11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated as a private limited company under the name of EPB Group Sdn. Bhd. on 28 February 2022 in Malaysia under the Act. Our Company was converted to a public limited company under the name of EPB Group Berhad on 10 March 2023. Upon completion of the Pre-Listing Exercise, BW Engineering, BW Perkasa Labuan, EP Machinery, EP Machinery KL and EP Manufacturing become our wholly-owned subsidiaries (collectively, our "**Direct Subsidiaries**"); whilst BW Perkasa UAE, subsidiary of BW Engineering, become our indirect wholly-owned subsidiary.

The financial statements used in the preparation of our historical combined financial information for the Financial Years Under Review were prepared in accordance with the MFRS. All intra-group transactions and balances have been eliminated on combination. The following historical combined statements of profit or loss and other comprehensive income, historical combined statements of financial position and historical combined statements of cash flows should be read in conjunction with the Management's Discussion and Analysis of Financial Condition and Results of Operations as set out in Section 11.2 of this Prospectus and the Accountants' Report as set out in Section 12 of this Prospectus.

11.1.1 Historical Combined Statements of Profit or Loss and Other Comprehensive Income

The historical combined statements of profit or loss and other comprehensive income for the Financial Years Under Review are summarised below: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Revenue	61,689	75,717	89,114
COS	(41,135)	(50,163)	(58,655)
GP	**20,554**	**25,554**	**30,459**
Other income	1,104	1,211	2,576
Selling and distribution costs	(4,808)	(3,642)	(7,651)
Administrative expenses	(7,909)	(8,925)	(9,423)
Other expenses	(761)	(8)	(38)
Operating profit	**8,180**	**14,190**	**15,923**
Finance costs	(438)	(337)	(344)
PBT	**7,742**	**13,853**	**15,579**
Taxation	(1,444)	(1,927)	(3,297)
PAT attributable to owners of the parent	**6,298**	**11,926**	**12,282**
Other comprehensive (loss)/income: -			
Exchange differences on translation(1)	(83)	172	376
Total comprehensive income attributable to owners of the parent	**6,215**	**12,098**	**12,658**
EBITDA(2) (RM'000)	9,470	15,500	17,519
GP margin(3) (%)	33.32	33.75	34.18
PBT margin(4) (%)	12.55	18.30	17.48
PAT margin(5) (%)	10.21	15.75	13.78
Basic EPS(6) (sen)	2.10	3.97	4.09
Diluted EPS(7) (sen)	1.69	3.21	3.30
Effective tax rate(8) (%)	18.65	13.91	21.16

Notes: -

(1) Represent the exchange differences arising from translation of the financial statements of BW Perkasa Labuan and BW Perkasa UAE for the respective Financial Years Under Review, which were prepared and presented in USD.

(2) EBITDA is computed as follows: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
PBT	**7,742**	**13,853**	**15,579**
Add			
Finance costs	438	337	344
Interest income	(27)	(46)	(9)
Depreciation and amortisation	1,317	1,356	1,605
EBITDA	**9,470**	**15,500**	**17,519**

(3) GP margin is computed based on GP divided by revenue.

(4) PBT margin is computed based on PBT divided by revenue.

(5) PAT margin is computed based on PAT attributable to owners of the parent divided by revenue.

(6) Basic EPS is computed based on PAT attributable to owners of the parent divided by the issued share capital of 300,430,002 Shares before the IPO and after the completion of the Pre-Listing Exercise.

(7) Diluted EPS is computed based on PAT attributable to owners of the parent divided by the enlarged issued share capital of 372,000,002 Shares after the IPO.

(8) Effective tax rate is computed based on taxation divided by PBT.

11.1.2 Historical Combined Statements of Financial Position

The historical combined statements of financial position as at 31 December 2020, 31 December 2021 and 31 December 2022 are as follows: -

	Audited as at 31 December		
	2020	**2021**	**2022**
	RM'000	**RM'000**	**RM'000**
ASSETS			
Non-Current Assets			
Property, plant and equipment ("**PPE**")	10,828	11,648	11,469
Right-of-use assets	6,735	5,184	5,685
Intangible assets	7	33	25
Total non-current assets	**17,570**	**16,865**	**17,179**
Current Assets			
Inventories	9,829	13,426	13,969
Trade receivables	11,877	11,720	9,121
Other receivables, deposits and prepayments	3,974	6,817	11,147
Tax recoverable	204	85	380
Fixed deposits with a licensed bank	-	5	456
Cash and bank balances	14,203	20,134	31,544
Total current assets	**40,087**	**52,187**	**66,617**
TOTAL ASSETS	**57,657**	**69,052**	**83,796**
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	-	-	*
Invested equity#	5,552	5,552	5,552
Foreign currency translation reserve	(121)	51	428
Retained profits	18,108	24,398	36,479
TOTAL EQUITY	**23,539**	**30,001**	**42,459**
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	767	895	2,458
Bank borrowings	3,065	2,055	3,209
Lease liabilities	710	306	809
Total non-current liabilities	**4,542**	**3,256**	**6,476**
Current liabilities			
Bank borrowings	1,065	2,107	1,421
Lease liabilities	846	325	489
Trade payables	3,662	4,119	3,522
Other payables, deposits and accrued liabilities	16,934	22,699	29,081
Amount owing to directors	3,259	3,206	6
Current tax liabilities	900	968	342
Dividend payable	2,910	2,371	-
Total current liabilities	**29,576**	**35,795**	**34,861**
TOTAL LIABILITIES	**34,118**	**39,051**	**41,337**
TOTAL EQUITY AND LIABILITIES	**57,657**	**69,052**	**83,796**

Notes: -

* *Represents RM2.00.*

\# *Represents the aggregate of the share capital of our Direct Subsidiaries.*

11.1.3 Historical Combined Statements of Cash Flows

The historical combined statements of cash flows for the Financial Years Under Review are summarised below: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Net cash generated from operating activities	8,649	13,117	14,688
Net cash used in investing activities	(2,069)	(376)	(820)
Net cash used in financing activities	(6,401)	(7,320)	(2,500)
Net increase in cash and cash equivalents	179	5,421	11,368
Effects of foreign exchange difference on cash and cash equivalents	(6)	515	493
Cash and cash equivalents at beginning of year	14,030	14,203	20,139
Cash and cash equivalents at end of year	**14,203**	**20,139**	**32,000**
Details of the cash and cash equivalents: -			
Fixed deposits with a licensed bank	-	5	456
Cash and bank balances	14,203	20,134	31,544
	14,203	**20,139**	**32,000**

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11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis on our financial condition and results of operations for the Financial Years Under Review should be read in conjunction with the historical combined financial statements and the accompanying notes as set out in the Accountants' Report included in Section 12 of this Prospectus.

The discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The actual results may differ significantly from those anticipated in the forward-looking statements, as a result of a number of factors including, but are not limited to, those discussed below and elsewhere in this Prospectus; particularly the risk factors as set out in Section 9 of this Prospectus.

11.2.1 Overview of Our Operations

(a) Principal activities

Our Group is primarily involved in the following: -

(i) provision of food processing and packaging machinery solutions including industrial robots and related accessories for its customers primarily involved in the food industry and also as laboratory equipment and its related accessories for research purposes. For avoidance of doubt, industrial robots and related accessories are not separate products offered by our Group. The industrial robots and related accessories are integrated within the food processing and packaging machinery solutions to be offered to our customers. Similarly, laboratory equipment and its related accessories are not separate products offered by our Group. These are food processing and packaging machinery solutions to be offered to universities for laboratory use in relation to food science and technology research;

(ii) trading of cellulose casings; and

(iii) manufacturing and trading of flexible packaging materials.

For further details on our business overview, please refer to Section 7.2 of this Prospectus.

(b) Revenue

Our Group's revenue for the Financial Years Under Review were derived from the following business segments: -

(i) Provision of food processing and packaging machinery solutions

Under this business segment, we provide food processing and packaging machinery solutions targeting various food products; catering primarily to food manufacturing and processing companies. We integrate in-house and/or third-party food processing and/or packaging machinery and components to form large-scale automated processing and/or packaging lines; which are designed and customised based on our customers' needs.

Products/services supplied to our customers under this business segment consist of: -

- food processing and/or packaging lines, comprising in-house and/or third-party food processing and/or packaging machinery and components, which have been designed, customised and integrated based on our customers' needs;

- replacement parts and components for the food processing and/or packaging lines; and

- after-warranty period maintenance and repair services.

Our revenue is recognised upon delivery to and acceptance of our products and services by our customers. Our sales are primarily denominated in RM and USD. We do not practise any fixed pricing policy. The selling prices of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, our customers' specifications and requirements for the food processing and packaging machinery solutions, and delivery lead time amongst others.

Due to the nature of our business where our products are customised based on our customers' orders, our products vary in terms of design, specification, size, and raw materials/inputs required.

Our primary source of revenue is derived from this business segment, contributing 82.65%, 80.21% and 81.43% of our Group's total revenue respectively for the Financial Years Under Review.

We provide our food processing and packaging machinery solutions to both the local and overseas markets. For the Financial Years Under Review, local market contributed 44.12%, 49.65% and 53.59% of our revenue derived from this business segment; whilst overseas markets contributed 55.88%, 50.35% and 46.41% of our revenue derived from this business segment, primarily from our customers based in the Philippines (which include amongst others, our major customers namely, Customer A, Sandiwa 85 Cold Storage Corporation and Frabelle Cold Storage Corporation) and Indonesia (which include amongst others, our major customers namely, PT. Wonokoyo Jaya Corporindo, PT. Ciomas Adisatwa, PT. Kusuma Sarana Pangan, PT. Dagsap Endura Eatore, PT. Petra Sejahtera Abadi and PT. Macroprima Panganutama). Please refer to Section 7.16 of this Prospectus for further details on our major customers.

(ii) Trading of cellulose casings

To complement our core business operation in the provision of food processing and packaging machinery solutions, we also ventured into the trading of cellulose casings; which are used mainly in the processing and manufacturing of a variety of frozen food products, predominantly in the production of sausage. Cellulose casings are consumables used by frozen food manufacturing and processing companies to shape and protect the meat during the production processes.

Our revenue is recognised upon delivery to and acceptance of our products by our customers. Our sales are primarily denominated in USD. We do not practise any fixed pricing policy, although the pricing for individual recurring customers may be maintained within a consistent range for a certain period. The selling prices of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, volume of order, and future prospects of recurring orders from our customers amongst others.

Revenue from this business segment contributed 11.11%, 12.86% and 13.36% of our Group's total revenue respectively for the Financial Years Under Review. We supply the cellulose casings primarily to overseas markets. For the Financial Years Under Review, overseas markets contributed 99.18%, 91.78% and 100.00% of our revenue derived from this business segment; primarily from our customers based in Indonesia namely PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore. Please refer to Section 7.16 of this Prospectus for further details on our major customers.

(iii) Manufacturing and trading of flexible packaging materials

Revenue generated from this business segment primarily consist of supply of packaging films and packaging bags, which are generally targeted to food manufacturing and processing companies (accounting for approximately 97.30%, 95.39% and 88.78% of our revenue generated from this business segment for the Financial Years Under Review), personal care manufacturers (accounting for approximately 1.53%, 2.91% and 6.87% of our revenue generated from this business segment for the Financial Years Under Review) and pet food manufacturers (accounting for 3.10% of our revenue generated from this business segment for the FYE 2022).

Products sold to our customers under this business segment consist of the following: -

- packaging films and/or packaging bags manufactured in-house by our subsidiary, EP Manufacturing;
- packaging films and/or packaging bags sourced from external suppliers; and
- other miscellaneous items used in packaging such as oxygen absorber sourced from external suppliers.

Our revenue is recognised upon delivery to and acceptance of our products by our customers. Our sales are primarily denominated in RM. We do not practise any fixed pricing policy, although the pricing for individual recurring customers may be maintained within a consistent range for a certain period. The selling prices of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, volume of order, and future prospects of recurring orders from our customers amongst others.

Revenue from this business segment contributed 6.24%, 6.93% and 5.21% of our Group's total revenue respectively for the Financial Years Under Review. We supply the flexible packaging materials primarily to local market. For the Financial Years Under Review, local market contributed 97.95%, 96.29% and 97.46% of our revenue derived from this business segment.

Our success is dependent on our ability to continually secure new orders from existing and new customers in relation to our three (3) business segments namely, food processing and packaging machinery solutions, trading of cellulose casings and manufacturing and trading of flexible packaging materials. Our products and services (after-sales maintenance and repair works), particularly in relation to our food processing and packaging machinery solutions business segment, are generally offered on a one-off basis customised in accordance with our customers' needs and specifications; whilst our sales for the manufacturing and trading of flexible packaging materials business segment are generally based on individual confirmed orders from our customers. For our trading of cellulose casings, although we have entered into supply contract with two of our major customers (namely, PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore), the actual sale delivery will still be subject to confirmation from the said customers. Please refer to Section 9.1.1 of this Prospectus for further details on the risk factor that our financial performance is dependent on our ability to continually secure new orders from existing and new customers.

(c) COS

Our COS consists of the following: -

(i) Raw materials/inputs costs

Raw materials/inputs costs represent our key cost component, accounting for 90.48%, 91.84% and 92.01% of our Group's total COS respectively for the Financial Years Under Review. Please refer to Section 7.18 of this Prospectus for further details of the raw materials/inputs consumed by us to be used in our business operations.

We source our raw materials/inputs from both local and foreign suppliers. We obtain quotations for the requisite raw materials/inputs from our suppliers before we submit our quotation to our customers. Actual purchases of raw materials/inputs will only be made upon confirmation of orders from our customers.

Due to the nature of our business where our products are customised according to our customers' orders, the raw materials/inputs consumed for each order vary in terms of type of machinery and components required by our customers. As such, the raw materials/inputs costs vary from one order to another depending on our customers' needs and requirements.

Food-safe metal is used for parts of machinery which has direct contact with food ingredients to be processed/packaged, whilst for other parts of machinery which are not exposed to food ingredients, the grade of metal to be used would be subject to customers' requirements and specifications and functionality.

(ii) Direct labour costs

Direct labour costs consist of payroll costs (such as salaries, wages, bonuses and statutory contributions) and other staff-related costs incurred in relation to our employees deployed in the production function (i.e. employees who are involved in the fabrication and assembly activities for the food processing and packaging machinery solutions business segment, as well as employees who are involved in the production for the manufacturing and trading of flexible packaging materials business segment). Direct labour costs accounting for 3.20%, 2.58% and 2.35% of our Group's total COS respectively for the Financial Years Under Review.

(iii) Overheads costs

Overheads costs mainly consist of payroll costs (such as salaries, wages, bonuses and statutory contributions) and other staff-related costs incurred in relation to our employees deployed in the ancillary/supporting functions for production activities (i.e. design and engineering, installation, warehouse, and logistics), depreciation of PPE used in the production activities, utilities costs, as well as upkeep and maintenance expenses amongst others.

(d) Other income

Other income mainly consists of foreign exchange gain, rental income, wage subsidy received from government, forfeiture of customer deposit and reversal of allowance for impairment losses on trade receivables.

(e) Selling and distribution costs

Selling and distribution costs mainly consist of payroll costs incurred in relation to employees deployed in the sales and marketing function, sales commission paid, travelling and accommodation expenses, as well as marketing and business development expenses.

(f) Administrative and other expenses

Administrative and other expenses mainly consist of payroll costs and other staff-related costs incurred in relation to employees deployed in the administrative and support functions (such as human resource and finance), depreciation and amortisation expenses, professional fees, allowances for impairment losses on trade receivables and PPE, as well as foreign exchange loss amongst others.

(g) Finance costs

Finance costs consist of interest expenses incurred on bank borrowings and credit facilities (comprising term loans, Tawarruq financing, revolving credit, bank overdraft and accepted bills), interest costs on lease liabilities, as well as bank charges and commitment fee.

(h) Recent developments

Save for the Pre-Listing Exercise, there were no other significant events subsequent to our Group's latest audited combined financial statements for the FYE 2022.

(i) Audit qualifications

Our audited combined financial statements for the Financial Years Under Review were not subjected to any audit qualifications.

(j) Accounting policies that are peculiar to our business

There are no accounting policies that are peculiar to our business as the nature of our business does not require any special accounting policies. Please refer to the Accountants' Report as set out in Section 12 of this Prospectus for further details on the accounting policies of our Group.

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11.2.2 Results of Our Operations

(i) Revenue

<u>Analysis of revenue by business segment</u>

The breakdown of our Group's revenue by business segment is as follows: -

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Food processing and packaging machinery solutions	50,985	82.65	60,731	80.21	72,569	81.43
Trading of cellulose casings	6,854	11.11	9,737	12.86	11,902	13.36
Manufacturing and trading of flexible packaging materials	3,850	6.24	5,249	6.93	4,643	5.21
Total	**61,689**	**100.00**	**75,717**	**100.00**	**89,114**	**100.00**

<u>Analysis of revenue by geographical location</u>

The breakdown of our Group's revenue by geographical location is as follows: -

	Food processing and packaging machinery solutions		Trading of cellulose casings		Manufacturing and trading of flexible packaging materials		Total Revenue	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
<u>FYE 2020</u>								
Malaysia	**22,494**	**44.12**	**56**	**0.82**	**3,771**	**97.95**	**26,321**	**42.67**
Foreign countries: -								
Indonesia	4,539	8.90	6,798	99.18	-	-	11,337	18.38
Philippines	17,465	34.26	-	-	-	-	17,465	28.31
USA	1,523	2.99	-	-	-	-	1,523	2.47
Myanmar	1,201	2.36	-	-	-	-	1,201	1.95
Others(1)	3,763	7.37	-	-	79	2.05	3,842	6.22
Subtotal	**28,491**	**55.88**	**6,798**	**99.18**	**79**	**2.05**	**35,368**	**57.33**
Total	**50,985**	**100.00**	**6,854**	**100.00**	**3,850**	**100.00**	**61,689**	**100.00**

	Food processing and packaging machinery solutions		Trading of cellulose casings		Manufacturing and trading of flexible packaging materials		Total Revenue	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
FYE 2021								
Malaysia	**30,151**	**49.65**	**800**	**8.22**	**5,054**	**96.29**	**36,005**	**47.55**
Foreign countries: -								
Indonesia	11,709	19.28	8,937	91.78	-	-	20,646	27.27
Philippines	12,131	19.97	-	-	-	-	12,131	16.02
USA	648	1.07	-	-	-	-	648	0.86
Myanmar	290	0.48	-	-	-	-	290	0.38
Others(1)	5,802	9.55	-	-	195	3.71	5,997	7.92
Subtotal	**30,580**	**50.35**	**8,937**	**91.78**	**195**	**3.71**	**39,712**	**52.45**
Total	**60,731**	**100.00**	**9,737**	**100.00**	**5,249**	**100.00**	**75,717**	**100.00**
FYE 2022								
Malaysia	**38,892**	**53.59**	**-**	**-**	**4,525**	**97.46**	**43,417**	**48.72**
Foreign countries: -								
Indonesia	20,428	28.15	11,902	100.00	-	-	32,330	36.28
Philippines	8,187	11.28	-	-	-	-	8,187	9.19
USA	138	0.19	-	-	-	-	138	0.15
Myanmar	12	0.02	-	-	96	2.07	108	0.12
Others(1)	4,912	6.77	-	-	22	0.47	4,934	5.54
Subtotal	**33,677**	**46.41**	**11,902**	**100.00**	**118**	**2.54**	**45,697**	**51.28**
Total	**72,569**	**100.00**	**11,902**	**100.00**	**4,643**	**100.00**	**89,114**	**100.00**

Note: -

(1) Others consist of Australia, Bahrain, Brunei, Canada, Chile, China, Egypt, France, Germany, India, Italy, Kenya, Laos, Liberia, Malawi, Maldives, Mexico, Morocco, Netherlands, New Zealand, Nigeria, Pakistan, Papua New Guinea, Qatar, Saudi Arabia, Singapore, Slovakia, South Africa, Sri Lanka, Sweden, Taiwan, Tanzania, Thailand, United Arab Emirates, United Kingdom, Vietnam, Yemen and Zambia.

Comparison between FYE 2020 and FYE 2021

Our Group's revenue increased by RM14.03 million or 22.74% to RM75.72 million for the FYE 2021 (FYE 2020: RM61.69 million), contributed by the growth in revenue from all of our business segments, as elaborated further below.

Food processing and packaging machinery solutions business segment remained to be our primary revenue contributor, generating RM60.73 million or 80.21% of our Group's total revenue for the FYE 2021 (FYE 2020: RM50.99 million or 82.65%), increased by RM9.74 million or 19.10% as compared to the FYE 2020. The increase was attributable to the following: -

(i) increase in revenue derived from the local market amounting to RM7.66 million, primarily due to higher sales to food manufacturing and processing companies which were mainly driven by increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers, as there are growing demands for food manufacturing and processing companies to integrate and automate their production activities to reduce reliance on manual labour and enhance efficiency; and

(ii) overall increase in revenue derived from the overseas market amounting to RM2.09 million, mainly due to higher sales to customers based in Indonesia, which was partially offset by lower sales to customers based in the Philippines. The aforementioned fluctuations in revenue were mainly due to increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers. Our machinery solutions are customised in accordance to the individual customers' specifications and requirements and hence, our selling prices are not fixed and would fluctuate depending on the level of integration and automation as well as complexity of the customers' specifications and requirements.

Our trading of cellulose casings business segment generated RM9.74 million or 12.86% of our Group's total revenue for the FYE 2021 (FYE 2020: RM6.85 million or 11.11%), increased by RM2.89 million or 42.19% as compared to the FYE 2020. The increase was attributable to the following: -

(i) overall increase in revenue derived from the overseas market amounting to RM2.14 million, mainly due to higher sales volume recorded from two (2) of our major customers based in Indonesia (namely PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore); and

(ii) overall increase in revenue derived from the local market amounting to RM0.75 million, mainly due to higher sales volume received from two (2) local food processing and manufacturing companies.

Our manufacturing and trading of flexible packaging materials business segment generated RM5.25 million or 6.93% of our Group's total revenue for the FYE 2021 (FYE 2020: RM3.85 million or 6.24%), increased by RM1.40 million or 36.36% as compared to the FYE 2020. The improvement was mainly attributable to higher demands from the local market for our flexible packaging materials, with revenue increased by RM1.28 million or 33.95% to RM5.05 million for the FYE 2021 (FYE 2020: RM3.77 million); in line with the increase in our customer base for this business segment from over 80 transacted customers for the FYE 2020 to over 100 transacted customers for the FYE 2021. There is an increasing amount of food products in Malaysia that are packaged in the manner that are convenient for their consumers to consume or prepare. The increase in demand for these types of packaged food products is expected to lead to higher needs for various types of packaging materials and products.

Comparison between FYE 2021 and FYE 2022

Our Group's revenue increased by RM13.39 million or 17.68% to RM89.11 million for the FYE 2022 (FYE 2021: RM75.72 million), mainly due to higher revenue recorded for our food processing and packaging machinery solutions business segment and trading of cellulose casings business segment as elaborated further below.

Food processing and packaging machinery solutions business segment remained to be our primary revenue contributor, generating RM72.57 million or 81.43% of our Group's total revenue for the FYE 2022 (FYE 2021: RM60.73 million or 80.21%), increased by RM11.84 million or 19.50% as compared to the FYE 2021. The increase was attributable to the following: -

(i) increase in revenue derived from the local market amounting to RM8.74 million, primarily due to higher sales to food manufacturing and processing companies which were mainly driven by increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers, as there are growing demands for food manufacturing and processing companies to integrate and automate their production activities to reduce reliance on manual labour and enhance efficiency; and

(ii) overall increase in revenue derived from the overseas market amounting to RM3.10 million, mainly due to higher sales to customers based in Indonesia, which was partially offset by lower sales to customers based in the Philippines. The aforementioned fluctuations in revenue were mainly due increased level of integration and automation as well as complexity of the specifications and requirements in relation to the food processing and packaging machinery solutions required by our customers. Our machinery solutions are customised in accordance to the individual customers' specifications and requirements and hence, our selling prices are not fixed and would fluctuate depending on the level of integration and automation as well as complexity of the customers' specifications and requirements.

Our trading of cellulose casings business segment generated RM11.90 million or 13.36% of our Group's total revenue for the FYE 2022 (FYE 2021: RM9.74 million or 12.86%), increased by RM2.16 million or 22.18% as compared to the FYE 2021. The increase was attributable to overall increase in revenue derived from the overseas market amounting to RM2.96 million, mainly due to higher sales recorded from two (2) of our major customers based in Indonesia (namely PT. Wonokoyo Jaya Corporindo and PT. Dagsap Endura Eatore) which were driven by increase in sales volume and increase in average selling prices and additional sales to a new customer based in Indonesia (namely, PT. Rama Putra). The improvement was, however, partially offset by the decrease in revenue from local market amounting to RM0.80 million; as a result of no recurring orders received from our local customers for the supply of cellulose casings.

Our manufacturing and trading of flexible packaging materials business segment generated RM4.64 million or 5.21% of our Group's total revenue for the FYE 2022 (FYE 2021: RM5.25 million or 6.93%), decreased by RM0.61 million or 11.62% as compared to the FYE 2021. The decrease was mainly due to lower orders received from the local market for our flexible packaging materials, with revenue reduced by RM0.52 million or 10.30% to RM4.53 million for the FYE 2022 (FYE 2021: RM5.05 million); in line with the decrease in our customer base for this business segment from over 100 transacted customers for the FYE 2021 to over 80 transacted customers for the FYE 2022.

(ii) COS, GP and GP margin

Analysis of COS by business segment

The breakdown of our COS by business segment is as follows: -

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Food processing and packaging machinery solutions	33,972	82.59	39,455	78.65	46,467	79.22
Trading of cellulose casings	4,734	11.51	7,216	14.39	9,005	15.35
Manufacturing and trading of flexible packaging materials	2,429	5.90	3,492	6.96	3,183	5.43
Total	**41,135**	**100.00**	**50,163**	**100.00**	**58,655**	**100.00**

Analysis of COS by cost component

The breakdown of our COS by cost component is as follows: -

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Raw materials/inputs costs	37,219	90.48	46,068	91.84	53,966	92.01
Direct labour costs	1,315	3.20	1,292	2.58	1,379	2.35
Overheads costs	2,601	6.32	2,803	5.58	3,310	5.64
Total	**41,135**	**100.00**	**50,163**	**100.00**	**58,655**	**100.00**

Analysis of GP and GP margin by business segment

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
GP	RM'000	%	RM'000	%	RM'000	%
Food processing and packaging machinery solutions	17,013	82.77	21,276	83.25	26,102	85.70
Trading of cellulose casings	2,120	10.32	2,521	9.87	2,897	9.51
Manufacturing and trading of flexible packaging materials	1,421	6.91	1,757	6.88	1,460	4.79
Total	**20,554**	**100.00**	**25,554**	**100.00**	**30,459**	**100.00**

	Audited		
	FYE 2020	FYE 2021	FYE 2022
GP margin	%	%	%
Food processing and packaging machinery solutions	33.37	35.03	35.97
Trading of cellulose casings	30.93	25.89	24.34
Manufacturing and trading of flexible packaging materials	36.91	33.47	31.45
Overall	**33.32**	**33.75**	**34.18**

Comparison between FYE 2020 and FYE 2021

Our Group's total COS increased by RM9.02 million or 21.93% to RM50.16 million for the FYE 2021 (FYE 2020: RM41.14 million), in line with the revenue growth from all of our business segments during the FYE 2021, mainly due to higher raw materials/input costs incurred amounting to RM8.85 million in order to fulfil the increase in customers' orders for all of our business segments during the FYE 2021.

Our Group's total GP increased by RM5.00 million or 24.33% to RM25.55 million for the FYE 2021 (FYE 2020: RM20.55 million); mainly in line with the revenue growth from all of our business segments for the aforesaid financial years.

Our Group's overall GP margin improved from 33.32% for the FYE 2020 to 33.75% for the FYE 2021, mainly due to better GP margin recorded by our food processing and packaging machinery solutions business segment. The selling prices and GP margin of our products and services are determined and negotiated on a case-by-case basis, and may vary according to various factors such as raw materials/inputs prices, our customers' specifications and requirements for the food processing and packaging machinery solutions, our customers' budget for capital expenditure, and delivery lead time amongst others. Our food processing and packaging machinery solutions business segment enjoyed improved GP margin for the FYE 2021, mainly due to better selling prices in line with our customers' expectations for higher automation and integration for their food processing and packaging production lines.

The better GP margin from our food processing and packaging machinery solutions business segment was, however, partially offset by lower GP margin from both our trading of cellulose casings business segment and manufacturing and trading of flexible packaging materials business segment mainly due to the following: -

(a) overall increase in the raw materials/inputs costs of cellulose casings and flexible packaging films, of which we could not immediately and fully pass-on to our recurring customers, as we have entered into agreements with two of our major customers (namely, PT. Dagsap Endura Eatore and PT. Wonokoyo Jaya Corporindo) to supply cellulose casings at agreed selling prices; and

(b) overall increase in the raw materials/inputs costs of flexible packaging films, of which we could not immediately and fully pass-on to our recurring customers in order to maintain a good business relationship. Any price revision would be negotiated with the recurring customers before implementation, to ensure our pricing remains competitive.

Comparison between FYE 2021 and FYE 2022

Our Group's total COS increased by RM8.50 million or 16.95% to RM58.66 million for the FYE 2022 (FYE 2021: RM50.16 million), in line with the revenue growth from our food processing and packaging machinery solutions business segment and trading of cellulose casings business segment for the FYE 2022, primarily attributable to the following: -

(a) higher raw materials/inputs costs incurred amounting to RM7.90 million, in order to fulfil the increase in customers' orders for our food processing and packaging machinery solutions business segment and trading of cellulose casing business segment during the FYE 2022; and

(b) higher overheads costs incurred amounting to RM0.51 million, mainly due to overall increase in staff costs resulting from additional employees deployed in the ancillary/supporting functions for production activities (such as design and engineering, installation, warehouse, and logistics) particularly for our food processing and packaging machinery solutions business segment.

Our Group's total GP increased by RM4.91 million or 19.22% to RM30.46 million for the FYE 2022 (FYE 2021: RM25.55 million); mainly in line with the revenue growth from our food processing and packaging machinery solutions business segment and trading of cellulose casings business segment for the FYE 2022.

Our Group's overall GP margin improved from 33.75% for the FYE 2021 to 34.18% for the FYE 2022, mainly due to better GP margin recorded by our food processing and packaging machinery solutions business segment in line with our customers' expectations for higher automation and integration for their food processing and packaging production lines, where we were able to command better selling prices.

The better GP margin from our food processing and packaging machinery solutions business segment was, however, partially offset by lower GP margin from both of our trading of cellulose casings business segment and manufacturing and trading of flexible packaging materials business segment mainly due to the following: -

(a) overall increase in the raw materials/inputs costs of cellulose casings, of which we could not immediately and fully pass-on to our recurring customers, as we have entered into agreements with two of our major customers (namely, PT. Dagsap Endura Eatore and PT. Wonokoyo Jaya Corporindo) to supply cellulose casings at agreed selling prices; and

(b) overall increase in the raw materials/inputs costs of flexible packaging films, of which we could not immediately and fully pass-on to our recurring customers in order to maintain a good business relationship. Any price revision would be negotiated with the recurring customers before implementation, to ensure our pricing remains competitive.

(iii) Other income

The breakdown of our Group's other income is as follows: -

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Forfeiture of customers' deposits[(1)]	-	-	-	-	906	35.17
Foreign exchange gain	339	30.71	242	19.97	391	15.18
Gain on disposal of PPE	55	4.98	45	3.71	47	1.82
Rental income[(2)]	251	22.74	287	23.68	196	7.61
Reversal of accruals[(3)]	-	-	-	-	233	9.05
Reversal of allowance for impairment losses on trade receivables	15	1.36	73	6.02	525	20.38
Reversal of write-down of inventories	10	0.91	93	7.67	6	0.23
Scrap income[(4)]	57	5.16	25	2.06	28	1.09
Government wage subsidies[(5)]	297	26.90	290	23.93	93	3.61
Others[(6)]	80	7.24	157	12.96	151	5.86
Total	**1,104**	**100.00**	**1,212**	**100.00**	**2,576**	**100.00**

Notes: -

(1) Consist of deposits from customers forfeited upon cancellation of sales.

(2) Consist of rental income derived from sub-lease of PPEs, factory and warehouse spaces, as well as office spaces.

(3) Represents reversal of excess costs accrued in prior year.

(4) Consist of proceeds from disposal of scrap metals.

(5) Represents a temporary financial assistance programme by the Government introduced to assist small and medium enterprises as a result of COVID-19 pandemic.

(6) Mainly consist of commission received from our supplier, insurance claims, interest income, reimbursement of transportation charges and out-of-pocket expenses, as well as incentives/grants from Malaysia External Trade Development Corporation.

Comparison between FYE 2020 and FYE 2021

Our Group's other income increased by RM0.11 million or 10.00% to RM1.21 million for the FYE 2021 (FYE 2020: RM1.10 million), mainly attributable to the following: -

(i) increase in reversal of allowance for impairment losses on receivables amounting to RM0.06 million during the financial year; and

(ii) increase in reversal of write-down of inventories amounting to RM0.08 million during the financial year, as some of the idle inventories (comprising stand-alone machines and components) previously written down have been utilised and sold at higher values during the financial year.

Comparison between FYE 2021 and FYE 2022

Our Group's other income increased by RM1.37 million or 113.22% to RM2.58 million for the FYE 2022 (FYE 2021: RM1.21 million), mainly attributable to the following: -

(i) forfeiture of customers' deposits amounting to RM0.91 million upon cancellation of sales recorded during the financial year;

(ii) additional reversal of excess costs accrued in prior years amounting to RM0.23 million, mainly due to over-estimation of staff incentives in prior years of which the actual sums awarded and paid were lower where the differential sum was being reversed during the financial year; and

(iii) increase in reversal of allowance for impairment losses on receivables amounting to RM0.45 million during the financial year, upon collection of past due balances from our trade receivables.

The above increases were, however, partially offset by the decrease in government wage subsidies received amounting to RM0.20 million, as the temporary financial assistance programme by the Government introduced to assist small and medium enterprises as a result of COVID-19 pandemic was gradually phased-out.

(iv) Selling and distribution costs

The breakdown of our Group's selling and distribution costs is as follows: -

	Audited					
	FYE 2020		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Marketing and promotional costs(1)	11	0.23	40	1.10	970	12.68
Sales commission(2)	2,603	54.14	1,263	34.68	2,594	33.90
Staff costs	1,554	32.32	1,629	44.73	2,635	34.44
Transport and forwarding charges	111	2.31	89	2.44	199	2.60
Travelling and accommodation costs	269	5.59	357	9.80	725	9.48
Others(3)	260	5.41	264	7.25	528	6.90
Total	**4,808**	**100.00**	**3,642**	**100.00**	**7,651**	**100.00**

Notes: -

(1) Mainly consist of costs incurred for participation in exhibitions and trade fairs and fees paid to PT Bestworld Perkasa to promote and market our food processing and packaging manufacturing solutions in Indonesia.

(2) Consist of sales commission paid to our staff and business associates who referred customers and sales to our Group.

(3) Mainly consist of insurance and road tax, staff welfare, as well as upkeep and maintenance expenses.

Comparison between FYE 2020 and FYE 2021

Our Group's selling and distribution costs decreased by RM1.17 million or 24.32% to RM3.64 million for the FYE 2021 (FYE 2020: RM4.81 million). The decrease was mainly due to drop in sales commission amounting to RM1.34 million, as a result of over-accrual of sales commission in prior years being reversed during the financial year. The accrued sales commissions were mainly in relation to customers and sales referred to our Group by Easypreneur Dev Sdn. Bhd., which were pending finalisation and payment. As Easypreneur Dev Sdn. Bhd. has resolved to cease its business operations, our Group and Easypreneur Dev Sdn. Bhd. have mutually agreed that the accrued sales commissions shall no longer be applicable and payable and accordingly, a reversal was accounted for during FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our Group's selling and distribution costs increased by RM4.01 million or 110.16% to RM7.65 million for the FYE 2022 (FYE 2021: RM3.64 million). The increase was mainly attributable to the following: -

(i) higher sales commission of RM1.33 million, mainly due to non-recurrence of one-off reversal of over-accrued sales commission accounted for in prior year;

(ii) higher staff costs of RM1.01 million, mainly due to increase in eight (8) newly recruited personnel including one of our Key Senior Management (namely, Goh Toh Sin), annual salary increments granted to our staff as well as higher bonus granted to our staff in line with the improved financial performance of our Group;

(iii) higher marketing and promotional costs of RM0.93 million, mainly due to increased advertising activities and participation in exhibitions and trade fairs during the financial year under review as well as additional fees paid to PT Bestworld Perkasa to promote and market our food processing and packaging machinery solutions in Indonesia;

(iv) higher travelling and accommodation costs of RM0.37 million as a result of increase in business trips by our employees for sales and marketing purposes, in line with the uplifting of movement control and re-opening of countries' borders following the gradual transition of COVID-19 pandemic into endemic phase; and

(v) higher other costs of RM0.26 million, mainly due to higher expenses incurred for food and beverages and entertainment in line with the increase in business trips by our employees for sales and marketing purposes, higher insurance expenses mainly on motor vehicles, as well as additional depreciation charges in relation to motor vehicles.

(v) Administrative and other expenses

The breakdown of our Group's administrative and other expenses is as follows: -

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Depreciation and amortisation(1)	983	11.34	995	11.14	1,176	12.43
Foreign exchange loss	371	4.28	227	2.54	225	2.38
Impairment losses on:						
- Receivables(2)	125	1.44	939	10.51	605	6.39
- PPE(3)	516	5.95	-	-	-	-
Professional fees	273	3.15	233	2.61	750	7.93
Road tax and insurance	254	2.93	205	2.29	199	2.10
Staff costs	4,701	54.22	4,799	53.72	4,726	49.95
Travelling and accommodation costs	229	2.64	92	1.03	141	1.49
Upkeep and maintenance expenses	240	2.77	251	2.81	403	4.26
Utilities costs	335	3.86	321	3.59	343	3.63
Others(4)	643	7.42	872	9.76	893	9.44
Total	**8,670**	**100.00**	**8,934**	**100.00**	**9,461**	**100.00**

Notes: -

(1) Consist of depreciation and amortisation of PPE, right-of-use assets and intangible assets used in the administrative and support functions.

(2) We assess the collectability of trade receivables on an individual customer basis and provide for impairment loss on receivables in the following manner: -

(i) simplified approach using a provisional matrix to estimate lifetime expected credit loss in accordance with MFRS 9 Financial Instruments; and

(ii) specific allowance for impairment on overdue balances where recoverability is ascertained to be uncertain based on our dealings with the customer.

(3) Represents impairment loss on damaged machinery in our PPE.

(4) Mainly consist of gifts and donations, staff welfare, and office expenses.

Comparison between FYE 2020 and FYE 2021

Our Group's administrative and other expenses increased by RM0.26 million or 3.00% to RM8.93 million for the FYE 2021 (FYE 2020: RM8.67 million). The increase was mainly due to additional allowance for impairment loss on receivables of RM0.81 million accounted for in accordance with MFRS 9 *Financial Instruments*, which was partially offset by non-recurrence of impairment loss on PPE during the financial year (FYE 2020: RM0.52 million).

Comparison between FYE 2021 and FYE 2022

Our Group's administrative and other expenses increased by RM0.53 million or 5.94% to RM9.46 million for the FYE 2022 (FYE 2021: RM8.93 million). The increase was mainly attributable to the following: -

(i) higher professional fees of RM0.52 million, primarily due to expenses in relation to our Listing;

(ii) higher depreciation and amortisation of RM0.18 million, in line with new additions of office and computer equipment during the financial year; and

(iii) higher upkeep and maintenance expenses of RM0.15 million, primarily for our office buildings and office equipment.

The above increases were partially offset by lower allowance for impairment loss on receivables amounting to RM0.33 million during the financial year.

(vi) Finance costs

The breakdown of our Group's finance costs is as follows: -

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:						
- accepted bills	-	-	-	-	8	2.33
- bank overdraft	1	0.23	*	#	4	1.16
- lease liabilities	93	21.23	59	17.51	63	18.31
- revolving credit	32	7.31	28	8.31	9	2.62
- term loans (inclusive of Tawarruq financing)	197	44.98	137	40.65	155	45.05
Bank charges and commitment fee	115	26.25	113	33.53	105	30.53
Total	**438**	**100.00**	**337**	**100.00**	**344**	**100.00**

Notes: -

* *Less than RM1,000.*

\# *Negligible.*

Comparison between FYE 2020 and FYE 2021

Our Group's finance costs decreased by RM0.10 million or 22.73% to RM0.34 million in the FYE 2021 (FYE 2020: RM0.44 million), mainly due to lower interest expense on term loans and lease liabilities as a result of repayments made during the financial year.

Comparison between FYE 2021 and FYE 2022

Our Group's finance costs stood at RM0.34 million for the FYE 2022, remained relatively constant as compared to the FYE 2021. Higher interest expenses on term loans were recorded during the financial year, in line with the new drawdown of Tawarruq financing. The increase was, however, partially offset by reduced interest expenses on short-term credit facilities (comprising accepted bills, bank overdrafts and revolving credit).

(vii) Profit and taxation

PBT and PBT margin

	Audited		
	FYE 2020	FYE 2021	FYE 2022
PBT (RM'000)	7,742	13,853	15,579
PBT margin (%)	12.55	18.30	17.48

Taxation and effective tax rate

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Current income tax:			
- current year income tax	1,326	2,395	2,206
- under/(over) provision in prior year	65	(597)	(471)
	1,391	1,798	1,735
Deferred tax:			
- origination of temporary differences	95	114	1,750
- (over)/under provision in prior year	(42)	15	(188)
	53	129	1,562
Total tax expenses	**1,444**	**1,927**	**3,297**
Effective tax rate (%)	**18.65**	**13.91**	**21.16**
Statutory tax rate (%)			
• on the first RM600,000 of chargeable income[(1)]	17.00	17.00	17.00
• balance of chargeable income	24.00	24.00	24.00

Note: -

(1) Applicable to company with paid-up capital not more than RM2.50 million. Upon completion of the Pre-Listing Exercise, our Group will no longer enjoy this preferential tax rate.

PAT and PAT margin

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
PAT (RM'000)	6,298	11,926	12,282
PAT margin (%)	10.21	15.75	13.78

Comparison between FYE 2020 and FYE 2021

Our Group's PBT increased by RM6.11 million or 78.94% to RM13.85 million for the FYE 2021 (FYE 2020: RM7.74 million), mainly attributable to the growth in our GP and decrease in selling and distribution costs as explained in Sections 11.2.2(ii) and 11.2.2(iv) of this Prospectus respectively.

Our PBT margin improved to 18.30% for the FYE 2021 (FYE 2020: 12.55%), mainly contributed by the following: -

(i) improved GP margin for the FYE 2021;

(ii) decrease in selling and distribution costs for the FYE 2021; and

(iii) no significant fluctuations recorded for other income, administrative and other expenses, as well as finance costs for the FYE 2021; notwithstanding the overall growth in our revenue.

Our Group's total tax expenses increased by RM0.49 million or 34.03% to RM1.93 million for the FYE 2021 (FYE 2020: RM1.44 million), mainly due to higher provision of current year income tax in line with the higher PBT recorded by our Group's subsidiaries incorporated and domiciled in Malaysia. The increase was, however, partially offset by the over-provision of income tax in prior year adjusted for during the FYE 2021; mainly due to the actual tax rate applicable to one of our subsidiaries (namely, BW Perkasa Labuan) was lower than the tax estimation made in prior year based on statutory tax rate of 24.00%.

Our Group's effective tax rate stood at 13.91% for the FYE 2021, lower as compared to 18.65% in the FYE 2020 and statutory tax rate, mainly attributable to the following: -

(i) PBT generated by our indirect subsidiary, BW Perkasa UAE was not subject to income tax within the jurisdiction of UAE pursuant to the tax exemption provided under the Ras Al-Khaimah International Corporate Centre Business Companies Regulations 2018;

(ii) PBT generated by our subsidiary, BW Perkasa Labuan was subject to income tax at 3.00% under the Labuan Business Activity Tax Act 1990; and

(iii) over-provision of income tax in prior year adjusted for during the FYE 2021.

Our Group's PAT increased by RM5.63 million or 89.37% to RM11.93 million for the FYE 2021 (FYE 2020: RM6.30 million), in line with the growth in PBT (which was mainly due to growth in GP and decrease in selling and distribution costs).

Our PAT margin improved to 15.75% for the FYE 2021 (FYE 2020: 10.21%), in line with the following: -

(i) improved PBT margin, mainly due to improved GP margin, decrease in selling and distribution costs, and there were no significant fluctuations recorded for other income, administrative and other expenses as well as finance costs notwithstanding the overall growth in revenue; and

(ii) lower effective tax rate, mainly due to tax exemption applicable to BW Perkasa UAE, lower tax rate applicable to BW Perkasa Labuan, and over-provision of income tax in prior year.

Comparison between FYE 2021 and FYE 2022

Our Group's PBT increased by RM1.73 million or 12.49% to RM15.58 million for the FYE 2022 (FYE 2021: RM13.85 million), mainly attributable to the growth in our GP and increase in other income as explained in Sections 11.2.2(ii) and 11.2.2(iii) of this Prospectus respectively. The aforementioned increases were, however, partially offset by the overall increase in selling and distribution costs as well as administrative and other expenses as elaborated in Sections 11.2.2(iv) and 11.2.2(v) of this Prospectus respectively.

Our PBT margin decreased to 17.48% for the FYE 2022 (FYE 2021: 18.30%), mainly due to overall increase in selling and distribution costs as well as administrative and other expenses; which was partially offset by the improvement in GP margin and increase in other income during the financial year.

Our Group's total tax expenses increased by RM1.37 million or 70.98% to RM3.30 million for the FYE 2022 (FYE 2021: RM1.93 million), mainly due to additional provision of deferred tax in relation to the undistributed profits of our indirect subsidiary, BW Perkasa UAE; which upon distribution and repatriation of funds into Malaysia, will be subject to prevailing income tax as foreign source dividend income pursuant to tax ruling that came into effect on 1 January 2022. The aforementioned increase was, however, partially offset by the over-provision of income tax and deferred tax in prior year adjusted for during the FYE 2022.

Our Group's effective tax rate stood at 21.16% for the FYE 2022, higher as compared to 13.91% in the FYE 2021; mainly due to higher provision of deferred tax arising from additional provision of deferred tax in relation to the undistributed profits of our indirect subsidiary, BW Perkasa UAE. Our Group's effective tax rate for the FYE 2022 was lower as compared to the statutory tax rate, mainly due to over-provision of income tax and deferred tax in prior year adjusted for during the FYE 2022.

Our Group's PAT increased by RM0.35 million or 2.93% to RM12.28 million for the FYE 2022 (FYE 2021: RM11.93 million), in line with the growth in PBT (which was mainly due to growth in our GP and increase in other income, partially offset by the overall increase in selling and distribution costs as well as administrative and other expenses).

Our PAT margin decreased to 13.78% for the FYE 2022 (FYE 2021: 15.75%), as a result of: -

(i) lower PBT margin, mainly due to overall increase in selling and distribution costs as well as administrative and other expenses; which was partially offset by the improvement in GP margin and increase in other income during the financial year; and

(ii) higher effective tax rate, mainly due to higher provision of deferred tax.

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11.2.3 Review of Financial Positions

(i) Assets

Our Group's assets are as follows: -

	Audited		
	As at 31 December		
	2020 RM'000	**2021 RM'000**	**2022 RM'000**
Non-current assets			
PPE	10,828	11,648	11,469
Right-of-use assets	6,735	5,184	5,685
Intangible assets	7	33	25
	17,570	**16,865**	**17,179**
Current assets			
Inventories	9,829	13,426	13,969
Trade receivables	11,877	11,720	9,121
Other receivables	3,974	6,817	11,147
Tax recoverable	204	85	380
Fixed deposits with a licensed bank	-	5	456
Cash and bank balances	14,203	20,134	31,544
	40,087	**52,187**	**66,617**
Total assets	**57,657**	**69,052**	**83,796**

<u>Comparison between 31 December 2020 and 31 December 2021</u>

Our Group's total assets increased by RM11.39 million or 19.75% to RM69.05 million as at 31 December 2021 (31 December 2020: RM57.66 million), mainly due to higher current assets which was attributable to the following: -

(i) increase in inventories of RM3.60 million, primarily due to purchases made for orders delivered/fulfilled subsequent to the year-end;

(ii) increase in other receivables of RM2.85 million, primarily due to higher advance payments made to suppliers in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end;

(iii) increase in cash and bank balances of RM5.93 million, in line with our improved financial performance and cash inflows from operating activities during the FYE 2021; and

(iv) increase in in intangible assets of RM0.03 million due to purchases of computer software.

<u>Comparison between 31 December 2021 and 31 December 2022</u>

Our Group's total assets increased by RM14.75 million or 21.36% to RM83.80 million as at 31 December 2022 (31 December 2021: RM69.05 million), mainly attributable to the following: -

(i) increase in other receivables of RM4.33 million, primarily due to higher advance payments made to suppliers in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions as well as cellulose casings; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end; and

(ii) increase in cash and bank balances of RM11.41 million, in line with our improved financial performance and cash inflows from operating activities during the FYE 2022, which was partially offset by the decrease in intangible assets of RM0.01 million due to the amortisation charge in relation to computer software.

The abovementioned increases in current assets were partially offset by the decrease in trade receivables of RM2.60 million, mainly due to good collection from customers and increased sum of deposits received from customers for our food processing and packaging machinery solutions business segment.

(ii) Liabilities

Our Group's liabilities are as follows: -

	Audited		
	As at 31 December		
	2020 RM'000	**2021 RM'000**	**2022 RM'000**
Non-current liabilities			
Deferred tax liabilities	767	895	2,458
Bank borrowings	3,065	2,055	3,209
Lease liabilities	710	306	809
	4,542	**3,256**	**6,476**
Current liabilities			
Bank borrowings	1,065	2,107	1,421
Lease liabilities	846	325	489
Trade payables	3,662	4,119	3,522
Other payables	16,934	22,699	29,081
Amount owing to directors (1)	3,259	3,206	6
Current tax liabilities	900	968	342
Dividend payable	2,910	2,371	-
	29,576	**35,795**	**34,861**
Total liabilities	**34,118**	**39,051**	**41,337**

Note: -
(1) As at the LPD, amount owing to directors have been fully settled.

Comparison between 31 December 2020 and 31 December 2021

Our Group's total liabilities increased by RM4.93 million or 14.45% to RM39.05 million as at 31 December 2021 (31 December 2020: RM34.12 million), mainly due to increase in other payables of RM5.77 million resulting from higher sum of deposits received from customers for our food processing and packaging machinery solutions business segment.

The abovementioned increase was, however, partially offset by the following: -

(i) overall decrease in bank borrowings and lease liabilities aggregating to RM0.89 million as a result of repayments made during the FYE 2021; and

(ii) overall decrease in dividend payable of RM0.54 million, in line with higher amount of dividends paid during the FYE 2021.

Comparison between 31 December 2021 and 31 December 2022

Our Group's total liabilities increased by RM2.29 million or 5.86% to RM41.34 million as at 31 December 2022 (31 December 2021: RM39.05 million), mainly attributable to the following: -

(i) increase in deferred tax liabilities of RM1.56 million, as a result of additional provision of deferred tax in relation to the undistributed profits of our indirect subsidiary, BW Perkasa UAE as explained above in Section 11.2.2(vii) of this Prospectus;

(ii) overall increase in bank borrowings and lease liabilities aggregating to RM1.14 million, as a result of new drawdown of Tawarruq financing and additional hire purchases entered into during the FYE 2022; and

(iii) increase in other payables of RM6.38 million resulting from higher sum of deposits received from customers for our food processing and packaging machinery solutions business segment after offsetting the forfeiture of customers' deposits amounting to RM0.91 million during the FYE 2022.

The abovementioned increases were, however, partially offset by the following: -

(i) decrease in amount owing to directors of RM3.20 million, as a result of repayments made during the FYE 2022; and

(ii) decrease in dividend payable of RM2.37 million, as the outstanding dividend payable from prior year was settled during the FYE 2022 and the lower dividend declared during the FYE 2022 was fully settled within the same year.

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11.2.4 Review of Cash Flows

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Net cash generated from operating activities	8,649	13,117	14,688
Net cash used in investing activities	(2,069)	(376)	(820)
Net cash used in financing activities	(6,401)	(7,320)	(2,500)
Net increase in cash and cash equivalents	179	5,421	11,368
Effects of foreign exchange difference on cash and cash equivalents	(6)	515	493
Cash and cash equivalents at beginning of year	14,030	14,203	20,139
Cash and cash equivalents at end of year	**14,203**	**20,139**	**32,000**
Details of the cash and cash equivalents:			
Fixed deposits with a licensed bank	-	5	456
Cash and bank balances	14,203	20,134	31,544
	14,203	**20,139**	**32,000**

(a) Net cash from operating activities

FYE 2020

For the FYE 2020, our net cash generated from operating activities of RM8.65 million was attributable to the following: -

- Cash inflows

  (i) operating profit before working capital changes of RM10.13 million which was derived from PBT of RM7.74 million and after adjusting for the following: -

    (aa) non-cash items such as depreciation of PPE and right-of-use assets, amortisation of intangible assets, deposits received forfeited, gain on disposal of PPE, impairment loss on PPE, net addition of allowance for impairment loss, unrealised gain on foreign exchange and net write-down in value of inventories; which in aggregate, rounding to RM1.98 million; and

    (bb) net interest expenses of RM0.41 million (being interest expenses less interest income);

  (ii) decrease in trade and other receivables amounting to RM5.76 million, mainly due to collections received from our customers and lower sum of advance payments to suppliers as at end of the FYE 2020 in respect of future purchases; and

  (iii) increase in amount owing to directors amounting to RM3.11 million due to advances from directors for working capital purposes.

- Cash outflows

  (i) increase in inventories amounting to RM4.34 million in order to cater for sales orders to be delivered/fulfilled subsequent to the year-end;

  (ii) decrease in trade and other payables amounting to RM4.96 million, mainly due to payments made to our suppliers and lower sum of deposits received from customers as at end of the FYE 2020 in respect of future sales; and

(iii) interest and tax paid amounting RM0.44 million and RM0.61 million respectively during the FYE 2020.

FYE 2021

For the FYE 2021, our net cash generated from operating activities of RM13.12 million was attributable to the following: -

- Cash inflows

  (i) operating profit before working capital changes of RM16.14 million which was derived from PBT of RM13.85 million and after adjusting for the following: -

    (aa) non-cash items such as depreciation of PPE and right-of-use assets, amortisation of intangible assets, gain on disposal of PPE, gain on derecognition of right-of-use assets, PPE written off, net addition of allowance for impairment loss, unrealised gain on foreign exchange and net write-down in value of inventories; which in aggregate, rounding to RM2.00 million; and

    (bb) net interest expenses of RM0.29 million (being interest expenses less interest income); and

  (ii) increase in trade and other payables amounting to RM5.89 million, mainly due to higher sum of deposits received from our customers as at end of the FYE 2021 in respect of future sales.

- Cash outflows

  (i) increase in inventories amounting to RM3.58 million in order to cater for sales orders to be delivered/fulfilled subsequent to the year-end;

  (ii) increase in trade and other receivables amounting to RM3.30 million, mainly due to higher sum of advance payments to our suppliers as at end of the FYE 2021 in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end;

  (iii) decrease in amount owing to directors amounting to RM0.05 million due to partial repayment made; and

  (iv) interest and net tax paid amounting to RM0.34 million and RM1.64 million respectively during the FYE 2021.

FYE 2022

For the FYE 2022, our net cash generated from operating activities of RM14.69 million was attributable to the following: -

- Cash inflows

  (i) operating profit before working capital changes of RM16.92 million which was derived from PBT of RM15.58 million and after adjusting for the following: -

(aa) non-cash items such as depreciation of PPE and right-of-use assets, amortisation of intangible assets, deposits received forfeited, gain on disposal of PPE, PPE written off, net addition of allowance for impairment loss, unrealised gain on foreign exchange, write-off of inventories, and net write-down in value of inventories; which in aggregate, rounding to RM1.00 million; and

(bb) net interest expenses of RM0.34 million (being interest expenses less interest income); and

(ii) increase in trade and other payables amounting to RM6.58 million, mainly due to higher sum of deposits received from our customers as at end of the FYE 2022 in respect of future sales after offsetting the forfeiture of customers' deposits amounting to RM0.91 million during the FYE 2022.

- Cash outflows

(i) increase in inventories amounting to RM0.82 million in order to cater for sales orders to be delivered/fulfilled subsequent to the year-end;

(ii) increase in trade and other receivables amounting to RM1.79 million, mainly due to higher sum of advance payments to our suppliers as at end of the FYE 2022 in respect of future purchases of machines and parts to be used for fabrication, assembly and integration of our food processing and packaging machinery solutions as well as cellulose casings; to cater for customers' orders received and to be fulfilled subsequent to the financial year-end;

(iii) decrease in amount owing to directors amounting to RM3.20 million due to repayments made to directors; and

(iv) interest and tax paid amounting to RM0.34 million and RM2.66 million respectively during the FYE 2022.

(b) Net cash used in investing activities

FYE 2020

For the FYE 2020, our net cash used in investing activities of RM2.07 million was mainly attributable to payments for purchases of PPE and intangible assets (namely, computer software) aggregating to RM2.16 million, primarily in relation to additions of machinery and equipment to be used for our fabrication and assembly activities. Higher additions of PPE for the FYE 2020 were mainly due to one-off acquisition of machinery and equipment aggregating to RM1.28 million from EC Trading System Sdn. Bhd. (*formerly known as Easy Pack Technology Sdn. Bhd.*) by EP Machinery. Please refer to Section 10.1.1, Note (2) of this Prospectus for further details.

The abovementioned cash outflows were partially offset by the following: -

(i) proceeds received from the disposal of motor vehicles amounting to RM0.06 million; and

(ii) interest received of RM0.03 million.

FYE 2021

For the FYE 2021, our net cash used in investing activities of RM0.38 million was mainly attributable to payments for purchases of PPE and intangible assets (namely, computer software) aggregating to RM0.49 million, primarily in relation to additions of office equipment, motor vehicles and computer software to be used for our business operations.

The abovementioned cash outflows were partially offset by the following: -

(i) proceeds received from the disposal of motor vehicles and machinery aggregating to RM0.06 million; and

(ii) interest received of RM0.05 million.

FYE 2022

For the FYE 2022, our net cash used in investing activities of RM0.82 million was mainly attributable to payments for purchases of PPE, right-of-use assets and intangible assets (namely, computer software) aggregating to RM0.88 million, primarily in relation to additions of machinery and equipment to be used for our fabrication and assembly activities, motor vehicle, office equipment and computer software to be used for our business operations, as well as renovation cost for our factory and office premises.

The abovementioned cash outflows were partially offset by the following: -

(i) proceeds received from the disposal of motor vehicles and office equipment aggregating to RM0.05 million; and

(ii) interest received of RM0.01 million.

(c) Net cash used in financing activities

FYE 2020

For the FYE 2020, our net cash used in financing activities of RM6.40 million was attributable to the following: -

(i) net repayment of bank borrowings amounting to RM1.69 million;

(ii) net repayment of lease liabilities amounting to RM0.69 million mainly for the repayment of hire purchase; and

(iii) dividends paid to shareholders of our Group during the year amounting to RM4.02 million.

FYE 2021

For the FYE 2021, our net cash used in financing activities of RM7.32 million was mainly attributable to the following: -

(i) net repayment of lease liabilities amounting to RM1.10 million mainly for the repayment of hire purchase; and

(ii) dividends paid to shareholders of our Group during the year amounting to RM6.25 million.

The abovementioned cash outflows were partially offset by net drawdown of bank borrowings amounting to RM0.03 million.

FYE 2022

For the FYE 2022, our net cash used in financing activities of RM2.50 million was mainly attributable to the following: -

(i) net repayment of lease liabilities amounting to RM0.40 million mainly for the repayment of hire purchase; and

(ii) dividends paid to shareholders of our Group during the year amounting to RM2.57 million.

The abovementioned cash outflows were partially offset by net drawdown of bank borrowings amounting to RM0.47 million.

There is no legal, financial or economic restriction on the ability of our subsidiaries to transfer funds to our Company in the form of cash dividends, loans or advances.

11.3 CAPITALISATION AND INDEBTEDNESS

The following table summarises our pro forma capitalisation and indebtedness as at 31 July 2023 based on our unaudited combined statements of financial position as at 31 July 2023 and after adjusting for the effects of the Pre-Listing Exercise and the effects of the Public Issue and utilisation of proceeds: -

		Pro Forma I	**Pro Forma II**	**Pro Forma III**
	Unaudited as at 31 July 2023	**After the Pre-Listing Exercise**	**After Pro Forma I and Public Issue**	**After Pro Forma II and utilisation of proceeds**
Indebtedness	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Current				
Secured and guaranteed: -				
Term loans	-	686	686	[●]
Tawarruq financing	-	370	370	[●]
Accepted bills	-	1,395	1,395	[●]
Lease liabilities	-	198	198	[●]
	-	2,649	2,649	[●]
Unsecured and unguaranteed: -				
Lease liabilities	-	217	217	[●]
	-	2,866	2,866	[●]
Non-current				
Secured and guaranteed: -				
Term loans	-	1,400	1,400	[●]
Tawarruq financing	-	1,208	1,208	[●]
Lease liabilities	-	382	382	[●]
	-	2,990	2,990	[●]
Unsecured and unguaranteed: -				
Lease liabilities	-	154	154	[●]
	-	3,144	3,144	[●]
Total indebtedness	**-**	**6,010**	**6,010**	**[●]**
Shareholders' equity/ Total capitalisation	**(712)**	**45,919**	**[●]**	**[●]**
Total capitalisation and indebtedness	**(712)**	**51,929**	**[●]**	**[●]**
Gearing ratio[(1)] (times)	**N/A**	**0.13**	**[●]**	**[●]**

Note: -

(1) *Calculated based on the total indebtedness divided by shareholders' equity/total capitalisation.*

11.4 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL POSITION AND RESULTS OF OPERATIONS

Section 9 of this Prospectus details the risk factors relating to our business and the industry in which we operate. Our financial position and results of operations have been, and are expected to be, affected by the following significant factors: -

(i) Dependency on our ability to continually secure new orders from existing and new customers

Our success is dependent on our ability to continually secure new orders from existing and new customers. Our products and services (after-sales maintenance and repair works), particularly in relation to our food processing and packaging machinery solutions business segment, are generally offered on a one-off basis customised in accordance with our customers' needs and specifications. Our contract with customer, if any, is generally for a short period of up to two (2) years; where the actual sale delivery will still be subject to confirmed order from our customer.

Notwithstanding that we have enjoyed favourable growth in revenue during the Financial Years Under Review, there can be no assurance that we will be able to sustain the revenue size and/or rate of growth in the future. In the event we are unable to continually secure adequate new orders from existing and new customers, our financial performance and financial position may be adversely affected.

Please refer to Section 9.1.1 of this Prospectus for further details on this risk factor.

(ii) Dependency on one of our major suppliers

For the Financial Years Under Review, we were dependent on Shandong Vicel of China for the supply of cellulose casings. Purchases from Shandong Vicel accounted for 12.99%, 16.30% and 17.84% of our total purchase value respectively for the Financial Years Under Review. Shandong Vicel is the sole supplier for cellulose casings to our Group for the Financial Years Under Review, save for a one-off repurchase of cellulose casings amounting to RM0.07 million from one of our Group's customers to cater for an urgent need of another customer in the FYE 2020 (as disclosed under Section 7.18, Note (2) of this Prospectus). We are a distributor of its Vicel Speedy Peel Cellulose Casings in Indonesia for another two (2) years commencing from 1 January 2024 based on the renewed and latest distribution agreement.

Revenue from trading of cellulose casings contributed 11.11%, 12.86% and 13.36% of our Group's total revenue respectively for the Financial Years Under Review. In the event of sudden cessation or disruption to the supply of cellulose casings from Shandong Vicel and we are unable to deliver to our customers within their required timeframe, revenue from trading of cellulose casings will be affected which in turn, may adversely affect our operations and financial performance.

Please refer to Section 9.1.2 of this Prospectus for further details on this risk factor.

(iii) Credit risks based on the credit periods granted to our customers

We are subject to credit risks associated with our customers and our profitability and cash flows may be affected if our customers fail to make timely payments for the outstanding trade balances owing to us.

Whilst our finance team monitors collections from our customers regularly and follows up on any overdue amounts, there can be no assurance that the outstanding debts owing by our customers will be fully collected. Any default by our trade receivables to fulfil their debt obligations in the future may adversely affect our financial performance and financial position.

Please refer to Section 9.1.5 of this Prospectus for further details on this risk factor.

(iv) Impact of foreign exchange rate fluctuations

We are exposed to foreign currency risk because some portion of our sales and purchases are transacted in foreign currencies namely the USD, EUR, SGD, TWD, IDR, RMB and PHP. As such, we are exposed to fluctuations in foreign exchange rates and any adverse movements in the foreign exchange markets may have a negative impact on our financial performance and operating results.

Please refer to Section 9.1.7 of this Prospectus for further details on this risk factor.

11.5 LIQUIDITY AND CAPITAL RESOURCES

11.5.1 Working Capital

We finance our operations with cash generated from our operations, credit extended by trade payables, financing facilities from financial institutions which consist of term loans, Tawarruq financing, bank overdraft and trade lines (comprising accepted bills, bankers' acceptance, bank guarantee, letter of credit, invoice financing, revolving credit and trust receipt), finance lease liabilities as well as our existing cash and bank balances.

Our decision to use either the internally-generated funds or the external borrowings for our business operations is subject to various factors such as our prevailing cash and bank balances, expected cash inflows, future capital expenditure requirements, future working capital requirements and the prevailing interest rates on external borrowings amongst others.

We will carefully consider our cash position and ability to obtain further financing before making any significant capital commitments.

Our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of twelve (12) months from the date of this Prospectus, after taking into consideration the following: -

(i) our cash and cash equivalents of RM32.84 million as at 31 July 2023;

(ii) credit facilities obtained from financial institutions with a total limit of RM22.62 million, of which the outstanding balances for credit facilities utilised as at 31 July 2023 amounting to RM5.06 million;

(iii) our pro forma gearing level of [●] times, based on our pro forma combined statement of financial position as at 31 July 2023 after the Pre-Listing Exercise, Public Issue and utilisation of proceeds; and

(iv) our expected future cash flows from operations.

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11.5.2 Borrowings

As at 31 December 2022, our Group's total outstanding borrowings consist of the following: -

Type	Purpose	Tenure	Interest/ profit rate per annum	As at 31 December 2022 Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loans	To part finance construction cost of factory and office building	120 months	BLR - 2.00%	468	738	1,206
	To part finance construction cost of factory and office building	120 months	BLR - 2.00%	157	660	817
	For working capital requirements	84 months	5.00%	64	387	451
Tawarruq financing	For working capital requirements	60 months	IFR - 2.20%	364	1,424	1,788
Accepted bills	For working capital requirements	Up to 123 days	4.05%	368	-	368
Lease liabilities	In relation to right-of-use assets	24 - 84 months	3.87% to 6.35%	489	809	1,298
				1,910	**4,018**	**5,928**
Pro forma gearing ratio (times):						
- After the Pre-Listing Exercise and before the Public Issue[(1)]						0.15
- After the Public Issue and utilisation of proceeds[(2)]						[●]

Notes: -

(1) *Computed based on the pro forma total equity of RM39.76 million after the Pre-Listing Exercise and before the Public Issue, and pro forma total borrowings (comprising bank borrowings and lease liabilities) of RM5.93 million, as disclosed in Reporting Accountants' Letter on the Pro Forma Combined Statements of Financial Position set out in Section 13 of this Prospectus.*

(2) *Computed based on the pro forma total equity of RM[●] million after the Public Issue and utilisation of proceeds, and pro forma total borrowings (comprising bank borrowings and lease liabilities) of RM[●] million, as disclosed in Reporting Accountants' Letter on the Pro Forma Combined Statements of Financial Position set out in Section 13 of this Prospectus.*

As at the LPD, all of our Group's outstanding borrowings are denominated in RM.

Our Group's outstanding borrowings carry the following effective interest rates for the Financial Years Under Review: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	% per annum		
Floating rates			
Term loans	3.45 – 5.60	3.45 – 5.60	3.45
Tawarruq financing	-	-	4.44
Fixed rates			
Term loan	-	-	5.00
Accepted bills	-	-	4.05
Revolving credit	-	5.60	-
Lease liabilities	4.31 – 6.18	4.31 – 6.18	3.87 – 6.35

As at the LPD, there are no other material restrictions on our committed banking facilities. We do not encounter any seasonality in our borrowings.

As at the LPD, we do not have any borrowings which are non-interest bearing and/or denominated in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the Financial Years Under Review and up to the LPD.

Throughout the Financial Years Under Review and up to the LPD, we have not experienced any clawback or reduction in the facilities' limit granted to us by our lenders.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank borrowings, which can materially affect our financial position and results or business operations or the investments by the holders of our Shares.

11.6 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at the LPD, save for borrowings as disclosed in Section 11.5.2 of this Prospectus, we have not used any other financial instruments including for hedging purpose.

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

Our main treasury objectives are to maintain sufficient working capital to finance our operations, and to possess adequate credit facilities to meet the estimated commitments arising from our operational expenditures, capital expenditures and financial liabilities. We have been funding our operations with cash generated from our operations, credit extended by trade payables, financing facilities from financial institutions which consist of term loans, Tawarruq financing, bank overdraft and trade lines (comprising accepted bills, bankers' acceptance, bank guarantee, letter of credit, invoice financing and trust receipt), finance lease liabilities as well as our existing cash and bank balances.

In our ordinary course of business, we deal with customers and suppliers from both the local market and overseas market, where transactions are denominated in both RM as well as foreign currencies. We maintain multicurrency bank accounts, so that collections in foreign currencies can be used to settle payments of the same currency where possible. This provides a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We may consider other hedging instruments such as derivative contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material impact arising from interest rate fluctuations throughout the Financial Years Under Review. As such, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate. We manage our exposure to interest rate fluctuations by maintaining a combination of fixed-rate and floating-rate borrowings.

11.7 MATERIAL CAPITAL COMMITMENTS, LITIGATION AND CONTINGENT LIABILITY

11.7.1 Material Capital Commitment for Capital Expenditures

As at the LPD, save for the planned capital expenditures in relation to the utilisation of proceeds from the Public Issue as set out in Section 4.8 of this Prospectus and capital expenditure to be incurred pursuant to Statement of Work for Epicor Implementation of EPB as disclosed in Section 6.6(x) of this Prospectus which will be financed by our internally-generated funds, our Directors confirm that there are no other material capital commitments incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material adverse impact on our Group's operations, financial results and/or financial position.

11.7.2 Governmental, Legal or Arbitration Proceedings

As at the LPD and in the twelve (12) months immediately preceding the date of this Prospectus, neither our Company nor our subsidiaries are involved in any material governmental, legal or arbitration proceedings either as plaintiff or defendant. We are not aware of any proceedings pending or threatened or of any fact likely to give rise to any proceedings which might materially or adversely affect our Group's operations, financial results and/or financial position.

11.7.3 Contingent Liability

As at the LPD, our Directors confirm that there is no contingent liability incurred or known to be incurred by our Group which, upon becoming enforceable, may have a material adverse impact on our Group's operations, financial results and/or financial position.

11.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for the Financial Years Under Review are as follows: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
Trade receivables turnover period(1) (days)	66	57	43
Trade payables turnover period(2) (days)	31	28	24
Inventories turnover period(3) (days)	69	85	85
Current ratio(4) (times)	1.36	1.46	1.91
Gearing ratio(5) (times)	0.24	0.16	0.14

Notes: -

(1) Computed based on the average trade receivables (net of allowance for impairment losses) over revenue for each of the FYE multiplied by 365 days.

(2) Computed based on the average trade payables over COS for each of the FYE multiplied by 365 days.

(3) Computed based on the average inventories over COS for each of the FYE multiplied by 365 days.

(4) Computed based on current assets over current liabilities as at each of the FYE.

(5) *Computed based on total borrowings (consist of bank borrowings and lease liabilities) over total equity as at each of the FYE.*

11.8.1 Trade Receivables Turnover Period

The summary of our trade receivables is as follows: -

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Trade receivables at beginning of the financial year	10,570	11,877	11,720
Trade receivables at end of the financial year	11,877	11,720	9,121
Average trade receivables	11,224	11,799	10,421
Revenue for the financial year	61,689	75,717	89,114
Trade receivables turnover period (days)	**66**	**57**	**43**

The normal credit periods granted by our Group to customers ranging from 0 day (i.e. cash terms) to 180 days. The credit term for each customer may vary depending on various factors including the length of business relationship, their payment track record, creditworthiness and credit limit. In addition, taking into consideration the foreign currency exposure and the geographical distance, a shorter credit term is granted to overseas customers as compared to local customers.

Our Group established policies on credit control involving appropriate credit evaluations, setting up appropriate credit limits, ensuring the sales are made to customers with good credit history, and regular review of customers' outstanding balances and payment trends. Our Group considers the risk of material loss in the event of non-performance by the customers to be unlikely.

Our trade receivables turnover period for the Financial Years Under Review stood at 66 days, 57 days and 43 days respectively, which is within the normal credit periods granted to our customers.

Our trade receivables turnover period decreased from 66 days for the FYE 2020 to 57 days for the FYE 2021, and subsequently to 43 days for FYE 2022; mainly due to good collection from customers and increased sum of deposits received from customers for our food processing and packaging machinery solutions business segment.

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The ageing analysis of our trade receivables as at 31 December 2022 is as follows: -

		Exceeding credit period				
	Within credit period	**Not more than 30 days overdue**	**Between 31 to 60 days overdue**	**Between 61 to 90 days overdue**	**More than 90 days overdue**	**Total**
As at 31 December 2022						
Trade receivables (RM'000)	5,065	2,185	520	371	3,484	11,625
Less Allowance for impairment loss (RM'000)	(154)	(81)	(44)	(47)	(2,178)	(2,504)
Trade receivables, net of allowance for impairment loss (RM'000)	4,911	2,104	476	324	1,306	9,121
% of trade receivables, net of allowance for impairment	53.84	23.07	5.22	3.55	14.32	100.00
Subsequent collections as at the LPD (RM'000)	3,384	1,955	439	286	1,740	7,804
Balance outstanding trade receivables as at the LPD (RM'000)	1,681	230	81	85	1,744	3,821

Our Group's total trade receivables, net of allowance for impairment loss, stood at RM9.12 million as at 31 December 2022; of which RM4.21 million or 46.16% exceeded the normal credit period.

As at the LPD, we have collected RM7.80 million or 67.13% of our Group's total trade receivables which were outstanding as at 31 December 2022. Balance outstanding trade receivables as at the LPD, net of allowance for impairment loss, is as follows: -

	RM'000
Balance outstanding trade receivables as at the LPD	3,821
Allowance for impairment loss as at 31 December 2022	(2,504)
Balance outstanding trade receivables as at the LPD, net of allowance for impairment loss	1,317

We have not experienced any significant bad debts or major disputes with our trade receivables for the Financial Years Under Review. We assess the collectability of trade receivables on an individual customer basis and provide for impairment loss on receivables in the following manner: -

(i) simplified approach using a provisional matrix to estimate lifetime expected credit loss in accordance with MFRS 9 *Financial Instruments*; and

(ii) specific allowance for impairment on overdue balances where recoverability is ascertained to be uncertain based on our dealings with the customer.

The balance outstanding trade receivables as at the LPD are attributable to the following: -

(i) outstanding balance of RM1.08 million owing by one (1) local customer under the food processing and packaging machinery solutions business segment. The said customer was unable to secure adequate financing and has approached us to return the machineries to us. These machineries have been returned to, and received by, our Group subsequent to the LPD. Credit notes have been issued for the outstanding balance of RM1.08 million owing by the said customer and this has been accounted for as sales return in the FYE 2023;

(ii) outstanding balances aggregating to RM0.78 million owing by three (3) local customers under the food processing and packaging machinery solutions business segment, the collections of which are expected to take place in the foreseeable future upon final testing and commissioning by our customers; and

(iii) outstanding balances aggregating to RM1.97 million comprising trade debts due from over 90 customers, the collections of which are closely monitored and followed up by our Group.

Our Board is of the opinion that the remaining outstanding trade receivables are recoverable, after taking into consideration our historical collection trend where some customers may take longer than the normal credit period to make payment due to the lead time for them to secure the release of financing sum from financial institution and/or government grant.

11.8.2 Trade Payables Turnover Period

The summary of our trade payables is as follows: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Trade payables at beginning of the financial year	3,271	3,662	4,119
Trade payables at end of the financial year	3,662	4,119	3,522
Average trade payables	3,467	3,891	3,821
COS for the financial year	41,135	50,163	58,655
Trade payables turnover period (days)	**31**	**28**	**24**

The normal credit terms granted to our Group by our suppliers ranging from 0 day (i.e. cash terms) to 120 days, which are dependent on the mix of suppliers as well as type of supplies or services procured. A shorter credit term is granted to our Group by overseas suppliers as compared to local suppliers.

Our trade payables turnover period for the Financial Years Under Review stood at 31 days, 28 days and 24 days respectively, which is within the normal credit terms granted to our Group; as it is our Group's practice to pay our suppliers promptly to maintain good business relationships.

The ageing analysis of our trade payables as at 31 December 2022 is as follows: -

		Exceeding credit term				
	Within credit period	**Not more than 30 days overdue**	**Between 31 to 60 days overdue**	**Between 61 to 90 days overdue**	**More than 90 days overdue**	**Total**
As at 31 December 2022						
Trade payables (RM'000)	1,592	679	140	806	305	3,522
% of trade payables	45.20	19.28	3.98	22.88	8.66	100.00
Subsequent payments as at the LPD (RM'000)	1,510	668	140	436	33	2,787
Balance outstanding trade payables as at the LPD (RM'000)	82	11	-	370	272	735

Our Group's total trade payables stood at RM3.52 million as at 31 December 2022; of which RM1.93 million or 54.80% exceeded the normal credit term.

As at the LPD, we have settled RM2.79 million or 79.13% of our Group's total trade payables which were outstanding as at 31 December 2022. The balance outstanding trade payables of RM0.74 million which has yet to be settled was mainly due to certain payments to our suppliers are being withheld to be released only upon final testing and commissioning. There is no legal action initiated by our suppliers to demand for payment as at the LPD.

11.8.3 Inventories Turnover Period

The summary of our inventories is as follows: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Inventories at beginning of the financial year	5,728	9,829	13,426
Inventories at end of the financial year	9,829	13,426	13,969
Average inventories	7,779	11,628	13,698
COS for the financial year	41,135	50,163	58,655
Inventories turnover period (days)	**69**	**85**	**85**

Our operations are primarily on "supply-to-order" basis, particularly in relation to our food processing and packaging machinery solutions business segment; where our products are subject to confirmed order from our customers and customised in accordance with our customers' specifications and needs.

Our inventories turnover period increased from 69 days for the FYE 2020 to 85 days for the FYE 2021, and remained consistent at 85 days for the FYE 2022; primarily due to purchases made for orders delivered/fulfilled subsequent to the year-end.

Our Board is of the opinion that there are no material slow-moving/obsolete inventories which are not written down/off as at the LPD in view of the following: -

(i) our raw materials/inputs are primarily metal-based, which are non-perishable and long-lasting in nature;

(ii) our work-in-progress and finished goods primarily consist of products that are supported by confirmed order; and

(iii) we review our slow-moving/long outstanding inventory items periodically during the physical inventory count, and where necessary, appropriate allowance for impairment loss is made on damaged and/or obsolete inventory items to write down the carrying values of those inventory items to their net realisable values based on prevailing market conditions.

11.8.4 Current Ratio

Our Group's current ratio for the Financial Years Under Review is as follows: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Current assets at end of the financial year	40,087	52,187	66,617
Current liabilities at end of the financial year	29,576	35,795	34,861
Current ratio (times)	**1.36**	**1.46**	**1.91**

For the FYE 2021, our Group's current ratio stood at 1.46 times, which was relatively consistent as compared to 1.36 times for the FYE 2020.

For the FYE 2022, our Group's current ratio increased to 1.91 times from 1.46 times for the FYE 2021; mainly due to overall increase in our Group's cash and bank balances line with our improved financial performance.

Our Group's current ratio indicates that our Group is able to satisfy our short-term obligations as and when they fall due, as our current assets are more than of current liabilities.

11.8.5 Gearing Ratio

Our Group's gearing ratio for the Financial Years Under Review is as follows: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
Total borrowings at end of the financial year	5,686	4,793	5,928
Total equity at end of the financial year	23,539	30,001	42,459
Gearing ratio (times)	**0.24**	**0.16**	**0.14**

Our gearing ratio has remained relatively low throughout the Financial Years Under Review, ranging from 0.14 times to 0.24 times. Our Group is not heavily reliant on borrowings as we maintained a net cash position throughout the Financial Years Under Review.

For the FYE 2021, our Group's gearing ratio decreased to 0.16 times as compared to 0.24 times in the FYE 2020. This was mainly due to the decrease in total borrowings as at 31 December 2021 as a result of repayments, and increase in total equity in line with our improved financial performance for the FYE 2021.

For the FYE 2022, our Group's gearing ratio stood at 0.14 times, which was relatively consistent as compared to 0.16 times in the FYE 2021. This was mainly due to the increase in total borrowings as at 31 December 2022 was offset by the increase in total equity in line with our improved financial performance for the FYE 2022.

11.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

We are subject to the risks relating to government, economic, fiscal or monetary policies as set out in Section 9.2.2 of this Prospectus. Any unfavourable changes and/or developments in government, economic, fiscal or monetary policies may materially affect our business operations and financial performance and the prospect of the industry in which we operate.

For the Financial Years Under Review, we have not experienced any adverse government, economic, fiscal or monetary policies and regulatory changes which have materially affected our operations and financial performance. However, there can be no assurance that any adverse changes to government, economic, fiscal or monetary policies in the future will not unfavourably and materially affect our Group's operations, financial results and financial position.

11.10 IMPACT OF INFLATION

Our financial performance and operating results for the Financial Years Under Review were not materially affected by the impact of inflation. However, we believe that we would not be able to fully pass on all future increases in costs of materials and services of our operations to our customers. As such, there can be no assurance that future inflation would not have an impact on our Group's operations, financial results and financial position.

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11.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES

(i) Impact of foreign exchange rates

We are exposed to foreign currency risk because some portion of our sales and purchases are transacted in foreign currencies namely the USD, EUR, SGD, NTD, IDR, PHP and RMB. As such, we are exposed to fluctuations in foreign exchange rates and any adverse movement in the foreign exchange markets may have a negative impact on our financial performance and operating results. For the Financial Years Under Review, our sales and purchases transactions denominated in local and foreign currencies are as follows: -

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%
Sales denominated						
- RM (local currency)	27,551	44.66	36,508	48.22	36,026	40.43
- USD	34,018	55.15	38,846	51.30	53,067	59.54
- EUR	15	0.02	147	0.19	16	0.02
- IDR	38	0.06	-	-	-	-
- SGD	67	0.11	216	0.29	5	0.01
	61,689	**100.00**	**75,717**	**100.00**	**89,114**	**100.00**
Purchases denominated						
- RM (local currency)	14,432	38.31	15,647	36.34	23,063	45.43
- USD	19,679	52.23	25,319	58.80	26,881	52.94
- EUR	1,358	3.60	325	0.75	45	0.09
- NTD	1,474	3.91	1,527	3.55	774	1.52
- PHP	-	-	4	0.01	8	0.02
- RMB	354	0.94	240	0.55	-	-
- IDR	379	1.01	-	-	-	-
Total	**37,676**	**100.00**	**43,062**	**100.00**	**50,771**	**100.00**

The impact of foreign exchange fluctuations on our financial performance during the Financial Years Under Review are as follows:

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000
Realised gain on foreign exchange	75	8	136
Unrealised gain on foreign exchange	180	216	181
Realised loss on foreign exchange	(195)	(192)	(24)
Unrealised loss on foreign exchange	(115)	(18)	(126)
Net (loss)/gain on foreign exchange	**(55)**	**14**	**167**
PBT	7,742	13,853	15,579
Net (loss)/gain on foreign exchange as % of PBT	(0.71)	0.10	1.07

Our Group currently does not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure within an acceptable level. Our Group also holds cash and cash equivalents denominated in foreign currencies for working capital purposes.

Our Group does not use any financial instruments to hedge our exposure to fluctuation in foreign currency exchange rates. As at the LPD, we have not entered into any foreign exchange contracts as we endeavour to naturally hedge our foreign currency payments against our foreign currency collections. Nonetheless, we are subject to foreign exchange fluctuation risk for any mismatch in the purchases from our overseas suppliers and revenue from our sales to overseas customers. A depreciation of the RM against the foreign currencies may lead to higher costs of sales for our Group, whilst an appreciation of the RM against the foreign currencies may lead to lower sales and collections for our Group. Should such adverse event materialise, and we shall fail to pass on the adverse fluctuations to our customers in a timely manner, our financial performance may be adversely affected due to the reduced GP margin as a result of higher costs of sales or lower sales and collections.

(ii) Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its earnings before interest and tax ("**EBIT**"). Our interest coverage ratio for the Financial Years Under Review is as follows: -

	Audited		
	FYE 2020	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**
PBT	7,742	13,853	15,579
Add			
Finance costs	438	337	344
Interest income	(27)	(46)	(9)
EBIT	8,153	14,144	15,914
Interest coverage ratio[1] (times)	**18.61**	**41.97**	**46.26**

Note: -
(1) Computed based on EBIT over finance costs for the Financial Years Under Review.

Our interest coverage ratio ranges from 18.61 times to 46.26 times for the Financial Years Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest-serving obligations. In addition, our gearing ratio has remained relatively low throughout the Financial Years Under Review, ranging from 0.14 times to 0.24 times. Our Group is not heavily reliant on borrowings as we maintained a net cash position throughout the Financial Years Under Review.

Our financial performance and operating results for the Financial Years Under Review were not materially affected by the fluctuations in interest rates. However, there can be no assurance that any major adverse future fluctuations in interest rates would not have an impact on our Group's operations, financial results and financial position.

(iii) Impact of commodity prices

Our financial performance and operating results for the Financial Years Under Review were not materially affected by the fluctuations in commodity prices. However, there can be no assurance that any major adverse future fluctuations in commodity prices would not have an impact on our Group's operations, financial results and financial position.

11.12 DIRECTORS' DECLARATION ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that: -

(i) our Group's revenue will remain sustainable, in line with the anticipated growth trend for the industry in which we operate as set out in the IMR Report;

(ii) our liquidity will improve further subsequent to the Public Issue as there will be additional funds to be raised for our Group to carry out and implement our business strategies and future plans as set out in Section 7.20 of this Prospectus; and

(iii) our capital resources will strengthen, taking into consideration the amount to be raised from the Public Issue as well as our internally-generated funds. We may consider additional debt and/or equity funding for our future expansion should the need arise.

11.13 TREND INFORMATION

As at the LPD, save as disclosed in this Prospectus and to the best of our Group's knowledge and belief, our operations have not been and are not expected to be affected by any of the following: -

(i) known trends, uncertainties, demands, commitments or events that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our operations, financial performance, financial position, liquidity and capital resources, save as disclosed in Sections 7, 8, 9 and 11 of this Prospectus;

(ii) material commitments for capital expenditure, save as disclosed in Section 11.7.1 of this Prospectus;

(iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our operations, financial performance, financial position, liquidity and capital resources, save as disclosed in Sections 9 and 11 of this Prospectus;

(iv) known trends, uncertainties, demands, commitments, or events that have resulted in a material impact on our revenue and/or profitability, save for the business strategies and future plans as set out Section 7.20 of this Prospectus and save as disclosed in Sections 7 and 8 of this Prospectus; and

(v) known trends, uncertainties, demands, commitments, or events that are reasonably likely to make our Group's historical financial statements not indicative of our future financial performance and financial position, save as disclosed in Section 9 of this Prospectus.

Our Board is optimistic about the future prospects of our Group after taking into consideration our Group's competitive strengths as set out in Section 7.19 of this Prospectus, as well as business strategies and future plans as set out in Section 7.20 of this Prospectus.

11.14 SIGNIFICANT CHANGES

Our Directors are not aware of any significant changes that has occurred which may have a material effect on our financial position and results since the FYE 2022, being our most recent annual audited combined financial statements.

11.15 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy. The declaration of any interim dividend for a particular financial year is subject to the discretion of our Board, whilst the declaration of any final dividend for a particular financial year is subject to the approval of our shareholders at our annual general meeting upon the recommendation of our Board.

It is our intention to pay dividends to our shareholders to allow them to participate in our profits. When recommending any final dividend for approval by our shareholders or when declaring any interim dividend, our Board will consider, amongst others:

(i) our anticipated future operating conditions as well as future expansion, capital expenditure and investment plan;

(ii) our operating cash flow requirements and financing commitments;

(iii) our expected financial performance including return on equity and retained earnings;

(iv) any restrictive covenants contained in our current and future financing arrangements;

(v) the availability of adequate reserves and cash flows; and

(vi) any material impact of tax laws and regulatory requirements.

Our Board intends to adopt a policy of active capital management. We intend to pay dividends out of surplus cash generated from our operations, after setting aside necessary funding for capital expenditure and working capital requirements. As part of this policy and subject always to compliance with the applicable laws and regulatory requirements, our Board targets a distribution of up to 25% of our annual audited consolidated PAT attributable to our shareholders in the form of dividends annually. This dividend policy shall be reviewed by our Board at least once every three (3) years, or at a shorter period if deem appropriate and necessary by our Board.

Notwithstanding our intention above, as we are a holding company, our income and ability to pay dividends are dependent upon the dividends and other distributions received from our subsidiaries. The payment of dividends and other distributions by our subsidiaries are in turn, dependent on various factors, including but not limited to, their financial performance, capital and cash flows requirements (including capital expenditures and financial covenants), general financial conditions both domestically and internationally, availability of adequate distributable reserves and other factors which may be considered relevant by their respective board of directors.

Actual dividends proposed and declared may vary depending on our financial performance and cash flows, and may be waived if the payment of the dividends would adversely affect our cash flows and operations. Save for certain banking restrictive covenants which our Group are subject to, there are no dividend restrictions being imposed on our Group currently. However, pursuant to the Act: -

(i) our Company may only declare or pay dividend or other distribution to our shareholders out of profits of our Company available if our Company is solvent; and

(ii) no dividend or other distribution shall be declared in excess of the amount authorised by our Board.

Investors should take note that this dividend policy merely describes our Group's present intention and shall not constitute legally binding statements in respect of our future dividends, which are always subject to our Board's discretion.

For information purposes, dividends declared by our Group during the Financial Years Under Review are as follows: -

	FYE 2020 RM'000	**FYE 2021 RM'000**	**FYE 2022 RM'000**
Dividends declared	3,021[(2)]	5,637[(3)]	200[(4)]
PAT attributable to owners of the parent	6,298	11,926	12,282
Dividend pay-out ratio[(1)] (%)	47.97	47.27	1.63

Notes: -

[(1)] *Computed based on dividend declared divided by the PAT attributable to owners of the parent.*

[(2)] *Comprising dividends amounted to RM2.52 million (equivalent to USD0.60 million) and RM0.50 million declared by BW Perkasa Labuan and EP Machinery KL respectively, which were paid in FYE 2021.*

[(3)] *Comprising the following: -*

- *dividend amounted to RM1.60 million declared by BW Engineering, which was paid in FYE 2021;*
- *dividend amounted RM1.67 million (equivalent to USD0.40 million) declared by BW Perkasa Labuan, which was paid in FYE 2021;*
- *dividend amounted to RM2.00 million declared by EP Machinery, which was paid in FYE 2022; and*
- *dividend amounted to RM0.37 million declared by EP Machinery KL, which was paid in FYE 2022.*

[(4)] *Comprising dividend of RM0.20 million declared by EP Manufacturing, which was paid in FYE 2022.*

Subsequent to the FYE 2022 and up to the LPD, dividends totalling RM2.70 million had been declared and paid by our Group as follows: -

(i) interim dividends of RM0.25 million and RM1.85 million had been declared and paid by BW Engineering on 10 April 2023 and 31 May 2023 respectively;

(ii) interim dividend of RM0.50 million had been declared and paid by EP Machinery on 31 May 2023; and

(iii) interim dividend of RM0.10 million had been declared and paid by EP Machinery KL on 31 May 2023.

The above interim dividends which were funded by internally-generated funds and distributed out of retained profits of the respective subsidiaries will not affect the execution and implementation of our business strategies and future plans. Our Group does not intend to declare any further dividends prior to, and until, the completion of our Listing.

11.16 ORDER BOOK

Our sales are based on confirmed purchase order from our customers. We generate our revenue as and when we deliver the products/services based on purchase orders received. As at the LPD, our order book stood at RM68.36 million, of which approximately RM59.07 million are expected to be fulfilled and billed in FYE 2023, whilst the remaining RM9.29 million are expected to be fulfilled and billed in the first half of 2024. The breakdown of order book by business segment are as follows: -

	Expected to be fulfilled and billed in		
	FYE 2023	First half of 2024	Total
Order book by business segment	**RM'000**	**RM'000**	**RM'000**
Food processing and packaging machinery solutions	52,144	8,524	60,668
Trading of cellulose casings	5,209	768	5,977
Manufacturing and trading of flexible packaging materials	1,712	-	1,712
Total	**59,065**	**9,292**	**68,357**

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