOUNTANTS' REPORT (Cont'd)

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28. Related Party Disclosures (Cont'd)

(b) Significant related party transactions (Cont'd)

Related party transactions have been entered into in the normal course of business under negotiated terms. In addition to the related party balances disclosed elsewhere in the consolidated financial statements, the significant related party transactions of the Group are as follows: (Cont'd)

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
(ii) Transactions with related parties				
- Hiring of trucks paid and payable	-	-	-	116,400
- Manpower supply paid and payable	-	-	2,762,171	5,241,301
- Disposals of property, plant and equipment	-	-	8,200,000	-
- Disposals of right-of-use assets	-	-	520,000	-
	<u>-</u>	<u>-</u>	<u>520,000</u>	<u>-</u>

(c) Compensation of key management personnel

The total compensation of the Group's Executive Directors and other key management personnel compensation for the financial year are as follow:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Executive Directors				
Salaries and other emoluments	1,806,900	1,121,800	501,000	456,000
Defined contribution plans	234,897	146,084	58,500	48,360
Social security contribution	4,588	3,453	1,847	1,847
	<u>2,046,385</u>	<u>1,271,337</u>	<u>561,347</u>	<u>506,207</u>
Estimated value of benefit-in-kind	59,600	52,513	47,900	47,900
	<u>2,105,985</u>	<u>1,323,850</u>	<u>609,247</u>	<u>554,107</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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29. Segmental Information

Segmental information is primarily presented in respect of the Group's business segment which is based on the Group's management and internal reporting structure.

(a) Business segment

The principal businesses of the Group are carrying on the business of providing lorry transport services, hiring of trucks and warehousing/maintenance services which are substantially within a single business segment. As such, segmental reporting by business segment is deemed not necessary.

(b) Geographical segment

No disclosure on geographical segment information as the Group operates predominantly in Malaysia.

(c) Major customers

Revenue from major customers with revenue equal or more than 10% of the Group's revenue are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Customer A	8,781,908	11,062,980	11,911,799	8,860,078
Customer B	1,749,341	4,479,840	6,184,727	6,809,341
Customer C	6,578,022	7,231,573	6,116,717	4,819,788
	<u>17,109,271</u>	<u>22,774,393</u>	<u>24,213,243</u>	<u>20,489,207</u>

30. Financial Instruments**(a) Classification of financial instruments**

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies in Note 3 describe how the classes of financial instruments are measured, and how income and expense, including fair value gains and losses, are recognised.

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(a) Classification of financial instruments (Cont'd)

The following table analyses the financial assets and liabilities in the consolidated statements of financial position by the class of financial instruments to which they are assigned, and therefore by the measurement basis:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Financial assets				
Financial assets at fair value through profit or loss:				
Other investments	5,000	5,000	5,000	5,000
Financial assets at amortised cost:				
Trade receivables	7,985,947	7,021,619	8,399,036	6,938,807
Other receivables (excluding prepayments)	1,011,951	2,879,743	936,459	1,528,860
Amount due from:				
- former holding company	-	-	-	43,809
- former related companies	-	-	-	667,004
Cash and bank balances	10,148,700	15,808,853	9,460,652	5,683,932
	<u>19,151,598</u>	<u>25,715,215</u>	<u>18,801,147</u>	<u>14,867,412</u>
Financial liabilities				
Financial liabilities at amortised cost:				
Trade payables	186,381	538,013	1,138,750	904,221
Other payables	1,379,015	1,589,156	1,441,881	8,953,220
Dividends payable	-	-	-	4,000,000
Amount due to former related companies	-	-	51,479	656,082
Lease liabilities	17,781,032	18,067,169	11,392,760	7,808,471
Loans and borrowings	54,848,519	33,745,700	34,219,529	34,157,318
	<u>74,194,947</u>	<u>53,940,038</u>	<u>48,244,399</u>	<u>56,479,312</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies

The Group's financial risk management policy is to ensure that adequate financial resources are available for the development of the Group's operations whilst managing its credit, liquidity, foreign currency and interest rate risks. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

The following sections provide details regarding the Group's exposure to the abovementioned financial risks and the objectives, policies and processes for the management of these risks.

(i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers, other receivables, loans and advances to former holding company and former related companies and deposits with banks and financial institutions. There are no significant changes as compared to prior periods.

The Group has adopted a policy of only dealing with creditworthy counterparties. Management has a credit policy in place to control credit risk by dealing with creditworthy counterparties and deposit with banks and financial institutions with good credit rating. The exposure to credit risk is monitored on an ongoing basis and action will be taken for long outstanding debts.

The Group provides unsecured loans and advances to former holding company and former related companies. The Group monitors on an ongoing basis the results of the former holding company and former related companies and repayments made by the former holding company and former related companies.

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(i) Credit risk (Cont'd)

The carrying amounts of the financial assets recorded on the consolidated statements of financial position at the end of the financial year represent the Group's maximum exposure to credit risk in relation to financial assets.

There are no significant changes as compared to previous financial years.

The Group's major concentration of credit risk related to the amount owing by 1 customer (2022: 3 customers; 2021: 2 customers; 2020: 3 customers) which constituted approximately 11% (2022: 45%; 2021: 39%; 2020: 48%) of its trade receivables as at the end of reporting date.

(ii) Liquidity risk

Liquidity risk refers to the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group's funding requirements and liquidity risk are managed with the objective of meeting business obligations on a timely basis. The Group finances its liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available.

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited 2023						
Financial liabilities						
Trade payables	186,381	-	-	-	186,381	186,381
Other payables	1,379,015	-	-	-	1,379,015	1,379,015
Lease liabilities	6,669,953	5,477,247	7,687,903	-	19,835,103	17,781,032
Loans and borrowings	7,903,473	7,470,972	17,318,163	39,092,986	71,785,594	54,848,519
	16,138,822	12,948,219	25,006,066	39,092,986	93,186,093	74,194,947

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited						
2022						
Financial liabilities						
Trade payables	538,013	-	-	-	538,013	538,013
Other payables	1,589,156	-	-	-	1,589,156	1,589,156
Lease liabilities	6,446,156	5,201,493	8,646,586	-	20,294,235	18,067,169
Loans and borrowings	5,978,774	5,806,063	14,186,048	18,860,497	44,831,382	33,745,700
	14,552,099	11,007,556	22,832,634	18,860,497	67,252,786	53,940,038

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited						
2021						
Financial liabilities						
Trade payables	1,138,750	-	-	-	1,138,750	1,138,750
Other payables	1,441,881	-	-	-	1,441,881	1,441,881
Amount due to former related companies	51,479	-	-	-	51,479	51,479
Lease liabilities	4,778,831	3,233,890	4,652,146	-	12,664,867	11,392,760
Loans and borrowings	5,303,282	5,303,282	14,202,570	24,105,567	48,914,701	34,219,529
	<u>12,714,223</u>	<u>8,537,172</u>	<u>18,854,716</u>	<u>24,105,567</u>	<u>64,211,678</u>	<u>48,244,399</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(ii) Liquidity risk (Cont'd)

The following table analyses the remaining contractual maturity for financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. (Cont'd)

	On demand or within 1 year RM	1 - 2 years RM	2 - 5 years RM	After 5 years RM	Total contractual cash flows RM	Total carrying amount RM
Audited						
2020						
Financial liabilities						
Trade payables	904,221	-	-	-	904,221	904,221
Other payables	8,953,220	-	-	-	8,953,220	8,953,220
Dividends payable	4,000,000	-	-	-	4,000,000	4,000,000
Amount due to former related companies	656,082	-	-	-	656,082	656,082
Lease liabilities	2,753,239	3,170,410	2,720,055	-	8,643,704	7,808,471
Loans and borrowings	4,665,092	4,084,100	13,272,333	28,567,467	50,588,992	34,157,318
	<u>21,931,854</u>	<u>7,254,510</u>	<u>15,992,388</u>	<u>28,567,467</u>	<u>73,746,219</u>	<u>56,479,312</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk

(a) Foreign currency risk

The Group is exposed to foreign currency risk on transactions that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily United States Dollar ("USD"), Singapore Dollar ("SGD"), Renminbi ("RMB"), Hong Kong Dollar ("HKD"), Euro ("EUR") and Thai Baht ("THB").

The Group has not entered into any derivative instruments for hedging or trading purposes. Where possible, the Group will apply natural hedging by selling and purchasing in the same currency. However, the exposure to foreign currency risk is monitored from time to time by management.

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows:

	Denominated in						Total RM
	USD RM	SGD RM	RMB RM	HKD RM	EUR RM	THB RM	
Audited 2023							
Trade receivables	45,774	5,671	-	-	39,959	-	91,404
Cash and bank balances	192,561	23,621	2,351	4,752	51,309	2,008	276,602
	238,335	29,292	2,351	4,752	91,268	2,008	368,006

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows: (Cont'd)

	Denominated in						Total RM
	USD RM	SGD RM	RMB RM	HKD RM	EUR RM	THB RM	
Audited 2022							
Trade receivables	37,069	-	-	-	24,753	-	61,822
Cash and bank balances	18,510	1,712	2,309	4,532	105,335	141	132,539
	55,579	1,712	2,309	4,532	130,088	141	194,361

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

The carrying amounts of the Group's foreign currency denominated financial assets and financial liabilities at the end of the reporting period are as follows: (Cont'd)

	Denominated in					Total RM
	USD RM	SGD RM	RMB RM	HKD RM	EUR RM	
Audited 2021						
Trade receivables	-	-	-	-	42,730	42,730
Cash and bank balances	75,321	75,059	2,384	538	609,051	762,353
	<u>75,321</u>	<u>75,059</u>	<u>2,384</u>	<u>538</u>	<u>651,781</u>	<u>805,083</u>
Audited 2020						
Trade receivables	9,648	-	-	-	126,348	135,996
Cash and bank balances	44,462	28,260	3,945	5	20,893	97,565
	<u>54,110</u>	<u>28,260</u>	<u>3,945</u>	<u>5</u>	<u>147,241</u>	<u>233,561</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(a) Foreign currency risk (Cont'd)

Foreign currency risk arises from Group entities which have a RM functional currency. The exposure to currency risk of the Group entities which do not have a RM functional currency is not material and hence, sensitivity analysis is not presented.

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, SGD, RMB, HKD, EUR and THB exchange rates against RM, with all other variables held constant.

		<----- Audited ----->			
		Effect on profit before tax			
		2023	2022	2021	2020
		RM	RM	RM	RM
Change in currency rate					
USD	Strengthened 10%	23,834	5,558	7,532	5,411
	Weakened 10%	(23,834)	(5,558)	(7,532)	(5,411)
SGD	Strengthened 10%	2,929	171	7,506	2,826
	Weakened 10%	(2,929)	(171)	(7,506)	(2,826)
RMB	Strengthened 10%	235	231	238	395
	Weakened 10%	(235)	(231)	(238)	(395)
HKD	Strengthened 10%	475	453	54	1
	Weakened 10%	(475)	(453)	(54)	(1)
EUR	Strengthened 10%	9,127	13,009	65,178	14,724
	Weakened 10%	(9,127)	(13,009)	(65,178)	(14,724)
THB	Strengthened 10%	201	14	-	-
	Weakened 10%	(201)	(14)	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates.

The Group manages its interest rate risk exposure from interest bearing borrowings by obtaining financing with the most favourable interest rates in the market. The Group constantly monitors its interest rate risk by reviewing its debts portfolio to ensure favourable rates are obtained. The Group does not utilise interest swap contracts or other derivative instruments for trading or speculative purposes.

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Fixed rate instruments				
<u>Financial liabilities</u>				
Lease liabilities	17,781,032	18,067,169	11,392,760	7,808,471
Floating rate instruments				
<u>Financial liabilities</u>				
Loans and borrowings	54,848,519	33,745,700	34,219,529	34,157,318

13. ACCOUNTANTS' REPORT (Cont'd)

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30. Financial Instruments (Cont'd)

(b) Financial risk management objectives and policies (Cont'd)

(iii) Market risk (Cont'd)

(b) Interest rate risk (Cont'd)

Interest rate risk sensitivity analysis

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for floating rate instruments

A change in 1% interest rate at the end of the reporting period would have increased/(decreased) the Group' profit before tax by RM548,485 (2022: RM337,457; 2021: RM342,195; 2020: RM341,573), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. This analysis assumes that all other variables remain constant. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

(c) Fair values of financial instruments

The carrying amounts of short term receivables and payables, cash and cash equivalents and short term borrowings approximate their fair value due to the relatively short term nature of these financial instruments and insignificant impact of discounting.

The carrying amounts of the long term borrowings at the reporting date reasonably approximate their fair values.

13. ACCOUNTANTS' REPORT (Cont'd)

- 94 -

30. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

The table below analyses financial instruments carried at fair value and those not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the consolidated statements of financial position.

	Fair value of financial instruments carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
Audited						
2023						
<u>Financial assets</u>						
Other investments	5,000	-	-	5,000	5,000	5,000
Audited						
2022						
<u>Financial assets</u>						
Other investments	5,000	-	-	5,000	5,000	5,000
Audited						
2021						
<u>Financial assets</u>						
Other investments	5,000	-	-	5,000	5,000	5,000
Audited						
2020						
<u>Financial assets</u>						
Other investments	5,000	-	-	5,000	5,000	5,000

13. ACCOUNTANTS' REPORT (Cont'd)

- 95 -

30. Financial Instruments (Cont'd)

(c) Fair values of financial instruments (Cont'd)

(i) Policy on transfer between levels

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

There were no transfers between levels during current and previous financial years.

(ii) Level 1 fair value

Level 1 fair value is derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

(iii) Level 2 fair value

Level 2 fair value is estimated using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Non-derivative financial instruments

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period.

(iv) Level 3 fair value

Level 3 fair values for the financial assets and liabilities are estimated using unobservable inputs.

13. ACCOUNTANTS' REPORT (Cont'd)

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31. Capital Management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividend paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

The Group monitors capital using a gearing ratio. The Group's policy is to maintain a prudent level of gearing ratio that complies with debt covenants and regulatory requirements. The gearing ratios at end of the reporting period are as follows:

	<----- Audited ----->			
	2023	2022	2021	2020
	RM	RM	RM	RM
Lease liabilities (Note 15)	17,781,032	18,067,169	11,392,760	7,808,471
Loans and borrowings (Note 16)	<u>54,848,519</u>	<u>33,745,700</u>	<u>34,219,529</u>	<u>34,157,318</u>
Total debts	<u>72,629,551</u>	<u>51,812,869</u>	<u>45,612,289</u>	<u>41,965,789</u>
 Total equity	 <u>60,268,304</u>	 <u>53,867,290</u>	 <u>42,330,421</u>	 <u>27,714,383</u>
 Gearing ratio (times)	 <u>1.21</u>	 <u>0.96</u>	 <u>1.08</u>	 <u>1.51</u>

There were no changes in the Group's approach to capital management during the financial year.

13. ACCOUNTANTS' REPORT (Cont'd)

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32. Subsidiary Companies

Details of the subsidiary companies are as follow:

Name of company	Place of business/ Country of incorporation	Effective interest				Principal activities
		2023 %	2022 %	2021 %	2020 %	
Pengangkutan Ikatan Jernih Sdn. Bhd.	Malaysia	-	-	100	100	Hiring of motor trucks and lorry transport services and provision of human resources for client business
Bayan Berjasa Sdn. Bhd.	Malaysia	100	100	100	100	Provision of trucking and land transportation services
Sin-Kung Bonded Warehouse Sdn. Bhd.	Malaysia	70	70	70	100	Provision of trucking, land transportation and warehouse services
Forecom Sdn. Bhd.	Malaysia	-	-	-	70	Dormant
Sin Kung Ecommerce Logistics Sdn. Bhd.	Malaysia	90	90	90	65	Courier services, line haul transportation, land transportation and transportation agent
Sin-Kung Logistics (HK) Limited #	Hong Kong	100	100	100	100	Investment holding

13. ACCOUNTANTS' REPORT (Cont'd)

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32. Subsidiary Companies (Cont'd)

Details of the subsidiary companies are as follow: (Cont'd)

Name of company	Place of business/ Country of incorporation	Effective interest				Principal activities
		2023 %	2022 %	2021 %	2020 %	
Sin-Kung Property Management Sdn. Bhd.	Malaysia	100	100	100	100	Investment holding
Sin-Kung Fleet Management Sdn. Bhd.	Malaysia	100	100	100	-	Provision of drivers
Held through Forecom Sdn. Bhd.						
Penang Lorry Transport Company, Sdn. Berhad	Malaysia	-	-	-	70	Transport and forwarding agent and rental of motor vehicles
Held through Sin-Kung Logistics (HK) Limited						
Shanghai Shuntong International Freight Forwarding Co. Ltd. * #	Shanghai/ People's Republic of China	100	100	100	100	Logistics and freight forwarding

Subsidiary companies not audited by Messrs. UHY.

* Management accounts had been used for the purpose of consolidation. These subsidiary companies are currently dormant or inactive.

13. ACCOUNTANTS' REPORT (Cont'd)

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32. Subsidiary Companies (Cont'd)

- (a) Acquisition of subsidiary companies

In the previous financial year

On 8 December 2021, Sin-Kung Logistics Berhad subscribed 1 ordinary share in total cash consideration of RM1 representing 100% of the total issued and paid up capital of Sin-Kung Fleet Management Sdn. Bhd..

The following summarises the major classes of consideration transferred and recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Fair value of identifiable assets acquired and liabilities assumed

	RM
Cash and bank balances, represent total identifiable assets and liabilities	1

Net cash outflow arising from acquisition of subsidiary companies

	RM
Purchase consideration settled in cash	(1)
Cash and cash equivalents acquired	1
	-

Business combination

	RM
Fair value of consideration transferred	(1)
Fair value of identifiable assets acquired and liabilities assumed	1
	-

13. ACCOUNTANTS' REPORT (Cont'd)

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32. Subsidiary Companies (Cont'd)

- (b) Changes in ownership interests in subsidiary companies without change of control

In the previous financial year

- (i) On 1 October 2021, Sin-Kung Logistics Berhad acquired additional 25% equity interest in Sin Kung Ecommerce Logistics Sdn. Bhd. for cash consideration of RM20,000, increasing its ownership from 65% to 90%. The carrying amount of Sin Kung Ecommerce Logistics Sdn. Bhd.'s net assets in the Group's consolidated financial statements on the date of acquisition was RM24,645. The Group recognised a decrease in non-controlling interest of RM6,161.

The effect of changes in the equity interest in Sin Kung Ecommerce Logistics Sdn. Bhd. that is attributable to owners of the Company:

	RM
Carrying amount of non-controlling interest acquired	6,161
Consideration paid to non-controlling interest	<u>(20,000)</u>
Decrease in parent's equity	<u>(13,839)</u>

- (ii) On 18 October 2021, Sin-Kung Logistics Berhad disposed 30% equity interest in Sin-Kung Bonded Warehouse Sdn. Bhd. for cash consideration of RM68,188, decreasing its ownership from 100% to 70%. The carrying amount of Sin-Kung Bonded Warehouse Sdn. Bhd.'s net assets in the Group's consolidated financial statements on the date of disposal was RM236,638. The Group recognised an increase in non-controlling interest of RM70,991.

The effect of changes in the equity interest in Sin-Kung Bonded Warehouse Sdn. Bhd. that is attributable to owners of the Company:

	RM
Carrying amount of non-controlling interest disposed	(70,991)
Consideration received from non-controlling interest	<u>68,188</u>
Decrease in parent's equity	<u>(2,803)</u>

- (iii) On 15 July 2020, Sin Kung Air Cargo Sdn. Bhd. had been de-registered from Suruhanjaya Syarikat Malaysia. As a result, Sin Kung Air Cargo Sdn. Bhd. was derecognised as subsidiary company of the Company.

13. ACCOUNTANTS' REPORT (Cont'd)

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32. Subsidiary Companies (Cont'd)

(c) Disposal of subsidiary companies

In the previous financial year

- (i) On 24 January 2022, Sin-Kung Logistics Berhad disposed its 100% equity interest in Pengangkutan Ikatan Jerneh Sdn. Bhd. for cash consideration of RM434,000 which had resulted a loss of RM12,225.

The effect of the disposal of a subsidiary company on the financial position of the Group as the date of disposal was as follows:

	RM
Cost of property, plant and equipment (Note 4)	6,305,235
Accumulated depreciation of property, plant and equipment (Note 4)	(6,305,235)
Other receivables	460,196
Cash and bank balances	9,122
Other payables	(19,670)
Tax payable	(3,423)
Total net assets disposed	446,225
Loss on disposal of a subsidiary company	(12,225)
Proceeds from disposal	434,000
Less: Cash and cash equivalents disposed	(9,122)
Net cash inflows from disposal	424,878

13. ACCOUNTANTS' REPORT (Cont'd)

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32. Subsidiary Companies (Cont'd)

(c) Disposal of subsidiary companies (Cont'd)

In the previous financial year (Cont'd)

- (ii) On 12 August 2021, Sin-Kung Logistics Berhad disposed its 70% equity interest in Forecom Sdn. Bhd. and Penang Lorry Transport Company, Sdn. Berhad for cash consideration of RM740,734 which had resulted a gain of RM926,324.

The effect of the disposals of subsidiary companies on the financial position of the Group as the date of disposals was as follows:

	RM
Cost of property, plant and equipment (Note 4)	4,862,702
Accumulated depreciation of property, plant and equipment (Note 4)	(4,862,702)
Other receivables	80,604
Tax recoverable	2,998
Cash and bank balances	16,129
Other payables	(362,824)
	<u>(263,093)</u>
Less: Non-controlling interests	<u>77,503</u>
Total net assets disposed	(185,590)
Gain on disposals of subsidiary companies	<u>926,324</u>
Proceeds from disposals	740,734
Less: Cash and cash equivalents disposed	<u>(16,129)</u>
Net cash inflows from disposals	<u><u>724,605</u></u>

33. Date of Authorisation for Issue

The consolidated financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the Directors on 1 April 2024.

13. ACCOUNTANTS' REPORT (Cont'd)

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SIN-KUNG LOGISTICS BERHAD

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

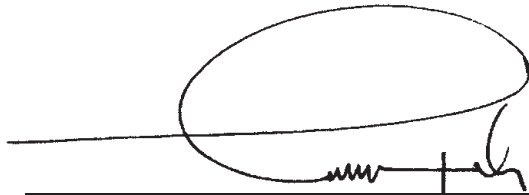
Pursuant to Section 251(2) of the Companies Act 2016

We, ALAN ONG LAY WOUI and ANGELINE ONG LAY SHEE the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Directors, the consolidated financial statements set out on pages 5 to 102 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Prospectus Guidelines issued by the Security Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2020, 31 December 2021, 31 December 2022 and 31 December 2023 and of its financial performance and cash flows for the financial years then ended on those dates.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 1 April 2024.



ALAN ONG LAY WOUI



ANGELINE ONG LAY SHEE

PENANG

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



UHY (AF1411)
Chartered Accountants
Suite 11.05, Level 11
The Gardens South Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Phone +60 3 2279 3088
Fax +60 3 2279 3099
Email uhykl@uhy.com.my
Web www.uhy.com.my

1 April 2024

The Board of Directors
Sin-Kung Logistics Berhad
Lot 1928, Jalan Bukit Kemuning
40460 Shah Alam
Selangor Darul Ehsan, Malaysia

Dear Sirs/Madams,

**SIN-KUNG LOGISTICS BERHAD
REPORTING ACCOUNTANTS' REPORT ON COMPILATION OF THE PRO FORMA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER
2023**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of Sin-Kung Logistics Berhad ("SKL" or "the Company") and its subsidiary companies (collectively referred as "the Group") as at 31 December 2023, together with the accompanying notes thereon in Appendix A of the Pro Forma Consolidated Statements of Financial Position, which have been prepared by the management of the Company, for which we have stamped for the purpose of identification, for inclusion in the prospectus of the Company ("Prospectus") in connection with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position of the Group are described in the notes to the Appendix A of the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirement of Chapter 9, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position has been compiled by the Board Directors to illustrate the impact of transactions described in Note 2 to the Appendix A of the Pro Forma Consolidated Statements of Financial Position had the transactions been effected on 31 December 2023. As part of this process, information about the consolidated financial position of the Group has been extracted by the Board of Directors from the Group's audited consolidated financial statements for the financial year ended 31 December 2023.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



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Reporting Accountants' Independence and Quality Control

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

The firm applies International Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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

The Board of Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position of the Group on the basis described in Note 1 to the Appendix A of the Pro Forma Consolidated Statements of Financial Position and in accordance to the requirement of the Prospectus Guidelines.

Reporting Accountants' Responsibilities for the Pro Forma Consolidated Statements of Financial Position

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the Board of Directors on the basis described in Note 1 to the Appendix A of the Pro Forma Consolidated Statements of Financial Position.

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

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



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For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position 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.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated 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 Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence on whether:

- The related Pro Forma Consolidated Statements of Financial Position adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated 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 Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

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

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

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)



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Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position, which has been compiled by the Board of Directors for inclusion in the Prospectus in connection with the Listing only, has been properly compiled on the basis described in the accompanying notes in the Appendix A to the Pro Forma Consolidated Statements of Financial Position, and such basis is consistent, in all material respects, with the accounting policies adopted by the Group, unless otherwise stated.

Other Matters

This report has been prepared for inclusion in the Prospectus of the Company in connection to the Listing and should not be relied upon for any other purposes.

Yours faithfully,

A handwritten signature in black ink, appearing to be 'UHY'.

UHY
Firm Number: AF 1411
Chartered Accountants

A handwritten signature in black ink, appearing to be 'Tio Shin Young'.

TIO SHIN YOUNG
Approved Number: 03355/02/2026 J
Chartered Accountant

Kuala Lumpur

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

**SIN-KUNG LOGISTICS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

The Pro Forma Consolidated Statements of Financial Position of Sin-Kung Logistics Berhad ("SKL" or "the Company") and its subsidiaries ("the Group") as at 31 December 2023 as set out below have been prepared for illustrative purposes only to show the impact of transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position had these transactions been effected on 31 December 2023 and should be read in conjunction with the notes thereon.

	Note	Audited as at 31.12.2023 RM	Adjustment for subsequent events RM	Pro Forma I After subsequent events RM	Adjustment for IPO RM	Pro Forma II After Pro Forma I and IPO RM	Adjustment for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Non-current assets								
Property, plant and equipment	4.1	59,750,531	-	59,750,531	-	59,750,531	67,746,789	127,497,320
Investment properties		12,625,277	-	12,625,277	-	12,625,277	-	12,625,277
Right-of-use assets	4.2	40,348,048	429,450	40,777,498	-	40,777,498	-	40,777,498
Other investments		5,000	-	5,000	-	5,000	-	5,000
		<u>112,728,856</u>	<u>429,450</u>	<u>113,158,306</u>	<u>-</u>	<u>113,158,306</u>	<u>67,746,789</u>	<u>180,905,095</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

SIN-KUNG LOGISTICS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	Note	Audited as at 31.12.2023 RM	Adjustment for subsequent events RM	Pro Forma I After subsequent events RM	Adjustment for IPO RM	Pro Forma II After Pro Forma I and IPO RM	Adjustment for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Current assets								
Inventories		2,918,596	-	2,918,596	-	2,918,596	-	2,918,596
Trade receivables		7,985,947	-	7,985,947	-	7,985,947	-	7,985,947
Other receivables	4.3	3,925,130	214,214	4,139,344	-	4,139,344	(823,766)	3,315,578
Tax recoverable		612,087	-	612,087	-	612,087	-	612,087
Cash and bank balances	4.4	10,148,700	-	10,148,700	26,000,000	36,148,700	(21,545,821)	14,602,879
		<u>25,590,460</u>	<u>214,214</u>	<u>25,804,674</u>	<u>26,000,000</u>	<u>51,804,674</u>	<u>(22,369,587)</u>	<u>29,435,087</u>
Total assets		<u>138,319,316</u>	<u>643,664</u>	<u>138,962,980</u>	<u>26,000,000</u>	<u>164,962,980</u>	<u>45,377,202</u>	<u>210,340,182</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

SIN-KUNG LOGISTICS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	Note	Audited as at 31.12.2023 RM	Adjustment for subsequent events RM	Pro Forma I After subsequent events RM	Adjustment for IPO RM	Pro Forma II After Pro Forma I and IPO RM	Adjustment for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Equity								
Share capital	4.5	8,000,000	-	8,000,000	26,000,000	34,000,000	(1,250,603)	32,749,397
Reserves	4.6	52,202,954	-	52,202,954	-	52,202,954	(1,202,195)	51,000,759
Equity attributable to owners of the parent		60,202,954	-	60,202,954	26,000,000	86,202,954	(2,452,798)	83,750,156
Non-controlling interests		65,350	-	65,350	-	65,350	-	65,350
Total equity		60,268,304	-	60,268,304	26,000,000	86,268,304	(2,452,798)	83,815,506

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

SIN-KUNG LOGISTICS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	Note	Audited as at 31.12.2023 RM	Adjustment for subsequent events RM	Pro Forma I After subsequent events RM	Adjustment for IPO RM	Pro Forma II After Pro Forma I and IPO RM	Adjustment for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Non-current liabilities								
Lease liabilities	4.7	12,061,338	360,015	12,421,353	-	12,421,353	-	12,421,353
Loans and borrowings	4.8	49,727,306	171,763	49,899,069	-	49,899,069	49,050,000	98,949,069
Deferred tax liabilities		3,828,098	-	3,828,098	-	3,828,098	-	3,828,098
		<u>65,616,742</u>	<u>531,778</u>	<u>66,148,520</u>	<u>-</u>	<u>66,148,520</u>	<u>49,050,000</u>	<u>115,198,520</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

SIN-KUNG LOGISTICS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	Note	Audited as at 31.12.2023 RM	Adjustment for subsequent events RM	Pro Forma I After subsequent events RM	Adjustment for IPO RM	Pro Forma II After Pro Forma I and IPO RM	Adjustment for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Current liabilities								
Trade payables		186,381	-	186,381	-	186,381	-	186,381
Other payables		1,379,015	-	1,379,015	-	1,379,015	-	1,379,015
Tax payable		27,967	-	27,967	-	27,967	-	27,967
Lease liabilities	4.7	5,719,694	69,435	5,789,129	-	5,789,129	-	5,789,129
Loans and borrowings	4.8	5,121,213	42,451	5,163,664	-	5,163,664	(1,220,000)	3,943,664
		<u>12,434,270</u>	<u>111,886</u>	<u>12,546,156</u>	<u>-</u>	<u>12,546,156</u>	<u>(1,220,000)</u>	<u>11,326,156</u>
Total liabilities		<u>78,051,012</u>	<u>643,664</u>	<u>78,694,676</u>	<u>-</u>	<u>78,694,676</u>	<u>47,830,000</u>	<u>126,524,676</u>
Total equity and liabilities		<u>138,319,316</u>	<u>643,664</u>	<u>138,962,980</u>	<u>26,000,000</u>	<u>164,962,980</u>	<u>45,377,202</u>	<u>210,340,182</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

SIN-KUNG LOGISTICS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	Note	Audited as at 31.12.2023 RM	Adjustment for subsequent events RM	Pro Forma I After subsequent events RM	Adjustment for IPO RM	Pro Forma II After Pro Forma I and IPO RM	Adjustment for utilisation of proceeds RM	Pro Forma III After Pro Forma II and utilisation of proceeds RM
Supplementary information								
Number of ordinary shares (unit)		<u>1,000,000,000</u>		<u>1,000,000,000</u>		<u>1,200,000,000</u>		<u>1,200,000,000</u>
Net assets attributable to owners of the parent per share		<u>0.06</u>		<u>0.06</u>		<u>0.07</u>		<u>0.07</u>
Lease liabilities		17,781,032		18,210,482		18,210,482		18,210,482
Loans and borrowings		<u>54,848,519</u>		<u>55,062,733</u>		<u>55,062,733</u>		<u>102,892,733</u>
Total debts		<u>72,629,551</u>		<u>73,273,215</u>		<u>73,273,215</u>		<u>121,103,215</u>
Gearing ratio (times) ⁽¹⁾		<u>1.21</u>		<u>1.22</u>		<u>0.85</u>		<u>1.44</u>

Notes:

⁽¹⁾ Computed based on total debts divided by total equity.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2023****1. Basis of Preparation**

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 together with the notes thereon of which the Board of Directors of the Company is solely responsible, has been prepared for illustrative purposes only, to show the impact of the transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position on the Consolidated Statements of Financial Position of the Group as at 31 December 2023 had the transactions been effected on 31 December 2023, and should be read in conjunction with the accompanying notes thereon. Due to its nature, the Pro Forma Consolidated Statements of Financial Position is not necessarily indicative of the financial position of the Group that would have been attained had the impact of the transactions as set out in Note 2 to the Pro Forma Consolidated Statements of Financial Position occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 has been compiled based on the audited consolidated statements of financial position of the Group as at 31 December 2023, which were prepared by the Board of Directors in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements specified in Prospectus Guidelines - Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The audited consolidated statements of financial position of the Group as at 31 December 2023 was not subject to any qualification, modification or disclaimer of opinion.

The Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 have been prepared for inclusion in the prospectus of the Company ("Prospectus") in conjunction with the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing") and for no other purposes.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position

The subsequent events and initial public offering (“IPO”) exercise as disclosed in Notes 2.1 and 2.2 respectively to the Pro Forma Consolidated Statements of Financial Position are included in the Pro Forma Consolidated Statements of Financial Position to show the effects of the transactions on the audited consolidated financial position of the Group as at 31 December 2023 had the transactions been effected on 31 December 2023 in accordance with the Prospectus Guidelines.

2.1 Subsequent events

2.1.1 Drawdown of loans and borrowings

The Group has drawdown a term loan of RM214,214 to finance business takaful as part of the requirement of the loan.

2.1.2 Acquisition of right-of-use assets under lease financing

The Group purchased 2 units of commercial vehicles under lease financing for a total consideration of RM429,450.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A

**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (Cont'd)

2.2 IPO

In conjunction with the Listing, the Company will undertake the followings:

2.2.1 Public Issue

The public issue of 200,000,000 new ordinary shares in the Company ("Public Issue"), representing approximately 16.7% of the enlarged share capital of the Company, at an IPO price of RM0.13 per share.

2.2.2 Offer for Sale

The offer for sale of 103,500,000 existing ordinary shares in the Company ("Offer for Sale"), representing 8.6% of the enlarged share capital of the Company, at an IPO price of RM0.13 per share, will be made available by ways of private placement to Bumiputera investors approved by MITI for 55,000,000 existing shares and private placement to selected investors for 48,500,000 existing shares.

No impact will be illustrated in the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023 as the effects of this transaction does not affect the total number of new ordinary shares to be issued and the Company will not receive any proceeds from the Offer for Sale.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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**SIN-KUNG LOGISTICS BERHAD
 NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
 POSITION AS AT 31 DECEMBER 2023 (CONT'D)**
**2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial
 Position (Cont'd)**
2.3 Utilisation of Proceeds

The gross proceeds from the Public Issue of RM26.0 million are expected to be utilised in the following manner:

Details of utilisation of proceeds	Amount of proceeds		Estimated timeframe for utilisation from the Listing date
	RM	%	
Expansion of warehousing and distribution services ⁽¹⁾	10,020,000	38.6	Within 36 months
Repayment of bank borrowings ⁽²⁾	9,630,000	37.0	Within 12 months
Purchase of commercial vehicles ⁽³⁾	2,000,000	7.7	Within 24 months
Working capital ⁽⁴⁾	1,050,000	4.0	Within 12 months
Estimated listing expenses ⁽⁵⁾	3,300,000	12.7	Within 1 month
	26,000,000	100.0	

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (Cont'd)

2.3 Utilisation of Proceeds (Cont'd)

Notes:

(1) Expansion of warehousing and distribution services

As part of its business strategy, the Group has entered into a sale and purchase agreement for the purchase of an office and warehouse located at Valdor, Seberang Perai Selatan, Penang with the property developer, Oriental Max Group. The purchase price of the industrial property has been partially settled via cash payment of RM4.0 million and loan financing of RM6.8 million as at 31 December 2023.

The total purchase consideration of the office and warehouse is RM70.6 million (including incidental expenses such as legal costs, stamp duty and memorandum of transfer of RM3.0 million) whereby the Group intends to allocate RM3.0 million from the proceeds to defray the incidental expenses. The balance purchase price will be funded from internally generated fund and/or bank borrowings.

In addition, the Group also intends to purchase the racking systems amounting to RM7.0 million to furnish the property which will be fully funded by the proceeds from Public Issue.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A
**SIN-KUNG LOGISTICS BERHAD
 NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
 POSITION AS AT 31 DECEMBER 2023 (CONT'D)**
2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (Cont'd)
2.3 Utilisation of Proceeds (Cont'd)

Notes: (Cont'd)

(2) Repayment of bank borrowings

The Group has allocated RM9.6 million to fully repay its term loans which were mainly drawn down to finance the purchase of 2 vacant lands located at Sepang, Selangor and to refinance the term loan used for the acquisition of Shah Alam Workshop and for working capital purposes as well as to partially repay its term loan which was obtained for the purchase of Bukit Mertajam Office and Warehouse.

(3) Purchase of commercial vehicles

The Group intends to purchase 100 commercial vehicles by 2025 based on the Group's estimated requirements. Details of the 100 commercial vehicles are as follows:

Commercial vehicles	Units
<u>Provision of trucking services</u>	
Prime mover	8
Low loader trailer	2
<u>Provision of container haulage services</u>	
Prime mover	15
20-foot container trailer	25
40-foot container trailer	48
Sidelifter	2
Total	100

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (Cont'd)

2.3 Utilisation of Proceeds (Cont'd)

Notes: (Cont'd)

(3) Purchase of commercial vehicles (Cont'd)

The total cost of the 100 commercial vehicles is estimated to be RM8.0 million which was arrived based on quotations by suppliers. The Group intends to allocate RM2.0 million of the proceeds for the purchase of commercial vehicles and the balance of RM6.0 million will be funded from internally-generated funds and/or bank borrowings.

As at the latest practicable date of the prospectus, the utilisation of proceeds for 94 units of commercial vehicles is not factually supported by purchase orders or contractual binding agreements. Hence, the Group reflected 6 units of commercial vehicles amounting to RM0.9 million in the pro forma consolidated statements of financial position and has not illustrated the utilisation of proceeds for the remaining 94 units in the pro forma consolidated statements of financial position.

(4) Working capital

The Group's working capital requirements are expected to increase in line with the growth in its business operations and have allocated RM1.1 million to be used to supplement its working capital requirements mainly used for day-to-day operations of its logistics services business as well as warehousing including but not limited to maintenance expenses for commercial vehicles, motor vehicles, warehouses and machinery and payroll and administrative expenses.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A
**SIN-KUNG LOGISTICS BERHAD
 NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
 POSITION AS AT 31 DECEMBER 2023 (CONT'D)**
**2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial
 Position (Cont'd)**
2.3 Utilisation of Proceeds (Cont'd)

Notes: (Cont'd)

(5) Estimated listing expenses

An amount of RM3.3 million is allocated to meet the estimated cost of Listing. The following summarises the estimated expenses incidental to Listing to be borne by the Group:

	RM
Professional fees ⁽ⁱ⁾	2,149,765
Fees payable to authorities	95,000
Underwriting, placement and brokerage fees	816,200
Printing, advertising fees and contingencies ⁽ⁱⁱ⁾	239,035
	<u>3,300,000</u>
Listing expenses paid and expensed off as at 31 December 2023	(847,202)
Prepaid listing expenses as at 31 December 2023	<u>(823,766)</u>
	<u>1,629,032</u>

Notes:

- (i) Includes advisory fees for, amongst others, the adviser, solicitors, reporting accountants, independent market researcher, independent internal control review consultant and issuing house.
- (ii) Other incidental or related expenses in connection with the IPO.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

2. Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position (Cont'd)

2.3 Utilisation of Proceeds (Cont'd)

Notes: (Cont'd)

(5) Estimated listing expenses (Cont'd)

A total of RM1,250,603 of the estimated listing expenses is assumed to be directly attributable to the Public Issue and as such, will be debited against the share capital of the Company and the remaining estimated listing expenses of RM2,049,397 is expensed off.

If the actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for its general working capital requirements. Conversely, if the actual listing expenses are lower than the amount budgeted, the excess will be utilised for its general working capital requirements.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)**

3. Effects of Pro Forma Adjustments to the Pro Forma Consolidated Statements of Financial Position

3.1 Pro Forma I

Pro Forma I incorporates the effects of the subsequent events as set out in Note 2.1 to the Pro Forma Consolidated Statements of Financial Position.

3.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and IPO as set out in Note 2.2 to the Pro Forma Consolidated Statements of Financial Position.

3.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds as set out in Note 2.3 to the Pro Forma Consolidated Statements of Financial Position.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A
**SIN-KUNG LOGISTICS BERHAD
 NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
 POSITION AS AT 31 DECEMBER 2023 (CONT'D)**
4. Detailed Effects on the Pro Forma Consolidated Statements of Financial Position**4.1 Property, plant and equipment**

	RM
As at 31 December 2023/As per Pro Forma I and II	59,750,531
Pursuant to the acquisition of property, plant and equipment under loan financing	57,460,000
Pursuant to the acquisition of property, plant and equipment by cash payment	<u>10,286,789</u>
As per Pro Forma III	<u>127,497,320</u>

4.2 Right-of-Use Assets

	RM
As at 31 December 2023	40,348,048
Pursuant to the acquisition of right-of-use assets under lease financing	<u>429,450</u>
As per Pro Forma I, II and III	<u>40,777,498</u>

4.3 Other Receivables

	RM
As at 31 December 2023	3,925,130
Pursuant to the prepayment of business takaful under loan financing	<u>214,214</u>
As per Pro Forma I and II	4,139,344
Pursuant to utilisation of prepaid listing expenses in relation to the Listing	<u>(823,766)</u>
As per Pro Forma III	<u>3,315,578</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A
**SIN-KUNG LOGISTICS BERHAD
 NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
 POSITION AS AT 31 DECEMBER 2023 (CONT'D)**
4. Detailed Effects on the Pro Forma Consolidated Statements of Financial Position (Cont'd)
4.4 Cash and Bank Balances

	RM
As at 31 December 2023/As per Pro Forma I	10,148,700
Proceeds from issuance of new ordinary shares through Public Issue	<u>26,000,000</u>
As per Pro Forma II	36,148,700
Pursuant to defrayment of estimated listing expenses in relation to the Listing	(1,629,032)
Pursuant to defrayment for acquisition of property, plant and equipment by cash payment	(10,286,789)
Pursuant to defrayment for repayment of bank borrowings	<u>(9,630,000)</u>
As per Pro Forma III	<u>14,602,879</u>

4.5 Share Capital

	RM
As at 31 December 2023/As per Pro Forma I	8,000,000
Pursuant to issuance of new ordinary shares through Public Issue	<u>26,000,000</u>
As per Pro Forma II	34,000,000
Pursuant to defrayment of estimated listing expenses in relation to the Public Issue	<u>(1,250,603)</u>
As per Pro Forma III	<u>32,749,397</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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Appendix A
**SIN-KUNG LOGISTICS BERHAD
NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL
POSITION AS AT 31 DECEMBER 2023 (CONT'D)**
4. Detailed Effects on the Pro Forma Consolidated Statements of Financial Position (Cont'd)**4.6 Reserves**

	RM
As at 31 December 2023/As per Pro Forma I and II	52,202,954
Pursuant to defrayment of estimated listing expenses in relation to the IPO	<u>(1,202,195)</u>
As per Pro Forma III	<u>51,000,759</u>

4.7 Lease Liabilities

	RM
As at 31 December 2023	17,781,032
Pursuant to the acquisition of right-of-use assets under lease financing	<u>429,450</u>
As per Pro Forma I, II and III	<u>18,210,482</u>

4.8 Loans and Borrowings

	RM
As at 31 December 2023	54,848,519
Pursuant to the prepayment of business takaful under loan financing	<u>214,214</u>
As per Pro Forma I and II	55,062,733
Pursuant to the acquisition of property, plant and equipment under loan financing	57,460,000
Pursuant to defrayment for repayment of bank borrowings	<u>(9,630,000)</u>
As per Pro Forma III	<u>102,892,733</u>

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (Cont'd)

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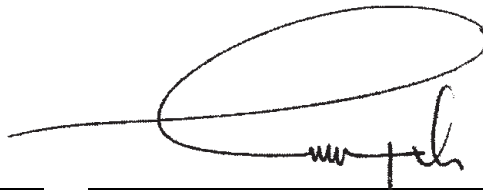
**SIN-KUNG LOGISTICS BERHAD
STATEMENT BY THE BOARD OF DIRECTORS FOR THE PRO FORMA
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER
2023**

We, ALAN ONG LAY WOUI and ANGELINE ONG LAY SHEE the undersigned, being two of the Directors of the Company, do hereby state that, in the opinion of the Board of Directors, the Pro Forma Consolidated Statements of Financial Position, together with the accompanying notes thereon, are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the Pro Forma Consolidated Statements of Financial Position of the Group as at 31 December 2023.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 1 April 2024.



ALAN ONG LAY WOUI



ANGELINE ONG LAY SHEE

15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.2,
- (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the new Shares to be issued for the Public Issue as disclosed in Section 4.3.1 and the bonus issue of Shares as disclosed in Section 6.1, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below.

15.2.1 Bayan Berjasa

Bayan Berjasa's share capital as at LPD is RM250,000 comprising 250,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
6 July 1994	2	RM2 / Cash	2
30 August 1994	1	RM1 / Cash	3
14 March 1995	99,997	RM99,997 / Cash	100,000
6 June 2013	150,000	RM150,000 / Cash	250,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Bayan Berjasa. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**15.2.2 SK Bonded Warehouse**

SK Bonded Warehouse's share capital as at LPD is RM250,000 comprising 250,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
31 January 1983	2	RM2 / Cash	2
7 April 1983	24,998	RM24,998 / Cash	25,000
30 August 1990	40,000	RM40,000 / Cash	65,000
14 May 1992	85,000	RM85,000 / Cash	150,000
6 June 2013	100,000	RM100,000 / Cash	250,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SK Bonded Warehouse. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.3 SK Ecommerce Logistics

SK Ecommerce Logistics's share capital as at LPD is RM2,500 comprising 2,500 ordinary shares. The share capital since incorporation is as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
3 June 2014	2,500	RM2,500 / Cash	2,500

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SK Ecommerce Logistics. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.4 SK Fleet Management

SK Fleet Management's share capital as at LPD is RM1 comprising 1 ordinary share. The share capital since incorporation is as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
8 December 2021	1	RM1 / Cash	1

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SK Fleet Management. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**15.2.5 SK Property Management**

SK Property Management's share capital as at LPD is RM100,000 comprising 100,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital
			RM
29 August 2018	1	RM1 / Cash	1
26 March 2019	99,999	RM99,999 / Cash	100,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SK Property Management. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.6 SK Logistics HK

SK Logistics HK's share capital as at LPD is HKD10,000 (equivalent to approximately RM6,000) comprising 10,000 ordinary shares. The share capital since incorporation is as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital
			HKD
13 October 2017	10,000	HKD10,000 / Cash	10,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SK Logistics HK. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.7 Shanghai Shuntong International

In PRC, the legal concepts used in determining a company's share capital are the concepts of "total investment" and "registered capital", which are typically provided for in the company's Articles of Association ("**AOA**"). Registered capital refers to the amount of capital that is committed to be invested in a company whereas, total investment is a figure that is calculated based on the registered capital pursuant to the statutory formula. The main function of total investment is to determine the maximum amount of foreign currency debt available to the foreign invested enterprise which is the difference between the total investment and the registered capital.

According to Shanghai Shuntong International's AOA, the total investment and registered capital of Shanghai Shuntong International is RMB4,280,000 (equivalent to approximately RM2.9 million) and RMB3,000,000 (equivalent to approximately RM2.1 million) respectively. Pursuant to Shanghai Shuntong International's AOA, the registered capital shall be fully paid within 30 years from the date of establishment of Shanghai Shuntong International by SK Logistics HK. As at LPD, no registered capital has been paid.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined or the context otherwise requires.

(a) Share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Clause 9 – Power to issue shares with special rights

Subject to the Act and this Constitution, shares in the Company may be issued by the Directors and any such shares may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital, or otherwise as the Directors, subject to any ordinary resolution of the Company, may determine.

Clause 10 – 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 and the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot, or otherwise dispose of such shares to such persons, on such terms and conditions, with such preferred, deferred or other special rights, and subject to such restrictions and at such times as the Directors may determine but the Directors in making any issue of shares shall comply with the following conditions:-

- (i) in the case of shares of a class, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution and in the resolution creating the same;
- (ii) every issue of shares or options to employees and/or Directors shall be approved by members in general meeting and in respect of issuance of shares or options to Directors, such approval shall specifically detail the amount of shares or options to be issued to such Directors;
- (iii) except in the case of an issue of securities on a pro rata basis to shareholders or pursuant to a back-to-back placement undertaken in compliance with the Listing Requirements, a Director, major shareholder, Chief Executive or person connected to any Director, major shareholder or Chief Executive of the Company shall not participate, directly or indirectly, in an issue of ordinary shares or other securities with rights of conversion to ordinary shares unless the shareholders of the Company in general meeting have approved the specific allotment to be made to the Director, major shareholder, Chief Executive or person connected to any Director, major shareholder or Chief Executive and the Director, major shareholder, Chief Executive or person connected to any Director, major shareholder or Chief Executive has abstained from voting on the relevant resolution.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

In this Clause, "Major Shareholder", "Chief Executive" and "Person connected to any Director, Major Shareholder or Chief Executive" shall have the same meaning described thereto in the Listing Requirements;

- (iv) subject to the Listing Requirements and without limiting the generality of Sections 75 and 76 of the Act, the Company must not issue any ordinary shares or other securities with rights of conversion to ordinary shares except where the shares or securities are issued with the prior shareholders' approval in a general meeting of the precise terms and conditions of the issue; and
- (v) in working out the number of shares or securities that may be issued by the Company, if the security is a convertible security, each such security is counted as the maximum number of shares into which it can be converted or exercised.

Clause 11 – Issuance of preference capital

Subject to the Act, 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. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital or winding up or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and / or privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.

Clause 12 – Repayment of preference capital

Notwithstanding Clause 11, the repayment of preference share capital other than redeemable preference capital or any other alteration of preference shareholder's rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from not less than 75% of the total voting rights of the preference shareholders within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**Clause 13 – Modification of class rights**

Subject to the provisions of Sections 71 and 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 the sanction of a special resolution passed at a separate meeting of the shareholders of that class. Where necessary majority of such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than 75% of the total voting rights of the shareholders of that class within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting. 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 who are shareholders present in person or represented by proxy holding at least one-third (1/3) of the number of 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. For adjourned meeting, quorum is one 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 14 – 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.

Clause 15 – Commission on subscription of Shares

The Company may pay a commission to any person in consideration of his subscribing or agreeing to subscribe, whether absolutely or conditionally, or procuring or agreeing to procure subscriptions, whether absolute or conditional, for any shares in the Company PROVIDED THAT (i) the rate in percentage or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, that such commission shall not exceed the rate of ten per cent (10%) of the price at which such shares are issued, or an amount equivalent to such percentage of that price, whichever is the lesser, and (ii) the requirements of Section 80 of the Act shall be observed. Such commission may be satisfied by the payment of cash or allotment of fully or partly paid shares or partly in one way and partly in the other. The Company may also on any issue of shares pay such brokerage as may be lawful.

Clause 16 – Interest on share capital during construction

Where any shares are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings, or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest on so much share capital as is for the time being paid up for the period and subject to the conditions and restrictions mentioned in Section 130 of the Act and may charge the same to capital as part of the cost of the plant construction of any works or buildings or the provision of any plant.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

Clause 17 – Trusts not to be recognised

Except as required by this Constitution or by law, no person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be compelled in any way to recognise (even with notice thereof) any equitable, contingent, future or partial interest in any share or any unit of share or any other right in respect of any shares, except an absolute right to the entirety thereof in the registered holder.

Clause 18 – Issue of Securities

The Company must ensure that all new issues of securities for which listing is sought are made by way of crediting the Securities Accounts of the allottees with such Securities save and except where they are specifically exempted from compliance with Section 38 of the Central Depositories Act, in which event they shall so similarly be exempted from compliance with this provision. For this purpose, the Company must notify the Bursa Depository of the names of the allottees and all such particulars required by the Bursa Depository, to enable the Bursa Depository to make the appropriate entries in the Securities Accounts of such allottees. The Company must not cause or authorise its Registrar to cause the Securities Accounts of the allottees to be credited with the additional securities until after the Company has filed with the Exchange an application for listing of such additional securities and has been notified by the Exchange that they have been authorised for listing.

Clause 19 – Timing for allotment of securities

Subject to the provisions of the Act, the Central Depositories Act and the Rules, the Company shall allot and/or issue securities, despatch notices of allotment to the allottees and make an application for the quotation of such securities within the period as may be prescribed by the Exchange and deliver to the Bursa Depository the appropriate certificates in such denominations as may be specified by the Bursa Depository and registered in the name of the Bursa Depository or its nominee company.

Clause 20 – Issue of Share certificates

The certificate of title to share, stock, debentures, debenture stock, notes and other securities of the Company shall be issued under the Seal and bear the signatures or the autographic signatures of one Director and the Secretary or a second Director or such other person as may be authorised by the Board, and shall specify the shares to which it relates, and the amount paid up thereon provided that the Board may by resolution determine that such signatures, or either of them, shall be dispensed with or shall be affixed by such other person as may be authorised by the Board or some method or system of mechanical signature.

Clause 58 – Power to increase capital

The Company may from time to time, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special, limited or conditional voting rights for the time being attached to any existing class of shares) to carry such preferential rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorising such increase, direct.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

Clause 59 – Issue of new securities to members

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before 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 the shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause.

Clause 60 – New Shares to rank with original Shares

Except so far as otherwise provided by the conditions of issue, any capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and shall be subject to the same provisions with reference to the payment of calls, lien, transfer, transmission, forfeiture and otherwise as the original share capital.

Clause 61 – Power to alter capital

The Company may by ordinary resolution:

- (a) increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or
- (b) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or
- (c) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or
- (d) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or
- (e) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 62 – Share buy back

Subject to and in accordance with the provisions of the Act and the requirements of the Exchange and such other relevant law, regulation or guideline, the Company is allowed and shall have power, to the fullest extent permitted, to purchase its own shares. Any shares in the Company so purchased by the Company shall be dealt with as provided by the Act, the Listing Requirements of the Exchange and any other relevant authority.

Clause 63 – Power to reduce capital

The Company may reduce its share capital by:-

- (a) a special resolution and confirmation by the Court in accordance with Section 116 of the Act; or
- (b) a special resolution supported by a solvency statement in accordance with Section 117 of the Act.

Clause 80 – Votes of members

Subject to any rights or restrictions for the time being attached to any class of shares at meetings of members or classes of members and Clause 67, Clause 68 and Clause 69 above, each member shall be entitled to be present and to vote at any general meeting in respect of any share or shares of which he is the registered holder and upon which all calls due to the Company have been paid, and may vote in person or by proxy or by attorney or by duly authorised representative for a corporation, and on a resolution to be decided on a show of hands, each holder of an ordinary share or, each holder of a preference share who is personally present and entitled to vote, shall be entitled to one (1) vote and on a poll, every such member present in person or by proxy or attorney or representative for a corporation shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands or on a poll, on any question, at any general meeting. In a voting by poll, each proxy shall be entitled to such number of votes equal to the proportion of the member's shareholdings represented by such proxy. A proxy may only vote as directed in the proxy form. However, if the appointor or representative attend and vote on a resolution, the proxy or attorney must not vote.

Clause 133 – Restriction on voting

A Director shall not participate in any discussion or vote in regard to any contract or proposed contract or arrangement in which he and/or person connected has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted).

Clause 162 – 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 of which 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. STATUTORY AND OTHER INFORMATION (Cont'd)

(b) Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Clause 104 – Directors' remuneration

The fees and any benefits payable to the Directors of the Company and its subsidiaries including any compensation for loss of employment of Director or former Director shall from time to time be determined by the Company in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:

- (a) fee payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by shareholders in a general meeting;
- (b) remuneration and other emoluments (including bonus, benefits or any other elements) payable to Executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;
- (c) fees of Directors and any benefits payable to Directors shall be subject to annual shareholders' approval at a general meeting;
- (d) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the fees and/or benefits payable to Non-Executive Directors who is also Director of the subsidiaries includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiaries, but does not include insurance premium or any issue of securities.

Clause 105 – Reimbursement of expenses

- (1) The Directors shall be paid for all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors or general meetings or otherwise.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (2) 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 his share in the fee from time to time provided for the Directors.

Clause 139 – Remuneration of Director holding executive office

The remuneration of a Director holding an executive office pursuant to this Constitution shall, subject to Clause 104, be fixed by the Board and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but shall not include a commission on or percentage of turnover.

(c) Voting and borrowing powers of the Directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested in are as follows:-

Clause 108 – Limitation on Directors' powers

The Directors shall not without the prior approval of the Company in general meeting:

- (i) exercise any power of the Company to issue shares unless otherwise permitted under the Act;
- (ii) arrange or enter or carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or controlling interest in the Company's undertaking or property (includes the whole or substantially the whole of the rights, including developmental rights and benefits);
- (iii) subject to Sections 228(2) and 229 of the Act, enter or carry into effect any arrangement or transaction with a Director or a substantial shareholder of the Company or its holding company, or its subsidiary or with a person connected with such a Director or substantial shareholder to acquire from or dispose to such Director or substantial shareholder or person connected with such a Director any shares or non-cash assets of the requisite value as stated in the Act; or
- (iv) issue any securities on such terms and subject to such conditions which confer a right to subscribe for new shares of the Company.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

Clause 109 – Directors' borrowing power

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 subsidiary company or associate company or any related third party subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 110 – Restriction on borrowing powers

The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other securities, whether outright or as security, for any debt, liability or obligation of an unrelated third party.

Clause 111 – Power to maintain funds

The Directors may establish or arrange any contributory or non-contributory pension or superannuation scheme, share option / incentive scheme and trusts or other funds for the benefit of, or pay a gratuity, pension or emolument, and to issue and allot and / or transfer shares or securities to any person who is or has been employed by or in the service of the Company or any subsidiary of the Company, or to any person who is or has been a Director or other officer of and holds or has held salaried employment in the Company or any such subsidiary, and the widow, family or dependants of any such person. The Directors may also subscribe to any association or fund which they consider to be for the benefit of the Company or any such subsidiary or any such person as aforesaid and make payments for or towards any hospital or scholastic expenses and any Director holding such salaried employment shall be entitled to retain any benefit received by him under this Clause subject only, where the Act requires, for proper disclosure to the members and the approval of the Company in general meeting.

Clause 118 – Director may hold other office

Subject always to the Act and requirements of the Exchange, a Director may hold any other office or place of profit under the Company (other than the office of Auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine and no Director or intending Director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise nor shall any such contracts, or any contract or arrangement entered into by or on behalf of the Company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relationship thereby established but the nature and extent of interest must be declared by him at the meeting of the Directors at which the contract or arrangement is determined, if the interest then exists or in any other case, at the first meeting of the Directors after the acquisition of the interest.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 129 – 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 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. The Chairman of the meeting shall however not have a second or casting vote where 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 131 – Disclosure of interest

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interests in the Company and his interest in any contract or proposed contract with the Company and in connection with the disclosure, every Director shall state the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly, duties or interests might be created in conflict with his duty or interest as a Director.

Clause 133 – Restriction on voting

A Director shall not participate in any discussion or vote in regard to any contract or proposed contract or arrangement in which he and/or person connected has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted).

Clause 135 – Relaxation of restriction on voting

A Director may vote in respect of:-

- (a) 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; and
- (b) 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 a security.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

Clause 136 – Directors may become Directors of other corporation

A Director of the Company may be or become a director or other officer of or otherwise interested in any corporation promoted by the Company or in which the Company may be interested as shareholder or otherwise or any corporation which is directly and indirectly interested in the Company as shareholder or otherwise and no such Director shall be accountable to the Company for any remuneration or other benefit received by him as a director or officer of, or from his interest in, such corporation unless the Company otherwise directs at the time of his appointment. The Directors may exercise the voting power conferred by the shares or other interest in any such other corporation held or owned by the Company, or exercisable by them as directors of such other corporation, in such manner and in all respects as they think fit (including the exercise thereof in favour of any resolution appointing themselves or any of the Directors or other officers of such corporation), and any Director may vote in favour of the exercise of such voting rights in manner aforesaid, notwithstanding that he may be or is about to be appointed a director or other officer of such corporation and as such is or may become interested in the exercise of such voting rights in the manner aforesaid.

(d) Transfer of securities

The provisions in our Constitution dealing with the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:-

Clause 32 – Transferor's right

The instrument of transfer of any securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof. The transfer of any listed securities or class of listed securities of the Company, shall be by way of book entry by the Bursa 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 33 – Suspension registration

Subject to the Rules and Listing Requirements, the transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

Clause 34 – Refusal to register transfer

The Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 35 – Renunciation

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

Clause 36 – Indemnity

Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Bursa Depository in registering or acting upon a transfer of securities apparently made by a member or any person entitled to the securities by reason of death, bankruptcy or insanity of a member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or the Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although the transfer may, as between the transferor and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in the blank as to the name of the transferee, of the particulars of the securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

Clause 37 – Reasonable diligence

Where by the exercise of reasonable diligence, the Company is unable to discover the whereabouts of a member for a period of not less than ten (10) years, the Company may cause an advertisement to be published in a newspaper circulating in the place shown in the Register or the Record of Depositors as the address of the member stating that the Company, after expiration of thirty (30) days from the date of the advertisement, intends to transfer the shares to the Minister charged with the responsibility for finance.

Clause 38 – Transfer of shares to Minister charged with responsibility for finance

If after the expiration of thirty (30) days from the date of the advertisement the whereabouts of the member remains unknown, the Company may transfer the shares held by the member to the Minister charged with the responsibility for finance and for that purpose may execute for and on behalf of such member, a transfer of those shares to the Minister charged with the responsibility for finance.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Clause 39 – Recognition of persons on death

In the case of the death of a member, the legal representative(s), the executors or administrators of the deceased shall be the only person(s) recognised by the Company and/or Bursa Depository as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased member from any liability in respect of any share which had been held by him.

Clause 40 – Share of deceased or bankrupt member

Any person becoming entitled to a share in consequence of the death or bankruptcy of a member may, upon such evidence being produced as may from time to time properly be required by the Rules and subject as hereinafter provided, elect either to be registered himself as holder of the share or to have some person nominated by him registered as the transferee thereof, but the Directors and/ or Bursa Depository shall in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by that member before his death or bankruptcy PROVIDED ALWAYS that where the share is a Deposited Security, subject to the Rules, a transfer or withdrawal of the shares may be carried out by the person becoming so entitled.

Clause 41 – Notice of election

If any person so becoming entitled to a share in consequence of the death or bankruptcy of a member elects to register himself as the holder of the share, he shall deliver or send to the Company, a notice in writing signed by him and stating that he so elects, provided that where the share is a Deposited Security and the person becoming entitled elects to have the share transferred to him, the aforesaid notice must be served by him on the Bursa Depository. If he elects to have another person registered, he shall evidence his election by executing to that person a transfer of the share. All the limitations, restrictions and provisions of this Constitution relating to the right to transfer and the registration of transfers of shares shall be applicable to any such notice or transfer as aforesaid as if the death or bankruptcy of the member had not occurred and the notice or transfer is a transfer signed by that member.

15.4 POLICIES ON FOREIGN INVESTMENTS, TAXATION AND FOREIGN EXCHANGE

The relevant policies on foreign investments, taxation and foreign exchange controls in Hong Kong and PRC in relation to the distribution of dividends, repatriation of capital and remittance of profits by or to our Group are set out below.

15.4.1 Hong Kong**(a) Exchange control**

There are currently no foreign exchange controls in Hong Kong. Hence, there is limited restriction on the repatriation of profits, whether in the form of dividends or interest, or capital (meaning funds in general) by SK Logistics HK to SKL. In general, repatriation of profits is entirely dependent on the ability of SK Logistics HK to pay dividends to SKL.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

In 2002, the Hong Kong Legislative Council approved anti-money laundering and enacted a new anti-terrorism law allowing their Secretary for Security to freeze funds and financial assets reasonably believed to belong to terrorist, as required by Security Council of United Nations in its Resolutions 1373. On 10 September 2002, following passage of the new laws, the Hong Kong Monetary Authority issued a circular to banks and ordered banks to submit reports outlining the approach they had adopted in the fight against terrorist financing. On 1 April 2012, Anti-Money Laundering and Counter-Terrorist Financing Ordinance (Chapter 615 of the Laws of Hong Kong) came into operation to enhance the anti-money laundering regulatory regime.

(b) Dividend distribution

SK Logistics HK can only declare dividend from its distributable profits (that is, accumulated realised profits less its accumulated realised losses). Dividends cannot be paid:

- (i) out of SK Logistics HK's share capital; and
- (ii) in advance of the generation of distributable profits.

Dividends must be paid in accordance with the procedures or requirements specified in SK Logistics HK's articles and association.

(c) Withholding tax

Dividends paid by SK Logistics HK are not subject to profits tax in Hong Kong nor is any tax required to be withheld from it.

15.4.2 PRC**(a) Exchange controls**

Pursuant to the Regulations of the PRC on Foreign Exchange Administration promulgated on 5 August 2008 and various regulations issued by the State Administration of Foreign Exchange ("SAFE") and other relevant PRC governmental authorities, RMB is freely convertible only to the extent of current account items such as trade-related receipts and payments after the relevant transactions are verified as genuine transactions by the local banks or (in certain circumstances) SAFE. Capital account items, such as direct equity investments, loans and repatriation of investments, require the prior approval of the SAFE or its local counterpart for conversion of RMB into a foreign currency such as USD and remittance of the foreign currency outside the PRC.

(b) Dividend distribution

The principal laws governing dividend distributions by a PRC company include the PRC's Company Law. Dividend distribution by a wholly foreign-owned enterprise ("WFOE") is further governed by the Foreign Investment Law.

PRC companies may pay dividends only out of their accumulated profits, if any, which are determined in accordance with the PRC accounting standards. In addition, PRC companies are required to set aside each year at least 10% of their after-tax profit based on the PRC accounting standards to their statutory general reserve fund until the cumulative amount of such reserve fund reaches 50% of their registered capital. These reserves are not distributable as cash dividends.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**(c) Capital contribution repatriation**

No PRC laws and regulations prohibit a PRC company from repatriating the capital contribution to its foreign shareholder(s). A PRC company can repatriate capital contribution through various methods, such as registered capital decrease, equity transfer, and early dissolution and liquidation, following the requirements of the PRC's Company Law and relevant SAFE regulations and rules.

(d) Withholding tax

Pursuant to Corporate Income Tax Law of the PRC (promulgated in 2007 and amended in 2018) and the Implementation Regulations for the Corporate Income Tax Law of the PRC (promulgated in 2007 and amended in 2019), a foreign entity shall be subject to the corporate income tax in China for the income derived from or accruing in China, for example, the dividends received by the foreign shareholders and the equity transfer income of the foreign shareholders. The tax rate for a foreign entity which does not have an office or premises in China is generally 10%. The payer of the income shall undertake the responsibility of tax reporting and withholding.

15.5 GENERAL INFORMATION

- (a) Save for the dividends paid to our shareholders in FYE 2020 to 2022, Directors' remuneration and key senior management's remuneration as disclosed in Sections 12.16, 5.2.4 and 5.3.5 respectively, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders.
- (b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16.
- (d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

15.6 CONSENTS

- (a) The written consents of our Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;

15. STATUTORY AND OTHER INFORMATION (Cont'd)

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

15.7 DOCUMENTS FOR INSPECTION

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

- (a) Constitution;
- (b) Audited financial statements of:
 - (i) SKL, Bayan Berjasa, SK Bonded Warehouse, SK Ecommerce Logistics, SK Logistics HK and SK Property Management for FYE 2020 to 2023; and
 - (ii) SK Fleet Management from the date of incorporation up to 31 December 2022 and FYE 2023;

The audited financial statements of Shanghai Shuntong International are not made available for inspection as the company has been dormant and is not required to conduct an audit;

- (c) Accountants' Report as set out in Section 13;
- (d) Reporting Accountants' Report relating to our pro forma consolidated financial information as set out in Section 14;
- (e) IMR Report as set out in Section 8;
- (f) Material contracts as set out in Section 6.4; and
- (g) Letters of consent as set out in Section 15.6.

15.8 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A 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 concerning our IPO.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 18 April 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 2 May 2024

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 Retail Offering

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

Types of Application and category of investors	Application Method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.2.2 Placement

Types of Application

Applications by selected investors

Applications by Bumiputera investors approved by MITI

Application Method

The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

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

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic 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 Malaysian Public

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

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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions in the said document and where relevant, in this Prospectus.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

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

The **FULL** amount payable is RM0.13 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 761"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

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

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

- (b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at their 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 2 May 2024 or by such other time and date specified in any change to the date or time for closing.

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

16.5 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.

16.6 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 International Securities Sdn Bhd (formerly known as 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. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

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

- (a) reject Applications which:
 - (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (ii) are illegible, incomplete or inaccurate; or
 - (iii) are accompanied by an improperly drawn up or improper form of remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.8 below.

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

16.8 OVER / UNDER SUBSCRIPTION

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

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

Pursuant to the Listing Requirements we are required to have a minimum of 25.0% of our Company's 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).

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or eligible Directors and employees of our Group, subject to the clawback and reallocation as set out in Section 4.3.3 of this Prospectus, any of the abovementioned Issue 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

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).
- (d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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

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

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (a) Our IPO Shares allotted to you will be credited into your CDS Account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the Central Depositories Act, 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 Central Depositories Act and Depository Rules.
- (d) In accordance with Section 29 of the Central Depositories Act, 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 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

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

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

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