
13. ACCOUNTANTS' REPORT



The Board of Directors
Elridge Energy Holdings Berhad
61-2, Jalan Radin Tengah
Bandar Baru Sri Petaling
57000 Kuala Lumpur

21 March 2024

Dear Sirs/Madam,

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 31 DECEMBER 2022 AND 31 DECEMBER 2023 CONTAINED IN THE ACCOUNTANTS' REPORT OF BIO ENECO SDN. BHD. ("BESB" OR THE "COMPANY")

OPINION

We have audited the Financial Statements of Bio Eneco Sdn. Bhd. (the "Company"), which comprise the statement of financial position as at 31 December 2021, 31 December 2022 and 31 December 2023 and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the financial years ended 31 December ("FYE") 2021, 2022 and 2023, and notes to the Financial Statements, including a summary of significant accounting policies (together, the "Financial Statements") as set out on pages 5 to 61.

The historical Financial Statements have been prepared for inclusion in the prospectus of Elridge Energy Holdings Berhad ("EEHB") in connection with the listing of and quotation for the entire enlarged issued share capital of EEHB on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing"). This report is prepared for the purpose of complying with the ACE Market Listing Requirements of Bursa Securities and Chapter 10, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the accompanying Financial Statements give a true and fair view of the financial position of the Company as at 31 December 2021, 31 December 2022 and 31 December 2023 and of its financial performance and cash flows for each of the FYE 2021, 2022 and 2023 in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

13. ACCOUNTANTS' REPORT (cont'd)**BASIS FOR OPINION**

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

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

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

DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the Financial Statements of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Financial Statements.

13. ACCOUNTANTS' REPORT (cont'd)



REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF FINANCIAL STATEMENTS (CONTINUED)

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

- identify and assess the risks of material misstatement of the Financial Statements of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the Financial Statements of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the Financial Statements of the Company, including the disclosures, and whether the Financial Statements of the Company represents the underlying transactions and events in a manner that achieves true and fair presentation; and

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

13. ACCOUNTANTS' REPORT (cont'd)



RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the Prospectus of EEHB in connection with the Listing. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

A handwritten signature in black ink, appearing to read 'HLB LER LUM CHEW PLT'.

HLB LER LUM CHEW PLT
201906002362 & AF 0276
Chartered Accountants

A handwritten signature in black ink, appearing to read 'LER JI-YONG'.

LER JI-YONG
07439/05/2025 J
Chartered Accountant

Dated : 21 March 2024
Kuala Lumpur

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF FINANCIAL POSITION**

		←	As at	→
	Note	31.12.2021 RM	31.12.2022 RM	31.12.2023 RM
ASSETS				
Non-Current Assets				
Property, plant and equipment	3	6,429,108	5,961,896	5,972,118
Right-of-use assets	4	3,565,859	123,737	21,284,970
Investment properties	5	2,688,000	2,632,000	2,576,000
		<u>12,682,967</u>	<u>8,717,633</u>	<u>29,833,088</u>
Current Assets				
Inventories	6	9,608,310	4,609,476	20,952,870
Trade receivables	7	28,427,319	6,145,921	14,237,814
Other receivables, deposits and prepayments	8	16,026,656	40,753,402	7,008,607
Fixed deposits	9	5,249,673	5,338,405	5,462,732
Cash and bank balances		2,530,304	24,422,483	46,300,747
		<u>61,842,262</u>	<u>81,269,687</u>	<u>93,962,770</u>
TOTAL ASSETS		<u>74,525,229</u>	<u>89,987,320</u>	<u>123,795,858</u>
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	11	7,300,000	7,300,000	7,300,000
Reserves	12	(2,122,180)	4,167,267	27,732,314
TOTAL EQUITY		<u>5,177,820</u>	<u>11,467,267</u>	<u>35,032,314</u>

The accompanying accounting policies and explanatory notes form an integral part of these Financial Statements.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF FINANCIAL POSITION (CONTINUED)**

		←	As at	→
	Note	31.12.2021	31.12.2022	31.12.2023
		RM	RM	RM
Non-Current Liabilities				
Lease liabilities	13	3,188,537	91,107	15,594,441
Deferred tax liabilities	14	-	-	742,686
		<u>3,188,537</u>	<u>91,107</u>	<u>16,337,127</u>
Current Liabilities				
Trade payables	15	17,463,157	24,891,337	16,693,538
Other payables	16	31,581,957	30,413,109	20,949,614
Current tax liabilities		5,952	16,829	1,370,123
Borrowings	17	16,566,451	22,952,263	27,600,633
Amount due to a Director	18	50,000	90,000	-
Lease liabilities	13	491,355	65,408	5,812,509
		<u>66,158,872</u>	<u>78,428,946</u>	<u>72,426,417</u>
TOTAL LIABILITIES		<u>69,347,409</u>	<u>78,520,053</u>	<u>88,763,544</u>
TOTAL EQUITY AND LIABILITIES		<u>74,525,229</u>	<u>89,987,320</u>	<u>123,795,858</u>

The accompanying accounting policies and explanatory notes form an integral part of these Financial Statements.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	← Financial years ended →		
		31.12.2021 RM	31.12.2022 RM	31.12.2023 RM
Revenue	19	115,114,485	144,439,724	335,250,677
Cost of sales		(105,817,910)	(129,276,881)	(289,281,655)
Gross profit		<u>9,296,575</u>	<u>15,162,843</u>	<u>45,969,022</u>
Other operating income	20	1,315,903	1,609,642	334,287
Net (loss)/gain on loss allowance of trade receivables		(192,262)	613,826	(61,198)
Selling and administrative expenses		(7,759,741)	(8,864,569)	(16,343,994)
Operating profit		<u>2,660,475</u>	<u>8,521,742</u>	<u>29,898,117</u>
Finance cost		(879,419)	(2,167,371)	(1,918,480)
Profit before taxation	21	<u>1,781,056</u>	<u>6,354,371</u>	<u>27,979,637</u>
Taxation	22	(38,815)	(64,924)	(4,414,590)
Profit after taxation/Total comprehensive income for the financial year		<u>1,742,241</u>	<u>6,289,447</u>	<u>23,565,047</u>
Profit after taxation/Total comprehensive income for the financial year attributable to:				
- Owners of the company		<u>1,742,241</u>	<u>6,289,447</u>	<u>23,565,047</u>
Earnings per ordinary share (sen):				
- Basic	23	0.25	0.90	3.37
- Diluted	23	<u>0.25</u>	<u>0.90</u>	<u>3.37</u>

The accompanying accounting policies and explanatory notes form an integral part of these Financial Statements.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF CHANGES IN EQUITY**

	<u>Non-distributable</u>	<u>Distributable</u> (Accumulated losses)/ Retained earnings	<u>Total</u>	
Note	Share capital RM	Capital reserves RM	RM	
At 1 January 2021	7,300,000	296,308	(4,160,729)	3,435,579
Profit after taxation/Total comprehensive income for the financial year	-	-	1,742,241	1,742,241
At 31 December 2021	<u>7,300,000</u>	<u>296,308</u>	<u>(2,418,488)</u>	<u>5,177,820</u>
At 1 January 2022	7,300,000	296,308	(2,418,488)	5,177,820
Profit after taxation/Total comprehensive income for the financial year	-	-	6,289,447	6,289,447
At 31 December 2022	<u>7,300,000</u>	<u>296,308</u>	<u>3,870,959</u>	<u>11,467,267</u>
At 1 January 2023	7,300,000	296,308	3,870,959	11,467,267
Profit after taxation/Total comprehensive income for the financial year	-	-	23,565,047	23,565,047
At 31 December 2023	<u>7,300,000</u>	<u>296,308</u>	<u>27,436,006</u>	<u>35,032,314</u>

The accompanying accounting policies and explanatory notes form an integral part of these Financial Statements.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF CASH FLOWS**

Note	← Financial years ended →		
	31.12.2021 RM	31.12.2022 RM	31.12.2023 RM
Cash Flows From Operating Activities			
Profit before taxation	1,781,056	6,354,371	27,979,637
<i>Adjustments for:</i>			
Bad debts written off	-	104,836	-
Deposits forfeited	-	36,566	4,400
Depreciation of investment properties	56,000	56,000	56,000
Depreciation of property, plant and equipment	592,538	626,899	666,554
Depreciation of right-of-use assets	632,190	276,127	927,866
Gain on lease modification	-	(109,710)	(1,175)
Net loss/(gain) on loss allowance of trade receivables	192,262	(613,826)	61,198
Other payable written back	(90,496)	-	-
Gain on disposal of property, plant and equipment	-	(283)	(409)
Gain on disposal of right-of-use assets	-	(87,810)	-
Gain on foreign exchange – unrealised (net)	(524)	(82,830)	(493,492)
Goods and Services Tax written off	11,575	-	-
Interest income	(168,945)	(93,867)	(150,251)
Interest expenses	876,429	2,167,371	1,918,480
Operating profit before working capital changes	3,882,085	8,633,844	30,968,808
Changes in working capital:			
Decrease/(Increase) in inventories	7,527,100	4,998,834	(16,343,394)
(Increase)/Decrease in trade and other receivables	(2,040,405)	(1,972,924)	25,587,304
(Decrease)/Increase in trade and other payables	(17,558,703)	6,204,121	(15,238,459)
Increase/(Decrease) in amount owing to a director	50,000	40,000	(90,000)
Increase/(Decrease) in amount owing to related parties	2,974,357	55,211	(2,103,565)
Cash (used in)/generated from operations	(5,165,566)	17,959,086	22,780,694

The accompanying accounting policies and explanatory notes form an integral part of these
Financial Statements

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.

(Incorporated in Malaysia)

STATEMENT OF CASH FLOWS (CONTINUED)

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
Note	RM	RM	RM
Interest paid	(672,131)	(2,058,846)	(1,744,854)
Interest received	168,945	93,867	150,251
Tax paid	(38,815)	(54,047)	(2,318,610)
Net cash (used in)/from operating activities	<u>(5,707,567)</u>	<u>15,940,060</u>	<u>18,867,481</u>
Cash Flows From Investing Activities			
Acquisition of property, plant and equipment	(a) (16,626)	(160,004)	(677,993)
Proceeds from disposal of right-of-use assets	-	587,000	-
Proceeds from disposal of property, plant and equipment	-	600	1,626
Net cash (used in)/from investing activities	<u>(16,626)</u>	<u>427,596</u>	<u>(676,367)</u>
Cash Flows From Financing Activities			
Drawdown / (Repayments) from borrowings, net :-			
- Bankers' acceptance	(b) 382,526	1,942,557	12,295,879
- Supplier financing	(b) 6,771,062	(2,714,259)	(4,072,689)
- Invoice financing	(b) -	4,349,610	(971,016)
- Trust receipts	(b) (1,088,019)	(1,147,396)	(1,138,350)
- Unsecured loan	(b) -	4,455,800	(4,455,800)
- Trade Financing	-	-	2,990,346
Interest paid	(b) (204,298)	(108,525)	(173,626)
Repayment of lease liabilities	(b) (539,023)	(746,862)	(837,488)
Net cash from financing activities	<u>5,322,248</u>	<u>6,030,925</u>	<u>3,637,256</u>
Net changes in cash and cash equivalents	(401,945)	22,398,581	21,828,370
Cash and cash equivalents at the beginning of the financial year	7,680,898	7,279,477	29,760,888
Effects of foreign exchange differences	524	82,830	174,221
Cash and cash equivalents at the end of the financial year	10 <u>7,279,477</u>	<u>29,760,888</u>	<u>51,763,479</u>

The accompanying accounting policies and explanatory notes form an integral part of these Financial Statements

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**STATEMENT OF CASH FLOWS (CONTINUED)****NOTES TO THE STATEMENT OF CASH FLOWS****(a) Analysis of acquisition of property, plant and equipment**

	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Cash	16,626	160,004	677,993

(b) Reconciliation of liabilities arising from financing activities :-

	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Reconciliation of financing activities			
Balance b/f	14,219,297	19,745,843	23,108,778
<u>Non cash changes</u>			
Interest expense	204,298	108,525	173,626
Addition of lease liabilities	-	86,204	22,132,201
Termination of lease liabilities	-	(2,862,719)	(44,278)
<u>Cash flows</u>			
Drawdown of borrowings	58,651,621	77,315,052	117,910,828
Repayment of borrowings	(52,586,052)	(70,428,740)	(113,262,458)
Repayment of lease liabilities	(743,321)	(855,387)	(1,011,114)
Balance c/f	19,745,843	23,108,778	49,007,583

The accompanying accounting policies and explanatory notes form an integral part of these Financial Statements.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

1. General Information

Bio Eneco Sdn. Bhd. ("BESB") was incorporated on 25 July 2011 as a private limited company and domiciled in Malaysia and is principally involved in the manufacturing and trading of biomass fuel products.

The addresses of the registered office and principal place of business of the Company are as follows:

Registered office

Level 7, Menara Milenium
Jalan Damanlela, Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur
Wilayah Persekutuan

Principal place of business

61-2, Jalan Radin Tengah
Bandar Baru Sri Petaling
57000 Kuala Lumpur

Elridge Energy Holdings Berhad ("EEHB") was incorporated on 10 January 2024 as a public limited company in Malaysia and its principal activity is investment holding. For the purpose of listing EEHB on the ACE Market of Bursa Malaysia Securities Berhad, EEHB has entered into a share sale agreement on 31 January 2024 to undertake the proposed acquisition of Bio Eneco Sdn Bhd ("BESB") ("**Proposed Acquisition**") as disclosed in Note 30 to the Financial Statements. Following the completion of the Proposed Acquisition, BESB will become a wholly-owned subsidiary of the EEHB.

The Financial Statements of BESB for the FYEs 2021, 2022 and 2023 were audited by HLB Ler Lum Chew PLT. The auditors' reports were not subject any qualification or modification.

13. ACCOUNTANTS' REPORT *(cont'd)*

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS

2. Basis of Preparation and Significant Accounting Policies

(a) Basis of preparation

The Financial Statements of the Company for the FYEs 2021, 2022 and 2023 have been prepared in accordance with MFRSs and IFRSs, and based on the Guidance Note on "Accountant's Report by Reporting Accountant" issued by the Malaysian Institute of Accountants.

The Financial Statements have been prepared for purpose of inclusion in the Prospectus of EEHB in connection with the listing of and quotation for the entire enlarged issued share capital of EEHB on the ACE Market of Bursa Securities, in accordance with Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

The Financial Statements have been prepared under the historical cost convention except as disclosed in summary of significant accounting policies.

The preparation of Financial Statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the Financial Statements, and the reported amount of revenues and expenses during the reported period. It also requires Directors to exercise their judgement in the process of applying the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Statements are disclosed in Note 2(b).

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (Continued)****2. Basis of Preparation and Significant Accounting Policies (Continued)****(a) Basis of preparation (continued)**

The Company has consistently applied the same accounting policies in its Financial Statements for the FYEs 2021, 2022 and 2023, as if these policies had always been in effect. These policies comply with each applicable MFRS effective for the Company's financial year beginning on 1 January 2023.

Amendments to accounting standards that are effective for the Company's financial year beginning on or after 1 January 2023 are as follows:

- MFRS 17, "Insurance Contracts"
- Amendments to MFRS 17, "Insurance Contracts"
- Amendments to MFRS 112, "Income Taxes" (Deferred Tax related to Assets and Liabilities arising from a Single Transaction)

The above amendments to accounting standards effective during the financial year do not have any significant impact to the financial results and position of the Company.

Accounting standard and amendments to accounting standards that are applicable for the Company in the following periods but are not yet effective:

Annual periods beginning on/after 1 January 2024

- Amendments to MFRS 107 and MFRS 7, "Supplier Finance Arrangements"
- Amendments to MFRS 16, "Lease liability in a Sales and Leaseback"
- Amendments to MFRS 101, "Non-current liabilities with Covenants"

Annual periods beginning on/after 1 January 2025

- Amendments to MFRS 121, "Lack of Exchangeability"

Effective date yet to be determined by the Malaysian Accounting Standards Board

- Amendments to MFRS 10, "Financial Statements" and MFRS 128, "Investments in Associates and Joint Ventures" (Sale or Contribution of Assets between an Investor and its Associate or Joint Venture)

The adoption of the accounting standard and amendments to accounting standards are not expected to have any significant impact to the Financial Statements of the Company.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (Continued)****2. Basis of Preparation and Significant Accounting Policies (Continued)****(b) Significant accounting estimates and judgements**

Estimates, assumptions concerning the future and judgements are made in the preparation of the Financial Statements. They affect the application of the Company's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

The key assumptions concerning the future and other key sources of estimation or uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

(i) Loss allowance of trade receivables

The Company uses an allowance matrix to calculate expected credit losses ("ECLs") for trade receivables.

The allowance matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast and economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs of the Company's trade receivables is disclosed in Note 27.

(ii) Extension and termination options

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Such extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that it will be exercised. The assessment is reviewed if a significant event or a significant change in circumstances occurs which affects this assessment. Significant judgements are used in determining the lease term over the extension or termination option.

13. ACCOUNTANTS' REPORT *(cont'd)*

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(c) Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period they are incurred. Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

(d) Provisions

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

When the Company expects a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

(e) Operating segments

For management purpose, the Company is organised into operating segment based on their business activities. An operating segment's operating results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Company, to make decisions about resources to be allocated to the segments and assess the segment performance.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(f) Property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses. The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in profit or loss during the financial period in which they are incurred.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Gains and losses on disposals are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised in net in the profit or loss.

(ii) Depreciation and impairment

Freehold land is not depreciated as it has an infinite life.

Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use. Other property, plant and equipment are depreciated on the straight-line method to allocate the cost to their residual values over their estimated useful lives as follows:

Equipment	10% - 20%
Furniture and fittings	10% - 20%
Motor vehicles	20%
Plant and machinery	10% - 20%
Office equipment	10% - 15%
Renovation	10% - 20%

13. ACCOUNTANTS' REPORT *(cont'd)*

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(f) Property, plant and equipment (continued)

(ii) Depreciation and impairment (continued)

Depreciation methods, useful lives and residual values are reviewed at end of each reporting period and adjusted as appropriate.

At the end of the reporting period, the Company assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount.

(g) Investment properties

Investment properties are held for long term rental yield or for capital appreciation or both and are not occupied by the Company.

Investment properties are stated at cost less accumulated depreciation and any impairment losses. Building is depreciated on a straight-line basis to write off the cost over its estimated useful life at annual rate of 2%.

On disposal of an investment property, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal, it shall be derecognised (eliminated from the statement of financial position). The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period of the retirement or disposal.

(h) Impairment of non-financial assets

Assets that have an indefinite useful life, such as goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation and depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units.

13. ACCOUNTANTS' REPORT *(cont'd)*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(h) Impairment of non-financial assets (continued)

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

An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit exceeds its estimated recoverable amount.

Impairment losses are recognised in profit or loss unless it reverses a previous revaluation in which it is charged to the revaluation surplus. Impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

(i) Financial assets

(i) Classification

The Company classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL")

The classification depends on the Company's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

13. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(i) Financial assets (continued)

(ii) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the trade-date, the date on which the Company commits to purchase or sell the asset.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

(iii) Subsequent measurement

Debt instruments

Debt instruments mainly comprise of cash and cash equivalents and trade and other receivables.

There are three subsequent measurement categories, depending on the Company's business model for managing the asset and the cash flow characteristics of the asset:

- Amortised cost

Debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest rate method.

13. ACCOUNTANTS' REPORT (cont'd)

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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (Continued)****2. Basis of Preparation and Significant Accounting Policies (Continued)****(i) Financial assets (continued)****(iii) Subsequent measurement (continued)**Debt instruments (continued)• FVOCI

Debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in Other Comprehensive Income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is recognised using the effective interest rate method in profit or loss.

• FVTPL

Debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVTPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all its equity investments at fair value. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise, except for those equity securities which are not held for trading. The Company has elected to recognise changes in fair value of equity securities not held for trading in OCI as these are strategic investments and the Company considers this to be more relevant. Movements in fair values of investments classified as FVOCI are recognised in OCI. Dividends from equity investments are recognised in profit or loss when the Company's right to receive payments is established.

13. ACCOUNTANTS' REPORT (cont'd)

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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS (Continued)****2. Basis of Preparation and Significant Accounting Policies (Continued)****(i) Financial assets (continued)****(iv) Impairment**

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

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

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

The Company considers a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

(j) Financial liabilities

Financial liabilities are initially recognised at fair value net of transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss.

13. ACCOUNTANTS' REPORT *(cont'd)*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(j) Financial liabilities (continued)

Fair value through profit or loss category comprises financial liabilities that are derivatives (except for a derivative that is a financial guarantee or a designated and effective hedging instrument) or financial liabilities that are specifically designated into this category upon initial recognition.

All financial liabilities are subsequently measured at amortised cost using the effective interest method other than those categorised as fair value through profit or loss.

Other financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair values with the gain or loss recognised in profit or loss.

(k) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average method and includes the cost of purchase and other costs incurred in bringing the inventories to their present location and condition.

The cost of finished goods comprises raw materials, direct labour, other direct costs and an appropriate proportion of production overheads (based on normal operating capacity).

Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and applicable variable selling expenses.

Provision for inventory obsolescence is made when an item has been identified as obsolete or excess inventory. The identification of an item as obsolete is done on an item by item basis after proper analysis has been conducted.

13. ACCOUNTANTS' REPORT *(cont'd)*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(m) Cash and cash equivalents

Cash and cash equivalents consist of cash and bank balances and deposits with financial institutions which have an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(n) Equity instruments

(i) Share capital

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

The transaction costs of an equity transaction are accounted for as a deduction from equity, net of tax. Equity transaction costs comprise only those incremental external costs directly attributable to the equity transaction which would otherwise have been avoided.

(ii) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the period in which the dividends are approved.

(o) Current and deferred income tax

The tax expense for the period comprises current and deferred income tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

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

13. ACCOUNTANTS' REPORT *(cont'd)*

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(o) Current and deferred income tax (continued)

Deferred tax is recognised, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the Financial Statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred and current tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(p) Employee benefits

(i) Short-term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Company has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Defined contribution plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in profit or loss in the period to which they relate.

13. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(q) Revenue and income recognition

- (i) Revenue from contracts with customers is measured based on the consideration specified in the contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Company recognises revenue when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Sale of biomass products

Revenue from sale of biomass products including palm kernel shell and wood pellets is recognised at the point in time when control of the goods is transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods. The Company has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods before transferring them to the customers.

- (ii) Other revenue and income

Revenue and income from other sources are recognised as follows:

Rental income

Rental income is recognised on a straight-line basis over the tenure of the lease.

Interest income

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

13. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(r) Leases

(i) Accounting by lessee

Leases are recognised as right-of-use assets and a corresponding liability at the commencement date on which the leased asset is available for use by the Company.

In determining the lease term, the Company considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension or termination options are taken into consideration in determining the lease term if it is reasonably certain that the lease will be extended or terminated.

Right-of-use assets are initially measured at cost comprising the following:

- The amount of the initial measurement of lease liability;
- Any lease payments made at or before the commencement date less any lease incentive received;
- Any initial direct costs; and
- Decommissioning or restoration costs

Right-of-use assets are subsequently measured at cost, less accumulated depreciation and impairment loss. The right-of-use assets are depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain that it will exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, the lessee's incremental borrowing rate is used. Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Short-term leases are leases with a lease term of 12 months or less. Payments associated with short-term leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss.

13. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE FINANCIAL STATEMENTS (Continued)

2. Basis of Preparation and Significant Accounting Policies (Continued)

(r) Leases (continued)

(ii) Accounting by lessor

The Company determines at lease inception whether each lease is a finance lease or operating lease. To classify each lease, the Company makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee.

Operating leases

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee.

The Company recognises lease payments received under operating leases as lease income on a straight-line basis over the lease term.

(s) Foreign currency

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the Company operates (the "functional currency"). The financial statements are presented in Ringgit Malaysia, which is also the Company's functional currency.

(ii) Foreign currency transaction

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss.

13. ACCOUNTANTS' REPORT (cont'd)

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3. Property, Plant and Equipment

	Freehold land RM	Equipment RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Renovation RM	Total RM
<u>Cost</u>								
At 1 January 2021	1,800,000	165,454	125,529	118,000	9,306,380	192,713	239,398	11,947,474
Reclassification from right-of-use assets	-	-	-	-	537,900	-	-	537,900
Addition	-	-	2,276	-	-	1,130	13,220	16,626
At 31 December 2021	1,800,000	165,454	127,805	118,000	9,844,280	193,843	252,618	12,502,000
Addition	-	1,626	1,359	-	101,664	55,355	-	160,004
Disposal	-	-	-	-	-	(567)	-	(567)
At 31 December 2022	1,800,000	167,080	129,164	118,000	9,945,944	248,631	252,618	12,661,437
Addition	-	269,432	47,767	-	76,000	156,717	128,077	677,993
Disposal	-	-	-	(118,000)	(590)	(3,129)	-	(121,719)
At 31 December 2023	1,800,000	436,512	176,931	-	10,021,354	402,219	380,695	13,217,711

13. ACCOUNTANTS' REPORT (cont'd)

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3. Property, Plant and Equipment (Continued)

	Freehold land RM	Equipment RM	Furniture and fittings RM	Motor vehicles RM	Plant and machinery RM	Office equipment RM	Renovation RM	Total RM
<u>Accumulated depreciation</u>								
At 1 January 2021	-	138,076	71,830	117,999	4,757,683	101,116	145,728	5,332,432
Reclassification from right-of-use assets	-	-	-	-	147,922	-	-	147,922
Charge for the financial year	-	7,139	7,245	-	543,894	20,781	13,479	592,538
At 31 December 2021	-	145,215	79,075	117,999	5,449,499	121,897	159,207	6,072,892
Charge for the financial year	-	6,348	7,318	-	580,671	20,685	11,877	626,899
Disposal	-	-	-	-	-	(250)	-	(250)
At 31 December 2022	-	151,563	86,393	117,999	6,030,170	142,332	171,084	6,699,541
Charge for the financial year	-	14,212	9,769	-	593,653	32,195	16,725	666,554
Disposal	-	-	-	(117,999)	(590)	(1,913)	-	(120,502)
At 31 December 2023	-	165,775	96,162	-	6,623,233	172,614	187,809	7,245,593
Net carrying amount								
At 31 December 2021	1,800,000	20,239	48,730	1	4,394,781	71,946	93,411	6,429,108
At 31 December 2022	1,800,000	15,517	42,771	1	3,915,774	106,299	81,534	5,961,896
At 31 December 2023	1,800,000	270,737	80,769	-	3,398,121	229,605	192,886	5,972,118

Freehold land with carrying amount of RM 1,800,000 (2022: RM1,800,000; 2021: RM1,800,000) is pledged to a licensed bank as security for borrowing as disclosed in Note 17 to the Financial Statements.

13. ACCOUNTANTS' REPORT (cont'd)

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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**4. Right-of-Use Assets**

	Premises RM	Motor vehicle RM	Plant & machinery RM	Total RM
<u>Cost</u>				
At 1 January 2021	3,345,766	920,800	537,900	4,804,466
Reclassification to property, plant and equipment	-	-	(537,900)	(537,900)
31 December 2021	3,345,766	920,800	-	4,266,566
Additions	86,204	-	-	86,204
Disposal	-	(747,800)	-	(747,800)
Termination of leases	(3,285,708)	-	-	(3,285,708)
At 31 December 2022	146,262	173,000	-	319,262
Additions	22,132,201	-	-	22,132,201
Termination of leases	(82,613)	-	-	(82,613)
At 31 December 2023	<u>22,195,850</u>	<u>173,000</u>	<u>-</u>	<u>22,368,850</u>
<u>Accumulated depreciation</u>				
At 1 January 2021	-	122,307	94,132	216,439
Charge for the year	394,240	184,160	53,790	632,190
Reclassification to property, plant and equipment	-	-	(147,922)	(147,922)
At 31 December 2021	394,240	306,467	-	700,707
Charge for the year	212,884	63,243	-	276,127
Disposal	-	(248,610)	-	(248,610)
Termination of leases	(532,699)	-	-	(532,699)
At 31 December 2022	74,425	121,100	-	195,525
Charge for the year	893,266	34,600	-	927,866
Termination of leases	(39,511)	-	-	(39,511)
At 31 December 2023	<u>928,180</u>	<u>155,700</u>	<u>-</u>	<u>1,083,880</u>
Carrying amount				
At 31 December 2021	<u>2,951,526</u>	<u>614,333</u>	<u>-</u>	<u>3,565,859</u>
At 31 December 2022	<u>71,837</u>	<u>51,900</u>	<u>-</u>	<u>123,737</u>
At 31 December 2023	<u>21,267,670</u>	<u>17,300</u>	<u>-</u>	<u>21,284,970</u>

Included in carrying amount of motor vehicle as at 31 December 2021 is an amount of RM188,053 held in trust by a director.

13. ACCOUNTANTS' REPORT (cont'd)

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(Incorporated in Malaysia)**5. Investment Properties**

	Leasehold land RM	Leasehold building RM	Total RM
<u>Cost</u>			
At 1 January 2021 / 31 December 2021 / 31 December 2022 / 31 December 2023	1,568,000	1,232,000	2,800,000
<u>Accumulated depreciation</u>			
At 1 January 2021	31,360	24,640	56,000
Charge for the year	31,360	24,640	56,000
At 31 December 2021	62,720	49,280	112,000
Charge for the year	31,360	24,640	56,000
At 31 December 2022	94,080	73,920	168,000
Charge for the year	31,360	24,640	56,000
At 31 December 2023	125,440	98,560	224,000
Carrying amount			
At 31 December 2021	1,505,280	1,182,720	2,688,000
At 31 December 2022	1,473,920	1,158,080	2,632,000
At 31 December 2023	1,442,560	1,133,440	2,576,000

Investment properties comprise buildings on leasehold land that are leased to a third party.

Rental income of Nil (2022: RM88,000; 2021: RM90,150) was generated from the investment properties during the year as disclosed in Note 20 to the Financial Statements. The direct operating expenses arising from the said investment properties amounted to RM2,374 (2022: RM2,916; 2021: RM2,838), mainly comprise quit rent and assessment expense.

Information about the fair value hierarchy of the Company's investment properties are as follows:

	31.12.2021 RM	31.12.2022 RM	31.12.2023 RM
At fair value			
Leasehold land	1,568,000	1,568,000	1,568,000
Leasehold building	1,232,000	1,232,000	1,332,000
	<u>2,800,000</u>	<u>2,800,000</u>	<u>2,900,000</u>

13. ACCOUNTANTS' REPORT (cont'd)

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(Incorporated in Malaysia)**5. Investment Properties (Continued)****Fair value information**

The Company's investment properties are valued based on sale comparison approach and unobservable inputs and classified in Level 2 of the fair value hierarchy. The different levels of the fair value hierarchy are defined in Note 27 to the Financial Statements.

During the current financial year, there were no transfers between Level 1, Level 2 and Level 3 fair value measurements.

Valuation techniques used to derive Level 2 fair values

Level 2 fair values of the Company's properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter.

6. Inventories

	← 31.12.2021	As at 31.12.2022	→ 31.12.2023
	RM	RM	RM
At cost :-			
Raw materials	4,160,904	2,094,331	1,941,600
Finished goods	5,447,406	2,515,145	19,011,270
	<u>9,608,310</u>	<u>4,609,476</u>	<u>20,952,870</u>
Recognised in profit and loss :-			
Inventories recognised as cost of sales	<u>99,265,815</u>	<u>123,050,370</u>	<u>276,323,922</u>

13. ACCOUNTANTS' REPORT (cont'd)

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7. Trade Receivables

	← As at →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Trade receivables	29,068,495	6,173,271	14,326,362
Less: Loss allowance	<u>(641,176)</u>	<u>(27,350)</u>	<u>(88,548)</u>
	<u>28,427,319</u>	<u>6,145,921</u>	<u>14,237,814</u>

The Company's trade credit terms range 30 days to 90 days (2022: 30 days to 90 days; 2021: 30 days to 90 days).

The reconciliation of movement in the loss allowance accounts are as follows:

	RM
At 1 January 2021	448,914
Charge for the financial year	<u>192,262</u>
At 31 December 2021/ 1 January 2022	641,176
Reversal of loss allowance	<u>(613,826)</u>
At 31 December 2022	27,350
Charge for the financial year	<u>61,198</u>
At 31 December 2023	<u>88,548</u>

8. Other Receivables, Deposits and Prepayments

	← As at →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Other receivables	58,900	32,600	-
Trade deposits	14,401,676	37,980,833	-
Deposits	1,470,650	2,648,267	6,944,869
Prepayments	<u>95,430</u>	<u>91,702</u>	<u>63,738</u>
	<u>16,026,656</u>	<u>40,753,402</u>	<u>7,008,607</u>

Other credit terms are assessed and approved on a case-by-case basis. Included in deposit are amount of RM2,245,925 and NIL (2022: RM423,000 and RM349,000; 2021: RM423,000 and NIL) being deposit paid to bank in respect of customer's performance guarantee and deposit to related company respectively.

9. Fixed deposits

The fixed deposits have been pledged to licensed banks for banking facilities granted to the Company (Note 17). Deposits of the Company have maturity of 365 days (2022: 365 days; 2021: 365 days). The interest rates of deposits of the Company as at reporting date ranging from 1.90% - 3.10% (2022: 1.00% - 2.30%; 2021: 1.00% - 1.85%) per annum.

13. ACCOUNTANTS' REPORT (cont'd)

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10. Cash and Bank Balances

	← 31.12.2021	As at 31.12.2022	→ 31.12.2023
	RM	RM	RM
Fixed deposits (Note 9)	5,249,673	5,338,405	5,462,732
Cash and bank balances	<u>2,530,304</u>	<u>24,422,483</u>	<u>46,300,747</u>
Cash and cash equivalents as per Statements of Financial Position	7,779,977	29,760,888	51,763,479
Bank overdraft (Note 17)	<u>(500,500)</u>	<u>-</u>	<u>-</u>
Cash and cash equivalents as per Statements of Cash Flows	<u>7,279,477</u>	<u>29,760,888</u>	<u>51,763,479</u>

11. Share Capital

	← 31.12.2021	Financial years ended 31.12.2022	→ 31.12.2023
	Units	Units	Units
Share capital Issued and fully paid			
At beginning /end of the financial year	<u>7,000,000</u>	<u>7,000,000</u>	<u>7,000,000</u>
	RM	RM	RM
Issued and fully paid			
At beginning /end of the financial year	<u>7,300,000</u>	<u>7,300,000</u>	<u>7,300,000</u>

12. Reserves

	← 31.12.2021	Financial years ended 31.12.2022	→ 31.12.2023
	RM	RM	RM
Capital reserves	296,308	296,308	296,308
Retained earnings/(Accumulated losses)	<u>(2,418,488)</u>	<u>3,870,959</u>	<u>27,436,006</u>
	<u>(2,122,180)</u>	<u>4,167,267</u>	<u>27,732,314</u>

13. ACCOUNTANTS' REPORT (cont'd)

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(Incorporated in Malaysia)**13. Lease Liabilities**

As at 31.12.2021	Motor vehicle RM	Premises RM	Total RM
Minimum finance lease payments :-			
Repayable within 1 years	191,058	481,524	672,582
Repayable within 1 years to 2 years	179,257	440,524	619,781
Repayable within 2 years to 5 years	381,154	1,237,572	1,618,726
Repayable more than 5 years	-	1,615,719	1,615,719
	<u>751,469</u>	<u>3,775,339</u>	<u>4,526,808</u>
Less : Financing charges	(95,301)	(751,615)	(846,916)
	<u>656,168</u>	<u>3,023,724</u>	<u>3,679,892</u>
Present value of finance lease liability :-			
Repayable within 1 years	146,707	344,648	491,355
Repayable within 1 years to 2 years	148,765	306,265	455,030
Repayable within 2 years to 5 years	360,696	929,966	1,290,662
Repayable more than 5 years	-	1,442,845	1,442,845
	<u>656,168</u>	<u>3,023,724</u>	<u>3,679,892</u>
As at 31.12.2022	Motor vehicle RM	Premises RM	Total RM
Minimum finance lease payments :-			
Repayable within 1 years	26,173	45,600	71,773
Repayable within 1 years to 2 years	26,173	30,400	56,573
Repayable within 2 years to 5 years	38,822	-	38,822
	<u>91,168</u>	<u>76,000</u>	<u>167,168</u>
Less : Financing charges	(7,135)	(3,518)	(10,653)
	<u>84,033</u>	<u>72,482</u>	<u>156,515</u>
Present value of finance lease liability :-			
Repayable within 1 years	22,712	42,696	65,408
Repayable within 1 years to 2 years	23,850	29,786	53,636
Repayable within 2 years to 5 years	37,471	-	37,471
	<u>84,033</u>	<u>72,482</u>	<u>156,515</u>

13. ACCOUNTANTS' REPORT (cont'd)

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13. Lease Liabilities (Continued)

As at 31.12.2023	Motor vehicle RM	Premises RM	Total RM
Minimum finance lease payments :-			
Repayable within 1 years	26,173	6,843,734	6,869,907
Repayable within 1 years to 2 years	26,123	6,617,938	6,644,061
Repayable within 2 years to 5 years	13,086	10,199,983	10,213,069
	<u>65,382</u>	<u>23,661,655</u>	<u>23,727,037</u>
Less : Financing charges	(3,941)	(2,316,146)	(2,320,087)
	<u>61,441</u>	<u>21,345,509</u>	<u>21,406,950</u>
Present value of finance lease liability :-			
Repayable within 1 years	23,849	5,788,660	5,812,509
Repayable within 1 years to 2 years	24,987	5,897,161	5,922,148
Repayable within 2 years to 5 years	12,605	9,659,688	9,672,293
	<u>61,441</u>	<u>21,345,509</u>	<u>21,406,950</u>

During the prior year financial year ended 31 December 2022, the Company reassessed its lease liability due to an early termination of building lease. Accordingly, a remeasurement of RM 1,175 (2022: RM109,710; 2021: RM Nil) is recognised in profit or loss.

The effective interest rates of the finance lease liabilities as at the reporting date are as follows :-

	31.12.2021	31.12.2022	31.12.2023
Finance lease liabilities	<u>2.01% - 4.87%</u>	<u>4.87%</u>	<u>4.87%</u>

13. ACCOUNTANTS' REPORT (cont'd)

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14. Deferred tax liabilities

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
At 1 January	-	-	-
Recognised in profit or loss (Note 22)	-	-	742,686
At 31 December	<u>-</u>	<u>-</u>	<u>742,686</u>

These are in respect of estimated deferred tax liability arising from temporary differences as follows:

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Deferred tax assets			
Deductible temporary differences in respect of expenses	<u>-</u>	<u>-</u>	<u>(21,252)</u>
Deferred tax liabilities			
Difference between carrying amounts of right-of-use assets and their tax base	-	-	18,682
Plant and equipment - capital allowances in excess of depreciation	<u>-</u>	<u>-</u>	<u>745,256</u>
	<u>-</u>	<u>-</u>	<u>763,938</u>
	<u>-</u>	<u>-</u>	<u>742,686</u>

13. ACCOUNTANTS' REPORT (cont'd)

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(Incorporated in Malaysia)**14. Deferred tax liabilities (Continued)**

Deferred tax assets have not been recognised in respect of the following items:-

	← 31.12.2021	Financial years ended 31.12.2022	31.12.2023 →
	RM	RM	RM
Property, plant and equipment	(2,333,197)	(2,644,559)	-
Unutilised capital allowances	126,198	-	-
Unutilised industrial building allowances	35,445	-	-
Unabsorbed business losses	21,016,109	14,737,632	-
Others	713,374	26,705	-
	<u>19,557,929</u>	<u>12,119,778</u>	<u>-</u>
Potential tax benefits calculated at 24% tax rate (2022: 24%; 2021: 24%)	<u>4,693,903</u>	<u>2,908,747</u>	<u>-</u>

The unabsorbed tax losses, unutilised capital allowances and unutilised industrial building allowances are subject to agreement with the Inland Revenue Board. On the other hand, effective from year of assessment 2019 as announced in the Annual Budget 2022, the unabsorbed tax losses of the Company as at 31 December 2018 and thereafter will be available for carry forward for a period of consecutive 10 years. Upon expiry of the 10 years, the unabsorbed tax losses will be disregarded.

15. Trade Payables

	← 31.12.2021	As at 31.12.2022	31.12.2023 →
	RM	RM	RM
Trade payables	<u>17,463,157</u>	<u>24,891,337</u>	<u>16,693,538</u>

The trade credit terms granted to the Company range from 30 to 90 days (2022: 30 to 90 days, 2021: 30 to 90 days).

13. ACCOUNTANTS' REPORT (cont'd)

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(Incorporated in Malaysia)**16. Other Payables**

	← As at →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Amount due to related companies	2,048,354	2,103,565	-
Other payables	3,991,024	2,252,745	2,830,593
Trade deposits	25,126,012	25,206,012	16,119,199
Deposits received	24,000	24,000	-
Accruals	362,567	826,787	1,999,822
Provision for restoration	30,000	-	-
	<u>31,581,957</u>	<u>30,413,109</u>	<u>20,949,614</u>

The amount due to related companies pertains mainly to payables and payments on behalf. The outstanding amounts are unsecured, interest free and payable on demand.

17. Borrowing

	← As at →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Current			
Bankers' acceptance	3,162,531	5,105,088	17,400,967
Invoice financing	-	4,349,610	3,378,594
Supplier financing	6,786,948	4,072,689	-
Trust receipts	6,116,472	4,969,076	3,830,726
Bank overdraft	500,500	-	-
Unsecured loan	-	4,455,800	-
Trade financing	-	-	2,990,346
	<u>16,566,451</u>	<u>22,952,263</u>	<u>27,600,633</u>
<u>Maturity of borrowing</u>			
Within one year	<u>16,566,451</u>	<u>22,952,263</u>	<u>27,600,633</u>

13. ACCOUNTANTS' REPORT (cont'd)

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(Incorporated in Malaysia)**17. Borrowing (Continued)**

The effective interest rates of the borrowings as at the reporting date are as follows :-

	31.12.2021	31.12.2022	31.12.2023
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 overdraft	6.81%	-	-
Unsecured loan	-	2% on monthly basis	-
Trade Financing	-	-	<u>6.95% - 7.10%</u>

The bankers' acceptance, invoice financing, trust receipts and bank overdraft of the Company are secured by the following:-

- First party legal charge over freehold land of the Company;
- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPPB) under Pemulih Government Guarantee Scheme-I (PGGS-i) for RM3,600,000;
- Sinking Fund (SF) deposits build-up for RM41,667 until the facility is fully secured upon expiry of SJPP guarantee cover period;
- Fixed deposits and sinking fund deposits of the Company; and
- Irrevocable, unconditional, joint and several guarantee by the Directors of the Company.

The supplier financing of the Company are secured by the following:-

- Cash Collateral Agreement and Guarantee Agreement;
- Cash Collateral Agreement pertaining to the Sinking Fund. Placement on cash based on 5% deduction against collection of sales proceed until it reaches RM3,000,000 only;
- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPPB) under Government Guarantee Scheme – Prihatin (“GGs-Prihatin”), with guarantee limit of up to RM4,000,000.

The unsecured loan is provided by a licensed investment bank, the limit of the loan is assessed and approved on a case-by-case basis. During the previous financial year, the Company obtained an unsecured loan of USD1,000,000 equivalent to RM4,455,800. The repayment of the loan is 30 days from the drawdown date and interest rate of 2% per thirty-days period.

The trade financing of the Company are secured as follows:-

- First party legal charge over freehold land of the Company;
- Guarantee by Syarikat Jaminan Pembiayaan Perniagaan (“SJPP”) Berhad under Pemulih Government Guarantee Scheme for guarantee coverage 80% of the multi trade facilities.
- Irrevocable, unconditional, joint and several guarantee by the Directors of the Company.

13. ACCOUNTANTS' REPORT (cont'd)

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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**18. Amount due to a Director**

Amount due to a Director is non-trade, unsecured, non-interest bearing and repayable upon demand.

19. Revenue

Breakdown of revenue recognised from contracts with customers is as follows:

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Revenue recognised from contracts with customers:			
Sales of biomass product	<u>115,114,485</u>	<u>144,439,724</u>	<u>335,250,677</u>
Timing of revenue recognition			
At point in time	<u>115,114,485</u>	<u>144,439,724</u>	<u>335,250,677</u>

The information on the breakdown of revenue by geographical market is disclosed in Note 26 to the Financial Statements.

20. Other Operating Income

Included in other operating income are:

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Gain on disposal of property, plant and equipment	-	283	409
Gain on disposal of right-of-use assets	-	87,810	-
Gain on foreign exchange (net) :-			
- Realised	965,788	575,142	69,952
- Unrealised	524	82,830	-
Gain on lease modification	-	109,710	1,175
Interest income	168,945	93,867	150,251
Rental income derived from:			
- Investment properties	90,150	88,000	-
- Short term lease	-	572,000	112,500
Debts written off	90,496	-	-
	<u>1,315,903</u>	<u>1,609,642</u>	<u>334,287</u>

13. ACCOUNTANTS' REPORT (cont'd)

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21. **Profit Before Taxation**

Profit before taxation is derived at after charging/(crediting):

	← Financial years ended →		
	31.12.2021 RM	31.12.2022 RM	31.12.2023 RM
Auditors' remuneration			
- current year	38,000	38,000	68,000
- over provision in prior financial year	(18,000)	-	-
- non-audit fee	-	-	70,500
Bad debts written off :-			
– Trade receivables	-	46,536	-
– Non-trade receivables	-	58,300	-
Deposits forfeited	-	36,566	4,400
Depreciation of investment properties	56,000	56,000	56,000
Depreciation of property, plant and equipment	592,538	626,899	666,554
Depreciation of right-of-use assets	632,190	276,127	927,866
Short term lease	3,208,548	3,144,047	4,087,742
Loss of foreign exchange (net):-			
- Unrealised	-	-	493,492
	<u> </u>	<u> </u>	<u> </u>

13. ACCOUNTANTS' REPORT (cont'd)

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22. Taxation

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Current taxation:			
- Current year	-	30,329	3,547,499
- Under provision in prior financial year	38,815	34,595	124,405
Taxation	<u>38,815</u>	<u>64,924</u>	<u>3,671,904</u>
Deferred tax:			
- Origination and reversal of temporary differences	-	-	742,686
Taxation for the financial year	<u>38,815</u>	<u>64,924</u>	<u>4,414,590</u>

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

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

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Profit before taxation	<u>1,781,056</u>	<u>6,354,371</u>	<u>27,979,637</u>
Taxation at statutory tax rate of 24% (2022: 24%; 2021: 24%)	427,453	1,525,049	6,715,113
Tax effects of :-			
– Non-deductible expenses	163,210	41,400	456,392
– Unrecognised tax credits	(590,663)	(1,536,120)	(2,881,320)
Under provision of current taxation in prior financial year	38,815	34,595	124,405
Taxation for the financial year	<u>38,815</u>	<u>64,924</u>	<u>4,414,590</u>

13. ACCOUNTANTS' REPORT (cont'd)

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23. Earnings per Ordinary Share

Basic earnings per share

Basic earnings per share is calculated by dividing the profit by the weighted average number of ordinary shares in issue during the financial years.

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
Profit (RM)	1,742,241	6,289,447	23,565,047
Weighted average number of ordinary shares in issue	7,000,000	7,000,000	7,000,000
Basic earnings per share (sen)	<u>0.25</u>	<u>0.90</u>	<u>3.37</u>

The Company has not issued any potential dilutive ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

24. Staff Cost Included Directors' Remuneration

	← Financial years ended →		
	31.12.2021 RM	31.12.2022 RM	31.12.2023 RM
Staff cost (excluding Directors' and key management remunerations)			
Salary, bonus and other emoluments	1,229,104	722,466	2,022,209
Defined contribution plan	163,837	112,487	162,349
Other expenses	210,736	308,035	255,542
	<u>1,603,677</u>	<u>1,142,988</u>	<u>2,440,100</u>
Directors' and key management remunerations (Note 25)			
Director's fee	180,000	180,000	396,000
Emoluments	733,785	773,985	1,662,908
Defined contribution plan	87,768	91,872	193,162
Other expenses	3,693	3,851	5,117
	<u>1,005,246</u>	<u>1,049,708</u>	<u>2,257,187</u>
Total staff costs	<u>2,608,923</u>	<u>2,192,696</u>	<u>4,697,287</u>

13. ACCOUNTANTS' REPORT (cont'd)

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25. Significant Related Party Transaction

For the purposes of these Financial Statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

The significant related party balance as at financial year ended are disclosed in other notes to the Financial Statements.

In addition to the information detailed elsewhere in the Financial Statements, set out below are other significant related party transactions:-

	← 31.12.2021 RM	Financial years ended 31.12.2022 RM	31.12.2023 RM →
<u>Companies in which certain</u>			
<u>Directors have financial interests :-</u>			
Rental and storage expenses	1,646,713	1,320,255	-
Management fee	336,000	-	-
Commission and allowances	120,000	120,000	-
Consultation fee	60,000	60,000	-
	<u>60,000</u>	<u>60,000</u>	<u>-</u>

The Directors are of the opinion that the above transactions have been entered into in the normal course of business and have been established on terms and conditions negotiated and agreed by the related parties.

13. ACCOUNTANTS' REPORT (cont'd)

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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**25. Significant Related Party Transaction (Continued)**Key management personnel compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly. Remuneration of key management personnel are disclosed as follows:-

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Directors of EEHB:-			
- Emoluments	420,000	460,000	1,015,000
- Defined contribution plan	50,400	55,200	123,600
- Others	923	963	1,641
	<u>471,323</u>	<u>516,163</u>	<u>1,140,241</u>
Other key senior management personnel of EEHB:-			
- Emoluments	313,785	313,985	590,908
- Defined contribution plans	37,368	36,672	69,562
- Others	2,770	2,888	3,476
	<u>353,923</u>	<u>353,545</u>	<u>663,946</u>
Other Director of BESB:-			
- Fees	180,000	180,000	396,000
- Emoluments	-	-	57,000
	<u>180,000</u>	<u>180,000</u>	<u>453,000</u>
Total	<u>1,005,246</u>	<u>1,049,708</u>	<u>2,257,187</u>

13. ACCOUNTANTS' REPORT (cont'd)

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(Incorporated in Malaysia)**26. Segment Information**

The primary activities of the Company are manufacturing of biomass fuel products, particularly palm kernel shells and wood pellets which are substantially within a single business segment. Management monitors the operating results of the Company as a whole for the purpose of making decisions about resource allocation and performance assessment. Accordingly, the Company has only one (1) reportable segment.

Major customers

The following are the major customers with revenue equal or more than 10 per cent of the Company's revenue:-

	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Company A	24,849,556	*	*
Company B	23,525,668	*	*
Company C	-	19,079,254	93,082,039
Company D	12,410,287	-	-
Company E	13,844,758	15,360,958	37,508,837
Company F	17,058,833	*	*
Company G	*	*	55,192,301
Company H	*	*	49,989,392
Company I	-	*	49,476,463

* During the financial years, the revenue for this customer was less than 10% of the Company's revenue.

Geographical Information

In presenting information on the basis of geographical segments, segment revenue is based on geographical location of customers. Segment assets are based on the geographical location of the assets. No geographical information presented for segment as these assets are entirely located in Malaysia.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**26. Segment Information (Continued)****Geographical Information (continued)**

The following table provides an analysis of the Company's revenue by geographical segments:-

	31.12.2021	Revenue 31.12.2022	31.12.2023
	RM	RM	RM
Malaysia	74,063,271	67,290,316	16,806,410
China	12,410,287	-	-
Indonesia	-	30,349,669	119,545,106
Japan	17,900,990	24,093,998	86,985,300
South Korea	1,328,928	-	-
Singapore	9,411,009	22,705,741	105,181,694
Thailand	-	-	6,732,167
	<u>115,114,485</u>	<u>144,439,724</u>	<u>335,250,677</u>

27. Financial Instruments

The following table analyses the financial assets and financial liabilities of the Company by the classes and categories of financial instruments to which they are assigned, and therefore by the measurement basis:

	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
<u>Financial assets at amortised cost</u>			
Trade receivables	28,427,319	6,145,921	14,237,814
Other receivables and deposits	15,931,226	40,661,700	6,944,869
Fixed deposits	5,249,673	5,338,405	5,462,732
Cash and bank balances	2,530,304	24,422,483	46,300,747
	<u>52,138,522</u>	<u>76,568,509</u>	<u>72,946,162</u>
<u>Financial liabilities at amortised cost</u>			
Trade payables	17,463,157	24,891,337	16,693,538
Other payables	31,581,957	30,413,109	20,949,614
Amount due to a Director	50,000	90,000	-
Borrowings	16,566,451	22,952,263	27,600,633
Lease liabilities	3,679,892	156,515	21,406,950
	<u>69,341,457</u>	<u>78,503,224</u>	<u>86,650,735</u>

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

27. Financial Instruments (Continued)

Financial risk management

The Company's financial risk management policy is to ensure that adequate financial resources are available for the development of the Company's operations whilst managing its financial risks, including credit risk, liquidity risk and market risk.

Credit risk

Credit risk is the risk of loss that arise on outstanding financial instruments should a counterparty default on its obligations. The Company's exposure to credit risk arises primarily from trade and other receivables. For other financial assets (including cash and bank balances), the Company minimises credit risk by dealing exclusively with high credit rating counterparties.

(i) Trade receivables

Risk management objectives, policies and processes for managing the risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit risk is minimised and monitored via strictly limiting the Company's associations to business partners with good credit rating.

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

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

There are no significant changes as compared to the previous year.

Exposure to credit risk, credit quality and collateral

As at the end of the reporting period, the maximum exposure to credit risk from receivables is represented by the carrying amounts in the statement of financial position.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**27. Financial Instruments (Continued)****Financial risk management (continued)****(i) Trade receivables (continued)**Credit risk concentration profile

The Company determines concentration of credit risk by monitoring the profiles of its receivables on an ongoing basis.

The Company's major concentration of credit risk relates to the amount owing by two customer (2022: one customer; 2021: three customers) which constitutes approximately 82% (2022: 77%; 2021: 74%) of its trade receivables as at the end of the reporting period.

The credit risk concentration profile of the Company's trade receivables at the reporting date is as follows:

By country:	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Malaysia	22,426,900	1,413,542	216,160
Indonesia	171,287	4,759,729	5,884,200
South Korea	568,451	-	-
Singapore	5,901,857	-	5,790,800
Japan	-	-	677,887
Thailand	-	-	1,757,315
	<u>29,068,495</u>	<u>6,173,271</u>	<u>14,326,362</u>

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**27. Financial Instruments (Continued)****Financial risk management (continued)**

(i) Trade receivables (continued)

Recognition and measurement of impairment loss

The Company uses an allowance matrix to measure Expected Credit Losses (“ECLs”) of trade receivables for all segments. Consistent with the debt recovery process, invoices which are past due more than 90 days (2022: 90 days; 2021: 90 days) as applicable to the Company will be considered as credit impaired.

The Company will initiate appropriate debt recovery procedures on past due balances which are monitored by the sales management team. Where necessary, the Company will also commence legal proceeding against the customers.

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at the reporting date which are grouped together as they are expected to have similar risk nature.

	Gross amount RM	Loss allowance RM	Carrying value RM
31.12.2021			
Not past due	28,891,485	(464,166)	28,427,319
Past due			
- Between 1 - 90 days	-	-	-
- Between 91 - 180 days	-	-	-
- More than 180 days	177,010	(177,010)	-
	<u>29,068,495</u>	<u>(641,176)</u>	<u>28,427,319</u>
31.12.2022			
Not past due	6,173,271	(27,350)	6,145,921
Past due			
- Between 1 – 90 days	-	-	-
- Between 91 – 180 days	-	-	-
- More than 180 days	-	-	-
	<u>6,173,271</u>	<u>(27,350)</u>	<u>6,145,921</u>

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

27. Financial Instruments (Continued)

Financial risk management (continued)

(i) Trade receivables (continued)

	Gross amount	Loss allowance	Carrying
	RM	RM	value
			RM
31.12.2023			
Not past due	14,326,362	(88,548)	14,237,814
Past due			
- Between 1 - 90 days	-	-	-
- Between 91 - 180 days	-	-	-
- More than 180 days	-	-	-
	<u>14,326,362</u>	<u>(88,548)</u>	<u>14,237,814</u>

(ii) Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the reporting date, the maximum exposure to credit risk is represented by their carrying amounts in the statement of financial position. These banks and financial institutions have low credit risks. Hence, a loss allowance is not necessary.

(iii) Other receivables and deposits

Other receivables and deposits are neither past due nor impaired. The Company believes that generally no allowance for doubtful debts is necessary in respect of other receivables and deposits that are neither past due nor impaired as these receivables and deposits are mainly arising from debtors that have good records of payment in the past.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

27. Financial Instruments (Continued)

Financial risk management (continued)

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's exposure to liquidity risk arises principally from trade and other payables, borrowing and lease liabilities.

Cash flow forecasting is performed by monitoring the Company's liquidity requirements to ensure that it has sufficient liquidity to meet operational, financing repayments and other liabilities as they fall due.

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on contractual undiscounted payments:

	Carrying amount RM	Effective interest rate %	Contractual undiscounted cash flows RM	Below 1 year RM	Between 1 and 5 years RM
As at 31.12.2021					
Financial liabilities					
Trade payables	17,463,157	-	17,463,157	17,463,157	-
Other payables	31,581,957	-	31,581,957	31,581,957	-
Borrowings	16,566,451	2.75 - 7.08	16,806,874	16,806,874	-
Lease liabilities	3,679,892	2.01 - 4.87	4,526,808	672,582	3,854,226
	<u>69,291,457</u>		<u>70,378,796</u>	<u>66,524,570</u>	<u>3,854,226</u>

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

27. Financial Instruments (Continued)

Financial risk management (continued)

Liquidity risk (continued)

	Carrying amount RM	Effective interest rate %	Contractual undiscounted cash flows RM	Below 1 year RM	Between 1 and 5 years RM
As at 31.12.2022					
Financial liabilities					
Trade payables	24,891,337	-	24,891,337	24,891,337	-
Other payables	30,413,109	-	30,413,109	30,413,109	-
Borrowings	22,952,263	3.32 - 24.00	29,573,480	29,573,480	-
Lease liabilities	156,515	4.87 - 5.47	167,168	71,773	95,395
	<u>78,413,224</u>		<u>85,045,094</u>	<u>84,949,699</u>	<u>95,395</u>
As at 31.12.2023					
Financial liabilities					
Trade payables	16,693,538	-	16,693,538	16,693,538	-
Other payables	20,949,614	-	20,949,614	20,949,614	-
Borrowings	27,600,633	4.10 - 7.10	28,024,870	28,024,870	-
Lease liabilities	21,406,950	4.87 - 5.64	23,727,037	6,869,907	16,857,130
	<u>86,650,735</u>		<u>89,395,059</u>	<u>72,537,929</u>	<u>16,857,130</u>

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

27. Financial Instruments (Continued)

Financial risk management (continued)

Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and cash flow and fair value interest rate risk that may affect the Company financial position and cash flows.

(i) Interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Interest rate exposure arises from borrowing. The Company does not hedge the interest rate risk.

Exposure to interest rate risk

The interest rate profile of the Company's significant interest-bearing financial instrument, based on carrying amount as at the end of the financial year are as follows:

	← 31.12.2021 RM	As at 31.12.2022 RM	→ 31.12.2023 RM
Fixed rate instrument			
<u>Financial asset</u>			
Fixed deposit	5,249,673	5,338,405	5,462,732
<u>Financial liabilities</u>			
Lease liabilities	(656,168)	(84,033)	(61,441)
	<u>4,593,505</u>	<u>5,254,372</u>	<u>5,401,291</u>
Floating rate instrument			
<u>Financial liabilities</u>			
Borrowings	(16,566,451)	(22,952,263)	(27,600,633)
	<u>(16,566,451)</u>	<u>(22,952,263)</u>	<u>(27,600,633)</u>

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

27. Financial Instruments (Continued)

Financial risk management (continued)

Market risk (continued)

(i) Interest rate risk (continued)

Interest rate risk sensitivity analysis

A change of 100 basis points ("bp") in interest rates at the end of the reporting period would have increased/(decreased) equity and profit net of tax by the amounts shown below, assuming all other variables remain constant.

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
	RM	RM	RM
Floating rate instruments			
Increase by 100 basis points	(125,905)	(174,437)	(209,765)
Decrease by 100 basis points	<u>125,905</u>	<u>174,437</u>	<u>209,765</u>

(ii) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company has transactional currency exposures arising from sales or purchases that are denominated in currencies other than the functional currency, primarily United States Dollars ("USD") and Singapore Dollar ("SGD"). Foreign currencies denominated assets and liabilities together with expected cash flows from highly probable purchases and sales give rise to foreign exchange exposures.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**27. Financial Instruments (Continued)****Financial risk management (continued)**

(ii) Foreign currency risk (continued)

The net unhedged financial assets and liabilities of the Company that are not denominated in the functional currencies are as follows:-

	Denominated in	
	SGD RM	USD RM
<u>31.12.2021</u>		
Trade receivables	5,901,857	739,738
Cash and bank balances	-	15,790
Other payables	-	(24,431,012)
	<u>5,901,857</u>	<u>(23,675,484)</u>
<u>31.12.2022</u>		
Trade receivables	-	4,759,729
Cash and bank balances	2,209	19,181,750
Trade payables	-	(971,129)
Other payables	-	(24,431,012)
	<u>2,209</u>	<u>(1,460,662)</u>
<u>31.12.2023</u>		
Trade receivables	-	14,110,202
Cash and bank balances	33,599	21,003,149
Other payables	-	(16,119,119)
	<u>33,599</u>	<u>18,994,232</u>

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**27. Financial Instruments (Continued)****Financial risk management (continued)**Sensitivity analysis for foreign currency risk

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

	31.12.2021 RM	31.12.2022 RM	31.12.2023 RM
Effects on profit after taxation and equity			
SGD/RM:			
- strengthened by 10%	448,541	168	2,554
- weakened by 10%	(448,541)	(168)	(2,554)
USD/RM:			
- strengthened by 10%	(1,799,337)	(111,010)	1,443,562
- weakened by 10%	1,799,337	111,010	(1,443,562)

Fair value information

The carrying amounts of cash and cash equivalents, short term receivables and payables reasonably approximate their fair values due to the relatively short term nature of these financial instruments.

The carrying amount of long-term borrowing carried on the statement of financial position reasonably approximates fair value as it is a floating rate instruments that is re-priced to market interest rates on or near the reporting date.

The aggregate fair value of other financial assets and liabilities carried on the statement of financial position approximates its carrying value and the Company does not anticipate the carrying amounts recorded at the reporting date to be significantly different from the values that would eventually be settled.

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

- Level 1: Quoted prices in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly.
- Level 3: Inputs for the asset or liability that is not based on observable market data.

13. ACCOUNTANTS' REPORT (cont'd)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**28. Capital Management**

The Company's objectives when managing capital is to maintain a strong capital base and safeguard the Company's ability to continue as a going concern, so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Directors monitor and are determined to maintain a low gearing ratio.

The gearing ratio at end of the reporting periods were as follows :-

	← 31.12.2021	As at 31.12.2022	31.12.2023 →
	RM	RM	RM
Borrowings	16,566,451	22,952,263	27,600,633
Lease liabilities	656,168	84,033	61,441
Total borrowing	<u>17,222,619</u>	<u>23,036,296</u>	<u>27,662,074</u>
Total equity	5,177,820	11,467,267	35,032,314
Gearing ratio (times)	<u>3.33</u>	<u>2.01</u>	<u>0.79</u>

29. Capital Commitments

	← 31.12.2021	As at 31.12.2022	31.12.2023 →
	RM	RM	RM
Contracted but not provided for:-			
- Purchase of property, plant and equipment	-	-	<u>2,329,800</u>

30. Significant Events After the Reporting Period

On 31 January 2024, EEHB entered into a conditional share sale agreement with the Vendors to acquire the entire equity interest in BESB for a total purchase consideration of RM34,979,979 ("Proposed Acquisition").

The total purchase consideration of RM34,979,979 for the Proposed Acquisition was arrived at after taking into consideration the audited net assets of BESB as at 31 December 2023 amounting to RM35,032,314 and shall be satisfied by the issuance of 1,649,999,000 new ordinary shares to the Vendors at an issue price of RM RM0.0212 per share.

The acquisition is conditional upon, amongst others, the approval of Bursa Malaysia Securities Berhad being obtained for the listing of and quotation for the entire enlarged issued share capital of EEHB on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing").

13. ACCOUNTANTS' REPORT *(cont'd)*

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

31. Approval of Financial Statements

The Financial Statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 March 2024.

13. ACCOUNTANTS' REPORT *(cont'd)*

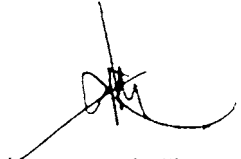
Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, Yeo Hock Cheong and Salihudin Bin Mohd Razali, being two of the directors of Bio Eneco Sdn. Bhd., state that, in the opinion of the directors, the financial statements set out on pages 5 to 61 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines – Issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2021, 31 December 2022 and 31 December 2023 and of their financial performance and cash flows for the financial years then ended 31 December 2021, 31 December 2022 and 31 December 2023.

Signed in accordance with a resolution of the directors dated 20 March 2024



Yeo Hock Cheong



Salihudin Bin Mohd Razali

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



The Board of Directors
Elridge Energy Holdings Berhad
61-2, Jalan Radin Tengah
Bandar Baru Sri Petaling
57000 Kuala Lumpur

Date: 21 March 2024

Dear Sirs,

Elridge Energy Holdings Berhad (“EEHB” or the “Company”)
Report on the Compilation of Pro Forma Statements of Financial Position as at 31 December 2023

We have completed our assurance engagement to report on the compilation of the Pro Forma Statements of Financial Position of Elridge Energy Holdings Berhad (“EEHB”) and its subsidiary (hereinafter referred to as the “Group”) prepared by the Board of Directors of the Company. The Pro Forma Statements of Financial Position consists of the Statements of Financial Position as at 31 December 2023 together with the accompanying notes thereon, or which we have stamped for the purpose of identification.

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

The applicable criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Statements of Financial Position are set out in the Notes thereon to the Pro Forma Statements of Financial Position. The Pro Forma Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”).

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in the Notes to the Pro Forma Statements of Financial Position as at 31 December 2023 as if the events or transactions have been in existence on 31 December 2023.

As part of this process, information about the financial position of Bio Eneco Sdn Bhd (“BESB”) has been extracted by the Board of Directors of the Company from the Accountant’s Report of BESB for the financial year ended 31 December 2023, which are audited by us.

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)



The Board of Directors' Responsibilities

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

Reporting Accountants' Independence and Quality Control

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

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statement, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly, the firm is required to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirement, professional standards and applicable legal and regulatory requirement.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis described in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

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

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

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)



Reporting Accountants' Responsibility (Continued)

The purpose of Pro Forma Statements of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the events had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflect the proper application of those adjustments to the unadjusted statements of financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Statements of Financial Position have been compiled, and other relevant engagement circumstances.

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

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

Opinion

In our opinion, the Pro Forma Statements of Financial Position of the Group as at 31 December 2023 have been compiled, in all material respects, on the basis as described in the Notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)



Other Matter

This report has been prepared solely for the purpose stated above, in connection with the Listing. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

A handwritten signature in black ink, appearing to read 'HLB LER LUM CHEW PLT'.

HLB LER LUM CHEW PLT
201906002362 & AF 0276
Chartered Accountants

A handwritten signature in black ink, appearing to read 'LER JI-YONG'.

LER JI-YONG
03439/05/2025 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

*Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position*

1. INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The Pro Forma Statements of Financial Position of Elridge Energy Holdings Berhad ("EEHB" or the "Company") and its subsidiary (hereinafter referred to as the "Group") as at 31 December 2023 ("Pro Forma SOFP") together with the notes thereon, for which the Board of Directors of the Company ("the Directors") are solely responsible, has been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus of the Company to be issued in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing") and should not be relied upon for any other purposes.

1.2 Basis of preparation

The Pro Forma SOFP have been prepared based on the Accountant's Report of Bio Eneco Sdn Bhd (the "Accountant's Report") as at 31 December 2023, which was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma SOFP together with the notes thereon, have been prepared solely to illustrate the impact of the events or transactions as set out in Note 2 to the Pro Forma SOFP as at 31 December 2023 as if the events or transactions have been in existence on 31 December 2023. As part of this process, information about the financial position of BESB has been extracted by the Board of Directors of the Company from the Accountant's Report for the financial year ended 31 December 2023, on which an audit report has been issued.

The audited financial statements used in the preparation of this Pro Forma SOFP for the financial year ended 31 December 2023 were not subject to any qualification, modification or disclaimer of opinion.

No financial statements are available for EEHB for the financial year ended 31 December 2023 as the Company was incorporated on 10 January 2024.

The Pro Forma SOFP are not necessarily indicative of the financial position that would have been attained had the effects of the transactions as set out in Note 2 actually occurred at the respective dates. The Pro Forma SOFP have been prepared for illustrative purpose only, and because of this nature, may not give a true picture of the actual effects of the transactions on the Group's future financial position.

2. LISTING SCHEME

In conjunction with and as an integral part of the Listing, the Company undertook the following:-

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

*Elridge Energy Holdings Berhad
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2. LISTING SCHEME (CONTINUED)
2.1 Corporate reorganisation
2.1.1 Incorporation of the Company

The Company was incorporated on 10 January 2024 as a public limited company in Malaysia with an issued and paid-up share capital of RM1,000 to facilitate the Listing.

2.1.2 Acquisition of subsidiary, Bio Eneco Sdn Bhd ("BESB")

By a conditional share sale agreement dated 31 January 2024, the Company acquired the entire issued share capital of BESB for a total purchase consideration of RM34,979,979 to be fully satisfied by the issuance of 1,649,999,000 new ordinary shares of the Company ("EEHB Shares" or "Shares"), at an issue price of RM0.0212 each to the vendors of Bio Eneco Sdn Bhd in the manner as set out in the Prospectus.

The purchase consideration is arrived at after taking into consideration the audited net assets of BESB as at 31 December 2023 of RM35.03 million.

2.2 Listing exercise

In conjunction with the Listing, the Company will undertake an initial public offering comprising a public issue of 350,000,000 new Shares in the Company ("Public Issue") and offer for sale of 350,000,000 existing Shares in the Company at an issue/offer price of RM [●] per Share.

Upon completion of the Listing, the enlarged issued share capital of RM [●] comprising 2,000,000,000 ordinary shares in the Company will be listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

Proposed Utilisation of Proceeds

The estimated gross proceeds from the Public Issue of RM [●] will accrue entirely to the Group and are planned to be utilised in the following manner:

Utilisation of proceeds	Estimated timeframe for utilisation upon Listing	RM'000	Percentage of gross proceeds %
Capital expenditure for the following:			
- Construction of new factory and warehouse ⁽¹⁾	Within 36 months	[●]	[●]
- Purchase of new machineries and equipment ⁽²⁾	Within 18 months	[●]	[●]
Working capital ⁽³⁾	Within 12 months	[●]	[●]
Estimated listing expenses ⁽⁴⁾	Within 3 months	[●]	[●]
Total		[●]	[●]

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

*Elridge Energy Holdings Berhad
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2. LISTING SCHEME (CONTINUED)

2.2 Listing exercise (continued)

Notes:

- (1) *The Group intends to utilise RM [●] of its IPO proceeds to fund the construction of new factory and warehouse in Kuantan as the effort to further strengthen its geographical presence in the eastern region of Peninsular Malaysia. As at the latest practicable date of the Prospectus, the Group has yet to enter into any contractual binding agreements or issued any purchase orders in relation to the above capital expenditure. Accordingly, the utilisation is not reflected in the Pro Forma SOFP.*
- (2) *The Group intends to utilise RM [●] of its IPO proceeds to expand its operations to (i) Pasir Gudang, Johor, (ii) Lahad Datu, Sabah and (iii) Kuantan, Pahang by purchasing new machineries and equipment to set up operation facilities in rented premises in Johor and Sabah and in the new factory and warehouse in Kuantan. As at the latest practicable date of the Prospectus, the Group has yet to enter into any contractual binding agreements or issued any purchase orders in relation to the above capital expenditure. Accordingly, the utilisation is not reflected in the Pro Forma SOFP.*
- (3) *The Group intends to utilise RM [●] of its IPO proceeds to fund its working capital requirements. As at the latest practicable date of the Prospectus, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders for the working capital. Accordingly, the utilisation is not reflected in the Pro Forma SOFP.*
- (4) *The estimated listing expenses totalling RM [●] to be borne by the Company comprise underwriting fees, placement fees, brokerage fees, professional fees and miscellaneous expenses relating to the IPO and the Listing. As of 31 December 2023, RM [●] had been incurred and charged to profit or loss of the Group, of which RM [●] has been paid. Upon completion of the Listing, a total of RM [●] of the estimated listing expenses is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM [●] will be expensed off to the profit or loss.*

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(cont'd)

Elridge Energy Holdings Berhad
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3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

							Pro Forma III		Pro Forma IV
	As at 31 December 2023 (BESB) RM	Adjustments for incorporation of EEHB RM	Pro Forma I After incorporation of EEHB RM	Adjustments for Acquisition of BESB RM	Pro Forma II After Acquisition of BESB RM	Adjustments for listing exercise RM	After Pro Forma II and listing exercise RM	Adjustments for utilisation of proceeds RM	After Pro Forma III and utilisation of proceeds RM
Note									
ASSETS									
Non-current assets									
Property, plant and equipment	5,972,118	-	5,972,118	-	5,972,118	-	5,972,118	-	5,972,118
Right-of-use assets	21,284,970	-	21,284,970	-	21,284,970	-	21,284,970	-	21,284,970
Investment properties	2,576,000	-	2,576,000	-	2,576,000	-	2,576,000	-	2,576,000
	29,833,088	-	29,833,088	-	29,833,088	-	29,833,088	-	29,833,088
Current assets									
Inventories	20,952,870	-	20,952,870	-	20,952,870	-	20,952,870	-	20,952,870
Trade receivables	14,237,814	-	14,237,814	-	14,237,814	-	14,237,814	-	14,237,814
Other receivables, deposits and prepayments	7,008,607	-	7,008,607	-	7,008,607	-	7,008,607	-	7,008,607
Fixed deposit	5,462,732	-	5,462,732	-	5,462,732	-	5,462,732	-	5,462,732
Cash and bank balances	3.2.1 46,300,747	1,000	46,301,747	-	46,301,747	[•]	[•]	[•]	[•]
	93,962,770	1,000	93,963,770	-	93,963,770	[•]	[•]	[•]	[•]
TOTAL ASSETS	<u>123,795,858</u>	<u>1,000</u>	<u>123,796,858</u>	<u>-</u>	<u>123,796,858</u>	<u>[•]</u>	<u>[•]</u>	<u>[•]</u>	<u>[•]</u>

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(cont'd)

Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

	Note	As at 31 December 2023 (BESB) RM	Adjustments for incorporation of EEHB RM	Pro Forma I After incorporation of EEHB RM	Adjustments for Acquisition of BESB RM	Pro Forma II After Acquisition of BESB RM	Adjustments for listing exercise RM	Pro Forma III After Pro Forma II and listing exercise RM	Adjustments for utilisation of proceeds RM	Pro Forma IV After Pro Forma III and utilisation of proceeds RM
EQUITY AND LIABILITIES										
Equity attributable to owners of the parent										
Share capital	3.2.2	7,300,000	(7,299,000)	1,000	34,979,979	34,980,979	[•]	[•]	[•]	[•]
Invested equity	3.2.2	-	7,300,000	7,300,000	(7,300,000)	-	-	-	-	-
Reserves	3.2.2	27,732,314	-	27,732,314	(27,679,979)	52,335	-	52,335	[•]	[•]
TOTAL EQUITY		35,032,314	1,000	35,033,314	-	35,033,314	[•]	[•]	[•]	[•]
Non-current liabilities										
Lease liabilities		15,594,441	-	15,594,441	-	15,594,441	-	15,594,441	-	15,594,441
Deferred tax liabilities		742,686	-	742,686	-	742,686	-	742,686	-	742,686
		16,337,127	-	16,337,127	-	16,337,127	-	16,337,127	-	16,337,127

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(cont'd)

Elridge Energy Holdings Berhad
Pro Forma Statements of Financial Position

3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

	As at 31 December 2023 (BESB) RM	Adjustments for incorporation of EEHB RM	Pro Forma I After incorporation of EEHB RM	Adjustments for Acquisition of BESB RM	Pro Forma II After Acquisition of BESB RM	Adjustments for listing exercise RM	Pro Forma III After Pro Forma II and listing exercise RM	Adjustments for utilisation of proceeds RM	Pro Forma IV After Pro Forma III and utilisation of proceeds RM
EQUITY AND LIABILITIES (continued)									
Current liabilities									
Trade payables	16,693,538	-	16,693,538	-	16,693,538	-	16,693,538	-	16,693,538
Other payables	20,949,614	-	20,949,614	-	20,949,614	-	20,949,614	[•]	[•]
Current tax liabilities	1,370,123	-	1,370,123	-	1,370,123	-	1,370,123	-	1,370,123
Borrowing	27,600,633	-	27,600,633	-	27,600,633	-	27,600,633	-	27,600,633
Amount due to a Director	-	-	-	-	-	-	-	-	-
Lease liabilities	5,812,509	-	5,812,509	-	5,812,509	-	5,812,509	-	5,812,509
	72,426,417	-	72,426,417	-	72,426,417	-	72,426,417	[•]	[•]
TOTAL LIABILITIES	88,763,544	-	88,763,544	-	88,763,544	-	88,763,544	[•]	[•]
TOTAL EQUITY AND LIABILITIES	123,795,858	1,000	123,796,858	-	123,796,858	[•]	[•]	[•]	[•]

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(cont'd)

Elridge Energy Holdings Berhad
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3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

			Pro Forma I		Pro Forma II		Pro Forma III	Pro Forma IV		
	Note	As at 31 December 2023 (BESB) RM	Adjustments for incorporation of EEHB RM	After incorporation of EEHB RM	Adjustments for Acquisition of BESB RM	After Acquisition of BESB RM	Adjustments for listing exercise RM	After Pro Forma II and listing exercise RM	Adjustments for utilisation of proceeds RM	After Pro Forma III and utilisation of proceeds RM
Net assets (RM)		35,032,314	1,000	35,033,314	-	35,033,314	[•]	[•]	[•]	[•]
Number of Shares assumed in issue		-	1,000	1,000	1,649,999,000	1,650,000,000	350,000,000	2,000,000,000	-	2,000,000,000
Net assets attributable to equity holders per Share (Sen)		Not applicable		Not applicable		2.12		[•]		[•]
Gearing ratio (times)		1.40		1.40		1.40		[•]		[•]

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (cont'd)

*Elridge Energy Holdings Berhad
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3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

3.1 Pro Forma adjustments to the Pro Forma Statements of Financial Position

3.1.1 Pro Forma I

Pro Forma I incorporated the effects of incorporation of EEHB as set out in Note 2.1.1.

3.1.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the effects of Acquisition of BESB as set out in Note 2.1.2.

3.1.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the effects of the proceeds from Public Issue as set out in Note 2.2.

3.1.4 Pro Forma IV

Pro Forma IV incorporates the effects of Pro Forma III and the effects of utilisation of proceeds as set out in Note 2.2.

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*Elridge Energy Holdings Berhad
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3 PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

3.2 Notes to the Pro Forma Statements of Financial Position as at 31 December 2023

Effects on Pro forma Statements of Financial Position

3.2.1 Cash and bank balances

	Note	RM
As at 31 December 2023 (BESB)		46,300,747
Incorporation of EEHB	2.1.1	<u>1,000</u>
Pro Forma I		46,301,747
Acquisition of subsidiary, BESB	2.1.2	<u>-</u>
Pro Forma II		46,301,747
Proceeds from the Public Issue	2.2	<u>[•]</u>
Pro Forma III		[•]
Estimated listing expenses	2.2	<u>[•]</u>
Pro Forma IV		<u>[•]</u>

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14. REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(cont'd)

Elridge Energy Holdings Berhad
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3. PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONTINUED)

Effects on Pro forma Statements of Financial Position (continued)

3.2. Notes to the Pro Forma Statements of Financial Position as at 31 December 2023 (continued)

3.2.2 Share capital, reserves and retained earnings

	Note	Share capital RM	Invested equity RM	Reorganisation reserve RM	Capital reserve RM	Distributable (Accumulated losses)/ Retained earnings RM	Total equity RM
Balance as at 31 December 2023 (BESB)		7,300,000	-	-	296,308	27,436,006	35,032,314
Incorporation of EEHB	2.1.1	(7,299,000)	7,300,000	-	-	-	1,000
Pro Forma I		1,000	7,300,000	-	296,308	27,436,006	35,033,314
Ordinary shares issued pursuant to the acquisition of BESB	2.1.2	34,979,979	-	(27,679,979)	-	-	7,300,000
Less: Acquisition of subsidiary		-	(7,300,000)	-	-	-	(7,300,000)
Pro Forma II		34,980,979	-	(27,679,979)	296,308	27,436,006	35,033,314
Proceeds from the Public Issue	2.2	[●]	-	-	-	-	[●]
Pro forma III		[●]	-	(27,679,979)	296,308	27,436,006	[●]
Estimated listing expenses attributable to IPO	2.2	[●]	-	-	-	-	[●]
Estimated other listing expenses	2.2	-	-	-	-	[●]	[●]
Pro Forma IV		[●]	-	(27,679,979)	296,308	[●]	[●]

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APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Elridge Energy Holdings Berhad in accordance with a resolution dated 20 March 2024.

Signed on behalf of the Board of Directors.



Yeo Hock Cheong
Director

Kuala Lumpur
20 March 2024



Salihudin bin Mohd Razali
Director

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