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## **7. BUSINESS OVERVIEW**

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### **7.1 BACKGROUND AND HISTORY**

#### **7.1.1 Overview of our Group**

Our Company was incorporated in Malaysia under the Act on 10 January 2024 as a public limited company to facilitate the Listing. Through our sole Subsidiary, BESB, we are principally involved in the manufacturing and trading of biomass fuel products, particularly PKS and wood pellets.

Biomass fuel products are energy sources derived from organic materials, that are burned or combusted to generate heat or electricity. Biomass fuel products are generally environmentally friendly as they are derived from by-products or wastes, thus promoting waste reduction. Further, they are also derived from renewable sources such as plants or organic waste which are infinite and have a lower likelihood of depleting. PKS are a form of biomass fuel products that are derived from the shell fractions left after oil is extracted from palm kernels. Meanwhile, wood pellets are a form of biomass fuel products produced from saw dust, wood chips, offcut and wood slabs, which are industrial wastes from timber milling.

We source our raw materials from traders, oil palm plantation and milling companies, palm fruits transporters, and logging transporters. As Malaysia is one of the largest oil palm producers globally and is rich in forest resources, most of our raw materials are locally sourced from Malaysia.

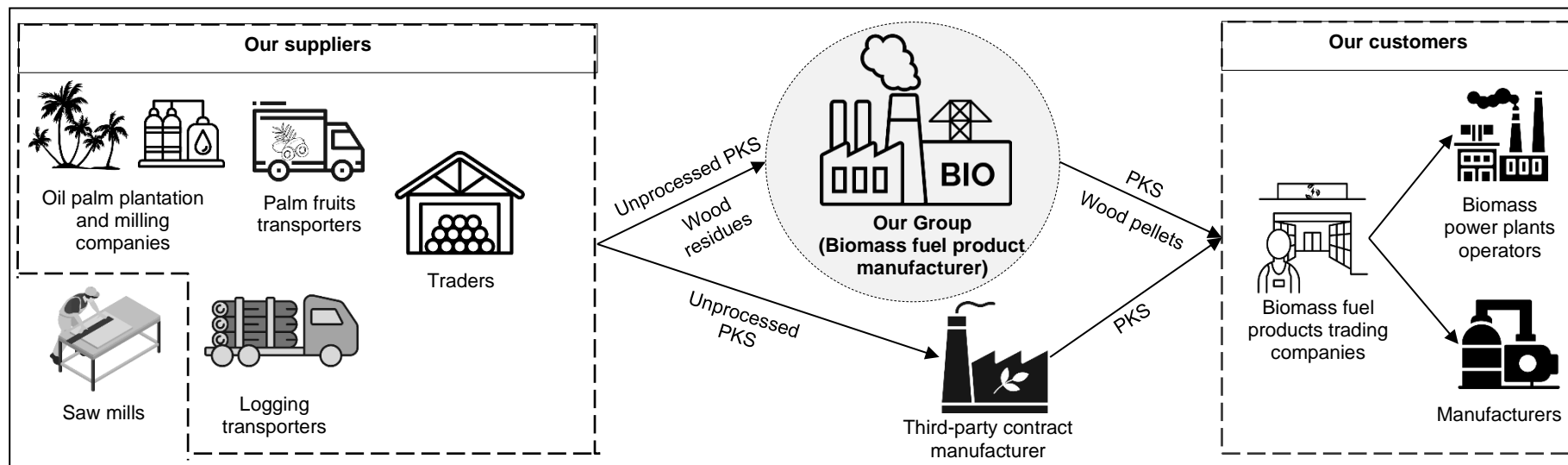
We primarily process our biomass fuel products at our Port Klang Factory. This eases transportation of our products to Port Klang to facilitate exports of our products to our foreign customers. We also engage a third-party contract manufacturer to manufacture PKS based on our specifications, and their factory is located in Kuantan, Pahang.

Our customer base mainly comprises biomass fuel product trading companies who would sell to end-users comprising manufacturers that require the use of industrial boilers for generation of heat or energy or biomass power plant operators. At times, we may also sell to end-users directly. Our customers are based in countries in Asia Pacific, mainly comprising Malaysia, Singapore, Indonesia and Japan.


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**7. BUSINESS OVERVIEW (CONT'D)**

The diagram below depicts our Group's role in the industry value chain:



**Note:**

 Denotes our Group's role

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## 7. BUSINESS OVERVIEW (CONT'D)

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### 7.1.2 Ownership and group structure

In July 2011, Yeo Hock Choon @ Mark Yeo, who is the cousin of our Group's Promoter, Executive Director and CEO, Yeo Hock Cheong, and Loh Mun Wah incorporated BESB, holding 50.0% equity interest respectively.

In September 2014, WWW Growth Sdn Bhd acquired 75.0% equity interest in BESB for a purchase consideration of RM700,000, and Benjamin Teo Jong Tian subsequently acquired 55.0% equity interest from WWW Growth Sdn Bhd in October 2015 for a purchase consideration of RM770,000.

Yeo Hock Cheong subsequently acquired 75.0% equity interest in BESB from its shareholders at the time, i.e. WWW Growth Sdn Bhd and Benjamin Teo Jong Tian, in March 2018 for a total an aggregate purchase consideration of RM2.10 million, while Yeo Hock Choon @ Mark Yeo continued to hold the remaining 25.0% equity interest. The remaining 25.0% equity interest was then acquired by Datin Cheah Lay Fong in December 2018 for a total purchase consideration of RM1.00 million.

In June 2020, BEH acquired 16.0% and 4.0% equity interest in BESB from Yeo Hock Cheong and Datin Cheah Lay Fong respectively for a nominal consideration to recognise and award Teoh Soon Tek for his contribution to BESB. Teoh Soon Tek was the sole director and shareholder of BEH during the time of the acquisition.

In December 2022, Yeo Hock Cheong entered into a share sale agreement with Mikro MSC to dispose 10.0% of his equity interest in BESB for a purchase consideration of RM22.50 million, which was fully satisfied via cash. The disposal price was arrived at on a "willing-buyer willing-seller" basis based on the internal evaluation by the Mikro MSC's management on the historical resilient performance of BESB during COVID-19 period, the financial projections of BESB and the future prospects of the energy industry. The transfer of 700,000 BESB Shares was made in two (2) tranches on 13 March 2023 (4.0% equity interest in BESB) and 21 June 2023 (6.0% equity interest in BESB) pursuant to the terms of the share sale agreement.

In April 2023, Datin Cheah Lay Fong entered into a share sale agreement with Quantum Nova Fund Ltd (a company incorporated in Labuan, Malaysia) to dispose her entire 21.0% equity interest in BESB for a cash consideration of RM47.25 million, which was fully satisfied via cash. The disposal price was arrived based on the total valuation of the entire share capital of BESB amounting to the sum of RM225.0 million mirroring the valuation of BESB as per the transaction between Yeo Hock Cheong and Mikro MSC in December 2022 above. The transfer of BESB shares was made on 2 May 2023. The acquisition of the aforementioned BESB Shares was made by Quantum Nova Fund Ltd on behalf of each of the Foreign Selling Shareholders by way of an investment agreement with the respective Foreign Selling Shareholder, all dated 28 February 2023 (collectively, "**Investment Agreements**").

In June 2023, Teoh Soon Tek disposed his entire equity interest in BEH (which holds 20.0% equity interest in BESB) to SJR Holdings for a cash consideration of RM6.6 million. The disposal price was arrived on a willing-buyer willing-seller basis.

In January 2024, Quantum Nova Fund Ltd transferred its entire 21.0% equity interest in BESB to the respective Foreign Selling Shareholders whom invested in BESB via the Investment Agreements. Following the transfer, Koh Xian Kai, Steven Djunaidi and Ang Kian Siong (Hong Jianqiang) hold 4.6% equity interest in BESB respectively, whereas Almuhaysini Ali Abdullah and Cao Yu hold 3.6% equity interest in BESB respectively.

Following the completion of the Acquisition, the shareholders of BESB emerged at EEHB's level to facilitate our Listing, where BESB became wholly-owned subsidiary of EEHB.

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## **7. BUSINESS OVERVIEW (CONT'D)**

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### **7.1.3 Business and expansion**

The history of our Group began in 2011, when BESB was incorporated by Yeo Hock Choon @ Mark Yeo and Loh Mun Wah. At the time, Yeo Hock Choon @ Mark Yeo was the director and was in charge of BESB's strategic direction and business development. The headquarters was then located in Petaling Jaya, Selangor and the factory was located in Port Klang, Selangor.

BESB secured its first order of biomass fuel products in 2012 when it sold PKS to a local customer based in Malaysia. BESB began to export PKS when it secured an order to supply PKS to a company based in Japan in 2013. It also secured its first order of wood pellets in 2013 from a local customer based in Malaysia. During that time, BESB sold PKS and wood pellets on a small-scale basis.

In 2015, BESB set up its present Port Klang Factory. In the same year, BESB obtained the PEFC certification which indicated its wood pellets were produced from raw materials that were sustainably sourced. BESB also obtained the Green Label Certification which recognises that its wood pellets are environmentally friendly products and allows it to use "MyHIJAU" mark on wood pellets in 2016.

Recognising the potential of the biomass fuel market, our Group's Promoter, Executive Director/CEO, Yeo Hock Cheong invested in BESB and took over Yeo Hock Choon @ Mark Yeo's role in March 2018.

BESB later began to secure orders from other countries when it secured its first order of wood pellets from Singapore in 2018. BESB secured its first large contract with a customer based in Japan, to supply 30,000 MT of PKS per annum over a period of five (5) years since 2019. BESB also began to secure orders from other international markets when it secured its first order for PKS from a company based in Indonesia in 2019 and its first order for PKS from a company based in China in 2020. Further, BESB secured its first order of wood pellets from South Korea in 2021.

Yeo Hock Cheong saw the need to enhance the manufacturing process for PKS in order to cater for international requirements and the needs in terms of reducing impurities content. BESB thus enhanced the existing PKS production line with its proprietary PKS process, which is a process to manufacture PKS which can reduce impurities and separate the useful PKS from smaller particles such as tiny stones and fibres. This PKS process was successfully patented since 2022.

In 2023, BESB obtained the Green Gold Label certification, which endorses that its PKS were produced from raw materials that have been sourced from oil palm plantation and milling companies that have been sustainably managed and are in compliance with the feed-in tariff scheme introduced by Ministry of Economy, Trade and Investment of Japan.

BESB has also been awarded with SME100 Malaysia Fast Moving Companies Awards 2020 by SME Magazine in 2020, and the Biomass Industry Achievement Award by Malaysia Biomass Industries Confederation in 2023. These recognitions are testament to our Group's established industry reputation.

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## 7. BUSINESS OVERVIEW (CONT'D)

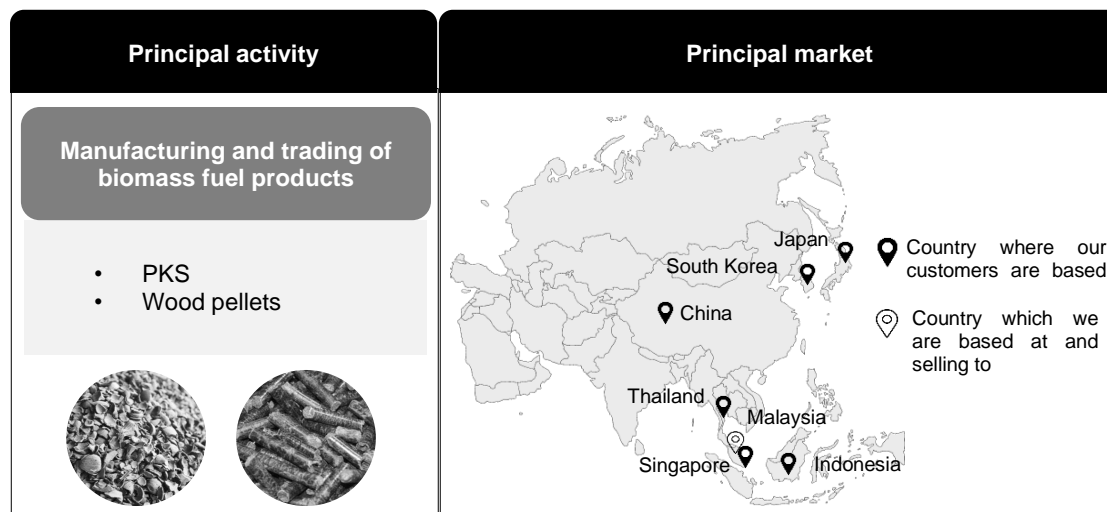
The table below sets out the key events and milestones in the history and development of our business:

Year	Milestones
2011	<ul style="list-style-type: none"> <li>BESB was incorporated</li> </ul>
2012	<ul style="list-style-type: none"> <li>Secured first order of PKS from local customer based in Malaysia</li> </ul>
2013	<ul style="list-style-type: none"> <li>Began to export PKS to a customer based in Japan</li> <li>Secured first order of wood pellets from local customer based in Malaysia</li> </ul>
2015	<ul style="list-style-type: none"> <li>Set up our present Port Klang Factory</li> <li>Obtained the PEFC certification</li> </ul>
2016	<ul style="list-style-type: none"> <li>Obtained the Green Label Certification</li> </ul>
2018	<ul style="list-style-type: none"> <li>Secured first order of wood pellets from customer based in Singapore</li> </ul>
2019	<ul style="list-style-type: none"> <li>Secured first large contract from customer based in Japan to supply 30,000 MT of PKS per annum over a period of five (5) years</li> <li>Secured first order of PKS from customer based in Indonesia</li> </ul>
2020	<ul style="list-style-type: none"> <li>Secured first order of PKS from a customer based in China</li> <li>Awarded the SME100 Malaysia Fast Moving Companies Awards 2020 by SME Magazine</li> </ul>
2021	<ul style="list-style-type: none"> <li>Secured first order of wood pellets from customer based in South Korea</li> </ul>
2022	<ul style="list-style-type: none"> <li>The proprietary PKS process was successfully patented</li> </ul>
2023	<ul style="list-style-type: none"> <li>Obtained Green Gold Label certification for PKS</li> <li>Awarded the Biomass Industry Achievement Award by Malaysia Biomass Industries Confederation</li> </ul>

### 7.2 PRINCIPAL ACTIVITIES

Our Group is principally involved in the manufacturing and trading of biomass fuel products, particularly PKS as well as wood pellets.

The following diagram illustrates our business model:



We primarily manufacture both our biomass fuel products, i.e. PKS and wood pellets at our Port Klang Factory. Our Port Klang Factory is equipped with six (6) PKS production lines that collectively have an annual manufacturing capacity of 720,000 MT of PKS as at FYE 2023.

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## 7. BUSINESS OVERVIEW (CONT'D)

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Our PKS production lines at our Port Klang Factory utilise our proprietary PKS process to remove impurities and separate the useful PKS from smaller particles such as tiny stones during our PKS manufacturing process. This allows us to ensure that our PKS have low levels of impurities present (1% or less in terms of impurities content). We can also control the moisture levels in our PKS to meet our customers' requirements.

We also manufacture wood pellets at our Port Klang Factory. We have one (1) wood pellet production line at our Port Klang Factory that has a capacity of 36,000 MT per annum as at FYE 2023. However, in January 2023, we temporarily ceased the operation of our wood pellet production line as there was a need to replace a key machinery part in the production line. We took approximately four (4) months to identify the specific key machinery part to be replaced and the replacement machinery part is estimated to take nine (9) months to arrive. We are expected to take an additional one (1) to two (2) months to reinstall and test the production line.

As we are unable to manufacture wood pellets in-house during FYE 2023, all of our wood pellets sold were traded in FYE 2023. The wood pellet production line is expected to resume by second half of 2024, after which we will resume our wood pellet manufacturing. Nevertheless, should the demand from our customers be higher than our production capacity, we may continue to engage in trading of wood pellets.

Our Port Klang Factory is strategically located near the Port Klang, Selangor, which is one of the busiest ports in Malaysia. As our revenue from foreign customers contributed between 35.66% and 94.99% of our total revenue during the Financial Years Under Review, the strategic location of our Port Klang Factory will ease transportation of our biomass fuel products to Port Klang to be exported to our foreign customers.

In addition, we also outsource manufacturing of 19,695 MT of PKS which represents approximately 3.7% of total annual PKS volume sold, to a third-party contract manufacturer based in Kuantan, Pahang in FYE 2023. Outsourcing PKS manufacturing to the third-party contract manufacturer in Kuantan, Pahang allowed us to gain exposure in carrying out manufacturing activities in Kuantan, Pahang, which is near to the oil palm plantation and milling companies for raw materials, without incurring high capital expenditure. The third-party contract manufacturer manufactures our PKS based on our specifications, using raw materials procured by us. However, as we do not share our proprietary PKS process with the third-party contract manufacturer, the PKS manufactured by them generally are not able to meet the specifications of our in-house manufactured PKS in terms of impurities content and moisture level. These products are delivered to Kuantan port for export to foreign customers or collected by our customers from the warehouse in Kuantan.

We source our raw materials, which are unprocessed PKS and wood residues (such as saw dusts, wood chips and offcuts) from a network of local and international suppliers. For unprocessed PKS, we procure from local and international suppliers such as traders, oil plantation and milling companies and palm fruits transporters. We have supply contracts with most of these unprocessed PKS suppliers where our suppliers will supply a specified volume of unprocessed PKS to us throughout the time period specified in the contract.

Meanwhile, we source wood residues from local suppliers such as traders and logging transporters. The procurement of wood residue is not under any supply contract, but rather will be procured from time to time depending on demand.

Our biomass fuel products have the following key certification and endorsement:

- PEFC certification for our wood pellets – depending on our customers' requirements, we can manufacture PEFC certified wood pellets. Wood pellets are PEFC certified if they have been manufactured using wood residue sourced from suppliers that have complied to the PEFC guidelines. This is to indicate that our products were produced from wood residues sourced from forests that have been sustainably managed;

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**7. BUSINESS OVERVIEW (CONT'D)**

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- Green Gold Label for our PKS – which endorses that our PKS were produced from raw materials that have been sourced from oil palm plantation and milling companies that have been sustainably managed; and
- Green Label Certification – which recognises that our wood pellets are environmentally friendly products. The Green Label Certification will allow us to use “MyHIJAU” mark on our wood pellets.

The abovementioned certifications and endorsements enable us to meet customers' requirements. As some foreign customers, particularly customers in Japan, may require the abovementioned certifications in order to enjoy tax incentives and benefits from their local government, these certifications and endorsements will enable us to meet these requirements and export our products to these foreign customers. For example, Green Gold Label certification endorses that our PKS are in compliance with the feed-in tariff scheme introduced by Ministry of Economy, Trade and Investment of Japan.

Further, these certification and endorsement also allows us to gain visibility in local and international markets.

Biomass fuel products are manufactured and stored at our Port Klang Factory, before it is either collected by our customers or delivered to our customers' premises or our bonded warehouse in Port Klang while awaiting to be exported to foreign customers. PKS manufactured by our third-party contract manufacturer will be stored in their warehouse in their factory in Kuantan, before it is delivered to the Kuantan Port to be exported to customers or collected by our customers.

All deliveries within Peninsular Malaysia, i.e. delivery of our biomass fuel products to our bonded warehouse in Port Klang, to Kuantan Port and to customers located in other regions in Malaysia, are undertaken by third-party logistics companies. Meanwhile, the delivery of biomass fuel products from our Port Klang Factory, bonded warehouse or Kuantan Port to foreign customers will be handled by freight forwarders appointed by the customers.



Our customers mainly consist of biomass fuel product trading companies. We engage in long-term contracts with some of our customers for more than three (3) years. The contracts outline, among others, the minimum quantity required to supply, the specifications and timeframe to supply the products, and the pricing of the products.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.3 PRODUCTS

Our products are as follows:

Products	Description
<p><b>PKS</b></p> 	<p>PKS are biomass fuel products produced from the shell fractions left after oil is extracted from palm kernels, which are by-products produced during the palm oil milling process.</p> <p>We are able to manufacture PKS with the following specifications <sup>(1)</sup>:</p> <ul style="list-style-type: none"> <li>• Total moisture level: 16.0% – 20.0%;</li> <li>• High calorific values: 3,800 kcal/kg – 4,000 kcal/kg;</li> <li>• Low ash volume: 3.0% – 7.0%;</li> <li>• Low sulphur volume: 0.01% – 0.05%;</li> <li>• Low sodium volume: 0.01% – 0.05%;</li> <li>• Low potassium volume: 0.10% - 0.15%; and</li> <li>• Low impurities content: &lt;1.0%.</li> </ul> <p>We can manufacture PKS based on the moisture level requested by our customers. We can also minimise presence of bad odours and contaminants from our products such as bacteria, germs, insect sludge, fungi and ammonia that are present in the biomass fuel products that can impact the quality of the products.</p>
<p><b>Wood pellets</b></p> 	<p>Our wood pellets are in the form of cylindrical pellets.</p> <p>We can manufacture wood pellets based on the moisture level requested by our customers.</p> <p>We are able to manufacture wood pellets with the following specifications<sup>(1)</sup>:</p> <ul style="list-style-type: none"> <li>• Total moisture level: 7.0% – 20.0%;</li> <li>• High calorific value: 4,000 kcal/kg – 4,600 kcal/kg;</li> <li>• Low ash volume: 1.0% – 3.0%;</li> <li>• Low sulphur volume: 0.01% – 0.10%;</li> <li>• Low chlorine volume: 0.01% – 0.10%; and</li> <li>• Durability (indicating the likelihood of the wood pellets maintaining their structure): 98.0% – 99.0%.</li> </ul>

**Note:**

(1) *The characteristics analysis of the products was conducted by third-party surveyor and might vary from time to time.*

Our products are packaged in different packaging formats, i.e. containers, jumbo bags or in loose form, depending on the products and customer's requirements.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.4 PRINCIPAL MARKETS AND SEGMENTS

Our principal markets are Malaysia and international countries including Indonesia, Japan, Singapore, China and South Korea. The breakdown of our revenue according to geographical markets for the Financial Years Under Review are as follows:

Countries	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	74,063	64.34	67,290	46.59	16,807	5.01
Singapore	9,411	8.18	22,706	15.72	105,182	31.37
Indonesia	-	-	30,350	21.01	119,545	35.66
Japan	17,901	15.55	24,094	16.68	86,985	25.95
Thailand	-	-	-	-	6,732	2.01
China	12,410	10.78	-	-	-	-
South Korea	1,329	1.15	-	-	-	-
<b>Total</b>	<b>115,114</b>	<b>100.00</b>	<b>144,440</b>	<b>100.00</b>	<b>335,251</b>	<b>100.00</b>

Our Group's revenue is mainly derived from the manufacturing of PKS. The breakdown of our Group's segmental revenue by principal activities for the Financial Years Under Review are as follows:

Principal activities	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Manufacturing of PKS	104,764	91.01	144,398	99.97	290,171	86.55
Manufacturing and trading of wood pellets	10,350	8.99	42	0.03	45,080	13.45
<b>Total</b>	<b>115,114</b>	<b>100.00</b>	<b>144,440</b>	<b>100.00</b>	<b>335,251</b>	<b>100.00</b>

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**7. BUSINESS OVERVIEW (CONT'D)**

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**7.5 PRINCIPAL PLACE OF BUSINESS AND LOCATION OF OPERATIONS**

Our Group's manufacturing activities are carried out at our Port Klang Factory which is located in Port Klang, Selangor. The Port Klang Factory has six (6) PKS production lines and one (1) wood pellet production line.

The following pictures illustrate our Port Klang Factory:



Entrance of Port Klang Factory



PKS production line



Wood pellet production line

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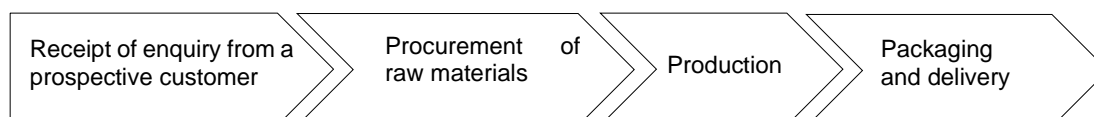
## 7. BUSINESS OVERVIEW (CONT'D)

Our Group operates at the following locations:

<b>Facilities</b>	<b>Main function</b>	<b>Location of facilities</b>
Headquarters	Management office	61-2, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur
Office	Meeting room	57-1, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur
Port Klang Factory	Production factory and warehouse for biomass fuel products	Lot 9212 & 9213, Jalan Udang Galah KS 10, Kampung Telok Gong, 42000 Port Klang, Selangor
Kapar Warehouse	Warehouse for biomass fuel products	Lot 6466, Lorong Sungai Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor
Bonded warehouses	Warehouse for biomass fuel products	<ul style="list-style-type: none"> <li>• Warehouse A3, Southpoint, Northport, 42000 Port Klang, Selangor</li> <li>• Warehouse A5, Southpoint, Northport, 42000 Port Klang, Selangor</li> </ul>

### 7.6 BUSINESS PROCESSES

Our operational process flow is as follows:



#### (a) Receipt of enquiry from a prospective customer

Upon receipt of enquiry from a prospective customer, the customers and/or end-users, we will first understand the requirements and usage of the end-users. This includes understanding the type of biomass fuel product needed, weight and volume required, moisture level and timeframe for delivery. Based on this information, we will submit our proposal to the prospective customer for evaluation. Thereafter, the prospective customers and/or end-users of the biomass fuel product trading companies, such as manufacturers and biomass power plants operators, may conduct a site visit at our Port Klang Factory.

Once the purchase is confirmed, we may sign a long-term contract with or receive a purchase order from, the prospective customers. In general, these contracts outline among others, supply duration, minimum supply quantity, specification of PKS to be delivered and termination clauses. We may also receive a purchase order for the purchase of our biomass fuel products.

#### (b) Procurement of raw materials

Our raw materials mainly consist of unprocessed PKS and wood residue. Based on customers' requirements on wood residue in terms of calorific value, ash, sulphur and chlorine volume, we will source the appropriate type of wood. The volume of ash, sulphur, sodium and potassium in unprocessed PKS are pretty standard and thus, we do not have to source specific types of PKS.

## 7. BUSINESS OVERVIEW (CONT'D)

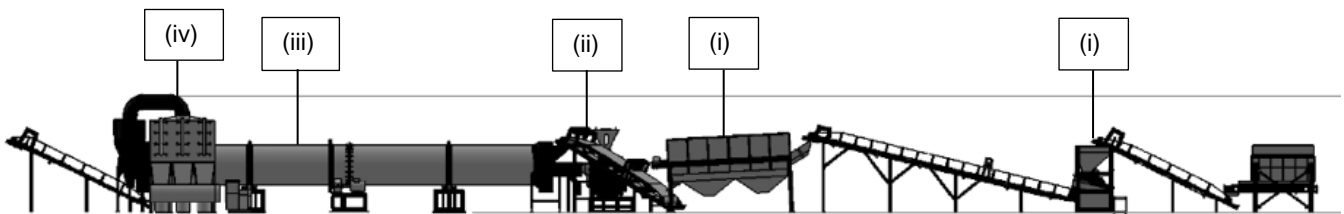
Based on the customer purchase orders or contract, we are able to project the quantity of products to be produced. Our production schedule is thus planned on a monthly basis. With the planning schedule, our procurement personnel will check our inventory to ascertain whether we have sufficient raw materials. Should there be insufficient raw materials, our procurement personnel will arrange to procure the necessary raw materials from our suppliers.

We source unprocessed PKS mainly from suppliers such as traders, oil palm plantation and milling companies and palm fruits transporters, and wood residue from traders and logging transporters. We have supply contracts with most of our suppliers for the supply of a specified volume of unprocessed PKS for a specified time period. However, we do not sign any supply contracts with our suppliers for the supply of wood residue.

Upon receipt of raw materials, our operations personnel will first perform the necessary inspections on the supplies. This includes visually observing the moisture and impurity levels of unprocessed PKS to determine the appropriate screening process.

### (c) Production

#### PKS



#### (i) Screening to remove large non-PKS material

The unprocessed PKS will first undergo a screening process where large impurities such as big stones, bricks, fibres, mud and wood logs will be removed using a filtering unit. If required, the unprocessed PKS will then be fed into another filtering unit to further remove remaining large impurities such as big stones, bricks, fibres, mud and wood logs. The removal of large impurities will improve the efficiency of subsequent processing steps.

#### (ii) Drying

If required, the screened PKS will be moved to a dryer unit to reduce its moisture level as per the customer's requirement. Lower moisture levels will minimise presence of bacteria, germs, insect sludge, fungi and ammonia in the PKS and increase calorific values of the PKS.

#### (iii) Magnetic and stone removal

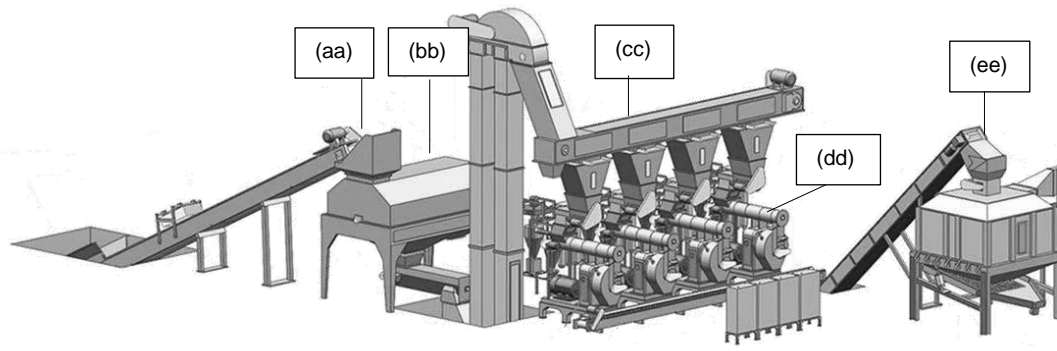
The unprocessed PKS will undergo another screening process where a magnetic filtering unit is used to remove metal impurities. Thereafter, the unprocessed PKS will go through our stone removal unit to remove the smaller particles such as tiny stones.

#### (iv) Dust removal

If required, the PKS will be moved to a dust removal unit to remove finer dust particles using suction from the PKS.

## 7. BUSINESS OVERVIEW (CONT'D)

### Wood pellets



**(i) Chipping**

The wood residues, particularly the wood chips and offcuts will go through drum chipper machine to break into smaller pieces before sending them into filtration plates to further separate into different sizes.

**(ii) Preliminary screening**

Then, the wood residues will be moved to screening units to remove any foreign materials, residues and impurities such as small stones and debris.

**(iii) Drying**

The wood residues will be dried using a dryer to reduce the moisture level. The moisture level of wood pellets will be adjusted based on customer's requirements.

**(iv) Sizing and pelleting**

The screened wood residues will then be fed into hammer mill to reduce the size into uniform particles size of 5 millimetres for pelleting. Thereafter, sawdust will be added to the wood residue and they will be sent to pellet mills' rollers to further compress and make small holes to form wood pellets. The wood pellets will then be cut into the required pellet length.

**(v) Cooling**

As the newly formed wood pellets are hot and soft, they will be cooled down using cooler to help solidify and maintain their shape.

The wood pellets, once cooled, will then undergo another screening process to further remove any remaining residues and impurities.

**(d) Packaging and delivery**

A final QC inspection will be carried out by our operations personnel before packaging. The details of QC activities are elaborated in Section 7.7 of this Prospectus. The finished products will be packed in their respective packaging format (i.e. container, jumbo bags or loose form), based on the type of products and customer requirements. After packaging, the products will be loaded onto the truck and weighed using a weighbridge before delivery.

## 7. BUSINESS OVERVIEW (CONT'D)

As at the LPD, the delivery of finished products is carried out via the following means:

- For customers in Malaysia, our customers will arrange to pick up our products from Port Klang Factory or from our third-party outsourced manufacturer in Kuantan, Pahang;
- For foreign customers, we have the following arrangements:
  - o Customers may choose to arrange for our products to be picked up from our Port Klang Factory or from our third-party outsourced manufacturer's factory – these customers will arrange for a freight forwarder to pick up our products from our factory or from our third-party outsourced manufacturer's factory;
  - o Customers may choose to arrange for our products to be picked up from our bonded warehouse in Port Klang – In such instances, we will arrange for delivery from our Port Klang Factory to our bonded warehouse using a third-party logistics company. At our bonded warehouse, we will arrange for a port stevedore to handle the loading of the products onto the ship. Thereafter, our customers' appointed freight forwarder will handle the transportation of the products; or
  - o Customers may choose to arrange for our products to be picked up from the Kuantan port – In such instances, we will arrange for delivery from our outsourced contract manufacturer's factory to the Kuantan port. At Kuantan port, we will arrange for a port stevedore to handle the loading of the products onto the ship. Thereafter, our customers' appointed freight forwarder will handle the transportation of the products.

If required, our customer may arrange for a third-party surveyor to perform final QC inspection, before our products are delivered to or collected by our customers.

### 7.7 QC

QC is an important aspect of our business as it ensures that supplies sourced and products sold are of high quality and meets the required standards. We are presently certified to comply with the following standards:

<u>Standard/ Certificate</u>	<u>Certification body</u>	<u>Issuance date / Expiry date</u>	<u>Scope / Description of certification</u>
PEFC	SGS Malaysia	27 May 2015 / 26 May 2024	Purchase of PEFC certified wood pellets, wood grain, wood powder, wood chips and wood wastes (slabs, off-cuts, sawdust), manufacture, and sales of PEFC certified wood pellets, wood grain, wood powder and wood chips.
Green Label Certification	Malaysian Green Technology Corporation	31 May 2016 / 26 May 2024	Recognition of BESB's wood pellets as an environmentally friendly products and also allow BESB to use "MyHIJAU" Mark on the wood pellets.
Green Gold Label	Control Union Certifications B.V.	3 January 2023 / 2 January 2028	Certification of BESB's products as an accepted source of biogenic waste/residues under Green Gold Label scheme requirements.

## 7. BUSINESS OVERVIEW (CONT'D)

Additionally, we undertake the following QC measures to ensure product safety and quality:

### (a) In-house QC

In order to maintain our product quality, our operations personnel undertake the following QC activities:

Process flow	QC activities
Procurement of raw materials	<p>Upon receipt of raw materials, we will perform visual inspection during the offloading of goods to check for large impurities as well as inspect the moisture levels of the raw materials to determine the appropriate screening process.</p> <p>In the event where there are a lot of impurities, our operations personnel will inform our procurement personnel to either reject or negotiate with the supplier for a discount.</p>
Production	Once the finished products are ready, we will conduct visual inspection on the quality of the products in terms of impurity and moisture levels.
Delivery	<p>If required, we may perform fumigation to minimise possible contaminants.</p> <p>After packaging, the following activities will be conducted on the finished products:</p> <ul style="list-style-type: none"> <li>containers and jumbo bags are examined to ensure that they are well packaged;</li> <li>weight of the shipment will be checked using a weighbridge to ensure they meet the specifications prior to leaving our Port Klang Factory;</li> <li>for shipments handled by freight forwarder, the products will be weighed after it is loaded onto the ship and a certificate of weight will be issued in respect of the shipment. Our operations personnel will oversee this process together with the stevedore to ensure that the quantity in the shipment is as per our customers' purchase order or contract specifications.</li> </ul>

### (b) Selection of suppliers

We place strong emphasis on the selection of our suppliers comprising traders, oil palm plantation and milling companies, palm fruit transporters, and logging transporters. For our wood pellets that are PEFC certified, we will source from suppliers who are certified with PEFC.

For our PKS that have the Green Gold Label, we source raw materials that have been derived from oil palm plantation and milling companies that have been sustainably managed as well as palm fruit transporters and traders that have been certified with Green Gold Label.

## 7. BUSINESS OVERVIEW (CONT'D)

### (c) Third-party surveyor

If required by our customer, we may appoint a third-party surveyor that has been approved by our customer to perform final QC inspection before releasing the shipment to the customers. Once the finished products reach our bonded warehouse at Port Klang, the third-party surveyor will obtain some samples to test for moisture, impurities and calorific levels as well as ash, sulphur, sodium, potassium and chlorine volume, and ensure other specifications required by the customer are fulfilled.

In the event where the quality of our PKS does not meet the customer's specifications, our operations personnel will re-process the PKS in order to rectify the issue and the third-party surveyor will collect samples to perform the analysis. However, in the event where the quality of our wood pellets does not meet the customer's specifications, our operations personnel will have to first identify the issue and manufacture another batch of wood pellets. The third-party surveyor will then collect samples of the wood pellets to perform the analysis.

## 7.8 BUSINESS DEVELOPMENT

Our business development activities are carried out by our business development personnel. We have adopted the following strategies for our business development activities:

### (a) Participation in industry-related associations

We participate in industry-related associations which allow us to create brand awareness and market presence. These associations also enable us to strengthen our relationships with our suppliers and customers, which allows us to develop further business opportunities for our Group.

The following are the associations that we are involved in as at the LPD:

<u>First membership year</u>	<u>Year of expiry</u>	<u>Association</u>	<u>Purpose of association</u>
2014	2024	Malaysia Biomass Industries Confederation	A non-profit organisation served to develop the biomass industries in Malaysia through strategic partnership with biomass small-medium-enterprises and major feedstock owners as well as research institutes and international bodies.
2018	June 2024	Malaysian Timber Industry Board	A statutory body under the Ministry of Plantation and Commodities which is responsible for initiating development of the various sectors of the timber industry and providing technical, marketing and other forms of assistance to ensure their continued growth within a rapidly industrialising Malaysian economy.



## 7. BUSINESS OVERVIEW (CONT'D)

### (b) Participation in events and exhibitions

In order to further enhance our visibility, we have participated in various events, conferences and exhibitions organised by associations and government agencies. These events and exhibitions provide us the opportunity to showcase our products and capabilities to attract prospective customers while keeping up-to-date with latest trends and developments in biomass fuel product manufacturing.

The exhibitions that we have participated in the past FYEs are as follows:

<u>Date</u>	<u>Name</u>	<u>Organiser</u>	<u>Location</u>
July 2021 – December 2021	International Greentech & Eco Products Exhibition and Conference Malaysia 2021	Malaysia Green Technology and Climate Change Corporation	Online
October 2023	International Greentech & Eco Products Exhibition and Conference Malaysia 2023	Ministry of Natural Resources, Environment and Climate Change	Kuala Lumpur
December 2023	National Biomass Conference 2023	Malaysia Biomass Industries Confederation	Putrajaya

### (c) Referrals from existing customers

Over the years, we have established a wide network of past and existing customers. These customers routinely refer new business to us by 'word of mouth' due to our proven track record of providing quality products. We will continue cultivating and enhancing our business relationship with our customers by continuously maintaining the quality of our products.

### (d) Media interviews

As a method to reach out to a larger audience and create more awareness regarding our products, we participate in media interviews. As at the LPD, we have participated in interviews from local news media such as BERNAMA and New Straits Times.

### (e) Corporate website

We have established a corporate website at <https://bioeneco.com/> which includes the details of our products as well as the information about our Group. Our corporate website serves as a contact point for prospective customers who have enquiries about our range of products. We also utilise search engine optimisation to increase the visibility of our corporate website on Google search results.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.9 KEY MACHINERY AND EQUIPMENT

The following are the key machinery and equipment owned and used by us:

<b>Machinery and equipment</b>	<b>Functions</b>	<b>No. of units</b>	<b>Average age (years)</b>	<b>NBV as at 31 December 2023 (RM'000)</b>
PKS production line	PKS processing line which equipped with screening unit, dryer unit, magnetic filtering unit, stone removal unit and dust removal unit	6	5	2,424
Wood pellet production line	Wood pellet palletisations line which equipped with wood chipper machine, screening units, dryer, hammer mill, pellet mills' roller and cooler	1	8	637
<b>Total</b>				<b>3,061</b>

### 7.10 SEASONAL OR CYCLICAL EFFECTS

We do not experience any seasonality and cyclicity in our business as biomass fuel products are not seasonal or cyclical in nature.

### 7.11 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

Our main raw materials are unprocessed PKS and wood residues. The following are the types of raw materials that we purchased in FYE 2021 to 2023:

<b>Raw materials</b>	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>(1)%</b>	<b>RM'000</b>	<b>(1)%</b>	<b>RM'000</b>	<b>(1)%</b>
Unprocessed PKS	83,675	91.21	118,047	99.99	251,276	85.86
Wood residues	8,064	8.79	4	0.003	41,391	14.14
	<b>91,739</b>	<b>100.00</b>	<b>118,051</b>	<b>100.00</b>	<b>292,667</b>	<b>100.00</b>

**Note:**

(1) As a percentage of total cost of purchases.

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**7. BUSINESS OVERVIEW (CONT'D)****7.12 OPERATIONAL CAPACITIES AND OUTPUT**

The production capacity and utilisation rates of our products are as follows:

**PKS**

The production capacity and utilisation rates for PKS for the Financial Years Under Review are as follows:

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Actual volume of products processed (MT)	279,605	353,150	531,813
Maximum number of PKS that can be processed (MT) <sup>(1)</sup>	720,000	720,000	720,000
Utilisation rate (%)	38.83	49.05	73.86

**Note:**

(1) *Maximum number of PKS that can be processed is calculated based on the following key assumptions:*

- (a) *There are six (6) production lines;*
- (b) *The maximum number of operating hours per day is 20 hours; and*
- (c) *The maximum number of working days is 300 days, excluding Sundays and public holidays.*

**Wood pellets**

The production capacity and utilisation rates for wood pellets for the Financial Years Under Review are as follows:

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b><sup>(1)</sup>FYE 2023</b>
Actual number of products processed (MT)	24,257	59	-
Maximum number of wood pellets that can be processed (MT) <sup>(2)</sup>	36,000	36,000	-
Utilisation rate (%)	67.38	0.16	-

**Notes:**

(1) *In January 2023, we temporarily ceased the operation of our wood pellet production line as there was a need to replace a key machinery part in the production line.*

(2) *Maximum number of wood pellets that can be processed is calculated based on the following key assumptions:*

- (a) *There is one (1) production line;*
- (b) *The maximum number of operating hours per day is 20 hours; and*
- (c) *The maximum number of working days is 300 days, excluding Sundays and public holidays.*

**7.13 RESEARCH AND DEVELOPMENT**

We typically do not undertake research or development activities on existing biomass fuel products. Nevertheless, our key senior management constantly keeps abreast with the latest technological developments for machinery and equipment used in processing biomass fuel products as well as market trends and demand for other types of biomass fuel products.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.14 TECHNOLOGY USED OR TO BE USED

As at the LPD, we are utilising the following technology for our business operations:

Technology	Description
PKS process	<p>Our proprietary process which we used to process PKS to biomass fuel products.</p> <p>It is a process which can reduce impurities and separate the useful PKS from small unwanted particles such as tiny stones and fibres.</p> <p>The process mainly comprises the manufacturing of PKS through:</p> <ul style="list-style-type: none"> <li>- screening units to remove large impurities;</li> <li>- a dryer unit to reduce moisture levels which will then minimise presence of bacteria, germs, insect sludge, fungi and ammonia in the unprocessed PKS, and increase calorific values of the PKS;</li> <li>- a magnetic filtering unit to remove metal impurities;</li> <li>- a stone removal unit for removing smaller particles such as tiny stones; and</li> <li>- a dust removal unit for removing finer dust particles using suction.</li> </ul>

### 7.15 EMPLOYEES

As at the LPD, our Group has a total workforce of 39 employees, which consists of 37 local employees and 2 foreign employees. Local employees accounted for approximately 94.87% of total workforce while the remaining 5.13% are expatriate employees. As at the LPD, all our foreign employees have valid working permits.

The breakdown of our employees is as follows:

	Number of employees			
	As at FYE 2023		As at the LPD	
	Local	Foreign	Local	Foreign
Directors and key senior management	5	-	5	-
Accounting and treasury, and finance	5	-	5	-
Business development	1	2	1	2
Operations	13	-	13	-
Human resources and office administration	8	-	8	-
CEO's office	3	-	3	-
Procurement	2	-	2	-
<b>Total</b>	<b>37</b>	<b>2</b>	<b>37</b>	<b>2</b>

As at the LPD, we do not have any contract workers.

None of our employees belong to any labour union and as at the LPD, there is no material dispute between our management and our employees. Over the Financial Years Under Review and up to the LPD, there has not been any incident of work stoppage or labour dispute that has materially affected our operations.

During the Financial Years Under Review and up to the LPD, we have engaged third-party service providers to carry out activities such as cleaning of the premises and managing the inbound and outbound of trucks in our Port Klang Factory and warehouse. The third-party service providers will provide the manpower and resources and we do not manage the employees.

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## **7. BUSINESS OVERVIEW (CONT'D)**

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Our Group is aware of the importance of retaining our key senior management in order to ensure our Group's success. As such, we have implemented efforts to train our employees and remunerate them accordingly. Our success in the future will also be dependent on our ability to attract and retain skilled personnel.

We have a management succession plan consisting of:

- (i) structured career planning and development;
- (ii) competitive remuneration and employee benefits; and
- (iii) continuous training and development.

Further, our key senior management has clearly defined leadership roles and responsibilities within operations and finance respectively and are able to provide assistance and support to our Executive Directors in order to facilitate the growth of our Group.

As part of our management succession plan, we have implemented processes to groom new management personnel to gradually assume the responsibilities of our key senior management. Our Group's strategy for management continuity is driven by our key senior management who are also in charge of identifying key competencies and recruitment of candidates with knowledge and expertise of our business to enhance operations.

### **7.16 INTERRUPTION TO BUSINESS AND OPERATIONS**

Save for the interruption in our operations arising from the movement restrictions in Malaysia following the outbreak of COVID-19, our Group has not experienced any interruption which has affected our business during the past 12 months preceding LPD.

#### **7.16.1 Impact of COVID-19 on our Group**

COVID-19 was declared a pandemic by the Director General of the World Health Organisation on 11 March 2020. Throughout 2020 and 2021, the Government implemented various stages of MCO to curb the spread of COVID-19 pandemic. As a result, our Port Klang Factory was required to be temporarily closed between 18 March 2020 until 4 May 2020, following the announcement of the Government to reopen all economic sectors and businesses during the Conditional Movement Control Order period. During that time, our Port Klang factory was allowed to operate at 50.0% capacity, and employees who are not involved in manufacturing activities worked from home. Subsequently on 9 October 2020, we received approval from Northport to operate at our bonded warehouse.

During the Total Lockdown implemented on 1 June 2021, we received MITI approval to begin operating at our Port Klang Factory with compliance to the Standard Operating Procedure ("SOPs") imposed by the Government. Following this, on 5 July 2021, we received approval from MITI to operate at 60% capacity.

Since Malaysia entered into the "Transition to Endemic" phase beginning 1 April 2022 and "Endemic" phase beginning 1 May 2022, all restrictions limiting the number of employees in a workplace have been uplifted. As such, all of our employees have been able to return to our premises.

#### **7.16.2 Impact of COVID-19 and MCO on our supply chain and business operations**

When the MCO 1.0 was first imposed in March 2020, our supply chain was disrupted due to abrupt closure of economic activities. However, we did not experience material disruptions in terms of meeting our customers' demands or delivery as their operations were also temporarily suspended during the period.

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## **7. BUSINESS OVERVIEW (CONT'D)**

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During the MCO periods, in order to mitigate delays in incoming inventory as a result of delays in customs clearance and logistic delay due to travel restrictions, we increased our inventory levels. In addition, we experienced higher logistics costs in FYE 2021.

Despite the abovementioned delays and increase in freight rates, we did not experience material disruption or impact to our operations.

In FYE 2022, freight charges began to normalise due to the opening of global economies and we did not experience material disruptions to our supply chain.

Malaysia entered into the “transition to endemic” phase of COVID-19 beginning 1 April 2022, whereby COVID-19 restrictions and SOPs were further relaxed. We did not experience material impact on our operations since the commencement of the “transition to endemic” phase.

### **7.16.3 Impact of COVID-19 on our financial performance**

Despite the COVID-19 pandemic, our Group’s financial performance for the FYE 2020 and FYE 2021 were not materially impacted as our revenue grew from RM112.14 million in FYE 2020 to RM115.11 million in FYE 2021.

Since the implementation of the MCO on 18 March 2020 up to LPD, we incurred RM0.03 million to implement precautionary measures at our premises to minimise the risk of COVID-19 infections and to comply with the SOPs guidelines imposed by the Government. These costs mainly include purchase of face masks, sanitisers and COVID-19 test kits. Such additional cost incurred did not have a material impact on our financial performance for the FYE 2020 and FYE 2021.

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.17 MAJOR CUSTOMERS

Our top five (5) major customers for FYE 2021 to FYE 2023 are as follows:

#### FYE 2021

No.	Customers	Country of operations	Principal activities	Main products sold	Revenue contribution		Length of relationship as at LPD
					RM'000	(1) %	Years
1.	Cleantop Biomass Sdn Bhd	Malaysia	Trading of biomass products	PKS and wood pellets	24,850	21.59	4
2.	Green Bio World Sdn Bhd	Malaysia	Trading of biomass products	PKS and wood pellets	23,526	20.44	5
3.	Tril Biomass Sdn Bhd	Malaysia	Trading of biomass products	PKS and wood pellets	17,059	14.82	4
4.	Tokyo Sangyo Co., Ltd	Japan	Trading of machinery, construction of power plants and importing and exporting of various products including biomass products	PKS	13,880	12.06	4
5.	Customer A	China	Involved in the power supply business	PKS	12,410	10.78	3
					<b>91,725</b>	<b>79.69</b>	

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## 7. BUSINESS OVERVIEW (CONT'D)

### FYE 2022

No.	Customers	Country of operations	Principal activities	Main products sold	Revenue contribution		Length of relationship as at LPD
					RM'000	(1) %	Years
1.	PT. Apac Metal Indonesia	Indonesia	Wholesale trading and manufacturing of metal, gas and trading of biomass	PKS	19,079	13.21	1
2.	Tokyo Sangyo Co., Ltd	Japan	Trading of machinery, construction of power plants and importing and exporting of various products including biomass products	PKS	15,361	10.63	4
3.	Green Bio World Sdn Bhd	Malaysia	Trading of biomass products	PKS	13,147	9.10	5
4.	Deus Ex Capital Pte. Ltd	Singapore	Trading of biomass products	PKS	11,636	8.06	2
5.	PT Orion Apac Indonesia	Indonesia	Trading and export of palm kernel shell	PKS	11,270	7.80	4
					<b>70,493</b>	<b>48.80</b>	

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## 7. BUSINESS OVERVIEW (CONT'D)

### FYE 2023

No.	Customers	Country of operations	Principal activities	Main products sold	Revenue contribution		Length of relationship as at LPD
					RM'000	(1) %	Years
1.	PT. Apac Metal Indonesia	Indonesia	Wholesale trading and manufacturing of metal, gas and trading of biomass	PKS	93,082	27.76	1
2.	Z & Z SG Pte Ltd	Singapore	Management consultancy and wholesale trading of a variety of goods	PKS and wood pellets	55,192	16.46	2
3.	Deus Ex Capital Pte. Ltd	Singapore	Trading of biomass products	PKS	49,989	14.91	2
4.	JFE Shoji Corporation	Japan	Trading of steel, minerals, machinery, chemical and biomass products	PKS	49,476	14.76	2
5.	Tokyo Sangyo Co., Ltd	Japan	Trading of machinery, construction of power plants and importing and exporting of various products including biomass products	PKS	37,509	11.19	4
					<b>285,248</b>	<b>85.08</b>	

**Note:**

(1) Our Group's total revenue for FYE 2021, FYE 2022 and FYE 2023 are RM115.11 million, RM144.44 million and RM335.25 million, respectively.

For the FYE 2021 to FYE 2023, our Group's top five (5) major customers collectively contributed 79.69%, 48.80% and 85.08% to our Group's total revenue, respectively. Our Group is dependent on Cleantop Biomass Sdn Bhd, Green Bio World Sdn Bhd and PT. Apac Metal Indonesia by virtue of their revenue contributions of more than 20% of our Group's total revenue during the respective FYEs. Notwithstanding the above, there is no concern on concentration risk associated with any of our Group's major customers as the revenue contribution from the top five (5) major customers are broadly spread among various major customers on a yearly basis.

## 7. BUSINESS OVERVIEW (CONT'D)

As tabulated above, our Group's revenue from Cleantop Biomass Sdn Bhd was 21.59% in FYE 2021 and subsequently ceased to be our major customer since FYE 2022. In addition, our Group's revenue from Green Bio World Sdn Bhd reduced from 20.44% in FYE 2021 to 9.10% in FYE 2022, and subsequently ceased to be our major customer in FYE 2023. Meanwhile, PT. Apac Metal Indonesia and Deus Ex Capital Pte. Ltd. only appeared as our Group's major customers in FYE 2022 with revenue contribution of 13.21% and 8.06% respectively, and subsequently increased to 27.76% and 14.91% respectively in FYE 2023. In addition, the contribution from Tokyo Sangyo Co., Ltd is only at an average of 11.29% for the Financial Years Under Review.

### 7.18 MAJOR SUPPLIERS

Our top five (5) major suppliers for FYE 2021 to FYE 2023 are as follows:

#### FYE 2021

No.	Suppliers <sup>(1)</sup>	Country of operations	Principal activities	Main products sourced	Value of purchases		Length of relationship as at LPD
					RM'000	<sup>(2)</sup> %	Years
1.	Biotechnology Sensational Sdn Bhd	Malaysia	Trading, wholesale, import and export of biomass and other agricultural raw materials	Unprocessed PKS	23,637	25.77	4
2.	Jayin Group <sup>(3)</sup>	Malaysia	Involved in various activities including manufacturing, trading and wholesale of wood pellets, sawdust, jumbo bags, PKS and equipment	Unprocessed PKS and wood residues	16,101	17.55	4
3.	Comet Group <sup>(4)</sup>	Malaysia	Trading of recycling materials and biomass product	Unprocessed PKS	12,866	14.02	5
4.	Mercatura Group <sup>(5)</sup>	Malaysia	Trading of biomass products	Unprocessed PKS and wood residues	9,902	10.79	4
5.	Liberty Infinity Sdn Bhd	Malaysia	Trading of biomass products	Unprocessed PKS	6,994	7.62	5
					<b>69,500</b>	<b>75.75</b>	

**7. BUSINESS OVERVIEW (CONT'D)**

**FYE 2022**

No.	Suppliers <sup>(1)</sup>	Country of operations	Principal activities	Main products sourced	Value of purchases		Length of relationship as at LPD
					RM'000	<sup>(2)</sup> %	Years
1.	Biotechnology Sensational Sdn Bhd	Malaysia	Trading, wholesale, import and export of biomass and other agricultural raw materials	Unprocessed PKS	26,554	22.49	4
2.	Comet Group <sup>(4)</sup>	Malaysia	Trading of recycling materials and biomass product	Unprocessed PKS	19,250	16.31	5
3.	First Bre Sdn Bhd	Malaysia	Trading of biomass products	Unprocessed PKS	13,221	11.20	4
4.	Allgreen Energy (M) Sdn Bhd	Malaysia	Provision of transportation services and trading of biomass products	Unprocessed PKS	12,703	10.76	3
5.	Tokyo Sangyo Co., Ltd <sup>(6)</sup>	Japan	Trading of machinery, construction of power plants and exporting of biomass products	Unprocessed PKS	10,702	9.07	4
					<b>82,430</b>	<b>69.83</b>	

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## 7. BUSINESS OVERVIEW (CONT'D)

### FYE 2023

No.	Suppliers <sup>(1)</sup>	Country of operations	Principal activities	Main products sourced	Value of purchases		Length of relationship as at LPD
					RM'000	<sup>(2)</sup> %	Years
1.	Allgreen Energy (M) Sdn Bhd	Malaysia	Provision of transportation services and trading of biomass products	Unprocessed PKS	35,999	12.30	3
2.	First Bre Sdn Bhd	Malaysia	Trading of biomass products	Unprocessed PKS	35,818	12.24	4
3.	Biotechnology Sensational Sdn Bhd	Malaysia	Trading, wholesale, import and export of biomass and other agricultural raw materials	Unprocessed PKS	34,619	11.83	4
4.	Alwn Developments Sdn Bhd	Malaysia	Trading of biomass products	Unprocessed PKS	31,236	10.67	3
5.	NEF Prestige Sdn Bhd	Malaysia	Trading of biomass products	Unprocessed PKS	26,913	9.20	1
					<b>164,585</b>	<b>56.24</b>	

#### Notes:

- (1) Save for Tokyo Sangyo Co., Ltd, we have entered into a supply contract with the supplier for the procurement of raw materials. The salient terms for the supply contracts generally includes, among others, the quantity of supply, quality of product, price per MT, payment terms, delivery terms, supply duration and termination clauses.
- (2) Calculated as the value of purchases divided by total purchases for the respective financial years. Our Group's total purchases for the FYE 2021, FYE 2022 and FYE 2023 are RM91.74 million, RM118.05 million and RM292.67 million, respectively.
- (3) For Financial Years Under Review, our Group's total purchases from Jayin Group comprised the following:

Jayin Group	FYE 2021	
	RM'000	<sup>(2)</sup> %
Jayin Biomass Sdn Bhd	9,121	9.94
Jayin (Malaysia) Sdn Bhd	6,980	7.61
<b>Total</b>	<b>16,101</b>	<b>17.55</b>

## 7. BUSINESS OVERVIEW (CONT'D)

(4) For Financial Years Under Review, our Group's total purchases from Comet Group comprised the following:

<b>Comet Group</b>	<b>FYE 2021</b>		<b>FYE 2022</b>	
	<b>RM'000</b>	<b>(2) %</b>	<b>RM'000</b>	<b>(2) %</b>
Comet Recycle Sdn Bhd	9,654	10.52	15,467	13.10
Comet Biogreen Sdn Bhd	3,212	3.50	3,783	3.20
<b>Total</b>	<b>12,866</b>	<b>14.02</b>	<b>19,250</b>	<b>16.30</b>

(5) For Financial Years Under Review, our Group's total purchases from Mercatura Group comprised the following:

<b>Mercatura Group</b>	<b>FYE 2021</b>	
	<b>RM'000</b>	<b>(2) %</b>
Mercatura Biomass Sdn Bhd	9,513	10.37
MW Greenergy Sdn Bhd	389	0.42
<b>Total</b>	<b>9,902</b>	<b>10.79</b>

(6) It is a one-time transaction whereby Tokyo Sangyo Co., Ltd supplied the raw materials i.e unprocessed PKS for our Group to manufacture and the processed products were sold back to them.

For the FYE 2021 to FYE 2023, our Group purchased 75.75%, 69.83%, and 56.24% of our Group's total purchases from our top five (5) major suppliers, respectively. Our Group is dependent on Biotechnology Sensational Sdn Bhd by virtue of their contribution of more than 20% of our Group's total purchases during the respective FYEs. Notwithstanding the above, there is no concern on concentration risk associated with any of our Group's major suppliers as the purchases from the top five (5) major suppliers are broadly spread among our major suppliers in the year. Evidently, our purchases from Biotechnology Sensational Sdn Bhd, which amounted to approximately 25.77% in FYE 2021, decreased to 11.83% in FYE 2023. Whilst our purchases from Comet Group amounted to over 10.0% in FYE 2021 and FYE 2022, it has ceased to be our major supplier in FYE 2023.

In addition, we have also entered into supply contracts with all of the major suppliers, save for Tokyo Sangyo Co., Ltd, which was a one-off sale, which states that the supplier will supply a specified volume of PKS to us throughout the time period specified in the contract. For clarity, we have maintained an average of approximately four (4) years of business relationships with most of the major suppliers, save for Tokyo Sangyo Co., Ltd.

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## **7. BUSINESS OVERVIEW (CONT'D)**

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### **7.19 COMPETITIVE STRENGTHS**

#### **7.19.1 We have demonstrated our ability to comply to requirements set by local and foreign customers**

Our biomass fuel products are sold to both local and international markets. End-users in different countries have different requirements in terms of moisture levels, calorific value as well as ash, sulphur, sodium, potassium and chlorine volume, impurities content and durability, and they require biomass fuel product manufacturers such as our Group to adhere to their requirements. Prior to procuring our products through biomass fuel product trading companies, our customers and/or end-users may conduct a site visit at our Port Klang Factory to ensure that we are able to meet their requirements in the manufacturing of biomass fuel products.

In addition, we have obtained the Green Gold Label certification for our PKS which endorses that our PKS were produced from raw materials that have been sourced from oil palm plantation and milling companies that have been sustainably managed. Our wood pellets are also PEFC certified, which endorses that our wood pellets were manufactured from using wood residue sourced from suppliers that have complied to the PEFC guidelines. Additionally, we have obtained the Green Label Certification which recognises that our wood pellets are environmentally friendly products and allows us to use the "MyHIJAU" mark on our wood pellets.

The abovementioned certifications and endorsement are important to meet some of our customers' requirements and has provided us with the capability to export our products to international markets as some foreign customers, particularly customers in Japan, require the abovementioned certifications in order to enjoy tax incentives and benefits from their local government.

As a testament to our ability to comply with requirements set by local and foreign customers, we have managed to retain our customers over the years. On average, our length of business relationship with our top 5 major customers, which comprised both local and international biomass fuel product trading companies, were approximately 3 years as at FYE 2023.

#### **7.19.2 We have a network of suppliers**

We have a network of local and international suppliers comprising traders, oil palm plantation estates and milling companies, palm fruits transporters, and logging transporters, which enable us to maintain a consistent supply of raw materials.

For most of our suppliers for unprocessed PKS, we have supply contracts with them which specified the volume of raw materials and time period to be supplied to us. This allows us to ensure a consistent supply of raw materials for unprocessed PKS throughout the year. Although we do not have supply contracts with suppliers of wood residue, we have built good working relationships with them, which has allowed us to source and place orders easily.

Additionally, we also source from suppliers who are certified with the necessary certifications, namely PEFC certification for wood residue suppliers and Green Gold Label certified suppliers or oil palm plantation and milling companies that have been sustainably managed, for the supply of unprocessed PKS. This ensure our Group is able to meet the requirements and specifications of our customers.

Our access to a network of suppliers allows us to fulfil our customers' orders throughout the year.

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## **7. BUSINESS OVERVIEW (CONT'D)**

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### **7.19.3 We have an experienced and committed key senior management**

Our growth thus far has been, largely driven by our Managing Director, Yeo Hock Cheong, who has approximately six (6) years in the biomass fuel products industry. He is supported by our key senior management personnel who are all qualified professionals with knowledge and experience in their respective fields, namely our Finance Director, Salihudin, our COO, Teoh Soon Tek, Head of Finance and Project, Loo Ze Hui and our Operations Manager, Choo Mun Chen.

The key senior management's combined skills, extensive knowledge of our Group's products, strong management capabilities and continued focus on realising strategies are important to our Group's continued growth and future development. The combination of our key senior management's experience and expertise have been integral to our success and will continue to be a key factor in our future development.

### **7.19.4 Our Port Klang Factory is strategically located and is equipped to produce quality biomass fuel products**

Our Port Klang Factory is strategically located near the Port Klang, which is one of the busiest ports in Malaysia. Our strategic location eases our access to the bonded warehouse near the port where our products are stored while awaiting for our customers to arrange for delivery. This allows us to enhance our efficiency as products manufactured at our Port Klang Factory for foreign customers can be immediately delivered to the bonded warehouse in Port Klang which would thereby, reduce delivery costs and time as well as free up space for manufacturing of products at the Port Klang Factory.

We also recognise the importance of providing quality products consistently to ensure customer satisfaction and expand our customer base. Our PKS production lines at our Port Klang Factory utilise our proprietary PKS process to reduce impurities and separate the useful PKS from small unwanted particles such as tiny stones and fibres. We can also control the moisture levels to meet our customers' requirements, which would minimise presence of bacteria, germs, insect sludge, fungi and ammonia in the PKS and increase calorific values of the PKS.

The abovementioned technology used in our manufacturing process is essential in enabling us to consistently provide quality products to meet customers' demand.

### **7.19.5 Our biomass fuel products can cater for various end-user industries**

We offer two (2) types of biomass fuel products, namely PKS as well as wood pellets, both of which are suitable for use in various manufacturing industries and in biomass power plants. PKS and wood pellets can be used for electricity generation in power plants and as a fuel in industrial boilers used in various types of manufacturing related industries to produce heat for various industrial processes.

Depending on the configuration of the power plant or manufacturing plants, end-users may require PKS or wood pellets. Certain plants are designed to use a particular type of biomass fuel product in order to maintain its combustion efficiency. As we offer both PKS and wood pellets, this allows us to cater to different customer needs.

The diverse applications of our products will increase demand for our products and provide us an opportunity to expand our customer base. Our ability to serve end-user industry also enable us to diversify our business risk, thus reducing the risk of dependency on a particular industry's performance. Additionally, this capability also presents us with a large pool of opportunities to tap into and allows our business model to be resilient to withstand challenging market conditions.

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## **7. BUSINESS OVERVIEW (CONT'D)**

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### **7.20 FUTURE PLANS AND BUSINESS STRATEGIES**

#### **7.20.1 We intend to expand our production capacity for PKS in order to grow our sales**

Typically, in order for us to secure new long-term contracts or orders, customers and/or end-users of the prospective customers, such as manufacturers and biomass power plants operators, will conduct a site visit at our Port Klang Factory. These customers and/or end-users, particularly international companies, generally seek for vendors that have sufficient capacity to supply them the volume of PKS they require. Thus, it is crucial for us to show these customers and/or end-users that we have ample capacity in order to secure new long-term contracts and orders, particularly from foreign customers.

At present, we operate out of Port Klang Factory, which has a capacity of 720,000 MT per year. As at FYE 2023, our utilisation rate for our PKS production lines at our Port Klang Factory reached 73.86%, which has grown from 38.83% in FYE 2021. As at the LPD, we have entered into separate sale and purchase agreements and/or memorandum of understanding with customers based in South East Asia and East Asia for the manufacturing and sale of 720,000 MT of PKS to be delivered in FYE 2024 and 710,000 MT to be delivered in FYE 2025, which would fully utilise our PKS production lines at our Port Klang Factory. As such, we intend to expand our production capacity in order to cater for orders from other new and existing customers.

As at the LPD, we are in the midst of setting up a factory in our rented warehouse in Kapar, Klang. The new factory in Kapar, Klang is estimated to have a capacity of 240,000 MT per annum and is expected to be operational by second half of FYE 2024. The cost of acquiring machineries and equipment for the factory in Kapar, Klang is estimated at RM7.83 million, which will be financed via our internally generated funds and/or bank borrowings.

We also intend to set up new factories in Pasir Gudang, Johor; Kuantan, Pahang; and Lahad Datu, Sabah, as illustrated below:

#### **(i) New factory in Pasir Gudang, Johor**

We have selected Johor to set up our new factory as Johor has one of the largest oil palm planted area in Peninsular Malaysia, and the setting up of a factory in Johor would be in close proximity to unprocessed PKS suppliers. Thus, this would lower cost of transportation for supplies.

We intend to rent a premises in Pasir Gudang, Johor to set up the new factory. As at the LPD, we are still in the midst of finding a suitable premises to rent, which have access to the nearest port. The annual rental costs is estimated to be cumulatively amount to RM2.40 million, and will be funded via our internally generated funds.

Once fully operational, the new factory in Pasir Gudang, Johor is estimated to have an annual production capacity of 240,000 MT.

#### **(ii) New factory in Kuantan, Pahang**

We have outsourced the manufacturing of PKS to a third-party contract manufacturer which is based in Kuantan, Pahang to manufacture PKS in FYE 2023 due to higher demand for PKS from our customers. Outsourcing PKS manufacturing to the third-party contract manufacturer in Kuantan, Pahang allowed us to gain exposure in carrying out manufacturing activities in Kuantan, Pahang, which is near oil palm plantation and milling companies, without incurring high capital expenditure.

Moving forward, we intend to acquire a suitable land in Kuantan, Pahang, to construct a factory and warehouse, i.e. the New Kuantan Facility. We will be identifying a suitable land in Kuantan, Pahang with a total land size of approximately 435,000 sq ft. The total built-up area of the New Kuantan Facility is estimated to be 105,000 sq ft based on the initial planning.



## 7. BUSINESS OVERVIEW (CONT'D)

We intend to identify a suitable land between 6 and 12 months upon receipt of the gross proceeds from the Public Issue and complete the acquisition of the said land 3 months after. We estimate that the cost of acquiring the land is expected to amount to RM[●] million and the construction cost is approximately RM[●] million, which will be fully funded via our gross proceeds from the Public Issue. We estimate that we will be able to commence operations at the New Kuantan Facility 24 months from the receipt of the gross proceeds from our Public Issue. Further details are as elaborated in Section 4.7.1 of the Prospectus.

Once fully operational, the New Kuantan Facility is estimated to have an annual production capacity of 240,000 MT.

While waiting to identify a suitable land to set up the New Kuantan Facility, we may need to set up a temporary factory on a rented premises in Kuantan, Pahang to cater for our operational needs. The annual rental costs for the rented premises in Kuantan, Pahang is estimated to be RM2.40 million, and will be funded via our internally generated funds.

### (iii) New factory in Lahad Datu, Sabah

We have also selected Sabah to set up our new factory as Sabah has one of the largest oil palm planted area in Malaysia, and the setting up of a factory in Sabah would be in close proximity to unprocessed PKS suppliers. Thus, this would lower cost of transportation for supplies.

We intend to rent a premises in Lahad Datu, Sabah to set up the new factory. As at the LPD, we are still in the midst of finding a suitable premises to rent, which have access to the nearest port. The annual rental costs is estimated to be cumulatively amount to RM2.40 million, and will be funded via our internally generated funds.

Once fully operational, the new factory in Lahad Datu, Sabah is estimated to have an annual production capacity of 240,000 MT.

The timeline for setting up these three (3) factories are as follows:

<b>Timeline for new factory in Pasir Gudang, Johor</b>	
Q2 2024	Identification of premises to rent
	Procurement of the machineries and equipment
Q3 2024	Expected receipt of machineries and equipment
	Installation of production lines
	Expected commencement of operations
<b>Timeline for new factory in Kuantan, Pahang (temporary factory while awaiting for the New Kuantan Facility to be operational)</b>	
Q3 2024	Identification of premises to rent
	Procurement of the machineries and equipment
Q4 2024	Expected receipt of machineries and equipment
	Installation of production lines
	Expected commencement of operations
<b>Timeline for new factory in Lahad Datu, Sabah</b>	
Q1 2025	Identification of premises to rent
	Procurement of the machineries and equipment
Q2 2025	Expected receipt of machineries and equipment
	Installation of production lines
	Expected commencement of operations

## **7. BUSINESS OVERVIEW (CONT'D)**

The cost of new machineries and equipment for the three (3) new factories is estimated to amount to RM[●] million, wherein 90% of the total cost will be funded via gross proceeds from the Public Issue while the remaining 10% of total cost will be funded via bank borrowings and/or internally generated funds. Further details on the use of gross proceeds from the Public Issue to fund the purchase of these new machineries and equipment are as elaborated in Section 4.7.1 of the Prospectus.

We will also need to expand our operations department. As such, we intend to recruit up to 6 personnel for the new factory in Kapar, Klang by second quarter of 2024, up to 6 personnel for the new factory in Pasir Gudang, Johor by third quarter of 2024 and up to 6 personnel for the new factory in Lahad Datu, Sabah by second quarter of 2025. We will also need to expand our operations department by up to 6 personnel for the New Kuantan Facility, which will be recruited by second quarter of 2024. These new personnel will be operating at the rented premises in Kuantan until the New Kuantan Facility has been set up.

### **7.21 PROSPECTS OF OUR GROUP**

According to the IMR Report in Section 8 of this Prospectus, the industry sizes for PKS and wood pellets in Asia Pacific grew at CAGRs of 6.7% and 6.9%, respectively, between 2019 and 2023. Moving forward, Providence expects the industry sizes for PKS and wood pellets in Asia Pacific to grow by a further 8.9% and 8.6%, respectively, between 2024 and 2026.

Our Group is expected to benefit from the growth of this industry, which is expected to continue to be driven by:

- Growing exports to international markets which will be mainly supported by government initiatives to drive the use of renewable energy, including biomass, in the countries in which our Group's customers are based in or intends to deliver its products to. This includes the key markets we currently serve, namely Indonesia, Singapore and Japan;
- Growing demand from the end-user industries in Malaysia that is driven by government initiatives to drive the use of renewable energy, including biomass; and
- Availability of raw materials in Malaysia as Malaysia is one of the largest oil palm producers globally and is rich in forest resources.

Our Group plans to capture upon the demand opportunities present for PKS and wood pellets internationally as well as locally through our business strategies set out above in Section 7.20 of this Prospectus and leveraging on our competitive strengths set out in Section 7.19 of this Prospectus. As such, taking into account the above, our Board is of the opinion that our Group's prospects remain favourable.

Against this backdrop, we seek a listing on the ACE Market to facilitate our future growth and strengthen our position as a PKS and wood pellet manufacturer and trader in Asia Pacific.

*(Source: Our Management)*

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## 7. BUSINESS OVERVIEW (CONT'D)

### 7.22 CONTRACTS ON WHICH OUR GROUP IS MATERIALLY DEPENDENT

Save for the long-term agreements between our Group and our major customers (namely PT Orion Apac Indonesia, Customer B and Customer C) and our major supplier (namely Biotechnology Sensational Sdn Bhd) respectively for the sale and purchase of PKS as disclosed below, our Group is not dependent on any material contracts or agreements including commercial and financial contracts within the ordinary course of our business, which are material to our business or profitability.

Consent was sought for the disclosure of the identity of Customer B and Customer C pursuant to confidentiality obligations in relation to the disclosure of the salient terms of the long term agreement, but was not obtained. Accordingly, the identities of Customer B and Customer C will not be disclosed in this Section of the Prospectus.

We are dependent on the aforementioned three (3) major customers as our Group entered into long term contracts with them and we anticipate that they will purchase up to a total of 720,000 MT of PKS in FYE 2024, in which case, each of them will contribute at least 20.00% of our orderbook for FYE 2024.

Furthermore, we are dependent on Biotechnology Sensational Sdn Bhd as our Group entered into a long term contract with them and they accounted for more than 20.00% of our Group's total value of purchases in FYE 2021 and FYE 2022 respectively.

As at the LPD, our Group has not breached any terms of the contracts on which our Group is materially dependent on, nor has there been any claims, disputes or legal suits raised by any of the aforementioned major customers and major supplier in relation to a breach of contract.

#### 7.22.1 Memorandum of Understanding for the sale of PKS to PT Orion Apac Indonesia

The salient terms and conditions of the memorandum of understanding entered into between our Group and PT Orion Apac Indonesia are set out below:

**Date** : 17 May 2022

**Description** : Memorandum of understanding entered into between our Group and PT Orion Apac Indonesia for the sale of PKS to PT Orion Apac Indonesia

**Salient terms** : Contract period  
October 2022 to September 2025, subject to auto-renewal of 3 years based on renegotiated terms and conditions

#### Quantity and Shipment Period

1. The quantity of PKS to be delivered under a definitive agreement to be mutually agreed ("**Definitive Agreement**") shall be of a certain minimum volume load per year.
2. Our Group warrants to load a minimum of 6,500MT +/-5% of PKS per shipment.
3. The actual loading quantity shall be confirmed in writing by PT Orion Apac Indonesia months prior to the actual shipment
4. Loading port(s): Northport Southpoint, Port Klang and/or other major ports in Malaysia

#### Termination

1. The memorandum of understanding shall become effective upon its execution and remain in force and effect for the period ending on the date that
  - (i) The parties jointly entering into the Definitive Agreement;
  - (ii) unless the memorandum of understanding is otherwise terminated or extended as agreed among the parties.

## 7. BUSINESS OVERVIEW (CONT'D)

2. The parties shall have the right to terminate the memorandum of understanding by giving written notice to the other party upon the occurrence of any of the following events:
  - (i) in any circumstances if there is a cessation of PKS utilization by PT Orion Apac Indonesia; or
  - (ii) any steps are taken, an order is made, a resolution is passed or legislation is enacted for the winding-up, dissolution, liquidation or bankruptcy of any of the parties.

### 7.22.2 Memorandum of Understanding for the sale of PKS to Customer B

The salient terms and conditions of the memorandum of understandings entered into between our Group and Customer B are set out below:

**Date** : 30 May 2023

**Description** : Memorandum of understanding entered into between our Group and Customer B for the sale of PKS to Customer B

**Salient terms** : Contract period  
May 2023 to March 2040

#### Salient terms

1. Customer B is prepared to purchase PKS for the demand of below end user from our Group and our Group is prepared to continuously supply PKS to Customer B with a minimum quantity of PKS per year subject to agreement on terms and conditions including the determination of price per shipment.
2. The parties agree to have negotiations with each other in good faith in order to reach an agreement on commercial conditions for the agreed volume.

### 7.22.3 Sale and Purchase Agreements for the sale of PKS to Customer C

The salient terms and conditions of the sale and purchase agreements entered into between our Group and Customer C are set out below:

**Date** : 21 September 2018

**Description** : Sale and Purchase Agreement in relation to the sale and purchase of PKS between our Group and Customer C

**Salient terms** : Contract Period  
October 2019 to March 2024, with an option to renew to March 2029 subject to new terms and conditions to be mutually agreed

#### Pricing

The price for the PKS to be delivered under the agreement shall be a fixed price. In the event the price for sales is deemed to be extremely inappropriate due to significant unpredicted fluctuation in prices, the parties shall further negotiate in good faith.

#### Quantity and shipment period

1. Our Group shall deliver a certain quantity of the PKS per year to Customer C under this agreement.
2. Our Group warrants its ability to load 10,000MT (+/- 5%) per shipment.
3. The parties shall mutually discuss and agree on the subsequent yearly shipment schedules in the month of January of each year.

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## 7. BUSINESS OVERVIEW (CONT'D)

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- Customer C shall publish a real order months before a loading start.

### Specifications, Quality and Origin

- Our Group warrants to Customer C that the PKS to be sold and delivered hereunder shall meet the specifications as mutually agreed between the parties.
- The impurities of the PKS shall not contain any metal, stone, sand, bitumen, plastic, vinyl, charcoal, mud and any foreign materials inappropriate for boilers, including alien plant and animals of which import into the arrival destination is prohibited by the local authorities.

### Non-conformance to specifications

In the event that the independent surveyor confirms that the PKS of any shipment do not conform to the specifications herein, Customer C shall be entitled to the following remedies (without prejudice to any of its other rights and remedies):

- Customer C has no obligation to receive and purchase such non-conforming PKS;
- Customer C may return such non-conforming PKS at the cost of our Group.

**Date** : 18 February 2020

**Description** : Sale and Purchase Agreement in relation to the sale and purchase of PKS between our Group and Customer C

**Salient terms** : Contract Period  
July 2023 to June 2033, with an option to renew to June 2038 subject to new terms and conditions to be mutually agreed

### Pricing

The price for the PKS to be delivered under the agreement is fixed at a certain price for the period between July 2023 to March 2025, and for a certain price for the period between April 2025 to July 2033. Notwithstanding the above, the contract price will vary from time to time and shall be renegotiated and subject to mutual agreement.

### Quantity and shipment period

- Our Group shall deliver a certain quantity of the PKS per year to Customer C under this agreement.
- Our Group warrants its ability to load 10,000MT (+/- 5%) per shipment.
- The parties shall mutually discuss and agree on the subsequent yearly shipment schedules of a given contract year in the beginning of the year, provided however, that the shipping schedule for the first year shall be mutually discussed and agreed upon no later than 90 days in advance.
- Customer C shall publish a real order no later than 3 months before a loading start.

### Specifications, Quality and Origin

- Our Group warrants to Customer C that the PKS to be sold and delivered hereunder shall meet the specifications as mutually agreed between the parties.
- The impurities of the PKS shall not contain any metal, stone, sand, bitumen, plastic, vinyl, charcoal, mud and any foreign materials inappropriate for boilers, including alien plant and animals of which import into the arrival destination is prohibited by the local authorities.

## 7. BUSINESS OVERVIEW (CONT'D)

### Non-conformance to specifications

1. Subject to the sampling and test report, in the event that the PKS does not meet the specifications as stated in the report or does not conform with the terms of the agreement, Customer C has no obligation to accept and purchase such PKS.
2. In the event that Customer C refuses to accept the non-conforming PKS, Customer C may return such non-conforming PKS at the cost of our Group, and it shall be deemed to be inability to supply by our Group.
3. Payment for such non-conforming PKS shall be reimbursed by our Group to Customer C within 10 business days from the date of the certificate of analysis being issued by the independent surveyor confirming such non-conformity.

### 7.22.4 Memorandum of Understanding for the sale of PKS to Customer C

The salient terms and conditions of the memorandum of understanding entered into between our Group and Customer C are set out below:

**Date** : 1 September 2020

**Description** : Memorandum of Understanding entered into between our Group and Customer C for the supply of PKS to Customer C

**Salient terms** : Contract Period  
June 2022 to May 2027.

### Quantity

1. The contract quantity shall be a certain minimum quantity of PKS per calendar year.
2. The parties may extend the duration of the agreement subject to new prices to be mutually agreed by the parties.
3. BESB warrants its ability to load 10,000MT +/-5% per shipment.

### Term and Termination

The parties shall have the right to terminate the memorandum of understanding by giving written notice to the other party upon the occurrence of any of the following events:

- (i) in any circumstances if there is a cessation of PKS utilization by Customer C;
- (ii) if either party files a petition in bankruptcy, or a petition in bankruptcy is filed against it, or either party becomes insolvent, bankrupt, or makes a general assignment for the benefit of creditors, or goes into liquidation or receivership;
- (iii) if either party ceases or threatens to cease to carry on business or disposes of the whole or any substantial part of its undertaking or its assets; or
- (iv) if control of either party is acquired by any person or group not in control at the date of the agreement.

### 7.22.5 Sale and Purchase Agreements for the purchase of PKS from Biotechnology Sensational Sdn Bhd ("BTSB")

**Date** : 14 April 2020

**Description** : Sale and purchase agreement entered into between our Group and BTSB for the supply of PKS to our Group

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## 7. BUSINESS OVERVIEW (CONT'D)

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**Salient terms** : Contract Period  
April 2023 to April 2026

Quantity

A certain minimum quantity of PKS for every year commencing from the date the deposit is paid.

Delivery Term

1. BTSB shall deliver the PKS to the delivery location as informed by our Group.
2. In the event BTSB is unable to deliver the accepted purchase order within the delivery period mutually agreed, our Group reserves the right to terminate the Agreement according to the termination clause herein.

Contract Price

The parties agree that the contract price will be reviewed every one (1) month.

Termination

1. Any failure by BTSB to deliver the accepted purchase order without any valid reasons other than the force majeure events, our Group reserves the rights to terminate the agreement whereby BTSB shall refund the balance deposit or if agreeable by our Group, to deliver supply to our Group a quantum of PKS at the price mutually agreed in lieu of the balance deposit held by BTSB.
2. In the event of termination of the agreement by mutual agreement, our Group is entitled to a refund of all the outstanding deposit from BTSB within the time period agreed to in such termination notice.

**Date** : 14 December 2021

**Description** : Sale and purchase agreement entered into between our Group and BTSB for the supply of PKS to our Group

**Salient terms** : Contract Period  
January 2022 to December 2024, with an option to renew for an additional three (3) years subject to both parties' agreement

Quality

The PKS shall not be more than a certain moisture content.

Quantity

The contract quantity shall be a certain minimum quantity of PKS per calendar year with an option to purchase additional PKS.

Payment and Shipping Documents

1. Our Group shall make payment to BTSB's designated bank account subject to the supplier's invoice with the delivered quantity and price as agreed.
2. Our Group shall make telegraphic transfer to BTSB's bank account as stated on BTSB's invoice.
3. Each party shall bear its own respective bank charges accordingly.

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**7. BUSINESS OVERVIEW (CONT'D)**

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Termination

1. In the event of occurrence of any of the below-mentioned cases with respect to any party (hereinafter referred to as "**Defaulting Party**"), the other party (hereinafter referred to as "**Non-defaulting Party**") shall be entitled to terminate the agreement and/or purchase order by notifying the Defaulting Party thereof in writing without prejudice to any right of the Non-defaulting Party existing under the agreement or the purchase order at the time of such termination:
  - (a) Defaulting party's insolvency; winding-up, creditors' voluntary arrangement, judicial management order, civil rehabilitation procedure, corporate reorganisation, liquidation or special liquidation, or other insolvency procedures;
  - (b) Dissolution or liquidation, except by merger, of the Defaulting Party, or transfer of the entire business or partial core business of the Defaulting Party;
  - (c) Attachment, provisional attachment, provisional disposition or compulsory sale by public auction of any material assets of the Defaulting Party, or a disposition for failure to pay taxes by the Defaulting Party.
2. In case of happening of any of the events provided above, all the outstanding monetary obligations due to the Non-defaulting Party from the Defaulting Party under the agreement and/or other contracts, including purchase order shall become due and payable immediately.
3. Notwithstanding any provision herein to the contrary, in case of termination for any event of default as provided above, the Defaulting Party shall indemnify and hold harmless the Non-defaulting Party from and against any and all damages, or losses it may suffer as a consequence of the default.
4. Either party may terminate the agreement prior to the beginning of the renewal and extension term by providing at least 30 days written notice to the other party prior to the expiration of the then-current term.

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