

## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia on 10 January 2024 under the Act as a public limited company to facilitate the Listing Scheme. Given that our Company was incorporated subsequent to the Financial Years Under Review and in the absence of common control between our Company and BESB at the point of the entering into the share sale agreement pursuant to the Acquisition, the historical financial information of our Group is presented based on the audited financial statements of BESB for the Financial Years Under Review instead of a combined financial statements presentation. Nevertheless, for the ease of illustration in the following discussion of this section, we will refer to all financial information of BESB as our Group's financial information.

Our historical financial information throughout the Financial Years Under Review has been prepared in accordance with MFRS and IFRS and were not subject to any audit qualifications.

#### 12.1.1 Historical statements of profit or loss and other comprehensive income

The following table sets out a summary of our audited statements of profit or loss and other comprehensive income for the Financial Years Under Review which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus, respectively.

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	115,114	144,440	335,251
Cost of sales	(105,818)	(129,277)	(289,282)
<b>GP</b>	<b>9,296</b>	<b>15,163</b>	<b>45,969</b>
Other operating income	1,316	1,609	334
Net (loss)/gain on loss allowance of trade receivables	(192)	614	(61)
Selling and administrative expenses	(7,760)	(8,865)	(16,344)
<b>Operating profit</b>	<b>2,660</b>	<b>8,521</b>	<b>29,898</b>
Finance costs	(879)	(2,167)	(1,918)
<b>PBT</b>	<b>1,781</b>	<b>6,354</b>	<b>27,980</b>
Taxation	(39)	(65)	(4,415)
<b>PAT</b>	<b>1,742</b>	<b>6,289</b>	<b>23,565</b>
PAT attributable to:			
- Owners of the Company	1,742	6,289	23,565
- Non-controlling interest	-	-	-
	<b>1,742</b>	<b>6,289</b>	<b>23,565</b>
EBIT (RM'000) <sup>(1)</sup>	2,491	8,427	29,748
EBITDA (RM'000) <sup>(1)</sup>	3,419	9,148	31,172
GP margin (%) <sup>(2)</sup>	8.07	10.50	13.71
PBT margin (%) <sup>(3)</sup>	1.55	4.40	8.35
PAT margin (%) <sup>(3)</sup>	1.51	4.35	7.03
Effective tax rate (%) <sup>(4)</sup>	2.19	1.02	15.78
Basic /diluted EPS (sen) <sup>(5)</sup>	0.09	0.31	1.18

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

**Notes:**

(1) *EBIT and EBITDA are calculated as follows:*

	<i>Audited</i>		
	<i>FYE 2021</i>	<i>FYE 2022</i>	<i>FYE 2023</i>
	<i>RM'000</i>	<i>RM'000</i>	<i>RM'000</i>
<i>PAT</i>	1,742	6,289	23,565
<b>Less:</b>			
<i>Interest income</i>	(169)	(94)	(150)
<b>Add:</b>			
<i>Finance costs</i>	879	2,167	1,918
<i>Taxation</i>	39	65	4,415
<b>EBIT</b>	<b>2,491</b>	<b>8,427</b>	<b>29,748</b>
<b>Add:</b>			
<i>Depreciation and amortisation</i>	928	721	1,424
<b>EBITDA</b>	<b>3,419</b>	<b>9,148</b>	<b>31,172</b>

(2) *GP margin is calculated based on GP divided by revenue.*

(3) *PBT margin and PAT margin is calculated based on the respective PBT and PAT divided by revenue.*

(4) *Effective tax rate is calculated based on tax expenses divided by PBT.*

(5) *Calculated based on our PAT attributable to the owners of our Company divided by the enlarged share capital of 2,000,000,000 Shares after our IPO. The diluted EPS is equal to the basic EPS as there was no potential dilutive ordinary shares outstanding at the end of the respective FYE.*

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

The following table sets out the audited statements of financial position of our Group as at 31 December 2021, 31 December 2022 and 31 December 2023 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13 of this Prospectus, respectively.

	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>ASSETS</u></b>			
<b><u>Non-current assets</u></b>			
PPE	6,429	5,962	5,972
ROU	3,566	124	21,285
Investment properties	2,688	2,632	2,576
<b>Total non-current assets</b>	<b>12,683</b>	<b>8,718</b>	<b>29,833</b>
<b><u>Current assets</u></b>			
Inventories	9,608	4,609	20,953
Trade receivables	28,427	6,146	14,238
Other receivables, deposits and prepayments	16,027	40,754	7,009
Fixed deposits	5,250	5,338	5,463
Cash and bank balances	2,530	24,422	46,300
<b>Total current assets</b>	<b>61,842</b>	<b>81,269</b>	<b>93,963</b>
<b>TOTAL ASSETS</b>	<b>74,525</b>	<b>89,987</b>	<b>123,796</b>
<b><u>Equity</u></b>			
Share capital	7,300	7,300	7,300
Reserves	(2,122)	4,167	27,732
<b>TOTAL EQUITY</b>	<b>5,178</b>	<b>11,467</b>	<b>35,032</b>
<b><u>Non-current liabilities</u></b>			
Deferred tax liabilities	-	-	743
Lease liabilities	3,188	91	15,594
<b>Total non-current liabilities</b>	<b>3,188</b>	<b>91</b>	<b>16,337</b>
<b><u>Current liabilities</u></b>			
Trade payables	17,463	24,891	16,693
Other payables	31,582	30,413	20,950
Current tax liabilities	6	17	1,370
Borrowings	16,567	22,952	27,601
Amount due to a Director	50	90	-
Lease liabilities	491	66	5,813
<b>Total current liabilities</b>	<b>66,159</b>	<b>78,429</b>	<b>72,427</b>
<b>TOTAL LIABILITIES</b>	<b>69,347</b>	<b>78,520</b>	<b>88,764</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>74,525</b>	<b>89,987</b>	<b>123,796</b>

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

The following table sets out the audited statements of cash flows of our Group for the Financial Years Under Review which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12 and 13 of this Prospectus, respectively.

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Cash flows from operating activities</u></b>			
PBT	1,781	6,354	27,980
Adjustments for:			
Bad debts written-off	-	105	-
Deposits forfeited	-	37	4
Depreciation of:			
– investment properties	56	56	56
– PPE	593	627	667
– ROU	632	276	928
Gain on lease modification	-	(110)	(1)
Net loss/(gain) on loss allowance of trade receivables	192	(614)	61
Other payable written back	(90)	-	-
Gain on disposal of PPE	-	~	~
Gain on disposal of ROU	-	(88)	-
Gain on foreign exchange – unrealised (net)	~	(82)	(493)
Goods and Services Tax written off	12	-	-
Interest income	(169)	(94)	(150)
Interest expenses	876	2,167	1,918
<b>Operating profit before working capital changes</b>	<b>3,883</b>	<b>8,634</b>	<b>30,970</b>
Changes in working capital:			
Decrease/(Increase) in inventories	7,527	4,999	(16,343)
(Increase)/Decrease in trade and other receivables	(2,040)	(1,973)	25,587
(Decrease)/Increase in trade and other payables	(17,559)	6,204	(15,238)
Increase/(Decrease) in amount owing to a Director	50	40	(90)
Increase/(Decrease) in amount owing to related parties	2,974	55	(2,104)
<b>Cash (used in)/generated from operations</b>	<b>(5,165)</b>	<b>17,959</b>	<b>22,782</b>
Interest paid	(672)	(2,059)	(1,745)
Interest received	169	94	150
Tax paid	(39)	(54)	(2,319)
<b>Net cash (used in)/generated from operating activities</b>	<b>(5,707)</b>	<b>15,940</b>	<b>18,868</b>

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

	Audited		
	FYE 2021 RM'000	FYE 2021 RM'000	FYE 2021 RM'000
<b><u>Cash flows from investing activities</u></b>			
Acquisition of PPE	(17)	(160)	(678)
Proceeds from disposal of ROU	-	587	-
Proceeds from disposal of PPE	-	~	2
<b>Net cash (used in)/from investing activities</b>	<b>(17)</b>	<b>427</b>	<b>(676)</b>
<b><u>Cash flows from financing activities</u></b>			
Drawdown /(Repayment) from borrowings, net:			
- Bankers' acceptance	383	1,943	12,296
- Supplier financing	6,771	(2,714)	(4,073)
- Invoice financing	-	4,349	(971)
- Trust receipts	(1,088)	(1,147)	(1,138)
- Unsecured loans	-	4,456	(4,456)
- Trade financing	-	-	2,990
Interest paid	(204)	(109)	(174)
Repayment of lease liabilities	(539)	(747)	(837)
<b>Net cash from financing activities</b>	<b>5,323</b>	<b>6,031</b>	<b>3,637</b>
Net changes in cash and cash equivalents	(401)	22,398	21,829
Cash and cash equivalents at the beginning of the financial year	7,680	7,279	29,760
Effects of foreign exchange differences	~	83	174
<b>Cash and cash equivalents at the end of the financial year</b>	<b>7,279</b>	<b>29,760</b>	<b>51,763</b>

**Note:**

~ Less than RM1,000

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

**12.2 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (i) based on latest unaudited combined financial information of our Group as at 31 January 2024; and
- (ii) after adjusting for the effects of the Public Issue and utilisation of proceeds.

	As at 31 January 2024	I After Public Issue	II After I and utilisation of proceeds
	RM'000	RM'000	RM'000
<b>Capitalisation</b>			
Share capital	34,981	[•]	[•]
Reserves	3,517	[•]	[•]
<b>Total capitalisation</b>	<b>38,498</b>	<b>[•]</b>	<b>[•]</b>
<b>Indebtedness</b>			
<b><u>Non-Current</u></b>			
<i>Unsecured and unguaranteed:</i>			
Lease liabilities	15,095	[•]	[•]
<b><u>Current</u></b>			
<i>Secured and guaranteed</i>			
Borrowings	28,600	[•]	[•]
<i>Unsecured and unguaranteed</i>			
Lease liabilities	5,840	[•]	[•]
<b>Total indebtedness</b>	<b>49,535</b>	<b>[•]</b>	<b>[•]</b>
<b>Total capitalisation and indebtedness</b>	<b>88,033</b>	<b>[•]</b>	<b>[•]</b>
<b>Gearing ratio (times)<sup>(1)</sup></b>	<b>1.29</b>	<b>[•]</b>	<b>[•]</b>

**Note:**

(1) Computed based on total indebtedness divided by total shareholders' equity

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## **12. FINANCIAL INFORMATION (CONT'D)**

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

The following discussion and segmental analysis of our financial statements for the Financial Years Under Review should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

The discussion and analysis contain data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The future results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the Risk Factors as set out in Section 9 of this Prospectus.

There are no accounting policies which are peculiar to our Group regarding the nature of the business and industry which our Group is involved in. The selected financial information and financial analysis included in this Prospectus are not intended to predict our Group's financial position, results or cash flows.

#### **12.3.1 Overview of our operations**

Our Company is an investment holding company. Through our sole Subsidiary, BESB, we are principally involved in the manufacturing and trading of biomass fuel products, particularly PKS and wood pellets.

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, namely Malaysia, Indonesia, Japan, Singapore, China, South Korea and Thailand.

Please refer to Section 7 of this Prospectus for detailed overview of our Group's business. We set out below the analysis of our past financial performance and the commentaries thereof, during the Financial Years Under Review.

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

**12.3.2 Results of our operations**

**(A) Revenue**

Our revenue for the Financial Years Under Review was derived from the following:

**(i) Revenue by principal activities**

Principal activities	Audited								
	FYE 2021			FYE 2022			FYE 2023		
	MT sold	RM'000	%	MT sold	RM'000	%	MT sold	RM'000	%
Manufacturing of PKS	279,605	104,764	91.01	353,150	144,398	99.97	531,813	290,171	86.55
Manufacturing and trading of wood pellets	24,257	10,350	8.99	59	42	0.03	67,960	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>

Revenue arises mainly from sale of goods and rendering of services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Our Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to our customers. Revenue is recognised at the point in time upon shipment or delivery to a dedicated destination point.

Our revenue from the sale of PKS and wood pellets is a direct result of the selling prices and volume of PKS and wood pellets sold. Our average selling price is generally dependent on the specifications of the PKS or wood pellets required by the customer such as moisture levels, calorific value as well as ash, sulphur, sodium, potassium and chlorine volume, impurities and durability, the price of unprocessed PKS and wood residue, the volume of order required by the customer and the foreign exchange rate fluctuations.

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**12. FINANCIAL INFORMATION (CONT'D)****(ii) Revenue by geographical markets**

The following table sets forth our Group's revenue by geographical location of our customers:

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 local sales are denominated in RM, while our sales derived by the overseas market are mainly denominated in USD and SGD. Our revenue from each geographical location changes from year to year due to the different levels of demand from our customers and purchase orders received from our existing and new customers during the Financial Years Under Review.

**(iii) Commentaries on revenue****Comparison between FYE 2021 and FYE 2022**

Our revenue grew by approximately 25.48% or RM29.33 million to RM144.44 million for FYE 2022 (FYE 2021: RM115.11 million), which is in line with the overall increase in the sales volume of PKS sold by approximately 26.30% or 73,545.01 MT to 353,150.14 MT during FYE 2022 (FYE 2021: 279,605.13 MT). The increase in volume of PKS sold increased mainly due to the increase in overall volume of PKS sold to our foreign customers by approximately 54.60% or 61,794.97 MT to 174,974.09 MT during FYE 2022 (FYE 2021: 113,179.12 MT) mainly due to the following reasons:

- (a) increase in revenue contribution from the manufacturing of PKS to our customers based in Singapore, which are mainly traders of PKS, by approximately 141.34% or RM13.30 million to RM22.71 million for FYE 2022 (FYE 2021: RM9.41 million); and
- (b) increase in cumulative revenue contribution from the manufacturing PKS to our customers based in Japan and Indonesia, which are mainly traders of PKS, by approximately 204.13% or RM36.54 million to RM54.44 million for FYE 2022 (FYE 2021: RM17.90 million). This was mainly due to an increase in demand for biomass fuel products and sales orders received by the traders' customers as well as new purchase orders

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

received from traders in Indonesia of RM30.35 million (of which RM19.08 million from a new customer, PT Apac Metal Indonesia) during FYE 2022 (FYE 2021: Nil).

However, the increase in revenue contribution was partially offset by the decrease in revenue contribution from the following:

- (a) decrease in revenue contribution from the manufacturing of PKS to our customers based in Malaysia by approximately 9.14% or RM6.77 million to RM67.29 million for FYE 2022 (FYE 2021: RM74.06 million), as our Group had focused on fulfilling the purchase orders of PKS and wood pellets received from our foreign customers in Singapore, Japan and Indonesia;
- (b) lower sales volume for wood pellets sold by 99.76% or 24,198.24 MT to 59.20 MT in FYE 2022 (FYE 2021: 24,257.44 MT), resulting in the overall decrease in revenue generated from the manufacturing and trading of wood pellets, whereby overall revenue generated decreased by approximately 99.61% or RM10.31 million to RM0.04 million for FYE 2022 (FYE 2021: RM10.35 million). Such major decrease in sales volume and revenue contribution was mainly attributable to the preferences and demand of our customers to purchase PKS instead of wood pellet as primary source of biomass fuel products; and
- (c) completion of the purchase orders of PKS to our customer in China of RM12.41 million during FYE 2021, which did not reoccur during FYE 2022.

During FYE 2022:

- (a) the average selling price of PKS sold to our local customers decreased slightly by 3.43% or RM13.39 per MT from RM390.82 per MT in FYE 2021 to RM377.43 per MT in FYE 2022 mainly due to lower specifications of PKS required by these customers, which generally command lower selling prices; and
- (b) the average selling price of PKS sold to our foreign customers increased by 25.63% or RM89.95 per MT from RM350.97 per MT in FYE 2021 to RM440.92 per MT in FYE 2022 as the PKS sold to them require stringent specifications before they are sold to these foreign customers as well as the increase in the purchase cost of unprocessed PKS, thus resulting in the higher average selling price of PKS to these foreign customers.

**Comparison between FYE 2022 and FYE 2023**

Our revenue grew by approximately 132.10% or RM190.81 million to RM335.25 million for FYE 2023 (FYE 2022: RM144.44 million), which is in line with the overall increase in the sales volume of PKS sold by approximately 50.59% or 178,662 MT to 531,812 MT during FYE 2023 (FYE 2022: 353,150 MT). The increase was attributed to an increase in revenue from customers based in international markets in line with our Group's efforts to grow sales from international markets, due to the following reasons:

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

- (a) increase in overall revenue contribution from our customers based in Singapore, comprising traders of PKS, by approximately 363.14% or RM82.47 million to RM105.18 million for FYE 2023 (FYE 2022: RM22.71 million), due to the continued increase in revenue contribution generated from the manufacturing of PKS by 165.61% or RM37.61 million to RM60.32 million during FYE 2023 (FYE 2022: RM22.71 million) as well as trading of wood pellets to these customers in Singapore, which generated revenue of approximately RM44.86 million. We had temporarily halted our wood pellet manufacturing line at our Port Klang Factory and revenue generated mainly comprise trading of wood pellets during FYE 2023;
- (b) increase in overall revenue contribution from the manufacturing of PKS to our customers based in Indonesia, which are mainly traders of biomass fuel products, by approximately 293.90% or RM89.20 million to RM119.55 million for FYE 2023 (FYE 2022: RM30.35 million), due to the continued increase in demand for PKS by these customers for their trading activities;
- (c) increase in overall revenue contribution from the manufacturing of PKS to our customers based in Japan by approximately 261.10% or RM62.90 million to RM86.99 million (FYE 2022: RM24.09 million), arising from continued increase in demand of biomass fuel products by biomass plants in and around Japan, which has seen an increase in its PKS imports for its feed-in tariff ("FIT") program, as more large-scale FIT-approved biomass power plants become operational in Japan; and
- (d) sales generated from the manufacturing of PKS to a new customer involved in the biomass manufacturing activities based in Thailand, which generated revenue of RM6.73 million during FYE 2023.

However, the increase in revenue contribution was partially offset by the decrease in revenue contribution from the manufacturing of PKS and trading of wood pellets to our customers based in Malaysia by approximately 75.02% or RM50.48 million to RM16.81 million (FYE 2022: RM67.29 million), as our Group had focused on fulfilling the purchase orders of PKS for our foreign customers.

During FYE 2023:

- (a) the average selling price of PKS sold to our customers in Malaysia increased by 18.96% or RM71.55 per MT from RM377.43 per MT in FYE 2022 to RM448.98 per MT in FYE 2023 mainly due to overall increase in purchase cost of unprocessed PKS and wood residues; and
- (b) the average selling price of PKS sold to our foreign customers increased by 25.38% or RM111.92 per MT from RM440.92 per MT in FYE 2022 to RM552.84 per MT in FYE 2023 as the PKS sold to them continues to require stringent specifications before they are sold to these foreign customers as well as the increase in purchase cost of unprocessed PKS and wood residues, thus resulting in the higher average selling price of PKS to these foreign customers.

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**12. FINANCIAL INFORMATION (CONT'D)****(B) Cost of sales, GP and GP margin**

The fluctuation in our overall cost of sales was in tandem with our revenue for the Financial Years Under Review.

**(i) Cost of sales by principal activities**

We set out below the breakdown of our cost of sales by principal activities for the Financial Years Under Review:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b><u>Manufacturing of PKS</u></b>						
Raw materials consumed	90,763	85.77	123,023	95.16	235,932	81.56
Transportation charges	1,455	1.38	1,487	1.15	4,127	1.42
Rental of factory, machineries and equipment	2,927	2.77	3,118	2.41	3,607	1.25
Depreciation of PPE	854	0.81	721	0.56	1,262	0.44
Subcontracting cost	292	0.28	439	0.34	1,373	0.47
Other overhead expenses	501	0.47	461	0.36	1,120	0.39
<b>Total</b>	<b>96,792</b>	<b>91.48</b>	<b>129,249</b>	<b>99.98</b>	<b>247,421</b>	<b>85.53</b>
<b><u>Manufacturing and trading of wood pellets</u></b>						
Raw materials consumed	8,503	8.04	27	0.02	40,392	13.96
Transportation charges	126	0.11	~	#	528	0.18
Rental of factory, machineries and equipment	254	0.24	1	#	461	0.16
Depreciation of PPE	74	0.07	~	#	161	0.06
Subcontracting cost	26	0.02	~	#	176	0.06
Other overhead expenses	43	0.04	~	#	143	0.05
<b>Total</b>	<b>9,026</b>	<b>8.52</b>	<b>28</b>	<b>0.02</b>	<b>41,861</b>	<b>14.47</b>
<b>Total cost of sales</b>	<b>105,818</b>	<b>100.00</b>	<b>129,277</b>	<b>100.00</b>	<b>289,282</b>	<b>100.00</b>

**Notes:**

~ Less than RM1,000

# Less than 0.01%

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

The major components of our cost of sales are raw materials consumed during the Financial Years Under Review.

**(ii) Cost of sales by cost component**

The table below sets out the breakdown of our cost of sales by cost components for the Financial Years Under Review:

Cost components	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Raw materials consumed	99,266	93.81	123,050	95.18	276,324	95.52
Transportation charges	1,581	1.49	1,487	1.15	4,655	1.61
Rental of factory, machineries and equipment	3,181	3.01	3,119	2.41	4,068	1.41
Depreciation of PPE	928	0.88	721	0.56	1,424	0.49
Subcontracting cost	318	0.30	439	0.34	1,548	0.54
Other overhead expenses	544	0.51	461	0.36	1,263	0.43
<b>Total</b>	<b>105,818</b>	<b>100.00</b>	<b>129,277</b>	<b>100.00</b>	<b>289,282</b>	<b>100.00</b>

**(a) Raw materials consumed**

Our Group's raw materials consumed mainly consist of unprocessed PKS and wood residues. We source our raw materials from traders, palm oil 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 and overseas. The breakdown of the raw materials consumed are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	MT	RM'000	MT	RM'000	MT	RM'000
Manufacturing of PKS	279,605	90,763	353,150	123,023	531,813	235,932
Manufacturing and trading of wood pellets	24,257	8,503	59	27	67,960	40,392
<b>Total</b>		<b>99,266</b>		<b>123,050</b>		<b>276,324</b>

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

The increase in raw materials consumed/purchased during the Financial Years Under Review were in line with the increase in total revenue for the same period. The high proportion of raw materials consumed compared to other costs of sales is a result of high proportion of our manufacturing of PKS which includes the procurement of raw materials by us for the manufacturing of PKS and wood pellets, which are generally widely available and sourced from our local and foreign suppliers. The prices of these raw materials are mainly influenced by the overall market supply and demand conditions.

**(b) Transportation charges**

Our cost for our transportation charges relates to the transportation charges by third-party service providers incurred for the transportation of raw materials (such as unprocessed PKS and wood residues) from our suppliers' locations/sites within Peninsular Malaysia to our Port Klang Factory as well as the transportation of finished PKS and wood pellets to our warehouse and bonded warehouses in Northport, Port Klang, Selangor.

**(c) Rental of factory, machineries and equipment**

Our cost of rental of factory, machineries and equipment relate to the rental expenses incurred for the rental of our Port Klang Factory and bonded warehouses in Northport, Port Klang, Selangor as well as rental of various machineries and equipment that our Group do not own to support our manufacturing activities, the breakdown of which are as follows:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Rental of Port Klang Factory, warehouse and bonded warehouses in Northport, Port Klang, Selangor	2,384	2.26	2,619	2.02	3,102	1.07
Rental of machineries and equipment	797	0.75	500	0.39	966	0.34
<b>Total</b>	<b>3,181</b>	<b>3.01</b>	<b>3,119</b>	<b>2.41</b>	<b>4,068</b>	<b>1.41</b>

**(d) Depreciation**

Depreciation cost is determined based on the cost of an asset less its residual value. Depreciation for our machinery and equipment are recognised in the profit or loss statement of our Group on a straight-line basis over its estimated useful lives of each machinery and equipment. The useful life of the respective machinery and equipment depends on several factors such as type of machinery and equipment, brand, quality and our past experiences. The increase in our depreciation expenses during the Financial Years Under Review was mainly due to the new additions of plant, machineries, equipment as well as other supporting machineries, tools and equipment deployed in our Group's manufacturing facilities to support our manufacturing activities.

**12. FINANCIAL INFORMATION (CONT'D)****(e) Subcontracting costs**

Subcontracting costs consist of services provided by third-party service providers for our manufacturing activities, as follows:

- (i) supply of equipment, tools, materials and accessories used for our manufacturing activities;
- (ii) contract services such as traffic flow, cleaning services as well as removal/discharge of impurities from our manufacturing activities; and
- (iii) on 1 May 2023, BESB and Mine Biomass Sdn Bhd (“**MBSB**”) had entered into the warehousing manufacturing services agreement to outsource the manufacturing activities of PKS, whereby MBSB shall provide the services of handling, storage and manufacturing of BESB’s various PKS related products in MBSB’s storage and manufacturing facilities located in Kuantan, Pahang for a period of 12 months (“**PKS Subcontract**”). During FYE 2023, our Group has incurred the total cost of RM0.61 million for the manufacturing and storage of 19,695 MT of PKS, which is in line with the continuous growth in manufacturing of PKS activities.

**(f) Other overhead expenses**

The breakdown of our other overhead expenses incurred during the Financial Years Under Review are as follows:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Laboratory testing	330	0.31	254	0.20	667	0.23
Packing materials	5	~	-	-	-	-
Site expenses	74	0.07	44	0.03	148	0.05
Upkeep on factories, machineries, equipment and electrical fittings	26	0.02	70	0.05	274	0.09
Utilities	109	0.11	93	0.08	174	0.06
<b>Total</b>	<b>544</b>	<b>0.51</b>	<b>461</b>	<b>0.36</b>	<b>1,263</b>	<b>0.43</b>

**Note:**

~ Less than 0.01%.

**12. FINANCIAL INFORMATION (CONT'D)****(iii) GP and GP margin by principal activities**

The table below sets forth a breakdown of GP and GP margin by principal activities for the Financial Years Under Review as follows:

<b>GP</b>	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Manufacturing of PKS	7,972	85.76	15,149	99.91	42,750	93.00
Manufacturing and trading of wood pellets	1,324	14.24	14	0.09	3,219	7.00
<b>Total GP</b>	<b>9,296</b>	<b>100.00</b>	<b>15,163</b>	<b>100.00</b>	<b>45,969</b>	<b>100.00</b>
<b>GP margin</b>		<b>%</b>		<b>%</b>		<b>%</b>
Manufacturing of PKS		7.61		10.50		14.73
Manufacturing and trading of wood pellets		12.79		33.17		7.14
<b>Overall GP margin</b>		<b>8.07</b>		<b>10.50</b>		<b>13.71</b>

**(iv) Commentaries on cost of sales, GP and GP margin****Comparison between FYE 2021 and FYE 2022**

Our Group's cost of sales increased by 22.17% or RM23.46 million to RM129.28 million in FYE 2022 (FYE 2021: RM105.82 million), mainly due to the following:

- (a) increase in raw materials consumed for the manufacturing of PKS by approximately 35.54% or RM32.26 million to RM123.02 million (FYE 2021: RM90.76 million) mainly due to increase in average purchase price of unprocessed PKS for the manufacturing of PKS, which increased by approximately 7.32% or RM23.75 per MT to RM348.36 per MT during FYE 2022 (FYE 2021: RM324.61 per MT), which is in line with the increase in consumption of unprocessed PKS to manufacture PKS; and
- (b) increase in subcontracting costs by approximately 37.50% or RM0.12 million to RM0.44 million (FYE 2021: RM0.32 million) as we procured additional services from a third-party contract service to support our further growth in PKS manufacturing activities.

Consequently, GP derived from the manufacturing of PKS increased by 90.09% or RM7.18 million to RM15.15 million (FYE 2021: RM7.97 million), which is in line with the overall increase in revenue generated from the manufacturing of PKS. In addition, our GP margin also improved by 7.61% from 8.07% in FYE 2021 to 10.50% in FYE 2022 mainly due to higher average selling price of our PKS sold to our foreign customers with increase of approximately 23.05% or RM89.51 per MT, which improved our overall GP margin for the manufacturing of PKS by approximately 2.89%. The



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

manufacturing of PKS to our foreign customers generally command higher average selling price mainly due to different types of PKS specifications such as moisture content level, ash volume, sulphur volume, impurities as well as other specifications as specified by our foreign customers, in line with the foreign regulations imposed on the imports of PKS.

GP derived from the manufacturing and trading of wood pellets decreased by 99.24% or RM1.31 million to RM0.01 million (FYE 2021: RM1.32 million) in line with the decrease in revenue generated for the manufacturing and trading of wood pellets by 99.61% or RM10.31 million. Our GP margin increased by 20.38% from 12.79% in FYE 2021 to 33.17% in FYE 2022. However, manufacturing and trading of wood pellets only represents 0.09% GP contributions in FYE 2022.

**Comparison between FYE 2022 and FYE 2023**

Our Group's cost of sales increased by 123.76% or RM160.00 million to RM289.28 million in FYE 2023 (FYE 2022: RM129.28 million), which is in line with the increase in revenue growth of approximately 132.10% or RM190.81 million. The increase was mainly due to the following:

- (a) increase in raw materials consumed for the manufacturing of PKS by approximately 91.78% or RM112.91 million to RM235.93 million (FYE 2022: RM123.02 million) mainly due to the continued increase in average purchase price of unprocessed PKS for the manufacturing of PKS, which increased by approximately 27.35% or RM95.29 per MT to RM443.64 per MT during FYE 2023 (FYE 2022: RM348.35 per MT), which is in line with the increase in consumption of unprocessed PKS to produce PKS arising from the overall increase in purchase orders received from our major customers;
- (b) increase in the overall transportation charges by approximately 212.08% or RM3.16 million to RM4.65 million in FYE 2023 (FYE 2022: RM1.49 million) mainly due to increase in transportation costs incurred for the transportation of raw materials to our warehouse and bonded warehouses in Northport, Port Klang, Selangor;
- (c) increase in the overall cost of rental of factory, machineries and equipment by approximately 30.45% or RM0.95 million to RM4.07 million in FYE 2023 (FYE 2022: RM3.12 million) as we had renewed the rental of our Port Klang Factory on 1 January 2023 as well as additional rental of a warehouse unit in Northport, Port Klang, Selangor during FYE 2023 to continue support our further growth in manufacturing of PKS activities;
- (d) increase in depreciation costs by approximately 97.22% or RM0.70 million to RM1.42 million in FYE 2023 (FYE 2022: RM0.72 million) as we purchased additional equipment, tools, materials and accessories to further support our PKS manufacturing activities during FYE 2023; and
- (e) increase in the overall subcontracting cost by approximately 252.27% or RM1.11 million to RM1.55 million in FYE 2023 (FYE 2022: RM0.44 million), arising from the PKS Subcontract of RM0.61 million during FYE 2023 to produce 19,695 MT of PKS during FYE 2023 to continue support our further growth in manufacturing of PKS activities.

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

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Consequently, GP derived from the manufacturing of PKS increased further by 182.18% or RM27.60 million to RM42.75 million (FYE 2022: RM15.15 million), which is in line with the overall increase in revenue generated from the manufacturing of PKS. In addition, our overall GP margin derived from the manufacturing of PKS also improved by 4.23% from 10.50% in FYE 2022 to 14.73% in FYE 2023 mainly due to higher average selling price of our PKS sold to both our local and foreign customers by approximately 33.45% or RM136.75 per MT to RM545.63 per MT during FYE 2023 (FYE 2022: RM408.88 per MT). The sale of PKS to our foreign customers generally command higher average selling price mainly due to different types of PKS specifications such as moisture content level, ash volume, sulphur volume, impurities as well as other specifications as specified by our foreign customers, in line with the foreign regulations imposed on the imports of PKS.

GP derived from the manufacturing and trading of wood pellets was RM3.22 million, generating GP margin of 7.14%. However, our overall GP margin increased by 3.21% from 10.50% in FYE 2022 to 13.71% in FYE 2023 mainly due to the lower GP margin derived from the trading of wood pellets, which generally have lower GP margin, arising from the halt for our manufacturing activities of wood pellets as we have been reconfiguring our existing manufacturing line of wood pellets in our Port Klang Factory, which shall only commence operations in the second half of FYE 2024.

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**12. FINANCIAL INFORMATION (CONT'D)****(C) Other operating income**

The following table sets out the breakdown of our Group's other income for the Financial Years Under Review:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Gain on disposal of PPE	-	-	#	~	#	~
Gain on disposal of ROU	-	-	(1)88	5.47	-	-
Gain on foreign exchange (net):						
- Realised	966	73.41	575	35.73	70	20.96
- Unrealised	~	-	82	5.10	-	-
Gain on lease modification	-	-	110	6.84	1	0.30
Interest income <sup>(2)</sup>	169	12.84	94	5.84	150	44.91
Rental income	90	6.84	660	41.02	113	33.83
Debts written-off <sup>(3)</sup>	91	6.91	-	-	-	-
<b>Total</b>	<b>1,316</b>	<b>100.00</b>	<b>1,609</b>	<b>100.00</b>	<b>334</b>	<b>100.00</b>

**Notes:**

~ Less than 0.01%.

# Less than RM1,000.

- (1) This relates to disposal of 2 units of motor vehicles for RM0.59 million which were leased during FYE 2022, which resulted in one-off gain on disposal of ROU assets of RM0.09 million.
- (2) This mainly relates to interest income generated from fixed deposits placed with financial institutions.
- (3) This mainly relates to the waiver of certain non-trade debts obtained from our non-trade creditors arising from several unidentified claims that were not recognised as amount owing by our Group to these non-trade creditors.

**Comparison between FYE 2021 and FYE 2022**

Other operating income increased by approximately 21.97% or RM0.29 million to RM1.61 million (FYE 2021: RM1.32 million), mainly due to the following reasons:

- (a) increase in overall rental income by approximately 633.33% or RM0.57 million, mainly due to the rental of our bonded warehouse located at Northport, Port Klang, Selangor to a third-party for RM0.57 million commencing from September 2021 to December 2022; and
- (b) gain on lease modification (alteration made to terms of the existing lease agreement) of RM0.11 million due to the termination of the lease contract for the lease of bonded warehouse space in Northport, Port Klang, Selangor as well as the renewal of the lease contract of our office space located in Sri Petaling, Selangor during FYE 2022, which resulted in a one-off gain on the carrying amount of the ROU assets against the carrying amount of the lease liabilities of these 2 properties.

However, such increase was partially offset by the decrease in the following:

- (a) decrease in realised gain in foreign exchange during FYE 2022 by approximately 40.21% or RM0.39 million, which was mainly due to USD currency fluctuations in FYE 2022 which led to lower gain on foreign exchange arising from trade transactions; and

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

- (b) decrease in interest income generated by approximately 47.06% or RM0.08 million due to the upliftment of certain fixed deposits which were previously pledged to several licensed financial institutions to obtain certain banking facilities granted for our Group's working capital requirements.

**Comparison between FYE 2022 and FYE 2023**

Other operating income decreased by approximately 79.50% or RM1.28 million to RM0.33 million (FYE 2022: RM1.61 million), mainly due to the following reasons:

- (a) cessation of the rental of a bonded warehouse located at Northport, Port Klang, Selangor to a third-party as at 31 December 2022. Our rental income of RM0.11 million generated during FYE 2023 were mainly derived from the short-term rental of our bonded warehouse located at A5 Southport, Northport, Port Klang, Selangor to a third-party from January to February 2023; and
- (b) decrease in gain on realised gain on foreign exchange of approximately 87.93% or RM0.51 million during FYE 2023 due to USD currency fluctuations resulted in higher realised gain on foreign exchange arising from trade transactions which was partially offset with the realised loss on foreign exchange mainly arising from repayment of trade deposits payable to our customers in RM equivalent.

**(D) Net (loss)/gain on loss allowance of trade receivables**

**Comparison between FYE 2021 and FYE 2022**

During FYE 2021, our Group recorded a net loss on allowance of trade receivables of RM0.19 million based on the expected credit loss computation pursuant to the MFRS 9. However, during FYE 2022, our Group recorded a net gain on allowance of trade receivables of RM0.61 million due to the lower expected credit loss provided.

**Comparison between FYE 2022 and FYE 2023**

During FYE 2023, our Group recorded a loss on allowance of trade receivables of RM0.06 million based on the expected credit loss computation pursuant to the MFRS 9.

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**12. FINANCIAL INFORMATION (CONT'D)****(E) Selling and administrative expenses**

The following table sets out the breakdown of our Group's selling and administrative expenses for the Financial Years Under Review:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Professional fees <sup>(1)</sup>	387	4.99	753	8.49	1,662	10.17
Demurrage fees <sup>(2)</sup>	-	-	2,443	27.56	208	1.27
Depreciation of PPE <sup>(3)</sup>	352	4.54	238	2.68	227	1.39
Directors' and key management remunerations	1,005	12.95	1,050	11.85	2,257	13.81
Staff costs	1,604	20.67	1,143	12.89	2,440	14.93
Logistic and transportation charges <sup>(4)</sup>	2,766	35.64	2,278	25.70	4,926	30.14
Management fees	336	4.33	-	-	-	-
Sales and marketing	811	10.45	375	4.23	2,631	16.10
Rental expenses	28	0.36	25	0.28	20	0.12
Upkeep and maintenance expenses	14	0.18	28	0.32	34	0.21
Loss on foreign exchange	-	-	-	-	494	3.02
Other expenses <sup>(5)</sup>	457	5.89	532	6.00	1,445	8.84
<b>Total</b>	<b>7,760</b>	<b>100.00</b>	<b>8,865</b>	<b>100.00</b>	<b>16,344</b>	<b>100.00</b>

**Notes:**

- (1) This mainly consists of professional fees incurred for audit fees, legal, secretarial, consultancy services, fees related to the procurement of financing/banking facilities from financial institutions as well as fees for our Listing.
- (2) This relates to fees charged by customers in relation to the delay in berthing of barge/vessels after arriving to the port due to port congestion. These demurrage fees are generally charged per barge/vessels per day fee.
- (3) This relates to the depreciation for our office equipment, renovations, fixtures and fittings as well as motor vehicles.
- (4) This relates to the transportation of PKS and wood pellets from our warehouse and bonded warehouses to our customers respective locations/destinations within Peninsular Malaysia and to port of destination.
- (5) Other selling and administrative expenses include bank charges for our financing facilities, licensing fees, road tax paid, insurance, service charges, gifts and donations, entertainment expenses, office expenses, travelling expenses, quit rents, security fees, stamp duties, utilities, membership fees and postages.

**Comparison between FYE 2021 and FYE 2022**

In FYE 2022, overall selling and administrative expenses increased by approximately 14.30% or RM1.11 million to RM8.87 million (FYE 2021: RM7.76 million), mainly due to the following reasons:

- (a) demurrage fees of RM2.44 million arising from the prolonged delays for the delivery of PKS and wood pellets to our foreign customers due to global shipping delays arising from COVID-19 disruptions; and

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

- (b) increase in professional fees by 92.31% or RM0.36 million, mainly due to higher legal and related professional fees incurred of approximately RM0.10 million for procuring new financing and banking facilities from a local financial institution as well as business valuation fees incurred of RM0.06 million during FYE 2022.

However, such increase was partially offset by the following:

- (a) termination of the management services entered into with GPI Management Sdn Bhd for providing management and administrative services and facilities to our Group for the amount of RM28,000.00 per month commencing from 1 January 2021 to 31 December 2021, which did not reoccur during FYE 2022;
- (b) decrease in logistic and transportation charges by 17.69% or RM0.49 million, from RM2.77 million during FYE 2021 to RM2.28 million during FYE 2022, due to overall decrease in overall loading and unloading of cargo/finished goods at various ports for delivery to our foreign customers;
- (c) decrease in staff costs by 28.75% or RM0.46 million, from RM1.60 million during FYE 2021 to RM1.14 million during FYE 2022 due to lower performance bonuses and incentives paid to our staff during FYE 2022 as we decided to preserve our existing cashflows to fund our future business expansions; and
- (d) decrease in overall sales and marketing expenses by 53.08% or RM0.43 million, from RM0.81 million during FYE 2021 to RM0.38 million during FYE 2022, due to the cessation of the services of several marketing agents in China to undertake related business development and marketing activities in China during FYE 2022.

**Comparison between FYE 2022 and FYE 2023**

In FYE 2023, overall selling and administrative expenses increased further by approximately 84.22% or RM7.47 million to RM16.34 million (FYE 2021: RM8.87 million), mainly due to the following reasons:

- (a) increase in professional fees by 120.72% or RM0.91 million, due to higher legal and related professional fees incurred of approximately RM0.14 million for procuring new financing and banking facilities from local financial institutions as well as professional fees incurred of RM0.80 million for the preparation of our Listing during FYE 2023;
- (b) higher Directors' and key management remunerations by 115.24% or RM1.21 million, mainly due to the further increase in Directors' fees of all our Executive Directors and key management team to reward them for the further improvement in the financial results of our Group during FYE 2023 as well as the additional payment of salary of RM0.11 million arising from the appointment of Salihudin as the CFO of BESB on 1 August 2023;
- (c) increase in overall staff costs by 114.04% or RM1.30 million, mainly due to higher performance bonuses and incentives paid to our staff to reward them for the further improvement in the financial results of our Group during FYE 2023 as well as the recruitment of additional 19 support staff during FYE 2023 to support our Group's business expansion activities;
- (d) increase in overall logistic and transportation charges by 116.23% or RM2.65 million, mainly due to overall increase in loading and unloading of cargo/finished goods to our foreign customers, which is in line with the growth in our revenue levels during FYE 2023;
- (e) increase in sales and marketing expenses by 592.11% or RM2.25 million, mainly due to additional sales and marketing activities performed by our Group to further expand our foreign sales activities, in tandem with the overall improved revenue generated by our Group during FYE 2023;

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

- (f) unrealised loss on foreign exchange incurred of RM0.49 million during FYE 2023 due to the weakening of RM against USD, resulting in additional deposits payable to our customers denominated in USD as at 31 December 2023;
- (g) increase in other expenses by approximately 173.58% or RM0.92 million mainly due to the following reasons:
- (i) higher bank guarantee fees and stamp duties paid to obtain financing facilities from financial institutions of RM0.44 million (FYE 2022: RM0.35 million);
  - (ii) higher entertainment and travelling expenses incurred of RM0.35 million during FYE 2023 (FYE 2022: RM0.10 million), in tandem with the growth in our Group's sales and marketing activities; and
  - (iii) higher insurance paid of RM0.15 million (FYE 2022: RM0.04 million).

However, the overall increase was partially offset by the decrease in overall demurrage fees incurred by 91.39% or RM2.23 million due to the continuous easing of major port congestions caused by the prolonged global shipping delays arising from COVID-19 disruptions. This has resulted in shortened time required for the holding and storage of our finished goods at various ports, which shortened the overall time of delivery and transportation of our products to our foreign customers.

**(F) Finance costs**

The breakdown of our finance costs for the Financial Years Under Review are as follows:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Interest expenses on:</b>						
- Overdrafts	18	2.05	33	1.52	4	0.21
- Bankers' acceptances	83	9.44	236	10.93	505	26.33
- Finance leases	36	4.10	41	1.89	-	-
- Invoice financing	-	-	104	4.80	212	11.05
- Letter of credits	3	0.34	-	-	-	-
- Supplier financing	161	18.32	168	7.75	417	21.74
- Trust receipts	410	46.64	571	26.34	546	28.47
- Trade financing	-	-	-	-	60	3.13
- Unsecured loans	-	-	947	43.68	-	-
- Lease liabilities	168	19.11	67	3.09	174	9.07
<b>Total</b>	<b>879</b>	<b>100.00</b>	<b>2,167</b>	<b>100.00</b>	<b>1,918</b>	<b>100.00</b>

**Comparison between FYE 2021 and FYE 2022**

In FYE 2022, finance cost increased by approximately 146.59% or RM1.29 million to RM2.17 million (FYE 2021: RM0.88 million), mainly due to the following reasons:

- (a) increase in interest expenses incurred for the drawdown of bankers' acceptance by 200.00% or RM0.16 million mainly due to higher drawdown of bankers' acceptance facilities to finance our working capital requirements and purchase of raw materials;
- (b) increase in interest expenses incurred for the drawdown of trust receipts by 39.02% or RM0.16 million to finance our working capital requirements;
- (c) interest expenses of RM0.10 million incurred on a new invoice financing facilities secured from a local financial institution with a limit of up to RM4.50 million during FYE 2022 to finance our working capital requirements; and

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

- (d) interest expenses of RM0.95 million incurred on short-term unsecured loans of RM21.32 million to finance our working capital requirements during the second half of FYE 2022,

which was partially offset by the decrease in interest expenses incurred on our lease liabilities by 60.12% or RM0.10 million due to the disposal of 2 units of passenger vehicles for RM0.59 million.

**Comparison between FYE 2022 and FYE 2023**

In FYE 2023, finance cost decreased by approximately 11.52% or RM0.25 million to RM1.92 million (FYE 2022: RM2.17 million), mainly due to the decrease in interest expenses incurred on short-term unsecured loans obtained of RM0.95 million arising from full repayment of the outstanding principal sums and interest of the said unsecured loans.

However, the decrease in finance cost was partially offset by the cumulative increase in interest expenses on bankers' acceptances and supplier financing by approximately 126.83% or RM0.52 million during FYE 2023, due to additional drawdown of these financing facilities to further support our working capital requirements, in line with the growth our Group's revenue levels.

**(G) PBT, PAT, PBT margin and PAT margin**

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
PBT (RM'000)	1,781	6,354	27,980
PBT margin (%)	1.55	4.40	8.35
PAT (RM'000)	1,742	6,289	23,565
PAT margin (%)	1.51	4.35	7.03

**Comparison between FYE 2021 and FYE 2022**

Our Group's PBT for the FYE 2022 increased by approximately 256.74% or RM4.57 million to RM6.35 million (FYE 2021: RM1.78 million) mainly due to increase in revenue generated from our manufacturing of PKS activities of approximately 37.84% or RM39.64 million and higher overall GP recorded of approximately 63.01% or RM5.86 million. Our PBT margin increased to 4.40% during FYE 2022 mainly arising from improvement in our overall GP margin from 8.07% during FYE 2021 to 10.50% during FYE 2022 due to the following reasons:

- (a) improvement in GP margin derived from the manufacturing of PKS, which improved by 2.89% from 7.61% in FYE 2021 to 10.50% in FYE 2022;
- (b) higher other operating income generated by approximately 21.97% or RM0.29 million; and
- (c) one-off net gain on loss allowance of trade receivables of RM0.61 million arising from the reversal of expected credit losses incurred on trade receivables during FYE 2022,

which was partially offset by the increase in finance cost by approximately 146.59% or RM1.29 million due to higher interest expenses incurred on the drawdown of bankers' acceptances, trust receipts, invoice financing and unsecured loans to finance of our working capital requirements.

In line with the increase in our GP margin and PBT margin, our PAT margin increased from 1.51% in FYE 2021 to 4.35% in FYE 2022.



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

Our Group's PBT for the FYE 2023 continued to increase by approximately 340.63% or RM21.63 million to RM27.98 million (FYE 2022: RM6.35 million) mainly due to higher revenue generated from our manufacturing of PKS activities of approximately 100.95% or RM145.77 million and increase in overall GP generated of approximately 203.23% or RM30.81 million. Our PBT margin increased by 3.95% from 4.40% in FYE 2022 to 8.35% in FYE 2023 mainly arising from improvement in our overall GP margin from 10.50% during FYE 2022 to 13.71% during FYE 2023 due to the continuous improvement in GP margin derived from the manufacturing of PKS, which had improved by 4.23% from 10.50% in FYE 2022 to 14.73% in FYE 2023.

However, the increase in our Group's PBT and PBT margin was partially offset by the following:

- (a) lower other operating income generated by approximately 79.50% or RM1.28 million;
- (b) one-off net loss on loss allowance of trade receivables of RM0.06 million based on the expected credit loss computation pursuant to the MFRS 9;
- (c) increase in overall selling and administrative expenses by approximately 84.22% or RM7.47 million; and
- (d) increase in tax expenses by approximately RM4.35 million, which is in line with the increase in overall revenue and GP levels.

In line with the increase in our PBT margin, our PAT margin increased from 4.35% in FYE 2022 to 7.03% in FYE 2023.

**(H) Taxation**

The following sets out the reconciliation of income tax expense applicable to our PBT at the Malaysian statutory tax rates to income tax expense at the effective tax rate of our Group:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PBT	1,781	6,354	27,980
Income tax at Malaysian statutory tax rate	428	1,525	6,715
Expenses not deductible for tax purposes	163	41	456
Unrecognised tax credits	(591)	(1,536)	(2,881)
Under provision of deferred taxation in prior financial year	39	35	125
<b>Tax expenses for the year</b>	<b>39</b>	<b>65</b>	<b>4,415</b>
Effective tax rate (%) <sup>(1)</sup>	2.19	1.02	15.78
Malaysian statutory tax rate (%)	24.00	24.00	24.00

**Note:**

(1) Effective tax rate is calculated based on tax expenses divided by PBT.

For the Financial Years Under Review, we do not have any outstanding or provision for withholding tax.

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

We are subject to income tax at the applicable statutory tax rates in Malaysia. We assume responsibility for withholding tax on payments to our service providers who are not residents in the relevant country where the services are rendered. We remit such withheld tax to the relevant tax authorities. The applicable statutory tax rate for the Financial Years Under Review is 24.0% for taxable income on entities in Malaysia.

For FYE 2021, our effective tax rate of 2.19% was lower than the Malaysian statutory tax rate of 24.00%, mainly due to the following:

- (a) expenses not deductible for taxation purposes of RM0.16 million which comprise mainly of depreciation expenses arising from non-qualifying PPE, bank charges, professional fees and marketing expenses, amounting to approximately RM0.68 million; and
- (b) unrecognised tax credits of RM0.59 million arising from BESB's tax credits utilised, which comprises of unabsorbed capital allowances brought forward from previous financial years of approximately RM2.46 million.

For FYE 2022, our effective tax rate decreased slightly to 1.02%, which was lower than the statutory tax rate of 24.00%, mainly due to the following:

- (a) expenses not deductible for taxation purpose of RM0.04 million which comprise mainly of depreciation expenses arising from non-qualifying PPE as well as marketing expenses amounting to approximately RM0.17 million; and
- (b) increase in the effects of unrecognised tax credits by 161.02% or RM0.95 million to RM1.54 million during FYE 2022, mainly due to higher tax credits utilised, which comprises the unabsorbed business losses balance brought forward from previous financial years of approximately RM6.28 million, against the higher taxable profits recorded by our Group during FYE 2022.

For FYE 2023, our tax expenses increased by RM4.35 million to RM4.42 million for FYE 2023 (FYE 2022: RM0.07 million), mainly attributable to higher PBT recorded for FYE 2023. Our effective tax rate increased to 15.78%, which was lower than the statutory tax rate of 24.00%, mainly due to the following:

- (a) increase in the effective tax rate from 1.02% in FYE 2022 to 15.78% in FYE 2023 is mainly due to the exhaustion of unabsorbed tax losses balances brought forward from previous years amounting to RM14.74 million, which had been fully utilised against taxable profits recorded by our Group during FYE 2023;
- (b) expenses not deductible for taxation purpose of RM0.46 million which comprise mainly of depreciation expenses arising from non-qualifying PPE, bank charges, professional fees as well as marketing expenses amounting to approximately RM1.90 million; and
- (c) increase in unrecognised tax credits by 87.01% or 1.34 million to RM2.88 million during FYE 2023, mainly due to higher tax credits utilised, which comprises the unabsorbed business losses balance brought forward from previous financial years of RM14.74 million, against the higher taxable profits recorded by our Group during FYE 2023.

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**12. FINANCIAL INFORMATION (CONT'D)****12.3.3 Review of financial position****(A) Assets**

	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-current assets</u></b>			
PPE	6,429	5,962	5,972
ROU <sup>(1)</sup>	3,566	124	21,285
Investment properties	2,688	2,632	2,576
<b>Total non-current assets</b>	<b>12,683</b>	<b>8,718</b>	<b>29,833</b>
<b><u>Current assets</u></b>			
Inventories	9,608	4,609	20,953
Trade receivables	28,427	6,146	14,238
Other receivables, deposits paid and prepayments <sup>(2)</sup>	16,027	40,754	7,009
Fixed deposits	5,250	5,338	5,463
Cash and bank balances	2,530	24,422	46,300
<b>Total current assets</b>	<b>61,842</b>	<b>81,269</b>	<b>93,963</b>
<b>Total assets</b>	<b>74,525</b>	<b>89,987</b>	<b>123,796</b>

**Notes:**

- (1) This mainly relates to the recognition of interest on the ROU assets, which relates to the future rental payable on the lease of our Port Klang Factory, Kapar Warehouse as well as bonded warehouses in Northport, Port Klang, Selangor arising from the adoption of MFRS 16. The breakdown of our ROU assets are as follows:

	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<i>Rented premises as follows:</i>			
- Northport bonded warehouse	2,861	-	-
- Port Klang Factory	-	-	2,344
- Office space in Sri Petaling, Kuala Lumpur	65	72	120
- Headquarters	26	-	101
- Kapar Warehouse	-	-	18,703
Motor vehicles	614	52	17
<b>Total</b>	<b>3,566</b>	<b>124</b>	<b>21,285</b>

- (2) The breakdown of the other receivables, deposits paid and prepayments are as follows:

	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other receivables	59	33	-
Trade deposits	14,402	37,981	-
Deposits paid	1,471	2,648	6,945
Prepayments	95	92	64
<b>Total</b>	<b>16,027</b>	<b>40,754</b>	<b>7,009</b>

**12. FINANCIAL INFORMATION (CONT'D)****Comparison between 31 December 2021 and 31 December 2022****Non-current assets**

Our non-current assets decreased by approximately 31.23% or RM3.96 million mainly due to the following reasons:

- (a) decrease in ROU assets by approximately 96.64% or RM3.45 million due to the lease modification of the lease contracts for our office space located in Sri Petaling, Selangor and termination of the lease contract of our Port Klang Factory during FYE 2022; and
- (b) decrease in PPE by approximately 7.31% or RM0.47 million as certain motor vehicles, plant, machineries and equipment have been fully depreciated as at 31 December 2022.

**Current assets**

Our current assets increased by approximately 31.42% or RM19.43 million mainly due to the following:

- (a) increase in other receivables, deposits and prepayments by approximately 154.21% or RM24.72 million mainly due to the following reasons:
  - (i) increase in trade deposits paid to our suppliers by approximately 163.75% or RM23.58 million mainly for the purchase of various raw materials of RM31.30 million during the fourth quarter of FYE 2022 (Fourth quarter of FYE 2021: RM18.18 million) in order to fulfil deliveries of PKS of RM53.84 million during the first quarter of FYE 2023 (First quarter of FYE 2022: RM13.10 million); and
  - (ii) increase in deposits paid of 80.27% or RM1.18 million as at 31 December 2021 arising from the increase in rental deposits placed with our landlords for the rental of warehouses and bonded warehouses in Port Klang, Klang amounting to RM0.46 million and the deposits placed with a local financial institution as security for obtaining financing facilities.
- (b) increase in cash and bank balances by 865.22% or RM21.89 million due to higher collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022, as compared to collections of trade receivables collected from our customers of RM17.68 million during the fourth quarter of FYE 2021.

However, the above increase was partially offset by the decrease in the following:

- (a) decrease in overall inventories by approximately 52.03% or RM5.00 million mainly due to the completion of deliveries of PKS and wood pellets during the fourth quarter of FYE 2022 of RM41.71 million; and
- (b) decrease in trade receivables by approximately 78.37% or RM22.28 million, due to higher collections of trade receivables collected from our customers of RM95.33 million during the fourth quarter of FYE 2022, as compared to trade receivables collected of RM17.68 million during the fourth quarter of FYE 2021.

**Comparison between 31 December 2022 and 31 December 2023****Non-current assets**

Our non-current assets increased by approximately 242.09% or RM21.11 million mainly due to the increase in ROU assets by approximately 17,641.67% or RM21.17 million due to increase in the ROU assets for our Port Klang Factory of RM2.34 million as well as Kapar Warehouse of RM18.34 million.

**12. FINANCIAL INFORMATION (CONT'D)****Current assets**

Our current assets increased by approximately 15.61% or RM12.69 million mainly due to the following reasons:

- (a) increase in overall inventories level by approximately 354.45% or RM16.34 million mainly due to the increase in finished goods comprising PKS and wood pellets by approximately 655.90% or RM16.50 million to RM19.01 million as at 31 December 2023, which are pending for delivery to our local and foreign customers;
- (b) increase in trade receivables by approximately 131.54% or RM8.09 million, due to revenue recorded arising from the sale to PKS of RM124.96 million during the fourth quarter of FYE 2023;
- (c) increase in overall cash and bank balances by 89.60% or RM21.88 million due to continuous collections of trade receivables from our customers of RM159.91 million during the fourth quarter of FYE 2023, as compared to collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022.

However, the above increase was offset by the decrease in other receivables, deposits and prepayments by approximately 82.80% or RM33.74 million. This was mainly due to no trade deposits paid to our suppliers as at 31 December 2023 for the purchase of various raw materials (comprising unprocessed PKS and wood residues) as we have kept sufficient levels of raw materials of RM1.94 million for our manufacturing of PKS and wood pellets activities for the first quarter of FYE 2024. However, this was partially offset by the increase in deposits paid of 162.26% or RM4.30 million as at 31 December 2023 due to the increase in deposits placed of RM3.25 million with local financial institutions as security for obtaining financing/banking facilities.

**(B) Liabilities**

	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-current liabilities</u></b>			
Lease liabilities <sup>(1)</sup>	3,188	91	15,594
Deferred tax liabilities	-	-	743
<b>Total non-current liabilities</b>	<b>3,188</b>	<b>91</b>	<b>16,337</b>
<b><u>Current liabilities</u></b>			
Trade payables	17,463	24,891	16,693
Other payables <sup>(2)</sup>	31,582	30,413	20,950
Current tax liabilities <sup>(3)</sup>	6	17	1,370
Borrowings <sup>(4)</sup>	16,567	22,952	27,601
Amount due to a Director <sup>(6)</sup>	50	90	-
Lease liabilities <sup>(1)</sup>	491	66	5,813
<b>Total current liabilities</b>	<b>66,159</b>	<b>78,429</b>	<b>72,427</b>
<b>Total liabilities</b>	<b>69,347</b>	<b>78,520</b>	<b>88,764</b>

**12. FINANCIAL INFORMATION (CONT'D)****Notes:**

(1) The breakdown of our lease liabilities are as follows:

	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Non-current liabilities</u></b>			
Port Klang Factory and warehouse facility	2,679	30	15,557
Motor vehicles	509	61	37
<b>Total</b>	<b>3,188</b>	<b>91</b>	<b>15,594</b>
<b><u>Current liabilities</u></b>			
Port Klang Factory and warehouse facility	344	43	5,789
Motor vehicles	147	23	24
<b>Total</b>	<b>491</b>	<b>66</b>	<b>5,813</b>

(2) The breakdown of the other payables are as follows:

	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Other payables <sup>(a)</sup>	3,991	2,252	2,831
Amount due to related company <sup>(b)</sup>	2,048	2,104	-
Trade deposits	25,126	25,206	16,119
Deposits received	24	24	-
Accruals	363	827	2,000
Provision for restoration	30	-	-
<b>Total</b>	<b>31,582</b>	<b>30,413</b>	<b>20,950</b>

**Notes:**

- (a) This mainly relates to payables to our other non-trade creditors such as logistics services providers, rental of equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of factory / warehouse for the storage of our raw materials and finished goods (comprising PKS and wood pellets).
- (b) This relates to the advances received from Golden World Metal Sdn Bhd, a company related to Yeo Hock Cheong (our Executive Director, Promoter and substantial shareholder) and Teoh Soon Tek (our Chief Operating Officer) for the financing of our Group's working capital requirements.
- (c) This mainly relates to the accrual of the financing cost incurred comprising interest payment obligations and commissions to be paid for securing new Islamic financing facilities from local financial institutions of approximately RM0.53 million as at 31 December 2023.
- (3) The current tax liabilities relates to the estimated tax amounts to be paid to tax authorities in Malaysia at the Malaysia tax rates of 24.00% per annum which have been enacted by the end of the reporting period as at 31 December, after taking into account the tax instalments paid during the reporting period.

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

(4) The breakdown of our Group's borrowings are as follows:

<b>Type of borrowings</b>	<b>Audited</b>		
	<b>As at 31 December 2021</b>	<b>As at 31 December 2022</b>	<b>As at 31 December 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Banker's acceptances	3,163	5,105	17,401
Bank overdraft	501	-	-
Invoice financing	-	4,350	3,379
Supplier financing	6,787	4,072	-
Trust receipts	6,116	4,969	3,831
Trade financing	-	-	2,990
Unsecured loans	-	4,456	-
<b>Total</b>	<b>16,567</b>	<b>22,952</b>	<b>27,601</b>

(5) This relates to the amount paid by Yeo Hock Cheong (our Executive Director, Promoter and substantial shareholder) on behalf of our Group for the purpose of the rental of 1 unit of forklift of RM50,000 during FYE 2021 as well as payment made behalf of our Group for the purchase of raw materials (such as unprocessed PKS and wood residues) for the manufacturing of PKS and wood pellets of RM40,000 during FYE 2022.

**Comparison between 31 December 2021 and 31 December 2022****Non-current liabilities**

Non-current liabilities decreased by approximately 97.18% or RM3.10 million mainly due to the termination of the lease contract for the lease of a warehouse space located in Port Klang, Selangor during FYE 2022.

**Current liabilities**

Our current liabilities increased by 18.55% or RM12.27 million mainly due to the following:

- (a) increase in trade payables by approximately 42.55% or RM7.43 million mainly due to the increase in purchases of raw materials and consumables to fulfil various new orders of PKS to be delivered to our major customers of RM53.84 million during the first quarter of FYE 2023; and
- (b) increase in borrowings by approximately 38.50% or RM6.38 million mainly due to the utilisation of unsecured loans and trust receipts for the purchase of raw materials and financing of our working capital requirements,

which was partially offset by the decrease in other payables by 3.70% or RM1.17 million due to decrease of our other payables to our non-trade creditors by 43.61% or RM1.74 million due to continuous prompt repayment made to our non-trade creditors.

**Comparison between 31 December 2022 and 31 December 2023****Non-current liabilities**

Non-current liabilities increased by approximately 18,055.56% or RM16.25 million mainly due to the following reasons:

- (a) increase in lease liabilities of RM15.50 million arising from lease agreements entered into for the lease of 1 unit of motor vehicle of RM0.04 million, lease agreement for the lease of our office space located in Sri Petaling, Kuala Lumpur as well as the renewal of the lease agreements of our Port Klang Factory as well as warehouse in Northport, Port Klang, Selangor of RM15.56 million during FYE 2023; and

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

- (b) deferred tax liabilities of RM0.74 million arising from temporary difference between capital allowance claimed in excess of depreciation of our Group's PPE.

**Current liabilities**

Our current liabilities decreased by approximately 7.65% or RM6.00 million mainly due to the following:

- (a) decrease in trade payables by approximately 32.94% or RM8.20 million mainly due to the decrease in purchases of raw materials to fulfil various new orders of PKS to be delivered to our major customers during the first quarter of FYE 2023; and
- (b) decrease in other payables by approximately 31.11% or RM9.46 million due to decrease of trade deposits received from our customers by 36.06% or RM9.09 million as well as full repayment of the advances received from Golden World Metal Sdn Bhd of RM2.10 million during FYE 2023.

However, this was partially offset by the increase in borrowings by approximately 20.26% or RM4.65 million mainly due to the increase in utilisation of unsecured loans and trust receipts for the purchase of raw materials and financing of our working capital requirements, in line with the overall increase in overall revenue levels during FYE 2023.

**12.3.4 Impact of Foreign Exchange Rates, Interest Rates and/or Commodity Prices****(A) Impact of foreign exchange rates**

Our exposure to foreign currency risk arises primarily from sales and purchases that are denominated in currencies other than the functional currency of our Group. We have a natural hedge to the extent that payment for foreign currency payables are matched against receivables denominated in the same foreign currency. Our foreign currency risk arises when and to the extent these payment and receivable amounts do not match. The following is the breakdown of our sales based on currency denomination throughout the Financial Years Under Review:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
RM	74,063	64.34	67,290	46.59	16,807	5.01
USD	35,149	30.53	54,444	37.69	247,004	73.68
SGD	5,902	5.13	22,706	15.72	71,440	21.31
<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 raw materials purchased are mainly denominated in the following currencies, as tabulated below:

	<b>Audited</b>					
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
RM	88,927	96.93	107,349	90.93	254,677	87.02
USD	2,812	3.07	10,702	9.07	15,053	5.14
SGD	-	-	-	-	22,937	7.84
<b>Total</b>	<b>91,739</b>	<b>100.0</b>	<b>118,051</b>	<b>100.0</b>	<b>292,667</b>	<b>100.0</b>



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

Our realised and unrealised gain/(loss) on foreign exchanges for the Financial Years Under Review are as follows:

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised gain/(loss) on foreign exchange	966	575	70
Unrealised (loss)/gain on foreign exchange	#	82	(494)
<b>Net (loss)/gain</b>	<b>966</b>	<b>657</b>	<b>(424)</b>

**Note:**

# Less than RM1,000

Realised gain/(loss) on foreign exchange represent the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange rate when the payments receipt/against the respective sales/purchase invoices.

If the foreign exchange rate as at the date of our invoice is higher as compared to the rate when the payment for the invoice is received, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our invoice is lower as compared to the rate when the payment for the invoice is received, we will record a realised gain on foreign exchange. Unrealised loss or gain on foreign exchange represents the difference in the foreign exchange rate at the date of our outstanding invoices as compared to the foreign exchange spot rates as at the end of each financial year.

Please refer to note 27, Market risk (ii) in the Accountants' Report set out in Section 13 of this Prospectus for sensitivity analysis on our PAT to changes in foreign exchange rate.

**(B) Impact of interest rates**

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratio from the Financial Years Under Review is as follows:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
Interest coverage ratio (times) <sup>(1)</sup>	2.83	3.89	15.51

**Note:**

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

Our interest coverage ratio of between 2.83 times to 15.51 times for the Financial Years Under Review indicates that our Group has been able to generate sufficient EBIT to meet our interest servicing obligations.

Please refer to note 27, Market risk (i) in the Accountants' Report set out in Section 13 of this Prospectus for sensitivity analysis on our PAT to changes in interest rate.

**(C) Impact of commodity prices**

The key raw materials that we use in our manufacturing process are not commodities.

## 12. FINANCIAL INFORMATION (CONT'D)

### 12.3.5 Impact of Inflation

Our Group's financial performance during the Financial Years Under Review was not significantly affected by the impact of inflation. However, our Group is confident of passing on the effect of higher product costs due to inflation to our customers. There is no assurance that our business will not be adversely affected by the impact of inflation in the future.

### 12.3.6 Impact of Government, Economic, Fiscal or Monetary Policies

There were no Government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during the Financial Years Under Review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in Government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 8 of this Prospectus.

## 12.4 LIQUIDITY AND CAPITAL RESOURCES

### 12.4.1 Working capital

We have been financing our operations and working capital requirements through combination of existing cash and bank balances, cash generated from our operating activities, credit extended by our suppliers as well as various credit facilities extended to us by financial institutions. The principal use of our borrowings is for the financing of our working capital requirements as well as purchase of raw materials.

Our Group also recorded net current liabilities position of RM4.32 million as at 31 December 2021, mainly due to the increase in our current liabilities position as described in Section 12.3.3(B) above.

As at 31 December 2023, we have cash and bank balances of RM46.30 million, fixed deposits with licensed banks of RM5.46 million and working capital of RM21.53 million (being the difference between our current assets of RM93.96 million and current liabilities of RM72.43 million), demonstrating our Group's ability to meet our short-term obligations.

Based on the pro forma statement of financial position of our Group as at 31 December 2023 (after the Acquisition before the Public Issue), our total equity attributable to the owners of the Company stands at RM35.03 million with a gearing level of 1.40 times. Our gearing level after the Acquisition, Public Issue and utilisation of proceeds stands at [●] times.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

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

- (a) our cash and bank balances as at 31 December 2023 of RM46.30 million and fixed deposits with licensed banks of RM5.46 million;
- (b) our banking facilities of up to a limit of RM63.16 million as at the LPD, of which RM20.66 million has been utilised; and
- (c) our pro forma NA position and gearing level as at 31 December 2023 after the Acquisition, Public Issue and utilisation of proceeds of RM[●] million and [●] times, respectively.

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

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work closely with our marketing and sales staff for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while allowing us to maintain cordial relationship with our customers.

Given that we still have sufficient unutilised banking facilities as at LPD and based on our existing unbilled order book as at LPD, we do not foresee additional external financing to fund our working capital within the next 12 months from the date of this Prospectus. However, we will carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

**12.4.2 Review of cash flow**

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash (used in)/generated from operating activities	(5,707)	15,940	18,868
Net cash (used in)/from investing activities	(17)	427	(676)
Net cash from financing activities	5,323	6,031	3,637
Net changes in cash and cash equivalents	(401)	22,398	21,829
Cash and cash equivalents at the beginning of the year	7,680	7,279	29,760
Effects of foreign exchange differences	~	83	174
<b>Cash and cash equivalents at the end of the year</b>	<b>7,279</b>	<b>29,760</b>	<b>51,763</b>

**Commentaries of cash flows movement****FYE 2021****Net cash used in operating activities**

For FYE 2021, net cash used in operating activities was RM5.71 million. We collected RM85.29 million from our customers and RM3.75 million from our other receivables, which mainly comprise trade deposits paid to our suppliers, rental deposits paid to our landlords for the rental warehouses and bonded warehouses in Port Klang, Klang as well as deposits placed with a local financial institution as security for obtaining financing facilities.

This was offset by cash payments of RM94.75 million, mainly for:

- (a) RM82.20 million paid to our trade suppliers for various raw materials purchased and related consumables;
- (b) RM11.86 million paid to our other non-trade creditors such as logistics services providers, rental of plant, machineries and equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of our Port Klang Factory as well as warehouses and bonded warehouses in Northport, Port Klang, Selangor;
- (c) interest expenses paid of RM0.65 million for our financing facilities utilised; and
- (d) tax expenses paid to the tax authorities of RM0.04 million.

**Net cash used in investing activities**

Net cash used in investing activities was RM0.02 million, which mainly relates to the purchase of new furniture and fittings of RM0.02 million for our office space.

**12. FINANCIAL INFORMATION (CONT'D)****Net cash from financing activities**

Net cash from financing activities was RM5.32 million mainly due to the following:

- (a) payment of lease liabilities of RM0.74 million for the lease of our Port Klang Factory, warehouse and bonded warehouse spaces in Northport, Port Klang, Selangor; and
- (b) repayment of our borrowings (comprising of bankers' acceptances, trust receipts and supplier financing) of RM52.59 million.

However, the above was offset by the drawdown of borrowings of RM58.65 million during FYE 2021 for the financing of our Group's working capital requirements, as follows:

- (a) drawdown of bankers' acceptances of RM10.55 million;
- (b) drawdown of supplier financing of RM22.43 million; and
- (c) drawdown of trust receipts of RM25.67 million.

**FYE 2022****Net cash generated from operating activities**

For FYE 2022, we generated net operating cash flows of RM15.94 million. We collected RM155.78 million from our customers. However, these cash collections were partially offset by cash payments of RM139.84 million, mainly for:

- (a) RM39.44 million paid which comprise payments made of RM37.85 million to our trade debtors for trade deposit for the purchase of raw materials, rental deposits of RM0.59 million for the rental of our Port Klang Facility and bonded warehouse spaces in Northport, Port Klang, Selangor as well as deposits placed with financial institutions of RM1.00 million;
- (b) RM86.63 million paid to our trade suppliers for the purchase of raw materials (unprocessed PKS and wood residues);
- (c) RM11.69 million paid to our other non-trade creditors such as logistics services providers, rental of machineries and equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of our Port Klang Factory and bonded warehouses in Northport, Port Klang, Selangor;
- (d) tax expenses paid to the tax authorities of RM0.05 million and
- (e) interest expenses paid of RM2.03 million as interest for financing facilities utilised.

**Net cash from investing activities**

For FYE 2022, we recorded net cash from investing activities of RM0.43 million mainly comprise of upgrading works performed to our existing manufacturing lines of RM0.10 million as well as purchase of various office equipment of RM0.06 million. However, this was offset from the proceeds received from the disposal of 2 units of motor vehicles of RM0.59 million.

**12. FINANCIAL INFORMATION (CONT'D)****Net cash from financing activities**

Net cash from financing activities was RM6.03 million mainly due to the following:

- (a) payment of lease liabilities of RM0.86 million for the lease of our Port Klang Factory, warehouse and bonded warehouse spaces in Northport, Port Klang, Selangor as well as lease of our office space in Sri Petaling, Kuala Lumpur; and
- (b) repayment of our borrowings (comprising of bankers' acceptances, trust receipts, invoice financing, unsecured loans and supplier financing) of RM70.43 million for our Group's working capital requirements.

However, the above was offset by the drawdown of additional borrowings of RM77.32 million during FYE 2022 for the financing of our Group's working capital requirements:

- (a) drawdown of unsecured loans of RM21.32 million;
- (b) drawdown of bankers' acceptances of RM8.18 million;
- (c) drawdown of trade financing facility from a local financial institution of RM8.03 million;
- (d) drawdown of trust receipts of RM22.24 million; and
- (e) drawdown of bankers' acceptances and invoice financing facilities from a local financial institution of RM17.55 million.

**FYE 2023****Net cash generated from operating activities**

For FYE 2023, we generated net operating cash flows of RM18.87 million. We collected RM325.25 million from our customers. However, this cash collections were partially offset by cash payments of RM306.38 million, mainly for:

- (a) RM4.51 million paid to our non-trade creditors, comprising deposits placed for the rental of our Port Klang Factory, warehouse and bonded warehouses of RM1.24 million as well as deposits placed with financial institutions as security for financing facilities obtained of RM3.25 million;
- (b) RM264.18 million paid to our trade suppliers for the purchase of raw materials (unprocessed PKS and wood residues);
- (c) RM33.62 million paid to our other non-trade creditors such as logistics services providers, rental of machineries and equipment for our manufacturing activities (such as forklifts and excavators) as well as rental of our Port Klang Factory and bonded warehouses in Northport, Port Klang, Selangor;
- (d) tax expenses paid to the tax authorities of RM2.32 million; and
- (e) interest expenses paid of RM1.74 million as interest for financing facilities utilised.

**Net cash used in investing activities**

For FYE 2023, we recorded net cash used in investing activities of RM0.68 million mainly comprise of the purchase of 1 unit of wheel loader of RM0.23 million as well as purchase of office equipment and office furniture of RM0.45 million.

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

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**Net cash from financing activities**

Net cash generated in financing activities was RM3.64 million mainly due to the following:

- (a) payment of lease liabilities of RM1.01 million for the lease of our Port Klang Factory and warehouse, lease of our space in Sri Petaling, Kuala Lumpur as well as lease of 1 unit of motor vehicle; and
- (b) repayment of our borrowings (comprising of bankers' acceptances, trust receipts, unsecured loans, trade financing facilities, invoice financing and supplier financing) of RM113.26 million for our Group's working capital requirements.

However, the above was offset by the drawdown of additional borrowings of RM117.91 million during FYE 2022 for the financing of our Group's working capital requirements:

- (a) drawdown of trust receipts of RM30.07 million;
- (b) drawdown of bankers' acceptances of RM41.05 million;
- (c) drawdown of supplier financing from a local financial institution of RM20.48 million;
- (d) drawdown of trade financing facility from a local financial institution of RM5.48 million; and
- (e) drawdown of invoice financing from a local financial institution of RM20.83 million.

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**12. FINANCIAL INFORMATION (CONT'D)****12.4.3 Borrowings**

All of our borrowings are secured, interest-bearing and denominated in RM and we do not have other borrowings in other currencies. Our total outstanding borrowings are set out below:

Purposes	Interest rate % per annum	Tenure	As at 31 December 2023	As at the LPD	
			RM'000	RM'000	
<b>Current liabilities</b>					
Bankers' acceptance	• Working capital requirements	4.10% - 4.40%	Up to 150 days	17,401	12,504
Invoice financing	• Working capital requirements	5.00% - 5.15%	Up to 120 days	3,379	3,366
Trust receipts	• Working capital requirements	5.85% - 7.10%	Up to 150 days	3,831	4,731
Trade financing	• Working capital requirements	6.95% - 7.10%	Up to 150 days	2,990	5,026
Lease Liabilities (Hire Purchase)	• Motor vehicle	4.87%	7 years	61	61
			<b>Total borrowings</b>	<b>27,662</b>	<b>25,688</b>

**Pro forma gearing (times)**

(1) After Acquisition but before the Public Issue	1.40
(2) After Acquisition, Public Issue and utilisation of proceeds	0.37

**Notes:**

- (1) Computed based on our pro forma shareholders' funds of RM35.03 million in the pro forma statements of financial position after the Acquisition but before the Public Issue.
- (2) Computed based on our pro forma shareholders' funds of RM131.04 million in the pro forma statements of financial position after the Acquisition, Public Issue and utilisation of proceeds.

Our pro forma gearing ratio is expected to decrease from 1.40 times (before the Public Issue) to 0.37 times (after the Public Issue and utilisation of proceeds) mainly due to the increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue.

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

In conjunction with our Listing, we have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. As at LPD, we have yet to receive conditional approvals from our financiers to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions.

The maturity profile based on the undiscounted contractual repayment obligation of our total borrowings as of the dates indicated is as follows:

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Within one year	16,713	22,975	27,625
One to five years	149	24	25
More than five years	361	37	12
<b>Total contractual cash flow</b>	<b>17,223</b>	<b>23,036</b>	<b>27,662</b>
<b>Total carrying amount</b>	<b>17,223</b>	<b>23,036</b>	<b>27,662</b>
Gearing ratio <sup>(1)</sup>	3.33	2.01	0.79

**Note:**

(1) Computed based on the carrying amount of the total borrowings over total equity attributable to owners of our Group.

Our interest-bearing borrowings carry the following interest rates for the Financial Years Under Review:

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>% per annum</b>		
Bankers' acceptance	2.75% – 3.05%	3.32% – 4.05%	4.10% – 4.40%
Invoice financing	–	4.52% – 5.09%	5.00% – 5.15%
Supplier financing	7.08%	8.37% – 8.40%	–
Trust receipts	6.81%	7.56% – 7.81%	5.85% – 7.10%
Bank overdrafts	6.81%	-	–
Trade financing	-	-	6.95% – 7.10%
Unsecured loans	-	2.00% on monthly basis	–
Lease liabilities (hire purchase)	2.01% - 4.87%	4.87%	4.87%

As at the LPD, our Group has no foreign currency borrowings, which are financed in RM for the working capital requirements for our manufacturing activities. As at the LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the Financial Years Under Review as well as the subsequent financial period up to LPD.

As at the LPD, neither our Group nor our subsidiary are in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From the Financial Years Under Review and up to the LPD, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders/financiers.



**12. FINANCIAL INFORMATION (CONT'D)****12.4.4 Types of financial instruments used, treasury policies and objectives**

As at LPD, save for our borrowings and banking facilities as disclosed in Section 12.4.3 and Section 10.2.2 of this Prospectus, we do not utilise any other financial instruments. We receive proceeds in USD and SGD in respect of our foreign sales and pay for purchases denominated in USD and SGD with our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for finance leases and unsecured loans which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds or base lending rate plus a rate which varies depending on the different types of bank facilities.

The usages of these banking/financing facilities are for working capital as well as acquisition of PPE.

**12.4.5 Material capital commitments, litigation and contingent liabilities****(A) Material capital commitments for capital expenditure**

As at LPD, save as disclosed below, we do not have any other material capital commitments:

	Source of funds		
	Internally generated funds and/or bank borrowings	IPO proceeds	Total
	RM'000	RM'000	RM'000
<b>Approved and contracted for:</b>			
- Purchase of machineries and equipment for Kapar Warehouse and spare parts of Port Klang Factory	2,520	-	2,520
<b>Approved but not contracted for:</b>			
- Purchase of machineries and equipment for Kapar Warehouse	700	-	700
- Purchase of various machineries and equipment <sup>(1)</sup>	2,349	21,141	23,490
- Construction of our New Kuantan Facility	-	47,000	47,000
<b>Total</b>	<b>5,569</b>	<b>68,141</b>	<b>73,710</b>

**Note:**

(1) Capital expenditure for purchase of new machineries and equipment for production of PKS in the new factories and warehouse in (i) Pasir Gudang, Johor, (ii) Kuantan, Pahang. And (iii) Lahad Datu, Sabah. Please refer to Section 4.7.1(2) of this Prospectus for details of the machinery to be purchased.

We expect to meet our material commitments through our cash and bank balances on hand, as well as cash generated from future operations, borrowings and funding from other financing activities (if required) as well as the utilisation of the amount of RM101.50 million to be raised from the Public Issue.

## 12. FINANCIAL INFORMATION (CONT'D)

### (B) Material litigations and contingent liabilities

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at LPD.

### 12.5 KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios of our Group based on the financial statements of our Group for the Financial Years Under Review:

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
Trade receivables turnover period (days) <sup>(1)</sup>	63.9	43.7	11.1
Trade payables turnover period (days) <sup>(2)</sup>	64.5	59.8	26.2
Inventory turnover period (days) <sup>(3)</sup>	46.1	20.1	16.1
Current ratio (times) <sup>(4)</sup>	0.93	1.04	1.30
Gearing ratio (times) <sup>(5)</sup>	3.33	2.01	0.79

**Notes:**

(1) Computed based on the following:

$$\frac{(\text{Opening trade receivables} + \text{closing trade receivables}) / 2}{\text{Revenue}} \times 365 \text{ days}$$

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Opening trade receivables	11,881	28,427	6,146
Closing trade receivables	28,427	6,146	14,238
Revenue	115,114	144,440	335,251
Average trade receivable turnover period (days)	63.9	43.7	11.1

(2) Computed based on the following:

$$\frac{(\text{Opening trade payables} + \text{closing trade payables}) / 2}{\text{Cost of sales}} \times 365 \text{ days}$$

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Opening trade payables	19,963	17,463	24,891
Closing trade payables	17,463	24,891	16,693
Cost of sales	105,818	129,277	289,282
Average trade payable turnover period (days)	64.5	59.8	26.2

(3) Computed based on the following:

$$\frac{(\text{Opening inventories} + \text{closing inventories}) / 2}{\text{Cost of sales}} \times 365 \text{ days}$$

	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Opening inventories	17,135	9,608	4,609
Closing inventories	9,608	4,609	20,953
Cost of sales	105,818	129,277	289,282
Average inventory turnover period (days)	46.1	20.1	16.1

(4) Computed based on current assets over current liabilities as at year end for each of FYEs 2021 to 2023.

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

(5) Computed based on the total borrowings (including interest-bearing lease liabilities) over total equity attributable to owners of the Company as at year end for each of FYEs 2021 to 2023.

**12.5.1 Trade receivables turnover period**

The normal credit period offered by our Group in respect of our trade receivables is between 30 to 90 days from the date of invoice on a case-by-case basis by taking into consideration various factors such as our business relationship with our customers and credit history of the customers while new customers are subject to our credit verification and assessment process. Other credit terms can sometimes be negotiated (such as for new customers or large orders) upon the request of our customer. Such terms would be assessed and approved on a case-by-case basis. All of our outstanding trade receivables are closely monitored by our finance and business unit teams.

We have been able to maintain our trade receivables turnover period lower than 90 days during the Financial Years Under Review. The higher trade receivables turnover period in FYE 2021 was due to increased orders received towards the year end in which case, the sales and shipments were transacted in the fourth quarter of the FYE 2021 but payment was only received in the first quarter of FYE 2022.

As at 31 December 2023, the trade receivables of our Group stood at approximately RM14.33 million which can be analysed as follows:

	Within credit period	Exceeded credit period by:				Total
		1-30 days	31-60 days	61-90 days	>90 days	
		RM'000	RM'000	RM'000	RM'000	
Trade receivables	14,326	-	-	-	-	14,326
Less: Loss allowance	88	-	-	-	-	88
<b>Net trade receivables</b>	<b>14,238</b>	-	-	-	-	<b>14,238</b>
<i>% of total net trade receivables</i>	<i>100.00</i>	-	-	-	-	<i>100.00</i>
Subsequent collections up to the LPD	(14,326)	-	-	-	-	14,326
<b>Net trade receivables after subsequent collections</b>	<b>-</b>	-	-	-	-	<b>-</b>
<i>% of total net trade receivables after subsequent collections</i>	<i>-</i>	-	-	-	-	<i>-</i>

For FYE 2021, trade receivables turnover period was 63.9 days mainly due to lower collections from our major customers in the fourth quarter of FYE 2021 of RM17.68 million. For FYE 2022, trade receivables turnover period decreased from 63.9 days in FYE 2021 to 43.7 days in FYE 2022 mainly due to higher collections from our major customers of RM95.32 million in the fourth quarter of FYE 2023.

For FYE 2023, trade receivables turnover period decreased further from 43.7 days in FYE 2022 to 11.1 days mainly due to higher collections from our major customers of RM159.91 million in the fourth quarter of FYE 2023.

As at 31 December 2023, our Group's trade receivables amount to approximately RM14.33 million. Subsequent to 31 December 2023 and up to the LPD, we have fully collected RM14.33 million, representing 100.00% of the total trade receivables as at 31 December 2023.

Our trade receivables turnover period for the Financial Years Under Review was between 11.1 to 63.9 days. Most of our trade receivables as at the end of the Financial Years Under Review are within our normal credit period granted to our customers. Save for the provision for expected credit losses recorded of RM0.19 million during FYE 2021, the majority of our other trade

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

receivables exceeding our normal credit period have been fully settled in the subsequent financial years.

Our Group has not encountered any major disputes with our trade receivables. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections after 31 December 2023. Our Group has put in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain based on our past dealings with customers. Where receivables have been written off, we will continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

**12.5.2 Trade payables turnover period**

As at 31 December 2023, the trade payables of our Group stood at approximately RM16.69 million which can be analysed as follows:

	Within credit period	Exceeded credit period by:				Total
		1-30 days	31-60 days	61-90 days	>90 days	
		RM'000	RM'000	RM'000	RM'000	
Trade payables	16,694	-	-	-	-	16,694
<i>% of total trade payables</i>	<i>100.00</i>	-	-	-	-	<i>100.00</i>
Subsequent payments up to the LPD	14,742	-	-	-	-	14,742
<b>Net trade payables after subsequent payments</b>	<b>1,951</b>	-	-	-	-	<b>1,951</b>
<i>% of total net trade payables after subsequent payments</i>	<i>11.69</i>	-	-	-	-	<i>11.69</i>

The normal credit terms granted by our suppliers are generally between 30 to 90 days. Any outstanding trade payables which are overdue more than credit terms provided comprise of payments which have been delayed pending clearance of discrepancies.

Our average trade payables turnover period as at FYE 2021, FYE 2022 and FYE 2023 were 64.5 days, 59.8 days and 26.2 days, respectively, which is within the credit period given by our suppliers. The higher trade payables turnover period in the FYE 2023 was due to lower purchases of raw materials during the fourth quarter of FYE 2023, as a result of an increase in our overall manufacturing of PKS activities.

As at LPD, we have paid RM9.87 million or approximately 59.1% of our trade payables as at 31 December 2023. As at LPD, there are no disputes in respect of our outstanding trade payables exceeding credit period. Nevertheless, we are not aware of any legal action initiated by our suppliers to demand for payment.

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**12. FINANCIAL INFORMATION (CONT'D)****12.5.3 Inventories turnover period**

A summary of our inventories turnover period for the past FYE 2021 to FYE 2023 are set out below:

	<b>Audited</b>		
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Raw materials	4,161	2,094	1,942
Finished goods	5,447	2,515	19,011
<b>Total</b>	<b>9,608</b>	<b>4,609</b>	<b>20,953</b>
Average inventory turnover period (days)	46.1	20.1	16.1

Our inventories comprise:

- (a) raw materials such as unprocessed PKS and wood residues; and
- (b) finished goods comprising PKS and wood pellets for delivery to our customers.

Our inventory turnover period for FYE 2021 to FYE 2023 is within the range of 16.1 days to 46.1 days. The higher inventory turnover period for FYE 2021 was mainly due to the global shipping and supply disruptions and shortages in various raw materials and consumables for our manufacturing activities caused by the COVID-19 pandemic outbreak.

Our inventory turnover period for FYE 2022 and FYE 2023 improved to 20.1 days and 16.1 days, respectively due to higher consumption of raw materials in line with the increase in our sales volume of PKS.

**12.5.4 Current ratio**

Our current ratio throughout the financial years under review ranged from 0.93 to 1.34 times. Our current ratio was less than 1 time due to our net current liabilities position as at 31 December 2021. The current assets and current liabilities as at FYEs 2021 to 2023 are as follows:

	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	61,842	81,269	93,963
Current liabilities	66,159	78,429	72,427
<b>Net current (liabilities)/assets</b>	<b>(4,317)</b>	<b>2,840</b>	<b>21,536</b>
Current ratio (times) <sup>(1)</sup>	0.93	1.04	1.30

**Note:**

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

Our net current liabilities positions of RM4.32 million as at 31 December 2021 was primarily due to our other payables arising from higher trade deposits received from our customers as at the fourth quarter of FYE 2021 as well as borrowings, principally arising from our financing facilities comprising bank overdrafts, bankers' acceptances, supplier financing, trust receipts and lease liabilities.

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

Our current ratio improved from 0.93 times as at 31 December 2021 to 1.04 times as at 31 December 2022 mainly due to the following reasons:

- (a) increase in other receivables, deposits and prepayments by approximately 154.21% or RM24.72 million mainly due to the following reasons:
  - (i) increase in trade deposits paid to our suppliers by approximately 163.75% or RM23.58 million mainly for the purchase of various raw materials of RM31.30 million during the fourth quarter of FYE 2022 (Fourth quarter of FYE 2021: RM18.18 million) in order to fulfil deliveries of PKS of RM53.84 million during the first quarter of FYE 2023 (First quarter of FYE 2022: RM13.10 million); and
  - (ii) increase in deposits paid of 80.27% or RM1.18 million as at 31 December 2022 arising from the increase in rental deposits placed with our landlords for the rental of warehouses and bonded warehouses in Port Klang, Klang amounting to RM0.46 million and the deposits placed with a local financial institution as security for obtaining financing facilities.
- (b) increase in cash and bank balances by 865.22% or RM21.89 million due to higher collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022, as compared to collections of trade receivables collected from our customers of RM17.68 million during the fourth quarter of FYE 2021.

However, the above increase in current assets was partially offset by the decrease in other payables by 3.70% or RM1.17 million due to decrease of our other payables to our non-trade creditors by 43.61% or RM1.74 million due to continuous prompt repayment made to our non-trade creditors.

Our current ratio further improved to 1.30 times as at 31 December 2023 as compared to the preceding financial year mainly due to continued increase in current assets increased by approximately 15.61% or RM12.69 million mainly due to the following reasons:

- (a) increase in overall inventories level by approximately 354.45% or RM16.34 million mainly due to the increased in finished goods comprising PKS and wood pellets by approximately 654.37% or RM16.49 million to RM19.01 million as at 31 December 2023, which are pending for delivery to our local and foreign customers;
- (b) increase in trade receivables by approximately 131.54% or RM8.09 million, due to revenue recorded arising from the sale to PKS of RM124.96 million during the fourth quarter of FYE 2023;
- (c) increase in overall cash and bank balances by 86.52% or RM21.89 million due to continuous collections of trade receivables from our customers of RM159.91 million during the fourth quarter of FYE 2023, as compared to collections of trade receivables from our customers of RM95.33 million during the fourth quarter of FYE 2022.

However, this was partially offset by the increase in borrowings by approximately 20.26% or RM4.65 million mainly due to the increase in utilisation of unsecured loans and trust receipts for the purchase of raw materials and financing of our working capital requirements, in line with the overall increase in overall revenue levels during FYE 2023.

**12. FINANCIAL INFORMATION (CONT'D)****12.5.5 Gearing ratio**

Our gearing ratio throughout the Financial Years Under Review is as follows:

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings (including interest-bearing lease liabilities)	17,223	23,036	27,662
Total equity attributable to owners of our Group	5,178	11,467	35,032
Gearing ratio (times)	3.33	2.01	0.79

Our Group's gearing ratio decreased from 3.33 times as at 31 December 2021 to 2.01 times and 0.79 times as at 31 December 2022 and 31 December 2023, respectively.

Our gearing ratio improved from 3.33 times as at 31 December 2021 to 2.01 times as at 31 December 2022 mainly due to the increase in our total equity from our retained earnings arising from the improved PAT levels recorded during FYE 2022, although our overall borrowings (including interest-bearing lease liabilities) increased by RM5.82 million.

Our gearing ratio decreased further to 0.79 times as at 31 December 2023 mainly due to the continued overall increase in our total equity from our retained earnings arising from the significant improvement in our overall PAT levels recorded during FYE 2023 despite the increase in our total borrowings by approximately 20.05% or RM4.62 million. The increase in borrowings (including interest-bearing lease liabilities) was mainly due to the additional drawdown of bankers' acceptances and trade financing to finance our working capital requirements.

**12.6 TREND INFORMATION**

Based on our track record for the Financial Years Under Review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (a) revenue contribution from the manufacturing of PKS has been the main revenue contributor for our business. We expect this segment to continue contributing significantly to our revenue in future;
- (b) the main components of our cost of sales are raw materials consumed. Moving forward, our cost of sales is expected to fluctuate in tandem with our revenue levels. Our cost of sales is dependent on amongst others, the availability and price fluctuation of raw materials and labour costs; and
- (c) we achieved a GP margin of 8.07%, 10.50% and 13.71% for FYE 2021, FYE 2022 and FYE 2023, respectively. We expect to maintain our GP margin within the same range in the future. This would depend on, amongst others, our continued ability to manage our costs efficiently.

As at LPD, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's

## **12. FINANCIAL INFORMATION (CONT'D)**

financial performance, position and operations, other than those discussed in this section, Section 7 and Section 8 of this Prospectus;

- (ii) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in this section, Section 7 and Section 8 of this Prospectus;
- (iii) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in this section, Section 7 and Section 8 of this Prospectus;
- (iv) material commitments for capital expenditure as set out in Section 12.4.5 of this Prospectus; and
- (v) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Section 12.9 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the biomass fuel industry as set out in the IMR report in Section 8, our Group's competitive strengths as set out in Section 7.19 and our business strategies and prospects as set out in Section 7.20 of this Prospectus.

Save as disclosed in Section 12.9, there are no other factors which are likely to have a material effect on our financial conditions and results of operations or cause our Group's historical financial statements to be not necessarily indicative of our future financial performance.

Since 2020, due to the outbreak of COVID-19 pandemic, the Government of Malaysia imposed various MCOs and lockdown measures which impacted most of the economic sectors and activities, especially those operating in non-essential services.

Despite the impact of the COVID-19 pandemic, we did not experience any cancellation or reduction in purchase orders from our customers. We also did not experience any claims arising from delayed delivery during this period.

### **12.7 ORDER BOOK**

Our Group is primarily involved in the manufacturing of PKS as well as manufacturing and trading of wood pellets. Due to the nature of our business, we do not maintain an order book.

Our biomass fuel products are primarily sold to customers who have issued a purchase order to our Group. 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 of 720,000 MT and 710,000 MT of PKS, which shall be delivered in FYE 2024 and FYE 2025, respectively. However, the selling prices of these PKS have not been determined at this juncture and shall be negotiated at a separate date, after taking into consideration the specifications of PKS to be manufactured, overall demand and supply conditions, availability of raw materials as well as the average selling price of PKS to our other customers at the point of delivery.

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

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**12.8 DIVIDENDS**

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiary, present or future. Our subsidiary will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiary will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective board of directors deem relevant.

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board. Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal activity). No withholding tax is imposed on the above transactions.

There were no dividends declared and paid during the Financial Years Under Review as well as there are no other pre-IPO dividends proposed to be declared or paid up to our listing date.

**12.9 SIGNIFICANT FACTORS AFFECTING OUR GROUP'S OPERATIONS AND FINANCIAL PERFORMANCE**

Our Group's business operations and financial conditions have been and will continue to be affected by internal and external factors including, but not limited to, the following:

**(i) Disruptions in our manufacturing activities**

As at the LPD, the manufacturing of biomass fuel products is carried out at our Port Klang Factory. Our manufacturing activities are dependent on the continued operation of our factory. Our Group's manufacturing activities could be disrupted or delayed due to unforeseeable circumstances such as natural disasters, fires, floods or outbreaks of diseases, which may result in the damage to, and/or destruction of all or part of our manufacturing plants, machineries and equipment, or manufactured products, and/or disruptions to our operations. Our Group's manufacturing processes are also dependent on a consistent supply of electricity.

Our machinery and equipment, including our PKS and wood pellet production lines, are prone to unforeseen failures, damages, and sub-standard performance. Despite regular maintenance, unexpected breakdowns can still occur, potentially halting or delaying our manufacturing activities.

During the Financial Years Under Review, we had to temporarily ceased the operation of our wood pellet production line since January 2023 as there was a need to replace a key machinery part in the wood pellet production line. The wood pellet production line is expected to resume by second half of 2024. Thus, in the FYE 2023, we had to trade wood pellets sourced from third-party suppliers to cater to existing orders. Nevertheless, our Group's financial performance was not adversely impacted as we were able to focus on the manufacturing of PKS.

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

**12. FINANCIAL INFORMATION (CONT'D)****(ii) Exposure to supply disruptions and price fluctuations of unprocessed PKS and wood residues**

Being a manufacturing company, our Group is dependent on the raw materials mainly for processing of our biomass fuel products, namely unprocessed PKS and wood residues. Unprocessed PKS and wood residues are the major cost component in the manufacturing of biomass fuel products. For the Financial Years Under Review, purchase of unprocessed PKS and wood residues constituted between 93.81% and 95.52% of our total cost of sales.

Generally, the availability and prices of unprocessed PKS and wood residues fluctuate according to factors such as weather conditions. Any major supply disruptions of these materials would disrupt our production and delivery schedules. Meanwhile, fluctuations in prices of these materials could impact our production costs which could then adversely impact our profit margins and/or selling prices of our biomass fuel products.

In the event of any unforeseen circumstances, there could possibly be major supply disruptions which would in turn disrupt our productions and delivery schedules. Even though the Company has a steady supply of specified volumes from supply contracts with suppliers, there is no assurance that we will not face any supply disruptions. Similarly, there would be no assurance that the fluctuations of the prices would be effectively transferred to our customers, without affecting our selling prices and profit margins.

Please refer to Section 9.1.2 of this Prospectus for further details on the risk pertaining to supply disruptions and price fluctuations of raw materials.

**(iii) Dependency on contracts signed with our major customers and major supplier**

As at the LPD, our Group's business or profitability is materially dependent on the contracts as set out in Section 7.22 of this Prospectus. Our Group is dependent on our major customers, namely PT Orion Apac Indonesia, Customer B and Customer C 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 20.0% of our orderbook for FYE 2024.

We are also dependent on our major supplier, Biotechnology Sensational Sdn Bhd, with whom our Group has entered into a long-term contract. Biotechnology Sensational Sdn Bhd accounted for more than 20.00% of our Group's total value of purchases in FYE 2021 and FYE 2022 respectively. The termination or loss of any of our abovementioned contracts with the major customers will have material adverse impact to our business, financial condition, results of operations and prospects. In addition, while we may procure unprocessed PKS from other suppliers, the termination or loss of our contract with one of our major supplier, Biotechnology Sensational Sdn Bhd and our inability to promptly source the quantity of unprocessed PKS required within the time span that we require, could lead to delays in delivery of our PKS to customers, and this could adversely impact our business and financial performance.

Please refer to Section 9.1.4 of this Prospectus for further details on the risk pertaining to supply disruptions and price fluctuations of raw materials.

**(iv) Dependency on ability to secure new orders and contracts**

Generally, our Group secures contracts on a spot contract basis with a tenure of less than 1 year, other than 3 long term contracts of more than 3 years secured with some customers.

While our Group continuously maintains current relationship with our existing customers and expanding networks with new ones, there would be no guarantee that

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

we are able to secure new orders, or even maintain existing ones. This would in turn severely impact our Group's financial performance and business performance.

Please refer to Section 9.1.5 of this Prospectus for further details on the risk pertaining to dependency on ability to secure new orders.

**(v) Impact from fluctuations in foreign exchange rates**

We are exposed to the risk of foreign exchange fluctuations as part of our revenue and purchases are transacted in foreign currencies. Although our Group has maintain foreign currency accounts and have foreign exchange line of credit, there is no assurance that the company's operations may not be severely affected by any adverse fluctuations in foreign exchange rates in the future.

Please refer to Section 9.1.6 of this Prospectus for further details on the risk pertaining to fluctuations in foreign exchange rates.

**(vi) Sufficiency of insurance coverage for all losses and liabilities**

Our Groups' operations may be covered for certain unforeseen incidents such as fire, flood and accidents that are able to insure our losses. However, the limited amount insured may not completely cover our losses or damages done to our business operations. Furthermore, we are not protected against any unfortunate events such as wars, riots, acts of terrorism, acts of Gods and outbreak of diseases. The excess of the damage or losses that insurance does not provide for would adversely impact our Groups' financial performance and operations.

Please refer to Section 9.1.7 of this Prospectus for further details on the risk pertaining to insufficient insurance coverage for losses and liabilities.

**(vii) Impacts of credit risk**

The Group faces credit risks as its financial performance depends on customers' ability to pay, with credit periods typically ranging from 30 to 90 days. This exposes the Group to credit risks related to trade receivables, which could be influenced by unforeseeable events such as economic downturns. Delays in payment could impact cash flow and working capital, potentially affecting financial performance. The Group cannot guarantee the absence of significant impairment losses or bad debts in the future.

Please refer to Section 9.1.9 of this Prospectus for further details on the credit risk.

**(viii) COVID-19 pandemic**

Our business operations were affected by the economic and other disruptions related to the COVID-19 pandemic in Malaysia, where our production lines were restricted from operating during certain periods. While the COVID-19 pandemic did not have an adverse effect on our financial performance in FYE 2022, there can be no assurance that the COVID-19 pandemic or any other pandemic or epidemic will not have an effect in the future.

Please refer to Section 7.16 of this Prospectus for further details on the impact from COVID-19.

**12.10 SIGNIFICANT CHANGES**

Our Directors are not aware of any significant changes that has occurred which may have a material effect on our financial position and results since the date of our audited financial statements for FYE 2023.