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PROSPECTUS



Elridge Energy Holdings Berhad
(Registration No.: 202401001446 (1547297-X))
(Incorporated in Malaysia)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH THE LISTING OF ELRIDGE ENERGY HOLDINGS BERHAD (“EEHB” OR THE “COMPANY”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING:

- (I) **PUBLIC ISSUE OF 350,000,000 NEW ORDINARY SHARES IN OUR COMPANY (“ISSUE SHARES”) IN THE FOLLOWING MANNER:**
- **80,000,000 ISSUE SHARES FOR APPLICATION BY THE MALAYSIAN PUBLIC;**
 - **20,000,000 ISSUE SHARES FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO OUR SUCCESS; AND**
 - **250,000,000 ISSUE SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS; AND**
- (II) **OFFER FOR SALE OF 350,000,000 EXISTING ORDINARY SHARES IN EEHB (“OFFER SHARES”) BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS,**

AT AN ISSUE/OFFER PRICE OF RM[•] PER ISSUE SHARE / OFFER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Sponsor, Underwriter and Placement Agent



[Bursa Securities has approved the admission of our Company to the official list of Bursa Securities and the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities (“Listing”). This Prospectus has been registered by Bursa Securities.] The approval of the Listing and registration of this Prospectus, should not be taken to indicate that Bursa Securities recommends the offering or assumes responsibility for the correctness of any statement made, opinion expressed or report contained in this Prospectus. Bursa Securities has not, in any way, considered the merits of the securities being offered for investment. Bursa Securities is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus. No securities will be allotted or issued based on this Prospectus after 6 months from the date of this Prospectus.

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER.

FOR INFORMATION CONCERNING RISK FACTORS WHICH SHOULD BE CONSIDERED BY PROSPECTIVE INVESTORS, SEE “RISK FACTORS” COMMENCING ON PAGE 149.

THE ACE MARKET IS AN ALTERNATIVE MARKET DESIGNED PRIMARILY FOR EMERGING CORPORATIONS THAT MAY CARRY HIGHER INVESTMENT RISK WHEN COMPARED WITH LARGER OR MORE ESTABLISHED CORPORATIONS LISTED ON THE MAIN MARKET. THERE IS ALSO NO ASSURANCE THAT THERE WILL BE A LIQUID MARKET IN THE SHARES OR UNITS OF SHARES TRADED ON THE ACE MARKET. YOU SHOULD BE AWARE OF THE RISKS OF INVESTING IN SUCH CORPORATIONS AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION.

THE ISSUE, OFFER OR INVITATION FOR THE OFFERING IS A PROPOSAL NOT REQUIRING APPROVAL, AUTHORISATION OR RECOGNITION OF THE SECURITIES COMMISSION MALAYSIA UNDER SECTION 212(8) OF THE CAPITAL MARKETS AND SERVICES ACT 2007.

This Prospectus is dated [•]

Unless otherwise defined, all capitalised terms used shall bear the same meanings as defined under "Definitions" and "Glossary of Technical Terms" sections of this Prospectus.

RESPONSIBILITY STATEMENTS

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

KAF IB, being our Principal Adviser, Sponsor, Underwriter and Placement Agent to our IPO, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

STATEMENT OF DISCLAIMER

Our admission to the Official List of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

[This Prospectus, together with the Application Form, has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.]

OTHER STATEMENTS

Investors should note that they may seek recourse under Sections 248, 249 and 357 of CMSA for breaches of securities laws including any statement in this Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to this Prospectus or the conduct of any other person in relation to our Company.

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible.

[Our Shares are classified as Shariah compliant by the SAC. This classification remains valid from the date of issue of this Prospectus until the next Shariah compliance review undertaken by the SAC. The new status is released in the updated list of Shariah-compliant securities, on the last Friday of May and November.]

This Prospectus is prepared and published solely for our IPO. Our Shares being offered in our IPO are offered solely on the basis of the information contained and representations made in this Prospectus. Our Company, Directors, Promoters, Selling Shareholders, Principal Adviser and Underwriter have not authorised anyone to provide any information or to make any representation not contained in this Prospectus. Any information or representation not contained in this Prospectus must not be relied upon as having been authorised by our Company, Directors, Promoters, Selling Shareholders, Principal Adviser and Underwriter, any of their respective directors, or any other persons involved in our IPO.

This Prospectus has been prepared in the context of our IPO under the laws of Malaysia. This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia, and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

It shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subject to. We will further assume that you had accepted our IPO in Malaysia and will at all applicable times be subject only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

It shall be your sole responsibility to consult your legal and/or other professional advisers on the laws to which our IPO or you are or might be subjected to. Neither we nor the Directors, Promoters, Selling Shareholders, Principal Adviser and Underwriter nor any other advisers in relation to our IPO will accept any responsibility or liability if any application made by you shall become illegal, unenforceable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS / INTERNET SHARE APPLICATION

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus and the copy of this Prospectus registered with Bursa Securities are the same.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions. These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt of the validity or integrity of an Electronic Prospectus, you should immediately request from us or the Issuing House, a paper printed copy of this Prospectus. In the event of any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of this Prospectus registered with Bursa Securities, shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third-Party Internet Sites**"), whether by way of hyperlinks or by way of description of the Third-Party Internet Sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third-Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third-Party Internet Sites. You shall bear all risks associated with the access to or use of the Third-Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third-Party Internet Sites, for fulfilling any of the terms of your agreements with the Third-Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third-Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such parties; and
- (iii) any data, information, files or other material downloaded from Third-Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an Electronic Prospectus is hosted on the website of the Internet Participating Financial Institutions, you are advised that:

- (a) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (b) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the internet participating financial institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

Unless otherwise defined, all capitalised terms used shall bear the same meanings as defined under “Definitions” section of this Prospectus.

The indicative timing of events leading to our Listing is set out below:

Events	Indicative Dates
Issuance of this Prospectus / Opening of Application	[•]
Closing Date / Closing of Application	[•]
Balloting of Application	[•]
Allotment / Transfer of IPO Shares to successful applicants	[•]
Date of Listing	[•]

In the event there is any change to the timetable, we will advertise the notice of change in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia, and make an announcement on Bursa Securities' website.

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DEFINITIONS

The following terms in this Prospectus bear the same meanings as set out below unless otherwise defined or the context requires otherwise:

ACE Market	:	ACE Market of Bursa Securities
Acquisition	:	Acquisition by EEHB of the entire issued share capital of BESB for a total consideration of RM34,979,979 that has been satisfied via the issuance of 1,649,999,000 new Shares at RM0.0212 each, which was completed on [•]
Act	:	Companies Act, 2016
ADA	:	Authorised Depository Agent
AGM	:	Annual General Meeting
Application(s)	:	Application(s) for Issue Shares by way of Application Form(s), Electronic Share Application(s) or Internet Share Application(s)
Application Form(s)	:	Printed application form(s) for the application of our Issue Shares accompanying this Prospectus
ATM	:	Automated teller machine
Authorised Financial Institution	:	The authorised financial institution participating in the Internet Share Application with respect to payments for our Issue Shares
BEH	:	Bio Eneco Holding Sdn Bhd (Registration No.: 201601038279 (1209220-H))
BESB or Subsidiary	:	Bio Eneco Sdn Bhd (Registration No.: 201101026049 (954185-X))
BESB Shares	:	Ordinary shares in BESB
Board	:	Board of Directors of EEHB
Bumiputera	:	In the context of: <ul style="list-style-type: none">(a) individuals, Malays and the aborigines and the natives of Sabah and Sarawak as specified in the Federal Constitution of Malaysia;(b) companies, companies which fulfil, among others, the following criteria or such other criteria as may be imposed by the MITI;<ul style="list-style-type: none">(i) registered under the Act as a private company;(ii) its shareholders are 100.00% Bumiputera; and(iii) its board of directors (including its staff) are at least 51.00% Bumiputera; and(c) cooperatives, cooperatives whose shareholders or cooperative members are at least 95.00% Bumiputera or such other criteria as may be imposed by the MITI

DEFINITIONS (CONT'D)

Bursa Depository or Depository	:	Bursa Malaysia Depository Sdn Bhd (Registration No.: 198701006854 (165570-W))
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
CAGR	:	Compound annual growth rate
CCC	:	Certificate of completion and compliance
CCM	:	Companies Commission of Malaysia
CDS	:	Central Depository System
CDS Account	:	An account established by Bursa Depository for a depositor for the recording and dealing in securities by the depositor
Central Depositories Act or SICDA	:	Securities Industry (Central Depositories) Act 1991
CEO	:	Chief Executive Officer
Closing Date	:	Date adopted in this Prospectus as the last date for acceptance and receipt of the Application
CMSA	:	Capital Markets and Services Act, 2007
Constitution	:	Our constitution
COO	:	Chief Operating Officer
COVID-19	:	Coronavirus disease 2019, an infectious disease which affects the respiratory system, and it is a global pandemic
Deposited Securities	:	Securities in our Company standing to the credit of a Securities Account of a Depositor subject to the provision of the Central Depositories Act and the Depository Rules
Depositor	:	A holder of a Securities Account
Depository Rules	:	Rules of Bursa Depository and any appendices thereto as they may be amended from time to time
Director(s)	:	An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
EBIT	:	Earnings before interest and tax
EBITDA	:	Earnings before interest, tax, depreciation and amortisation
EEHB or Company	:	Elridge Energy Holdings Berhad (Registration No.: 202401001446 (1547297-X))
EEHB Group or Group	:	EEHB and its Subsidiary, collectively
EEHB Share(s) or Share(s)	:	Ordinary share(s) in our Company
Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium

DEFINITIONS (CONT'D)

Electronic Share Application(s)	:	Application(s) for Issue Shares through a Participating Financial Institution's ATM
Eligible Parties	:	Eligible Directors, employees of our Group and persons who have contributed to the success of our Group
EPS	:	Earnings per Share
Financial Years Under Review	:	Collectively, FYE 2021, FYE 2022 and FYE 2023
Foreign Selling Shareholders	:	Collectively, Koh Xian Kai, Steven Djunaidi, Ang Kian Siong (Hong Jianqiang), Almuhaysini Ali Abdullah and Cao Yu
FYE	:	Financial year ended 31 December, as the case may be
Government	:	Government of Malaysia
GP	:	Gross profit
IFRS	:	International Financial Reporting Standards
IMR or Providence	:	Providence Strategic Partners Sdn Bhd (Registration No.: 201701024744 (1238910-A)), our Independent Market Researcher
IMR Report	:	Independent Market Research Report on the biomass fuel industry in Asia Pacific prepared by Providence as set out in Section 8 of this Prospectus
Internet Participating Financial Institution(s)	:	Participating financial institution(s) for Internet Share Applications as listed in Section 16.6 of this Prospectus
Internet Share Application(s)	:	Application(s) for Issue Shares through an online share application service provided by Internet Participating Financial Institution
IPO	:	Collectively, the Public Issue and the Offer for Sale
IPO Price	:	Issue/offer price of RM[●] per Share under the Public Issue and Offer for Sale
IPO Share(s)	:	Issue Share(s) and Offer Share(s), collectively
Issue Share(s)	:	New Share(s) to be issued under the Public Issue
Issuing House	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No.: 197101000970 (11324-H))
IT	:	Information technology
KAF IB or Principal Adviser or Sponsor or Placement Agent or Underwriter	:	KAF Investment Bank Berhad (Registration No.: 197401003530 (20657-W))
Kapar Warehouse	:	Single storey factory building with a built-up area of 186,976 sq ft located at Lot 6466, Lorong Sungai Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor
Kayavest	:	Kayavest Sdn Bhd (Registration No.: 202301017583 (1511505-D))

DEFINITIONS (CONT'D)

Listing	:	The admission of EEHB to the Official List and the listing of and quotation for our entire enlarged issued share capital comprising 2,000,000,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
Listing Scheme	:	Comprising the Acquisition, our IPO, our Share Transfer and our Listing
LPD	:	29 February 2024, being the latest practicable date prior to the registration of this Prospectus or as otherwise stated
Malaysian Public	:	Malaysian citizens and companies, co-operatives, societies and institutions incorporated or organised under the laws of Malaysia
Market Day	:	Any day between Monday to Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for the trading of securities
MCCG	:	Malaysian Code of Corporate Governance
MCO	:	The 2020 Malaysia movement control order, commonly referred to as the MCO, implemented as a preventive measure by the Government in response to the COVID-19 pandemic in the country, which began from 18 March 2020 and unless otherwise specified, includes all its subsequent phases
MFRS	:	Malaysian Financial Reporting Standards
Mikro MSC	:	Mikro MSC Berhad (Registration No.: 200601018418 (738171-M))
MITI	:	Ministry of Investment, Trade and Industry, Malaysia
MPOB	:	Malaysian Palm Oil Board
MTIB	:	Malaysian Timber Industry Board
MyIPO	:	Intellectual Property Corporation of Malaysia
NA	:	Net assets
NBV	:	Net book value
Offer for Sale	:	Offer for sale of 350,000,000 Offer Shares by our Selling Shareholders at our IPO Price
Offer Share(s)	:	Existing Share(s) to be offered under our Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing on the ACE Market
Participating Financial Institution(s)	:	Participating financial institution(s) for Electronic Share Applications as listed in Section 16.5 of this Prospectus
PAT	:	Profit after taxation
PBT	:	Profit before taxation

DEFINITIONS (CONT'D)

PE Multiple	:	Price-to-earnings multiple
Pink Form Allocations	:	Allocation of 20,000,000 Issue Shares to our Eligible Parties, which forms part of our Public Issue
Port Klang Factory	:	Two (2) adjoining single storey factory cum warehouse with one (1) double storey office building with a built-up area of 100,806 sq ft located at Lot 9212 & 9213, Jalan Udang Galah KS 10, Kampung Telok Gong, 42000 Port Klang, Selangor
PPE	:	Property, plant and equipment
PRC	:	People's Republic of China
Prescribed Securities	:	Shares of a company that are prescribed by Bursa Securities to be deposited in the CDS subject to the provision of the Central Depositories Act and the Depository Rules
Promoter(s)	:	Yeo Hock Cheong, Kayavest and Salihudin, collectively
Prospectus	:	This prospectus dated [●] in relation to our IPO
Public Issue	:	Public issue of 350,000,000 Issue Shares at our IPO Price
ROU	:	Right-of-use asset
SAC	:	Shariah Advisory Council of the SC
Salihudin	:	Salihudin Bin Mohd Razali, our Promoter, Executive Director/Finance Director
SC	:	Securities Commission Malaysia
Securities Account	:	An account established by Bursa Depository for a Depositor for the recording of deposit of securities and for dealing in such securities by the Depositor
Selling Shareholders	:	Yeo Hock Cheong, BEH and the Foreign Selling Shareholders, collectively
Share Registrar	:	Securities Services (Holdings) Sdn Bhd (Registration No.: 197701005827 (36869-T))
Share Transfer	:	Transfer of a total of 327,320,400 Shares held by Yeo Hock Cheong to Kayavest during the prescription period, which is carried out after our IPO
SJR Holdings	:	SJR Holdings Sdn Bhd (Registration No.: 201301017613 (1047446-X))
SOP(s)	:	Standard operating procedures
Specified Shareholder(s)	:	BEH, Mikro MSC, Yeo Hock Cheong, Kayavest and the Foreign Selling Shareholders, collectively
Underwriting Agreement	:	Underwriting agreement dated [●] entered into between our Company and KAF IB for the purpose of our IPO

DEFINITIONS (CONT'D)

Vendors : BEH, Mikro MSC, Yeo Hock Cheong and the Foreign Selling Shareholders, collectively

CURRENCIES AND UNITS:

kcal : kilocalories

MT : metric tonnes

kg : kilogram

sq ft : Square feet

RM or sen : Ringgit Malaysia and sen respectively

SGD : Singapore Dollar

USD : United States Dollar

MAJOR CUSTOMER OF OUR GROUP

The following are the details of our major customer whose name has been redacted for confidentiality throughout this Prospectus:

Customer A : Customer A is principally involved in power supply business and is based in China. Its holding company is principally engaged in energy related businesses. Customer A is not listed on any stock exchange but its holding company is listed on the Shanghai Stock Exchange.

We are unable to disclose the identity of Customer A as they have not agreed to our Group's request for consent for disclosure in this Prospectus

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GLOSSARY OF TECHNICAL TERMS

The technical abbreviations and glossary contains an explanation of certain terms used throughout this Prospectus in connection with our Group's business. The terminologies and their meanings may not correspond to the standard industry usage of these terms. Unless otherwise indicated, the following definitions shall apply throughout this Prospectus:

Ash volume	:	The amount of residue material that remains after the combustion of biomass fuel products
Biomass fuel products	:	Energy sources derived from organic materials that are burned or combusted to generate heat or electricity, which refers to PKS and wood pellets in the context of this Prospectus
Bonded warehouse	:	Warehouse authorised/licensed by the Royal Malaysian Customs Department Malaysia to receive and store imported goods before payment of duties and taxes as well as goods pending to be exported
Calorific value	:	The amount of energy measured by the heat produced when the biomass fuel product burns or combusts completely
Chlorine volume	:	The quantity of chlorine in the biomass fuel product when it is in a completely dry state
Cooler	:	A machine in the wood pellet production line that is used to cool down the hot wood pellets
Dryer	:	A machine in the PKS production line and wood pellet production line that reduces moisture content of the biomass fuel products during manufacturing
Durability	:	The likelihood of the wood pellets maintaining their structure
Dust removal unit	:	A machine in the PKS production line that is used to remove dust particles
End-user	:	Users of biomass fuel products, comprising manufacturers that require the use of industrial boilers for generation of heat or energy or biomass power plant operators
Green Gold Label certification	:	A certification which endorses that our PKS were produced from raw materials that have been sourced from oil palm plantation and milling companies that have been sustainably managed
Green Label Certification	:	A certification which recognises that our Group's wood pellets are environmentally friendly products and allows for the use of "MyHIJAU" mark on the wood pellets
Hammer mill	:	A machine in wood pellet production line that crush and grind wood residue into smaller particles
Impurities	:	Any unwanted substances, such as stones, bricks, mud, wood logs and fibres that needs to be removed
Magnetic filtering unit	:	A unit in the PKS production line which is used to remove metal impurities
Moisture level	:	The amount of water present in the biomass fuel products
MyHIJAU	:	Malaysia's official green recognition scheme endorsed by the Government
Offcuts	:	The discarded pieces of wood resulting from various cutting or shaping process and are typically irregularly shaped and vary in size

GLOSSARY OF TECHNICAL TERMS (CONT'D)

Palm kernel shell(s) or PKS	:	A form of biomass fuel products that are derived from the shell fractions left after palm oil is extracted from palm kernels, which are by-products produced during the palm oil milling process
Programme for the Endorsement of Forest Certification or PEFC	:	A certification to certify that wood pellets have been manufactured using wood residues sourced from suppliers that have complied to the PEFC guidelines
Pellet mills' rollers	:	A machine in wood pellet production line that compress the crushed and powdered wood residue into compact cylindrical pellets and make small holes to form wood pellets
PKS production line	:	PKS production line which includes screening unit, dryer, magnetic filtering unit, stone removal unit and dust removal unit
Potassium volume	:	The quantity of potassium in the biomass fuel product when it is in a completely dry state
Proprietary PKS process	:	Our Group's proprietary process that is used to process PKS to biomass fuel products
Raw materials	:	Raw materials used to produce our biomass fuel products, namely unprocessed PKS and wood residues
Saw dust	:	Fine wood particles and dust produced during wood cutting or sawing
Screening unit	:	A unit in PKS production line that remove any foreign materials, residues and impurities using a rotating cylindrical drum
Stone removal unit	:	A unit in the PKS production line and wood pellet production line that removes stones from raw materials
Sodium volume	:	The quantity of sodium in the biomass fuel product when it is in a completely dry state
Sulphur volume	:	The quantity of sulphur in the biomass fuel products when it is in a completely dry state
Wood chipper machine	:	A machine in the wood pellet production line that is used to break wood residues into smaller pieces
Wood chips	:	Small pieces of wood that are used to manufacture wood pellets
Wood pellets	:	A form of biomass fuel products from wood residues that are manufactured into cylindrical shapes
Wood pellet production line	:	Wood pellet production line which is equipped with wood chipper machine, screening units, hammer mill, pellet mills' roller, dryer and cooler
Wood residues	:	Raw materials used to manufacture wood pellets, which are saw dust, wood chips and offcuts

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “EEHB” and “our Company” in this Prospectus are to Elridge Energy Holdings Berhad. Unless otherwise stated, references to “Group” are to our Company and our Subsidiary taken as a whole; and references to “we”, “us”, “our” and “ourselves” are to our Company, our Group and, save where the context otherwise requires, our Subsidiary. Unless the context otherwise requires, references to “Management” are to our Directors and key senior management as at the date of this Prospectus, and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number is usually rounded off to the nearest thousand or million or two (2) decimal places or one sen. Any discrepancies in the tables included herein between the amounts listed and the totals thereof are due to rounding.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” and “Glossary of Technical Terms”. Words denoting singular shall include plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine gender and vice versa. Reference to persons shall include companies and corporations.

All reference to dates and times are references to dates and times in Malaysia.

Any reference in this Prospectus to any enactment is a reference to that enactment as for the time being amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third-parties and cites third-party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from the internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, such information can be assumed to originate from us. In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by the IMR. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate.

If there are any discrepancies or inconsistencies between the English and Bahasa Malaysia versions of this Prospectus, the English version shall prevail.

The information on our website, or any website directly or indirectly linked to such websites do not form part of this Prospectus and you should not rely on those information for the purposes of your decision whether or not to invest in our Shares. If there is any discrepancy between the contents of such website relating to our Company and this Prospectus, the information contained in this Prospectus shall prevail.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives for future operations, are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties, contingencies and other factors which may cause our actual results, our performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Such forward-looking statements reflect our Management's current view with respect to future events and are not a guarantee of future performance.

Forward-looking statements can be identified by the use of forward-looking terminology such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast", "project" or similar expressions and include all statements that are not historical facts.

Such forward-looking statements include, without limitations, statements relating to:

- (i) demand for our products;
- (ii) our business strategies;
- (iii) our future plans;
- (iv) our future earnings, cash flows and liquidity; and
- (v) our ability to pay future dividends.

Our actual results may differ materially from information contained in such forward-looking statements as a result of a number of factors beyond our control, including, without limitation:

- (a) the economic, political and investment environment in Malaysia; and
- (b) Government policy, legislation or regulation.

Additional factors that could cause our actual results, performance or achievements to differ materially include, but are not limited to, those discussed in Section 9 – "Risk Factors" and Section 12 – "Financial Information". We cannot give any assurance that the forward-looking statements made in this Prospectus will be realised. Such forward-looking statements are made only as at the date of this Prospectus.

Should we become aware of any subsequent material change or development affecting matters disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment/transfer of our IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Section 238(1) of the CMA and Paragraph 1.02, Chapter 1 of Part II (Division 6 on Supplementary and Replacement Prospectus) of the Prospectus Guidelines of the SC.

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1. CORPORATE DIRECTORY

BOARD OF DIRECTORS

Name (Gender)	Designation	Residential address	Nationality
Tan Sri Dr Azmil Khalili Bin Dato' Khalid (M)	Independent Non-Executive Chairman	No. 42, Jalan Setiabistari, Bukit Damansara, 50490 Kuala Lumpur	Malaysian
Yeo Hock Cheong (M)	Executive Director / CEO	No. 48, Jalan Mentari 4, Taman Naga Emas, Salak Selatan, 57100 Kuala Lumpur	Malaysian
Salihudin (M)	Executive Director / Finance Director	No. 22, Jalan SS14/8c, 47500 Subang Jaya, Selangor	Malaysian
Dr Wang Hong (M)	Non-Independent Non-Executive Director	B-31-4, Tower 2, Pavilion Residences, Jalan Raja Chulan, 50200 Kuala Lumpur	Singaporean
Tan Suat Hoon (F)	Independent Non-Executive Director	2-O, Lorong Delima 17, Island Glades, 11700 Gelugor, Penang	Malaysian
Ahmad Lutfi B.Abdull Mutalip @ Talib (M)	Independent Non-Executive Director	No. 27, Jalan Sekolah, Gombak Setia, 53100 Kuala Lumpur	Malaysian
Rozainah Binti Baharuddin (F)	Independent Non-Executive Director	No. 3, Lorong 14/37D, 46100 Petaling Jaya, Selangor	Malaysian

(F) = Female (M) = Male

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Tan Suat Hoon	Chairman	Independent Non-Executive Director
Ahmad Lutfi B.Abdull Mutalip @ Talib	Member	Independent Non-Executive Director
Rozainah Binti Baharuddin	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Rozainah Binti Baharuddin	Chairman	Independent Non-Executive Director
Ahmad Lutfi B.Abdull Mutalip @ Talib	Member	Independent Non-Executive Director
Tan Suat Hoon	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Ahmad Lutfi B.Abdull Mutalip @ Talib	Chairman	Independent Non-Executive Director
Tan Suat Hoon	Member	Independent Non-Executive Director
Rozainah Binti Baharuddin	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (CONT'D)

COMPANY SECRETARIES : Chua Siew Chuan

Professional Qualifications : Chartered Secretary, Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA No. 0777689) (SSM Practising Certificate No. 201908002648)

Tan Ley Theng

Professional Qualifications : Chartered Secretary, Associate Member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA No. 7030358) (SSM Practising Certificate No. 201908001685)

Securities Services (Holdings) Sdn Bhd
(Registration No.: 197701005827 (36869-T))

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

Telephone : +603 – 2084 9000

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

Telephone : +603 – 2084 9000

Fax : +603 – 2094 9940 / +603 – 2095 0292

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

Telephone : +603 – 9054 8138

Website : <https://bioeneco.com/>

Email address : enquiries@bioeneco.com

**PRINCIPAL ADVISER,
SPONSOR, UNDERWRITER
AND PLACEMENT AGENT** : **KAF Investment Bank Berhad**
(Registration No.: 197401003530 (20657-W))

Level 13A, Menara IQ
Lingkaran TRX
Tun Razak Exchange
55188 Kuala Lumpur

Telephone : +603 – 2708 2800

1. CORPORATE DIRECTORY (CONT'D)

SOLICITORS FOR OUR LISTING	:	Rosli Dahlan Saravana Partnership Level 16, Menara 1 Dutamas Solaris Dutamas 1, Jalan Dutamas 1 50480 Kuala Lumpur Telephone : +603 – 6209 5400
AUDITORS AND REPORTING ACCOUNTANTS FOR OUR LISTING	:	HLB Ler Lum Chew PLT (Registration No.: 201906002362 (LLP0021174-LCA) & AF0276) A-23-1, Level 23, Hampshire Place Office 157 Hampshire, No 1, Jalan Mayang Sari Off Jalan Tun Razak 50450 Kuala Lumpur Telephone : +603 – 7890 5588 Partner-in-charge: Ler Ji-Yong <i>(Chartered Accountant, Member of Malaysian Institution of Accountants and Fellow Member of Association of Chartered Certified Accountants)</i> Approved number: 03439/05/2025J
INDEPENDENT MARKET RESEARCHER	:	Providence Strategic Partners Sdn Bhd (Registration No.: 201701024744 (1238910-A)) 67-1, Block D, The Suites, Jaya One No. 72A, Jalan Prof Diraja Ungku Aziz 46200 Petaling Jaya Selangor Telephone : +603 – 7625 1769 Person-in-charge: Melissa Lim Li Hua <i>(Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia)</i>
ISSUING HOUSE	:	Tricor Investor & Issuing House Services Sdn Bhd (Registration No.: 197101000970 (11324-H)) Unit 32-01, Level 32, Tower A Vertical Business Suite Avenue 3, Bangsar South No.8, Jalan Kerinchi 59200 Kuala Lumpur Telephone : +603 – 2783 9299

Registration No.: 202401001446 (1547297-X)

1. CORPORATE DIRECTORY (CONT'D)

SHARE REGISTRAR : **Securities Services (Holdings) Sdn Bhd**
(Registration No.: 197701005827 (36869-T))

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

Telephone : +603 – 2084 9000

LISTING SOUGHT : ACE Market

SHARIAH STATUS : [Approved by the SAC]

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2. PROSPECTUS SUMMARY

THIS PROSPECTUS SUMMARY ONLY HIGHLIGHTS THE KEY INFORMATION FROM OTHER PARTS OF THIS PROSPECTUS. IT DOES NOT CONTAIN ALL THE INFORMATION THAT MAY BE IMPORTANT TO YOU. YOU SHOULD READ AND UNDERSTAND THE CONTENTS OF THE WHOLE PROSPECTUS PRIOR TO DECIDING ON WHETHER TO INVEST IN OUR SHARES.

2.1 PRINCIPAL DETAILS OF OUR IPO

The principal statistics of our IPO is as follows:

Number of Shares to be issued pursuant to our Public Issue	
- Malaysian Public via balloting	80,000,000
- Eligible Parties	20,000,000
- Private placement to selected investors	250,000,000
	350,000,000
Number of Shares to be offered under our Offer for Sale	350,000,000
Enlarged total number of issued Shares upon Listing	2,000,000,000
IPO Price per Share	RM[●]
Market Capitalisation (based on our IPO Price and the enlarged total number of 2,000,000,000 Shares upon Listing)	RM[●]

Further details of our IPO are set out in Section 4 of this Prospectus.

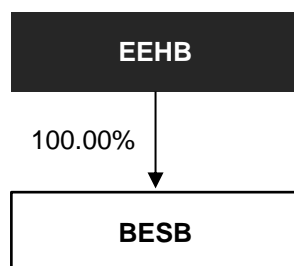
Our Specified Shareholders' entire shareholdings after IPO will be held under moratorium for 6 months from the date of our Listing. Thereafter, our Specified Shareholders' shareholdings amounting to at least 45% of our total number of Issue Shares will remain under moratorium for another 6 months. Our Specified Shareholders may sell, transfer or assign up to a maximum of one-third per annum (on a straight-line basis) of their Shares held under moratorium upon expiry of the second 6-month period.

Further details of the moratorium on our Shares are set out in Section 3.2 of this Prospectus.

2.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia under the Act on 10 January 2024 as a public limited company.

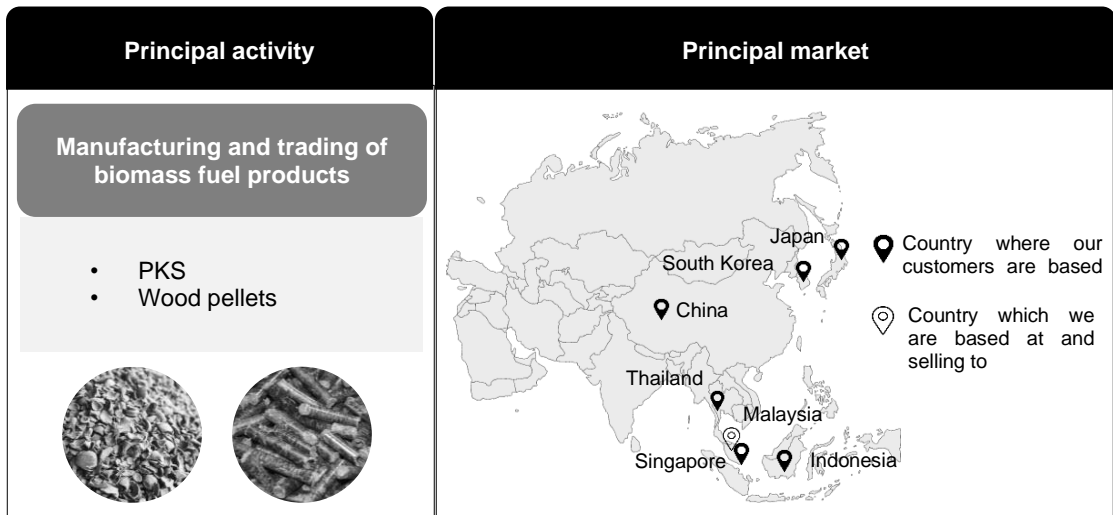
Our Company is principally an investment holding company. Our Group structure as at the LPD is as follows:



Through our Subsidiary, we are principally involved in the manufacturing and trading of biomass fuel products, particularly PKS and wood pellets.

2. PROSPECTUS SUMMARY (CONT'D)

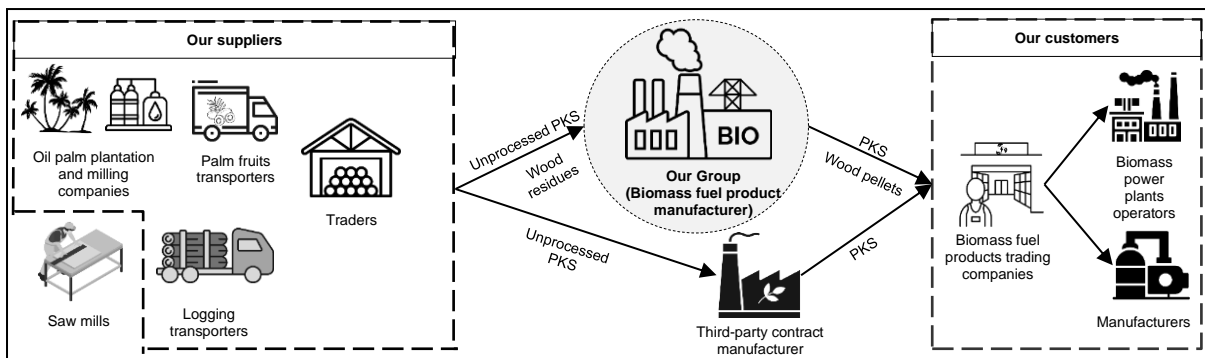
The following diagram illustrates our business model:



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

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

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



Further details of our business model and principal activities are set out in Section 7 of this Prospectus.

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2. PROSPECTUS SUMMARY (CONT'D)

2.3 COMPETITIVE STRENGTHS

Our Directors believe that our business sustainability and future growth are built on the following competitive strengths:

(a) We have demonstrated our ability to comply to requirements set by local and foreign customers

Our biomass fuel products are sold to both local and international markets. End-users in different countries have different requirements in terms of moisture levels, calorific value as well as ash, sulphur, sodium, potassium and chlorine volume, foreign material content and durability, and they require biomass fuel product manufacturers such as our Group to adhere to their requirements.

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

(b) We have a network of suppliers

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

(c) We have an experienced and committed key senior management

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

(d) Our Port Klang Factory is strategically located and is equipped to produce quality biomass fuel products

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

In addition, our PKS production lines at our Port Klang Factory utilise our proprietary PKS process to reduce impurities and separate the useful PKS from small unwanted particles such as tiny stones and fibres. We can also control the moisture levels to meet our customers' requirements, which would minimise presence of bacteria, germs, insect sludge, fungi and ammonia in the PKS and increase calorific values of the PKS.

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

2. PROSPECTUS SUMMARY (CONT'D)

(e) Our biomass fuel products can cater for various end-user industries

We offer two (2) types of biomass fuel products, namely PKS as well as wood pellets, both of which are suitable for use in various manufacturing industries and in biomass power plants. PKS and wood pellets can be used for electricity generation in power plants and as a fuel in industrial boilers used in various types of manufacturing related industries to produce heat for various industrial processes. The diverse applications of our products will increase demand for our products and provide us an opportunity to expand our customer base.

Further details of our competitive strengths are set out in Section 7.19 of this Prospectus.

2.4 FUTURE PLAN AND BUSINESS STRATEGIES

Our business objectives are to maintain sustainable growth in our business and create long term shareholder value. The future plans and business strategies of our Group are as follows:

(a) We intend to expand our production capacity for PKS in order to grow our sales

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

As such, we intend to expand our production capacity in order to cater for orders from other new and existing customers.

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

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

To this end, we intend to set up three (3) new factories in Pasir Gudang, Johor; Kuantan, Pahang; and Lahad Datu, Sabah, as illustrated below:-

(i) New factory in Pasir Gudang, Johor

As at the LPD, we are still in the midst of finding a suitable premises to rent, which have access to the nearest port. The annual rental costs is estimated to be cumulatively amount to RM2.40 million, and will be funded via our internally generated funds. Once fully operational, the new factory in Pasir Gudang, Johor is estimated to have an annual production capacity of 240,000 MT.

(ii) New factory in Kuantan, Pahang

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

2. PROSPECTUS SUMMARY (CONT'D)

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

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

(iii) New factory in Lahad Datu, Sabah

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

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

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

Further details of our future plans and business strategies are set out in Section 7.20 of this Prospectus.

2.5 IMPACT OF COVID-19

2.5.1 Impact of COVID-19 on our Group

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

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

2.5.2 Impact of COVID-19 and MCO on our supply chain and business operations

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

2. PROSPECTUS SUMMARY (CONT'D)

During the MCO periods, in order to mitigate delays in incoming inventory as a result of delays in customs clearance and logistic delay due to travel restrictions, we increased our inventory levels. In addition, we experienced higher logistics costs in FYE 2021. Despite the abovementioned delays and increase in freight rates, we did not experience material disruption or impact to our operations.

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

2.5.3 Impact of COVID-19 on our financial performance

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

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

2.5.4 Impact of COVID-19 on our Group under the "transition to endemic" phase

Malaysia entered into the "transition to endemic" phase of COVID-19 beginning 1 April 2022, whereby COVID-19 restrictions and SOPs were further relaxed. We did not experience material impact on our operations since the commencement of the "transition to endemic" phase. Notwithstanding the above, we continued to implement in-house COVID-19 related SOPs to reduce the risk of COVID-19 infections amongst our employees.

Further details on the impact of COVID-19 and our measures to commence and continue operations are set out in Section 7.16 of this Prospectus.

2.6 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risk factors as set out in Section 9 of this Prospectus which may have a material adverse impact on our business operations, financial position and the future performance of our Group, in addition to other information contained elsewhere in this Prospectus.

The following are the key risks that we are currently facing or that may occur in the future:

- (a) We may face disruptions in our manufacturing activities
- (b) We may be adversely affected if we are unable to source raw materials in sufficient quantities and/or at acceptable prices
- (c) We are dependent on our Executive Directors and our key senior management for the continuing success of our Group
- (d) We are dependent on contracts signed with our major customers and major supplier
- (e) We depend our ability to secure new orders and contract
- (f) We are exposed to fluctuation in foreign exchange rates
- (g) We may not have sufficient insurance to cover all losses or liabilities

2. PROSPECTUS SUMMARY (CONT'D)

- (h) We may not be able successfully execute our business strategies which may hinder our Group's business growth and success
- (i) We may face credit risk
- (j) We may face competition from other industry players
- (k) We are subject to political, social, regulatory and economic risks
- (l) We are subject to risks of product substitution of PKS and wood pellets
- (m) There is no prior market for our Shares
- (n) Our Listing is exposed to the risk that it may be aborted or delayed
- (o) The trading price and trading volume of our Shares following our Listing may be volatile
- (p) Our Promoters will be able to exert significant influence over our Company

Further details of risk factors are set out in Section 9 of this Prospectus.

2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, our Directors and key senior management are as follows:

Name	Designation
Directors	
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	Independent Non-Executive Chairperson
Yeo Hock Cheong	Executive Director/CEO
Salihudin	Executive Director / Finance Director
Dr Wang Hong	Non-Independent Non-Executive Director
Tan Suat Hoon	Independent Non-Executive Director
Ahmad Lutfi B.Abdull Mutalip @ Talib	Independent Non-Executive Director
Rozainah Binti Baharuddin	Independent Non-Executive Director
Key senior management	
Teoh Soon Tek	COO
Loo Ze Hui	Head of Finance and Project
Choo Mun Chen	Operation Manager

Further details of our Directors and key senior management are set out in Section 5 of this Prospectus.

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2. PROSPECTUS SUMMARY (CONT'D)

2.8 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The shareholdings of our Promoters and substantial shareholders in our Company before and after our IPO together with the Share Transfer are set out below:

Name	Country of Incorporation/ Nationality	⁽¹⁾ Before our IPO but after Acquisition				⁽²⁾ After our IPO and the Share Transfer			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and substantial shareholders</u>									
Yeo Hock Cheong	Malaysian	561,000,200	34.01	412,499,800	⁽³⁾ 25.00	100,180,000	5.01	739,820,200	⁽³⁾⁽⁴⁾ 36.99
Kayavest	Malaysia	-	-	-	-	327,320,400	16.37	-	-
<u>Promoter</u>									
Salihudin	Malaysian	-	-	-	-	1,500,000	⁽⁵⁾ 0.075	-	-
<u>Substantial shareholders</u>									
Mikro MSC	Malaysia	412,499,800	25.00	-	-	412,499,800	20.62	-	-
BEH	Malaysia	329,999,800	20.00	-	-	229,999,800	11.50	-	-
SJR Holdings	Malaysia	-	-	329,999,800	⁽⁶⁾ 20.00	-	-	229,999,800	⁽⁶⁾ 11.50
Mohammad Suffian Bin Md Yusof	Malaysia	-	-	329,999,800	⁽⁷⁾ 20.00	-	-	229,999,800	⁽⁷⁾ 11.50

Notes:

- (1) Based on the issued share capital of 1,650,000,000 Shares before our IPO but after the Acquisition.
- (2) Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO and the Share Transfer.
- (3) Deemed interested by virtue of his direct shareholding in Mikro MSC pursuant to Section 8(4) of the Act.
- (4) Deemed interested by virtue of his direct shareholding in Kayavest pursuant to Section 8(4) of the Act.
- (5) Assuming all our IPO Shares allocated to him under the Pink Form Allocation are fully subscribed.
- (6) Deemed interested by virtue of its direct shareholding in BEH pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his direct shareholding in SJR Holdings and indirect shareholding in BEH respectively, pursuant to Section 8(4) of the Act.

Further details of our Promoters and/or substantial shareholders are set out in Section 5 of this Prospectus.

2. PROSPECTUS SUMMARY (CONT'D)

2.9 UTILISATION OF PROCEEDS

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

<u>Utilisation of proceeds</u>	<u>RM'000</u>	<u>%</u>	<u>Timeframe for utilisation from the date of Listing</u>
Capital expenditure for the following:			
- Construction of new factory and warehouse in Kuantan	[●]	[●]	Within 36 months
- Purchase of new machineries and equipment	[●]	[●]	Within 18 months
Working capital	[●]	[●]	Within 12 months
Estimated listing expenses	[●]	[●]	Within 3 months
Total	[●]	100.00	

There is no minimum subscription to be raised from our IPO.

Detailed information on our utilisation of proceeds is set out in Section 4.7 of this Prospectus.

The gross proceeds from the Offer for Sale of RM[●] million shall accrue entirely to our Selling Shareholders.

2.10 FINANCIAL AND OPERATIONAL HIGHLIGHTS

2.10.1 Financial Highlights

The key financial highlights based on the historical audited combined financial statements of our Group for the Financial Years Under Review are as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	(RM'000)	(RM'000)	(RM'000)
Revenue	115,114	144,440	335,251
GP	9,296	15,163	45,969
PBT	1,781	6,354	27,980
PAT	1,742	6,289	23,565
GP margin (%) ⁽¹⁾	8.07	10.50	13.71
PBT margin (%) ⁽²⁾	1.55	4.40	8.35
PAT margin (%) ⁽²⁾	1.51	4.35	7.03
Basic /diluted EPS (sen) ⁽³⁾	0.09	0.31	1.18

Notes:

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

There were no exceptional items during the Financial Years Under Review. Our audited combined financial statements for the past Financial Years Under Review were not subject to any audit qualifications.

2. PROSPECTUS SUMMARY (CONT'D)

2.10.2 Operational Highlights

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

Further details on the financial information are set out in Sections 12 and 13 of this Prospectus.

2.11 DIVIDEND POLICY

Our Company presently does not have any formal dividend policy. It is our intention to pay dividends to our shareholders in the future, however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

During the Financial Years Under Review, there were no dividends declared or paid. We do not intend to declare and pay any dividends from the LPD up to our Listing.

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3. APPROVALS AND CONDITIONS

3.1 APPROVALS AND CONDITIONS

3.1.1 Bursa Securities

Bursa Securities had, vide its letter dated [●], approved our admission to the Official List, the listing of and quotation for our entire issued share capital on the ACE Market and the approval-in-principle for the registration of the Prospectus. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(a)	[●]	[●]
(b)	[●]	[●]

3.1.2 SC

Our Listing is an exempt transaction under Section 212(8) of the CMSA and is therefore not subject to the approval of the SC.

The SC had, vide its letter dated [●], approved our resultant equity structure pursuant to our Listing under the Bumiputera equity requirement for public listed companies.

The approval from the SC is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(a)	[●]	[●]
(b)	[●]	[●]

The effects of our Listing on our equity structure are as follows:

Category of shareholders	After the Acquisition		After our Listing	
	No. of Shares	(1)%	No. of Shares	(2)%
Bumiputera				
- Bumiputera public investors via balloting	-	-	(3)40,000,000	2.00
- Bumiputera investors to be approved by the MITI	-	-	(4)250,000,000	12.50
- Eligible Parties	-	-	(5)3,000,000	0.15
- BEH	329,999,800	20.00	(6)229,999,800	11.50
Total Bumiputera	329,999,800	20.00	522,999,800	26.15
Non-Bumiputera	973,500,000	59.01	(7)1,246,500,200	62.33
Total Malaysians	1,303,499,800	79.01	1,769,500,000	88.48
Non-Malaysians	346,500,200	20.99	(8)230,500,000	11.52
Total	1,650,000,000	100.00	2,000,000,000	100.00

Notes:

(1) Based on the issued share capital of 1,650,000,000 Shares before our IPO but after the Acquisition.

(2) Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO and the Share Transfer.

3. APPROVALS AND CONDITIONS (CONT'D)

- (3) Based on the assumption that 40,000,000 Issue Shares allocated to Bumiputera public investors via balloting are fully subscribed.
- (4) Based on the assumption that 250,000,000 Issue Shares allocated to Bumiputera investors to be approved by MITI via private placement are fully subscribed.
- (5) Based on the assumption that 3,000,000 Issue Shares allocated to the following Bumiputera Directors via Pink Form Allocations are fully subscribed:

Name	Designation	No. of Shares
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	Independent Non-Executive Chairman	500,000
Salihudin	Executive Director / Finance Director	1,500,000
Ahmad Lutfi B.Abdull Mutalip @ Talib	Independent Non-Executive Director	500,000
Rozainah Binti Baharuddin	Independent Non-Executive Director	500,000
Total		3,000,000

- (6) Held by Bumiputera investor, BEH, which was not recognised by MITI.
- (7) Based on the assumption that:
- (i) 40,000,000 Issue Shares allocated to non-Bumiputera Malaysian investors via balloting are fully subscribed;
- (ii) 116,500,200 Offer Shares by the Foreign Selling Shareholders allocated to non-Bumiputera Malaysian investors via private placement are fully subscribed;
- (iii) 100,000,000 Offer Shares by BEH allocated to non-Bumiputera Malaysian investors via private placement are fully subscribed;
- (iv) 133,499,800 Offer Shares by Yeo Hock Cheong allocated to non-Bumiputera Malaysian investors via private placement are fully subscribed;
- (ii) 16,500,000 Issue Shares allocated to non-Bumiputera Malaysian Eligible Parties via Pink Form Allocations and are fully subscribed, save for our eligible Directors, namely Salihudin, Tan Sri Dr Azmil Khalili Bin Dato' Khalid, Ahmad Lutfi B.Abdull Mutalip @ Talib, Rozainah Binti Baharuddin as well as Dr Wang Hong.
- (8) After netting-off 116,500,200 Offer Shares by the Foreign Selling Shareholders and based on the assumption that our Independent Non-Executive Director, namely Dr Wang Hong, a foreigner, fully subscribed for his entitlement of 500,000 Issue Shares under the Pink Form Allocations.

3.1.3 SAC

The SAC had, vide its letter dated [●] classified our Shares as Shariah-compliant based on the Shariah criteria adopted by the SAC.

3.1.4 MITI approval

The MITI had, vide its letter dated [●], taken note and has no objection to our Listing.

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3. APPROVALS AND CONDITIONS (CONT'D)

3.2 MORATORIUM ON OUR SHARES

In accordance with Rule 3.19(1) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholders as follows:

- (a) The moratorium applies to the entire shareholdings of our Specified Shareholders for a period of 6 months from the date of our admission to the ACE Market ("**First 6-Month Moratorium**");
- (b) Upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Specified Shareholders' aggregate shareholdings amounting to at least 45.0% of the total number of issued ordinary shares remain under moratorium for another period of 6 months ("**Second 6-Month Moratorium**"); and
- (c) On the expiry of the Second 6-Month Moratorium, our Specified Shareholders may sell, transfer or assign up to a maximum of 1/3 per annum (on a straight line basis) of those Shares held under moratorium ("**Subsequent Moratorium**").

(The period covered under the First 6-Month Moratorium, the Second 6-Month Moratorium and the Subsequent Moratorium shall collectively be referred to as the "**Moratorium Period**")

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3. APPROVALS AND CONDITIONS (CONT'D)

Details of our Specified Shareholders and their Shares which will be subject to the abovesaid moratoriums, are set out below:

Specified Shareholders	Year 1		Year 2		Year 3			
	Moratorium shares during the First 6- Month Moratorium		Moratorium shares during the Second 6- Month Moratorium		Moratorium shares		Moratorium shares	
	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(1) %	No. of Shares	(1) %
Yeo Hock Cheong	100,180,000	5.01	69,355,385	3.47	46,236,924	2.31	23,118,461	1.16
Kayavest	327,320,400	16.37	226,606,431	11.33	151,070,954	7.55	75,535,477	3.78
Mikro MSC	412,499,800	20.62	285,576,784	14.28	190,384,523	9.52	95,192,261	4.76
BEH	229,999,800	11.50	159,230,631	7.96	106,153,754	5.31	53,076,877	2.65
Koh Xian Kai	50,000,000	2.50	34,615,385	1.73	23,076,923	1.15	11,538,462	0.58
Steven Djunaidi	50,000,000	2.50	34,615,385	1.73	23,076,923	1.15	11,538,462	0.58
Ang Kian Siong (Hong Jianqiang)	50,000,000	2.50	34,615,385	1.73	23,076,923	1.15	11,538,462	0.58
Almuhaysini Ali Abdullah	40,000,000	2.00	27,692,307	1.38	18,461,538	0.92	9,230,769	0.46
Cao Yu	40,000,000	2.00	27,692,307	1.38	18,461,538	0.92	9,230,769	0.46
Total	1,300,000,000	65.00	900,000,000	45.00	600,000,000	30.00	300,000,000	15.00

Note:

(1) Based on the enlarged issued share capital of 2,000,000,000 Shares after the IPO and the Share Transfer

The moratorium has been fully accepted by our Specified Shareholders, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the Moratorium Period.

The moratorium restrictions are specifically endorsed on the share certificates representing the Shares under moratorium held by the Specified Shareholders to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

3. APPROVALS AND CONDITIONS (CONT'D)

In accordance with Rule 3.19(2) of the Listing Requirements, where the Specified Shareholder is an unlisted corporation, all direct and indirect shareholders of the unlisted corporation (whether individuals or other unlisted corporations) up to the ultimate individual shareholders must give undertakings to Bursa Securities that they will comply with the moratorium restriction.

In this regard, the ultimate shareholders of the following companies have also undertaken not to sell, transfer or assign their shareholdings in the respective companies during the Moratorium Period:

- (a) SJR Holdings, being the sole shareholder of BEH and Mohammad Suffian Bin Md Yusof, being the sole shareholder of SJR Holdings; and
- (b) Yeo Hock Cheong, being the sole shareholder of Kayavest.

For clarity, Mikro MSC is a listed corporation on the ACE Market of Bursa Securities and thus, its shareholders are being exempted from the compliance with Rule 3.19(2) of the Listing Requirements.

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4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION

The period for Application will open at 10.00 a.m. on [●] and will remain open until 5.00 p.m. on [●].

LATE APPLICATIONS WILL NOT BE ACCEPTED.

4.2 INDICATIVE TIMETABLE

Events	Date
Issuance of this Prospectus / Opening of Application	[●]
Closing Date / Closing of Application	[●]
Balloting of Application	[●]
Allotment / Transfer of IPO Shares to successful applicants	[●]
Date of Listing	[●]

In the event there is any change to the timetable, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia and make an announcement on Bursa Securities' website.

4.3 DETAILS OF OUR IPO

4.3.1 Public Issue

A total of 350,000,000 Issue Shares, representing 17.50% of our enlarged issued share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(a) Malaysian Public

80,000,000 Issue Shares, representing 4.00% of our enlarged issued share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

- (i) 40,000,000 Issue Shares, representing 2.00% of our enlarged issued share capital, will be made available to non-Bumiputera Malaysian Public; and
- (ii) 40,000,000 Issue Shares, representing 2.00% of our enlarged issued share capital, will be made available to Bumiputera Public.

(b) Eligible Parties

20,000,000 Issue Shares, representing 1.00% of our enlarged issued share capital, are reserved for our Eligible Parties under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.4 of this Prospectus.

(c) Private placement to selected investors

250,000,000 Issue Shares, representing 12.50% of our enlarged issued share capital, are reserved for private placement made available to Bumiputera investors identified/approved by the MITI.

Upon completion of our Public Issue, our issued share capital will increase from RM34,980,979 comprising 1,650,000,000 Shares to RM[●] comprising 2,000,000,000 Shares. There is no over-allotment or 'greenshoe' option that will increase the number of our IPO Shares.

Our Public Issue is subject to the terms and conditions of this Prospectus.

4. DETAILS OF OUR IPO (CONT'D)

4.3.2 Offer for Sale

A total of 350,000,000 Offer Shares, representing 17.50% of our enlarged issued share capital, are offered by our Selling Shareholders to selected non-Bumiputera investors by way of private placement at our IPO Price. Our Offer for Sale is subject to the terms and conditions of this Prospectus. The details of our Selling Shareholders and their relationship with our Group are as follows:

Name / Nationality or Place of Incorporation / Address	Relationship with our Group	Before our IPO but after Acquisition		Offer for Sale			After our IPO and the Share Transfer	
		No. of Shares	(1)%	No. of Shares	(1)%	(2)%	No. of Shares	(2)%
Yeo Hock Cheong (Malaysian) No. 48, Jalan Mentari 4, Taman Naga Emas, Salak Selatan, 57100 Kuala Lumpur	Promoter, Executive Director/CEO and substantial shareholder	561,000,200	34.01	133,499,800	8.09	6.67	⁽³⁾ 100,180,000	5.01
BEH (Malaysia) C-02-12 Pusat Komersial Tebing Selatan, No.179 Jalan Kelang Lama, 58000 Kuala Lumpur	Substantial shareholder	329,999,800	20.00	100,000,000	6.06	5.00	229,999,800	11.50
Koh Xian Kai (Singaporean) D-11-06/07, Menara Suezcap 1, KL Gateway, No. 2, Jalan Kerinchi, Gerbang Kerinchi Lestari, 59200 Kuala Lumpur	Foreign Selling Shareholder	75,428,600	4.57	25,428,600	1.54	1.27	50,000,000	2.50
Steven Djunaidi (Indonesian) 23B, Keraton Luxury Residence, Jl. Mh Thamrin Kav 15, Jakarta 10350, Indonesia	Foreign Selling Shareholder	75,428,600	4.57	25,428,600	1.54	1.27	50,000,000	2.50
Ang Kian Siong (Hong Jianqiang) (Singaporean) 30 Sturdee Road, #19-05 Kerrisdale, Singapore 207852	Foreign Selling Shareholder	75,428,600	4.57	25,428,600	1.54	1.27	50,000,000	2.50
Almuhaysini Ali Abdullah (Saudi Arabian) 4860 Essam bin Obaid Street, AlNaseem AlGharbi District Riyadh	Foreign Selling Shareholder	60,107,200	3.64	20,107,200	1.22	1.01	40,000,000	2.00

4. DETAILS OF OUR IPO (CONT'D)

Name / Nationality or Place of Incorporation / Address	Relationship with our Group	Before our IPO but after Acquisition		Offer for Sale			After our IPO and the Share Transfer	
		No. of Shares	(1)%	No. of Shares	(1)%	(2)%	No. of Shares	(2)%
Cao Yu (PRC Chinese) 8A Paterson Hill #07-03, The Marq on Paterson Hill, Singapore 238568	Foreign Selling Shareholder	60,107,200	3.64	20,107,200	1.22	1.01	40,000,000	2.00

Notes:

(1) Based on the issued share capital of 1,650,000,000 Shares before our IPO but after Acquisition.

(2) Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO.

(3) After the Offer for Sale of 133,499,800 Offer Shares by Yeo Hock Cheong and the Share Transfer, where 327,320,400 Shares held by Yeo Hock Cheong will be transferred to Kayavest during the prescription period, after our IPO.

4.3.3 Listing

Upon completion of our IPO, our Company's entire enlarged share capital of RM[●] comprising 2,000,000,000 Shares shall be listed on the ACE Market.

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4. DETAILS OF OUR IPO (CONT'D)

4.3.4 Pink Form Allocations

We have allocated 20,000,000 Issue Shares under the Pink Form Allocations to our Eligible Parties as follows:

Category	No. of Eligible Parties	Aggregate no. of Issue Shares allocated
Directors ⁽¹⁾	6	4,000,000
Eligible employees ⁽²⁾	20	4,000,000
Persons who have contributed to the success of our Group ⁽³⁾	15	12,000,000
Total	41	20,000,000

(1) Allocation to eligible Directors

The criteria for allocation to our eligible Directors are based on, amongst others, their anticipated contribution to our Group. Yeo Hock Cheong (our Executive Director/ CEO) has opted not to participate in the Pink Form Allocations as he is one (1) of the Selling Shareholders.

Details of the proposed allocation to our other Directors are as follows:

Name	Designation	No. of Issue Shares allocated
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	Independent Non-Executive Chairman	500,000
Salihudin	Executive Director / Finance Director	1,500,000
Dr Wang Hong	Non-Independent Non-Executive Director	500,000
Tan Suat Hoon	Independent Non-Executive Director	500,000
Ahmad Lutfi B.Abdull Mutalip @ Talib	Independent Non-Executive Director	500,000
Rozainah Binti Baharuddin	Independent Non-Executive Director	500,000
Total		4,000,000

(2) Allocation to our eligible employees

The criteria of allocation to our eligible employees (as approved by our Board) are based on, among others, the following factors:

- (i) our employees must be a full-time confirmed employee and on the payroll of our Group;
- (ii) the seniority, position, their length of service and their respective performance and contribution made to our Group;
- (iii) our employees must be at least 18 years old; and
- (iv) other factors deemed relevant to our Group.

4. DETAILS OF OUR IPO (CONT'D)

Details of the proposed allocation to our key senior management are as follows:

Name	Designation	No. of Issue Shares allocated
Teoh Soon Tek	COO	800,000
Loo Ze Hui	Head of Finance and Project	500,000
Choo Mun Chen	Operation Manager	500,000
Total		1,800,000

(3) Allocation to persons who have contributed to the success of our Group

Persons who have contributed to the success of our Group include business associates and suppliers, whom are not related parties to our Group.

The number of Issue Shares to be allotted to those persons who have contributed to the success of our Group are based on amongst others, the nature and terms of their business relationship, length of their relationship and the level of contribution and support to our Group.

4.3.5 Placement and underwriting arrangement

Our Underwriter will underwrite 100,000,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 250,000,000 Issue Shares available for application by Bumiputera investors approved by the MITI and 350,000,000 Offer Shares available to selected non-Bumiputera investors will be placed out by our Placement Agent and will not be underwritten.

Our Issue Shares shall be subject to the following clawback and reallocation provisions:

(a) Malaysian Public

80,000,000 Issue Shares made available to the Malaysian Public have been fully underwritten. Any of our Issue Shares not subscribed by the Malaysian Public, shall be subject to the following clawback and reallocation provisions:

- (i) Firstly, allocated for excess application by our Eligible Parties.
- (ii) Secondly, allocated to selected investors by way of private placement.
- (iii) Lastly, subscribed by our Underwriter based on the terms of the Underwriting Agreement.

(b) Eligible Parties

20,000,000 Issue Shares made available to the Eligible Parties have been fully underwritten. Any of our Issue Shares not fully subscribed by the Eligible Parties, shall be subject to the following clawback and reallocation provisions:

- (i) Firstly, allocated for excess application by our other Eligible Parties.
- (ii) Secondly, made available for application by the Malaysian Public via balloting.
- (iii) Thirdly, allocated to selected investors by way of private placement.
- (iv) Lastly, subscribed by our Underwriter based on the terms of the Underwriting Agreement.

4. DETAILS OF OUR IPO (*CONT'D*)

- (c) Selected Bumiputera investors identified/approved by MITI

250,000,000 Issue Shares made available to the selected Bumiputera investors identified/approved by MITI by way of private placement are not underwritten. Any of our Issue Shares not subscribed by the Bumiputera investors identified/approved by MITI, shall be subject to the following clawback and reallocation provisions:

- (i) Firstly, allocated to Malaysian institutional investors by way of private placement.
- (ii) Secondly, made available for application by the Bumiputera Malaysian Public via balloting.
- (iii) Thirdly, made available for application by the Malaysian Public via balloting.
- (iv) Fourthly, allocated for excess application by our Eligible Parties.
- (v) Lastly, allocated to selected investors by way of private placement.

The clawback and reallocation shall not apply in the event of over-application of the Issue Shares allocated to the Malaysian Public, Pink Form Allocations and private placement to Bumiputera investors approved by MITI.

4.3.6 Minimum requirements and subscription

There is no minimum subscription to be raised from our IPO. However, in order to comply with the public spread requirements of Bursa Securities, the minimum subscription in terms of the number of IPO Shares will be the number of IPO Shares required to be held by public shareholders to comply with the public spread requirements as set out in the Listing Requirements or as approved by Bursa Securities.

In the event of an over-subscription, acceptance of Applications by the Malaysian Public shall be subject to ballot to be conducted in a manner approved by our Board. Our Board will ensure that any excess Issue Shares will be allocated on a fair and equitable manner.

Under the Listing Requirements, at least 25.00% of our enlarged issued share capital for which listing is sought must be in the hands of a minimum of 200 public shareholders, each holding not less than 100 Shares upon our admission to the ACE Market. We expect to meet the public shareholding requirement at the point of our Listing.

If we fail to meet the said requirement, we may not be allowed to proceed with our Listing on the ACE Market. Please refer to Section 9.3.2 of this Prospectus for details in the event our Listing is delayed or aborted.

As at the LPD, to the extent known to our Company:

- (a) there are no substantial shareholders, Directors or key senior management of our Company who have indicated to us that they intend to subscribe for the IPO Shares; and
- (b) there are no person(s) who have indicated to us that they intend to subscribe for more than 5.00% of the IPO Shares.

4. DETAILS OF OUR IPO (CONT'D)

4.4 SHARE CAPITAL AND RANKING OF OUR SHARES

Upon completion of our IPO, our enlarged issued share capital would be as follows:

Details	No. of Shares	RM
Existing issued share capital	1,650,000,000	34,980,979
New Shares to be issued under our Public Issue	350,000,000	[●]
Enlarged share capital upon our Listing	2,000,000,000	[●]

Our Offer for Sale will not have any effect on our enlarged issued share capital.

As at the date of this Prospectus, we have only one (1) class of shares, being ordinary shares, all of which rank equally with each other.

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of allotment of our Issue Shares.

Our Offer Shares rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and other distributions that may be declared subsequent to the date of transfer of the Offer Shares.

Subject to any special rights attaching to any Shares which may be issued by us in the future, our shareholders shall, in proportion to the Shares held by them, be entitled to share in whole of the profits paid out by us as dividends and other distributions and any surplus if our Company is liquidated in accordance with our Constitution.

Each of our shareholders shall be entitled to vote at any of our general meetings in person or by proxy or by other duly authorised representative. On a vote by shows of hands, each shareholder present (either in person, or by proxy, or by representative) shall have one (1) vote. On a vote by way of poll, each shareholder present (either in person, or by proxy, or by representative) shall have one (1) vote for each Share held. A proxy may but need not be a shareholder of our Company.

4.5 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and our Principal Adviser, after taking into consideration the following factors:

- PE Multiple of approximately [●] times based on our EPS of 1.18 sen for the FYE 2023 computed based on our audited PAT for the FYE 2023 of RM23.56 million and our enlarged issued share capital of 2,000,000,000 Shares upon Listing
- our pro forma NA per Share of [●] sen as at 31 December 2023 based on our enlarged issued share capital of 2,000,000,000 Shares, after our IPO and utilisation of proceeds from Public Issue as set out in Section 4.7 of this Prospectus;
- our historical financial performance (as summarised below) and operating history as set out in Section 2.10 and Section 12.1 of this Prospectus;

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	115,114	144,440	335,251
GP	9,296	15,163	45,969
PAT	1,742	6,289	23,565

4. DETAILS OF OUR IPO (CONT'D)

- (d) our competitive strengths as set out in Section 7.19 of this Prospectus;
- (e) our future plans and business strategies as set out in Section 7.20 of this Prospectus; and
- (f) the industry overview and outlook based on the IMR Report as set out in Section 8 of this Prospectus.

Prospective investors should note that the market price of our Shares upon Listing is subject to uncertainties of market forces and other factors which may affect the price of our Shares being traded. Prospective investors should form your own views on the valuation of our IPO Shares and reasonableness of the bases used before deciding to invest in our IPO Shares. Prospective investors are reminded to carefully consider the risk factors as set out in Section 9 of this Prospectus before deciding to invest in our Shares.

4.6 DILUTION

Dilution is the amount by which our IPO Price to be paid by the applicants for our IPO Shares exceeds our pro forma consolidated NA per Share immediately after our IPO. The following table illustrates such dilution on a per Share basis:

	Details	RM
IPO Price	(A)	[●]
Pro forma consolidated NA per Share as at 31 December 2023 before our IPO but after the Acquisition	(B)	[●]
Pro forma consolidated NA per Share as at 31 December 2023 after our IPO and the utilisation of proceeds	(C)	[●]
Increase in pro forma consolidated NA per Share attributable to existing shareholders	(C-B)	[●]
Dilution to our new investors	(A-C)	[●]
Dilution to our new investors as a percentage of our IPO Price	(A-C) / (A)	[●]%

The following table shows the average effective cost per Share paid by our existing shareholders for our Shares since our incorporation up to the date of this Prospectus:

Directors and substantial shareholders	(1) No. of Shares held before our IPO but after the Acquisitions	(2) Total Consideration (RM)	Average effective cost per Share (RM)
Yeo Hock Cheong	(3) 561,000,200	(3) 11,894,183	0.0212
Mikro MSC	412,499,800	8,744,996	0.0212
BEH	329,999,800	6,995,996	0.0212
Koh Xian Kai	75,428,600	1,599,086	0.0212
Steven Djunaidi	75,428,600	1,599,086	0.0212
Ang Kian Siong (Hong Jianqiang)	75,428,600	1,599,086	0.0212
Almuhaysini Ali Abdullah	60,107,200	1,274,273	0.0212
Cao Yu	60,107,200	1,274,273	0.0212

4. DETAILS OF OUR IPO (CONT'D)**Notes:**

- (1) *Being Shares issued pursuant to the Acquisition.*
- (2) *Calculated based on the purchase consideration for the Acquisition attributable to them.*
- (3) *Including 1,000 subscriber shares of RM1,000 transferred to him after the Acquisition.*

Save as disclosed above and the Pink Form Allocations, there is no substantial disparity between our IPO Price and the effective cash cost to our Directors, substantial shareholders, key senior management and/or persons connected with them for any of our Shares acquired by them or they have the right to acquire our Shares in any transaction from our date of incorporation up to the date of this Prospectus.

4.7 UTILISATION OF PROCEEDS**4.7.1 Public Issue**

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

Utilisation of proceeds	Notes	RM'000	%	Timeframe for utilisation from the date of Listing
Capital expenditure for the following:				
- Construction of new factory and warehouse in Kuantan	(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		[●]	100.00	

Notes:**(1) Capital expenditure for the construction of new factory and warehouse in Kuantan ("New Kuantan Facility")**

In conjunction with our Group's business plans and strategies (as further discussed in Section 7.20 of this Prospectus) to undertake the manufacturing of PKS in-house in Kuantan, Pahang, we intend to allocate RM[●] million, representing approximately [●]% of the gross proceeds from our Public Issue, to fund the acquisition of lands and the construction costs for the New Kuantan Facility.

We will be identifying a suitable land in Kuantan, Pahang ("**Land**") with a total land size of approximately 435,000 sq ft. The total built-up area of the New Kuantan Facility is estimated to be 105,000 sq ft based on the initial planning.

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4. DETAILS OF OUR IPO (CONT'D)

The tentative details of the New Kuantan Facility are as follows:

Location	Kuantan area with good accessibility to Kuantan Port, Pahang
Land area	435,000 sq ft*
Built-up area	105,000 sq ft
<i>Comprising:</i>	
• <i>factory cum warehouse</i>	<i>One (1) unit measuring 100,000 sq ft</i>
• <i>office</i>	<i>One (1) unit measuring 5,000 sq ft</i>

Note: *For clarity, the remaining area (e.g. 330,000 sq ft) is open space and will be partially utilised for storage of raw materials.

A breakdown of the estimated cost in relation to the construction of the New Kuantan Facility based on contractor's quotation procured is as follows:

Estimated costs	RM'000
Land costs (including acquisition cost, legal fees, stamping fees and other related costs)	[•]
<u>Construction costs</u>	
- Building works	[•]
- External works	[•]
Total	[•]

For clarity, the estimated costs are indicative as the final contracts for the construction of the New Kuantan Facility can only be finalised and entered into after our IPO.

The construction of the New Kuantan Facility is expected to complete within 24 months upon the identification of Land as illustrated below:

Milestones	Estimated timeframe
Identification of Land	Between 6-12 months upon receipt of the gross proceeds from our Public Issue ("T")
Completion of acquisition of Land	T + 3 months
Procuring the requisite approval	T + 9 months
Commencement of construction	T + 10 months
Completion of construction	T + 19 months
Issuance of CCC	T + 22 months
Commencement of operation	T + 24 months

The estimated costs of the machineries and equipment required to fit out the New Kuantan Facility are further detailed in Note (2) below.

Any excess amount required for the construction of the New Kuantan Facility will be funded by internally generated funds and/or bank borrowings. Conversely, if the actual amount for the construction of the New Kuantan Facility is lower than budgeted, the excess will be used for working capital purposes.

4. DETAILS OF OUR IPO (CONT'D)

Upon the commencement of the operation of the New Kuantan Facility, our Group may continue to engage its third-party contract manufacturer based in Kuantan subject to the demand requirement at that point of time.

Please refer to Section 7.20.1 of this Prospectus for further details on our Group's plan to set up the New Kuantan Facility.

(2) Capital expenditure for purchase of new machineries and equipment

We intend to allocate RM[●] million, representing approximately [●] % of the gross proceeds from our Public Issue, to part finance the purchase of new machineries and equipment for production of PKS in the new factories and warehouses in Johor, Kuantan and Sabah.

The details of the machineries and equipment as well as breakdown of the estimated costs are as follows:

	Pasir Gudang, Johor	⁽¹⁾ Kuantan, Pahang	Lahad Datu, Sabah	⁽²⁾ Estimated costs
	(Unit)	(Unit)	(Unit)	(RM'000)
PKS production line ⁽²⁾	6	6	6	[●]
Wheel loader	2	2	2	[●]
Excavator	2	2	2	[●]
Cabling / Installation charges	1	1	1	[●]
Conveyor system	2	2	2	[●]
Total				[●]

Notes:

- (1) *This site will be rented temporarily prior to completion of the New Kuantan Facility*
- (2) *The total estimated costs will be funded via the following: (i) 90% of the total cost will be funded via gross proceeds from the Public Issue; and (ii) remaining 10% of the total cost will be funded via internally generated funds and/or bank borrowings.*
- (3) *The PKS production line consists of two (2) stone removal units and four (4) screening units.*

For clarity, the estimated costs are indicative based on the suppliers' quotation procured.

We intend to purchase the abovementioned new machineries and equipment from the respective suppliers during the setting up of the factories at the respective locations after such factories are identified. The timeline for setting up the factories in Johor and Sabah are as follows:

Timeline for new factory in Pasir Gudang, Johor	
Q2 2024	Identification of premises to rent
	Procurement of the machineries and equipment
Q3 2024	Expected receipt of machineries and equipment
	Installation of production lines
	Expected commencement of operations

4. DETAILS OF OUR IPO (CONT'D)

Timeline for new factory in Kuantan, Pahang (temporary factory while awaiting for the New Kuantan Facility to be operational)	
Q3 2024	Identification of premises to rent
	Procurement of the machineries and equipment
Q4 2024	Expected receipt of machineries and equipment
	Installation of production lines
	Expected commencement of operations

Timeline for new factory in Lahad Datu, Sabah	
Q1 2025	Identification of premises to rent
	Procurement of the machineries and equipment
Q2 2025	Expected receipt of machineries and equipment
	Installation of production lines
	Expected commencement of operations

The new machineries and equipment will provide our Group with an additional production capacity for PKS of 720,000 MT annually.

Any remaining balance and excess amount required for the purchase of the new machineries and equipment will be funded by internally generated funds and/or bank borrowings. Conversely, if the actual amount for the purchase of the new machineries and equipment is lower than budgeted, the excess will be used for working capital purposes to purchase raw materials.

(3) Working capital

We intend to allocate RM[●] million, representing approximately [●]% of the gross proceeds from our Public Issue to fund our working capital requirements, which include, but are not limited to, purchase of raw materials and general administrative expenses such as staff-related costs, payroll, utilities, statutory payments and any other overhead expenditures.

The breakdown of such utilisation (on best estimate basis) for each component of the working capital are as follows:

	RM'000	%
Purchase of raw materials ⁽¹⁾	[●]	[●]
General administrative expenses	[●]	[●]
Total	[●]	100.00

Note:

(1) *The estimated purchase of raw materials is broken down to approximately 82.00% and 18.00% for the purchase of unprocessed PKS and wood residues respectively. The actual allocation depends on the operating requirement at the time of utilisation.*

The allocation on working capital requirements is in line with our Group's business plan to increase our production capacity in anticipation of growing sales from international markets which requires additional raw materials for our production.

Please refer to Section 7.20 of this Prospectus for further details on our Group's future plans and business strategies.

4. DETAILS OF OUR IPO (CONT'D)**(4) Estimated listing expenses**

An amount of RM[●] million, representing approximately [●]% of the gross proceeds from our Public Issue, is allocated to meet the estimated cost of our Listing. The following summarises the estimated expenses incidental to our Listing to be borne by us:

Estimated listing expenses	RM'000
Professional fees ⁽¹⁾	[●]
Fees payable to authorities	[●]
Underwriting, placement and brokerage fees	[●]
Printing fees and contingencies ⁽²⁾	[●]
	<u>[●]</u>

Notes:

- (1) *Includes advisory fees for, amongst others, our Principal Adviser, due diligence solicitors, Reporting Accountants, IMR and Issuing House.*
- (2) *Includes any other incidental charges or related expenses in relation to our IPO such as fees paid to translator, public or investor relation consultants, printing of Prospectus, forms and envelopes, advertisement of Prospectus, sales and service tax and funds reserved for contingency purposes.*

In the event the allocated proceeds are insufficient for our listing expenses, the shortfall will be funded from the amount allocated for our working capital requirements. Conversely, if the actual listing expenses is lower than the amount budgeted above, the excess will be allocated for our working capital requirements.

The proceeds from the Public Issue (save for the estimated listing expenses) will be placed in short-term deposits or money market instruments with licensed financial institutions until eventual utilisation.

4.7.2 Offer for Sale

The Offer for Sale will raise gross proceeds of approximately RM[●] million which will accrue entirely to our Selling Shareholders and we will not receive any of the proceeds.

Our Selling Shareholders shall bear all of the expenses relating to the Offer for Sale, the aggregate of which is estimated to be approximately RM[●] million.

4.8 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION**4.8.1 Brokerage fees**

Brokerage is payable in respect of our Issue Shares at the rate of [●]% of our IPO Price in respect of successful applicants which bear the stamp of member companies of Bursa Securities, member of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association in Malaysia or Issuing House.

4.8.2 Placement fees

We will be obliged to pay our Placement Agent a placement fee of [●]% of the total value of the 250,000,000 Issue Shares placed out by our Placement Agent.

The placement fee of [●]% of the total value of 350,000,000 Offer Shares placed out by our Placement Agent will be borne entirely by our Selling Shareholders.

4. DETAILS OF OUR IPO (CONT'D)

4.8.3 Underwriting commission

Our Underwriter has agreed to underwrite 100,000,000 Issue Shares made available for application by the Malaysian Public and Eligible Parties. We are obligated to pay our Underwriter an underwriting commission of [●]% of the total value of our Issue Shares underwritten at our IPO Price.

4.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with KAF IB, to underwrite 100,000,000 Issue Shares (“**Underwritten Shares**”). The following are the salient terms of the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement:

[The salient terms will be inserted once the Underwriting Agreement has been entered into and is available.]

4.10 TRADING AND SETTLEMENT IN SECONDARY MARKET

Our Shares will be admitted to the Official List of the ACE Market and an official quotation will commence after, among others, the receipt of confirmation from Bursa Depository that all of our IPO Shares have been duly credited into the respective CDS Accounts of the successful applicants and the notices of allotment have been issued and despatched to all the successful applicants.

Pursuant to Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited into the CDS. Following this, we will deposit our Shares directly with Bursa Depository and any dealings in our Shares will be carried out in accordance with the SICDA and Depository Rules. We will not issue any share certificates to successful applicants.

Upon our Listing, transactions in our Shares under the book-entry settlement system will be reflected by the seller's CDS Account being debited with the number of Shares sold and the buyer's CDS Account being credited with the number of Shares acquired.

Trading of shares of companies listed on Bursa Securities is normally done in “board lots” of 100 shares. Investors who desire to trade less than 100 shares will trade under the odd lot board. Settlement of trades done on a “ready” basis on Bursa Securities generally takes place on the second Market Day following the transaction date, and payment for the securities is generally settled on the second Market Day following the transaction date.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT

5.1 PROMOTERS AND/OR SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and/or substantial shareholders in our Company before and after our IPO together with the Share Transfer are set out below:

Name	Country of Incorporation/ Nationality	⁽¹⁾ Before our IPO but after the Acquisition				⁽²⁾ After our IPO and the Share Transfer			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and substantial shareholders</u>									
Yeo Hock Cheong	Malaysian	561,000,200	34.01	412,499,800	⁽³⁾ 25.00	100,180,000	5.01	739,820,200	⁽³⁾⁽⁴⁾ 36.99
Kayavest	Malaysia	-	-	-	-	327,320,400	16.37	-	-
<u>Promoter</u>									
Salihudin	Malaysian	-	-	-	-	1,500,000	⁽⁵⁾ 0.075	-	-
<u>Substantial shareholders</u>									
Mikro MSC	Malaysia	412,499,800	25.00	-	-	412,499,800	20.62	-	-
BEH	Malaysia	329,999,800	20.00	-	-	229,999,800	11.50	-	-
SJR Holdings	Malaysia	-	-	329,999,800	⁽⁶⁾ 20.00	-	-	229,999,800	⁽⁶⁾ 11.50
Mohammad Suffian Bin Md Yusof	Malaysian	-	-	329,999,800	⁽⁷⁾ 20.00	-	-	229,999,800	⁽⁷⁾ 11.50

Notes:

- (1) Based on the issued share capital of 1,650,000,000 Shares before our IPO but after the Acquisition.
- (2) Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO and the Share Transfer.
- (3) Deemed interested by virtue of his direct shareholding in Mikro MSC pursuant to Section 8(4) of the Act.
- (4) Deemed interested by virtue of his direct shareholding in Kayavest pursuant to Section 8(4) of the Act.
- (5) Assuming all our IPO Shares allocated to him under the Pink Form Allocation are fully subscribed.
- (6) Deemed interested by virtue of its direct shareholding in BEH pursuant to Section 8(4) of the Act.
- (7) Deemed interested by virtue of his direct shareholding in SJR Holdings and indirect shareholding in BEH respectively, pursuant to Section 8(4) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

5.1.2 Profiles of Promoters and/or substantial shareholders

(a) **Yeo Hock Cheong**

Promoter, substantial shareholder, Executive Director/CEO

Yeo Hock Cheong, a Malaysian male, aged 46, is our Promoter, substantial shareholder, Executive Director/CEO. He was appointed to our Board on 1 February 2024. He was appointed as the Executive Director and CEO of BESB since March 2018 and is responsible for determining our Group's strategic direction and business development.

In 1995, he completed his secondary education in Phor Tay Private High School in George Town, Penang.

Upon graduating, he worked as a technical assistant to his father where he assisted in various handyman task including installation of television antennas for residential houses. During the course of his apprenticeship, his job scope expanded to include the disposal and/or recycling of unwanted television antennas, where he then saw an opportunity in the business of selling and distribution of scrap metal and related recycled products.

As such, in March 2006, he founded Jin Yeng Trading, a sole proprietor involved in the selling and distribution of scrap metal and related recycled products, as well as the trading of praying materials. He was responsible for the business development and overall management of the business.

In July 2010, he ceased business under Jin Yeng Trading and incorporated Golden World Metal Sdn Bhd with Teoh Soon Tek. The business of Jin Yeng Trading was subsequently expired in October 2016. As a director of Golden World Metal Sdn Bhd, he was responsible for overseeing the business strategy and development, as well as the overall management of the company. To date, he remains as a non-executive director and shareholder of Golden World Sdn Bhd, where the company has its own independent and standalone management team to undertake its day-to-day management and operations.

In May 2012, he co-founded Global Provestment Sdn Bhd with Teoh Soon Tek, a company involved in the planting and trading of agriculture products. In October 2012, he co-founded Eagle I Holdings Sdn Bhd with Teoh Soon Tek, a company involved in the activity of providing transportation and weighing services. In June 2017, he co-founded GPI Management Sdn Bhd with Teoh Soon Tek, a company involved in the provision of business management consultancy services.

He joined BESB as the Executive Director, CEO and shareholder in March 2018 after acquiring 75% direct equity interest in BESB. He has played an instrumental role on every aspect of the operation and business development since his involvement in BESB, where he formulated business plans in line with our Group's strategic goals and expended the customer base of our Group.

Subsequent to joining BESB, he founded BTH Power Sdn Bhd in December 2019, a company involved in operation in electricity generation facility, wholesale of variety goods including metal and non-metal waste, scrap and recycled materials. The company dissolved in October 2022.

Presently, he also holds directorship in several private limited companies. Please refer to Section 5.2.3(b) of this Prospectus for further details.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(b) Salihudin

Promoter, Executive Director/Finance Director

Salihudin, a Malaysian male, aged 53, is our Promoter, Executive Director/Finance Director. He was appointed to our Board on 10 January 2024. He was appointed as the Chief Financial Officer of BESB since August 2023 and Finance Director of our Group since 10 January 2024, and is responsible for managing and advising on the strategic financial direction of the Group.

He obtained a Bachelor of Accounting with honours from the International Islamic University Malaysia in 1996.

He started his career in Azman, Wong, Salleh & Co as Audit Assistant in December 1995 where he was involved in several audit assignments. He left in June 1996 to join Malaysian Resources Corporation Berhad as Corporate Executive in Business Development & Corporate Affairs where he co-ordinated submissions to the relevant authorities in relation to various corporate exercises. He resigned in March 1999 and took a short career break.

In September 1999, he joined a subsidiary of Universiti Tun Abdul Razak Sdn Bhd for a short stint as Operation Executive in Business Development for 3 months before leaving to join Aseambankers Malaysia Berhad ("**Aseambankers**") (now known as Maybank Investment Bank Berhad) as Senior Officer in Corporate Finance. His experience in Aseambankers includes partaking corporate finance exercises such as initial public offering, mergers and acquisitions, private placement, etc. He subsequently left to join AmMerchant Bank Berhad (now known as AmInvestment Bank Berhad) ("**AmInvestment Bank**") in December 2002 as Assistant Manager in Investment Banking where he specialised in initial public offering works ranging from origination to preparation and submission. In April 2007, he was seconded to PT AmCapital Indonesia for 2 years as Associate Director in Corporate Finance where he assisted in the setting up of the corporate finance unit of PT AmCapital Indonesia and was involved in underwriting of debt and equity papers as well as a cross border transaction for mergers and acquisitions exercise.

In November 2009, he left AmInvestment Bank to join Delcom Services Sdn Bhd (a subsidiary of Deleum Berhad) as General Manager in Corporate Finance where he oversaw the corporate finance function of the company. He rejoined AmInvestment Bank in April 2011 as Associate Director in Corporate Finance where he assumed a similar portfolio of his last position in AmInvestment Bank. He resigned in December 2015 and joined Bursa Malaysia Berhad in January 2016 as Vice President in Securities Market where he oversaw the marketing function of initial public offerings on Bursa Malaysia and played an integral role in the development of the LEAP Market of Bursa Malaysia. During his tenure with Bursa Malaysia Berhad, he was recognised by **PETRONAS** group for his commitment and effort in driving the "PETRONAS Lestari: Road to Bursa" programme, a collaboration initiative between PETRONAS, investment banks and corporate finance advisors to encourage listing activities for companies in the oil and gas sector of Malaysia.

He left Bursa Malaysia Berhad in August 2021 to join SALIHIN Consulting Group Sdn Bhd ("**SALIHIN**") as Head of the Capital Marketing Division where he was responsible for, among others, incubating potential companies in preparation for such companies to undertake an initial public offering exercise and evaluating financial performances of small-to-medium enterprises for fundraising exercises. He left SALIHIN in March 2023 to take a short career break before joining Newman Trust Investment Bank Ltd, an offshore bank incorporated in Labuan, Malaysia, in June 2023 as Director in Advisory for a period of 2 months before joining our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(c) Kayavest

Promoter and substantial shareholder

Kayavest, our Promoter and substantial shareholder, was incorporated on 11 May 2023 in Malaysia under the Act as a private limited company under its present name. The principal activity of Kayavest is an investment holding company solely to invest in our Company.

As at the LPD, the issued share capital of Kayavest is RM1,000 comprising 1,000 ordinary shares. Yeo Hock Cheong is the sole director and sole shareholder of Kayavest.

(d) Mikro MSC

Substantial shareholder

Mikro MSC, our substantial shareholder, was incorporated on 19 June 2006 in Malaysia under the Companies Act, 1965 and deemed registered under the Act as a private limited company under its present name. Mikro MSC was subsequently converted to a public limited company on 17 March 2009 via the internal restructuring exercise of its previous holding company, namely Mikro Berhad. Mikro MSC was admitted to the Official List and the listing of and quotation for its entire enlarged issued share capital on the MESDAQ Market (now known as ACE Market) of Bursa Securities on 15 September 2009 after assumed the listing status of Mikro Berhad.

Mikro MSC is principally involved in the research, development, design and manufacture analogue, digital and computer controlled electronic systems or devices for use in electrical, electronic and other industries and provision of technical and maintenance services.

As at the LPD, the issued share capital of Mikro MSC is RM155,011,787 comprising of 1,073,490,940 ordinary shares. The directors of Mikro MSC are as follow:

Name	Designation
Datuk Aznam Bin Mansor	Non-Independent Non-Executive Chairman
Yim Yuen Wah	Managing Director
Syed Mohd Hafiz Bin Syed Mohd	Executive Director/ CEO
Goh Yoke Chee	Executive Director
Nor Azlan Bin Zainal	Independent Non-Executive Director
Wan Adli Ridzwan Bin Wan Hassan	Independent Non-Executive Director
Dr Wang Hong	Independent Non-Executive Director
Sindi, Mohammed Nabil M	Independent Non-Executive Director
Michael Aw Ming Han	Non-Independent Non-Executive Director
Yang Shing Sing	Non-Independent Non-Executive Director

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

As at the LPD, the substantial shareholders of Mikro MSC are as follows:

Name	Direct Shareholdings	
	No. of shares	%
Cartaban Nominees (Tempatan) Sdn Bhd - RHB Trustees Berhad for Kenanga Islamic Absolute Return Fund	322,039,800	29.99
Yeo Hock Cheong	215,731,223	20.10
Yim Yuen Wah	136,373,900	12.70
Low Khok Heng @ Low Choon Huat	98,789,311	9.20

(e) BEH
Substantial shareholder

BEH, our substantial shareholder, was incorporated on 16 November 2016 in Malaysia under the Act as a private limited company under the name Felements App Sdn Bhd and assumed its present name on 25 January 2019. The principal activity of BEH is as an investment holding company solely to invest in our Group.

As at the LPD, the issued share capital of BEH is RM1,000 comprising of 1,000 ordinary shares. The director of BEH is Amir Mursyidi Bin Jusoh and the sole shareholder is SJR Holdings.

As at the LPD, BEH does not have any subsidiary or associated company.

(f) SJR Holdings
Substantial shareholder

SJR Holdings, our substantial shareholder, was incorporated on 23 May 2013 in Malaysia under the Companies Act, 1965 and deemed registered under the Act as a private limited company under its present name. The principal activity of SJR is investment holding and general trading.

As at the LPD, the issued share capital of SJR Holdings is RM2.00 million comprising 2,000,000 ordinary shares. Mohammad Suffian Bin Md Yusof is the sole director and sole shareholder of SJR Holdings.

As at the LPD, SJR Holdings has one wholly-owned subsidiary (namely BEH) and does not have any associated company.

(g) Mohammad Suffian Bin Md Yusof
Substantial shareholder

Mohammad Suffian Bin Md Yusof, a Malaysian male, aged 42, is our substantial shareholder.

He graduated from Nagaoka University of Technology, Japan with a Bachelor of Engineering (Mechanical Engineering) in August 2008.

Upon graduating, he started his career as Process Engineer at Tenaga Cables Industries Sdn Bhd, where he was involved in the designing and implementation of new processes in the facilities of the company. He left the company in March 2011 to take a brief career break.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In July 2011, he founded Ibnuyusof Enterprise, a business involved in the franchising of food & beverages businesses. His responsibilities involved planning and implementing marketing and sales strategies for franchises as well as managing the overall operations of the business. This business subsequently ceased in August 2018. In April 2013, he founded Cinta Hati Umami Shoppe, a business involved in content creation for social media platforms where he oversaw all operations including but not limited to online marketing, web development, video editing, and animation. The business ceased and expired in August 2018.

In August 2017, he founded Richclick Solution, a business involved in providing advisory services in relation to online marketing strategies, particularly on social media platforms. In June 2020, he ventured into investing in small to medium enterprises with significant growth potential by taking over SJR Holdings.

As at the LPD, his investment involves companies in various industries such as construction, food & beverages and information technology, where none of his investments are in the same industry as our Group nor are customers and suppliers of our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.3 Changes in Promoters' and substantial shareholders' shareholdings

The changes in our Promoters' and/or substantial shareholders' respective shareholdings in our Company since our incorporation are as follows:

	As at incorporation				⁽¹⁾ Before our IPO but after the Acquisition				⁽²⁾ After our IPO and the Share Transfer			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoters and substantial shareholders</u>												
Yeo Hock Cheong	-	-	-	-	⁽³⁾ 561,000,200	34.01	412,499,800	⁽⁴⁾ 25.00	100,180,000	5.01	739,820,200	⁽⁴⁾⁽⁵⁾ 36.99
Kayavest	-	-	-	-	-	-	-	-	327,320,400	16.37	-	-
<u>Promoter</u>												
Salihudin	1,000	100.00	-	-	-	-	-	-	1,500,000	⁽⁶⁾ 0.075	-	-
<u>Substantial shareholders</u>												
Mikro MSC	-	-	-	-	412,499,800	25.00	-	-	412,499,800	20.62	-	-
BEH	-	-	-	-	329,999,800	20.00	-	-	229,999,800	11.50	-	-
SJR Holdings	-	-	-	-	-	-	329,999,800	⁽⁷⁾ 20.00	-	-	229,999,800	⁽⁷⁾ 11.50
Mohammad Suffian Bin Md Yusof	-	-	-	-	-	-	329,999,800	⁽⁸⁾ 20.00	-	-	229,999,800	⁽⁸⁾ 11.50

Notes:

- (1) Based on the issued share capital of 1,650,000,000 Shares before our IPO but after the Acquisition.
- (2) Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO and the Share Transfer.
- (3) The subscriber shares will be transferred to Yeo Hock Cheong before our IPO but after the Acquisition.
- (4) Deemed interested by virtue of his direct shareholding in Mikro MSC pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his direct shareholding in Kayavest pursuant to Section 8(4) of the Act.
- (6) Assuming all our IPO Shares allocated to him under the Pink Form Allocation are fully subscribed.
- (7) Deemed interested by virtue of its direct shareholding in BEH pursuant to Section 8(4) of the Act.
- (8) Deemed interested by virtue of his direct shareholding in SJR Holdings and indirect shareholding in BEH respectively, pursuant to Section 8(4) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.1.4 Persons exercising control over the corporation

Save for our Promoters and/or substantial shareholders as set out in Section 5.1 of this Prospectus, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, our Promoters and/or substantial shareholders have the same voting rights as our other shareholders and there is no arrangement between our Company and our shareholders with any third party, the operation of which may, at a subsequent date, result in the change in control of our Company.

5.1.5 Amounts or benefits paid or intended to be paid or given to our Promoters and/or substantial shareholders

Save for the issuance of our Shares pursuant to the Acquisition as disclosed in Section 6.2.2(a) of this Prospectus and aggregate remuneration and benefits paid or proposed to be paid for services rendered to our Group in all capacities as disclosed in Section 5.2.4 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and/or substantial shareholders within the two (2) years preceding the date of this Prospectus.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2 DIRECTORS

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after our IPO together with the Share Transfer assuming that they will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation	⁽¹⁾ Before our IPO but after the Acquisition				⁽²⁾ After our IPO and the Share Transfer			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	Independent Non-Executive Chairman	-	-	-	-	⁽³⁾ 500,000	0.025	-	-
Yeo Hock Cheong	Executive Director/CEO	561,000,200	34.01	412,499,800	⁽⁴⁾ 25.00	100,180,000	5.01	739,820,200	⁽⁴⁾⁽⁵⁾ 36.99
Salihudin	Executive Director/Finance Director	-	-	-	-	⁽³⁾ 1,500,000	0.075	-	-
Dr Wang Hong	Non-Independent Non-Executive Director	-	-	-	-	⁽³⁾ 500,000	0.025	-	-
Tan Suat Hoon	Independent Non-Executive Director	-	-	-	-	⁽³⁾ 500,000	0.025	-	-
Ahmad Lutfi B.Abdull Mutalip @ Talib	Independent Non-Executive Director	-	-	-	-	⁽³⁾ 500,000	0.025	-	-
Rozainah Binti Baharuddin	Independent Non-Executive Director	-	-	-	-	⁽³⁾ 500,000	0.025	-	-

Notes:

- (1) Based on the issued share capital of 1,650,000,000 Shares before our IPO but after the Acquisition.
- (2) Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO and the Share Transfer.
- (3) Assuming that all our Issue Shares allocated to our Directors under the Pink Form Allocations are fully subscribed.
- (4) Deemed interested by virtue of his direct shareholding in Mikro MSC pursuant to Section 8(4) of the Act.
- (5) Deemed interested by virtue of his direct shareholding in Kayavest pursuant to Section 8(4) of the Act.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*CONT'D*)

5.2.2 Profiles of Directors

Save for Yeo Hock Cheong (our Executive Director/CEO) and Salihudin (our Executive Director/ Finance Director) whose profiles have been set out in Section 5.1.2 of this Prospectus, the profiles of our Directors are as follows:

(a) Tan Sri Dr Azmil Khalili Bin Dato' Khalid

Tan Sri Dr Azmil Khalili Bin Dato' Khalid, a Malaysian male, aged 64, is our Independent Non-Executive Chairman. He was appointed to our Board on 1 February 2024.

He obtained his Bachelor of Science in Civil Engineering from University of Hertfordshire, UK and Northrop University, USA in 1984 and his Master of Business Administration ("**MBA**") from California State University, USA in 1986. He was conferred his Doctorate of Science (Honorary) by the University of Hertfordshire, UK in November 2013.

He began his career in Tarmac National Construction PLC as a site engineer for a year from July 1981 to September 1982 during his placement year, where he was involved in the construction of the longest cut-and-cover tunnel in the UK. Upon graduating with his bachelor's degree, he worked as an academic advisor in California State University concurrently while he undertook his studies for his MBA from September 1984 to March 1986.

Upon returning to Malaysia after completing his MBA, he worked as a Corporate Planner for Komplek Kewangan Malaysia Berhad (presently known as Amanah Capital Malaysia Berhad) in June 1986 where he was seconded to its subsidiary company, Trust International Insurance and Reinsurance Company, where he was involved in the restructuring and corporate strategy planning of the company. He left to join Citibank N.A (presently known as Citibank Malaysia Berhad) ("**Citibank**") in September 1987 as a Management Trainee and left as Vice President in August 1993. During his tenure with Citibank, he handled and managed the overall sales and credit responsibilities in Malaysia, where he also double hatted as the Country Credit Head of Citibank.

In September 1993, he jointed MTD Capital Bhd ("**MTD Capital**") as Director/General Manager of Corporate Planning where he spearheaded the listing exercise of MTD Capital on the Main Board of the Kuala Lumpur Stock Exchange (presently known as Main Market of Bursa Securities) and was responsible for the privatisation of the Kuala Lumpur-Karak Highway. In January 1995, he was seconded to WCT Engineering Berhad ("**WCT**") to assume the position of Executive Chairman where he played an instrumental role in the listing of WCT on the Main Board of the Kuala Lumpur Stock Exchange.

Upon the successful listing of WCT, he returned to MTD Capital in March 1996 to take on the role of Group Managing Director and Chief Executive Officer where he oversaw the operations of MTD Capital before assuming the position of Group President and Chief Executive Officer of MTD and its subsidiaries (collectively, "**MTD Group**") from April 2005 to April 2011, where his portfolio expanded to oversee the overall operations of MTD Group. During his tenure as Group President, he also acted as the President and Chief Executive Officer of MTD ACPI Engineering Berhad (a subsidiary of MTD Capital listed on Bursa Securities) and Chairman of MTD Walkers PLC (a foreign subsidiary of MTD Capital listed on the Colombo Stock Exchange of the Republic of Sri Lanka).

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

In April 2011, he took on the role as Group President & Chief Executive Officer for The AlloyMtd Group (a multinational infrastructure conglomerate principally involved in construction, real estate & property development and manufacturing) and ANIH Berhad (a toll concession company), where he was responsible for directing the overall corporate strategy of the aforementioned companies.

He resigned as Group President & Chief Executive Officer from The AlloyMtd Group and ANIH Berhad in August 2017 to set up AFK Group Sdn Bhd and related companies (collectively, “**AFK Group**”), consisting of companies principally involved in the management of family office and investment holding in shares of companies in the financial sector, real estate and private equity investment. He presently remains as the Group President and Chief Executive Officer of AFK Group.

In April 2022, he and his wife co-founded Yayasan Al Baqiyat Al Salihat Asmah Azimah, a non-profit organisation providing relief, aid and assistance to communities in need in Malaysia.

He is presently the Independent Non-Executive Chairman of the Board of UEM Edgenta Berhad, Non-Independent Non-Executive Director of Reach Energy Berhad and Independent Non-Executive Director of Sapura Industrial Berhad. He is also the Chairman/ Executive Director of the Board of Cenviro Sdn Bhd, a subsidiary of Khazanah Nasional Berhad principally involved in the operation of integrated waste management centre, recycling and recovery.

Presently, he also holds directorship in several private limited companies. Please refer to Section 5.2.3(a) of this Prospectus for further details.

(b) Dr Wang Hong

Dr Wang Hong, a Singaporean male, aged 58, is our Non-Independent Non-Executive Director. He was appointed to our Board on 1 February 2024.

He obtained his Bachelor of Engineering (Semiconductor Physics and Devices) from Zhejiang University, China in 1988, Master of Engineering and Doctor of Philosophy from Nanyang Technological University (NTU), Singapore in 1998 and 2001 respectively.

He commenced his career as a graduate engineer in Institute of Semiconductors of the Chinese Academy of Sciences, China in September 1988 where he was involved in the development of indium phosphide (InP) based opto-electronic integrated circuits. In October 1994, He received the Royal Research Fellowship from United Kingdom where he worked with the British Telecom Laboratories on the development of InP-based heterostructure field-effect transistors for a year.

In December 1996, he relocated to Singapore where he took on the role as a research staff in the School of Electrical and Electronic Engineering of NTU where he was undertaking research and development (R&D) works in the field of micro and nano electronics and photonics. He was subsequently promoted to Assistant Professor in September 2001 where in addition to his existing R&D works, he led the establishment and operations of the cleanroom facility in NTU. In March 2008, he was promoted to Associate Professor, a role he presently assumes, where he conducts lectures and tutorials for undergraduate and postgraduate students of the NTU School of Electrical and Electronic Engineering.

Presently, he is an Independent Non-Executive Director in Mikro MSC. Please refer to Section 5.2.3(d) of this Prospectus for further details.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(c) Tan Suat Hoon

Tan Suat Hoon, a Malaysian female, aged 55, is our Independent Non-Executive Director. She was appointed to our Board on 1 February 2024. She is also the Chairman of our Audit and Risk Management Committee and a member of our Nomination Committee and Remuneration Committee.

She obtained her Diploma in Commerce (Management Accounting) from Tunku Abdul Rahman College, Kuala Lumpur in 1992. She was admitted as an Associate of the Chartered Institute of Management Accountants, United Kingdom (“**CIMA**”) and the Association of Chartered Certified Accountants, United Kingdom (“**ACCA**”) in 1996 and as Fellow in 2001 for both CIMA and ACCA. She has also been admitted as a Chartered Accountant with Malaysian Institute of Accountants (“**MIA**”) since 1996. She is presently a member of CIMA and MIA.

She began her career as an Audit Assistant with KPMG Peat Marwick (now known as KPMG PLT) (“**KPMG**”) in 1992 and left as an Audit Senior in 1996 where she was involved in audit assignments of private and public listed companies in various industries.

She joined Malaysian International Merchant Bankers Berhad (which was taken over by Eon Bank Berhad and subsequently by Hong Leong Bank Berhad) in 1996 as an Executive in Corporate Finance and left in 2002 as a Manager. She then joined AmlInvestment Bank as a Manager, Corporate Finance in 2002 and left in 2017 as Senior Vice President, Corporate Finance. In 2017, she joined Pen Petroleum Sdn Bhd which is involved in petroleum retailing as Group Senior Finance Manager and left in 2018. She was responsible for the supervision of the finance department in Pen Petroleum Sdn Bhd. She joined Kenanga Investment Bank Berhad as Senior Vice President, Corporate Finance in 2018 and left in 2021. She has accumulated more than 20 years of experience in corporate finance, advisory and debt capital market in the investment banking industry and was involved in initial public offerings, capital and fund-raising exercises, corporate restructuring, mergers and acquisitions, privatisation and take-overs.

Subsequently, she joined Texchem Corporation Sdn Bhd, a subsidiary of Texchem Resources Bhd (“**TRB**”), in June 2021 as Group Chief Financial Officer and was responsible for finance and treasury matters for TRB’s group of companies which are involved in the industrial, polymer engineering, food and restaurant segments. She was transferred to TRB as the Special Officer-Regulatory, Presidential Office in July 2022 and left in September 2022. She was responsible for ensuring compliance of TRB with the relevant regulatory requirements and to manage ad-hoc projects assigned by the Presidential Office.

Currently, she serves as the Chief Financial Officer of Northeast Precision Sdn Bhd, a company involved in the manufacturing of precision engineering components which she joined since September 2022 and is responsible for the financial and corporate matters.

She was appointed as the Independent Non-Executive Director of Central Global Berhad, PGF Capital Berhad and Smart Asia Chemical Berhad since 3 January 2023, 31 May 2023 and 17 April 2023 respectively. Please refer to Section 5.2.3(e) of this Prospectus for further details.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(d) Ahmad Lutfi B.Abdull Mutalip @ Talib

Ahmad Lutfi B.Abdull Mutalip @ Talib, a Malaysian male, aged 53, is our Independent Non-Executive Director. He was appointed to our Board on 1 February 2024. He is also the Chairman of our Nomination Committee and a member of our Audit and Risk Management Committee and Remuneration Committee.

He graduated with a Bachelor of Laws with Honours from International Islamic University Malaysia in August 1995. He was admitted as an advocate and solicitor of the High Court of Malaya in 1996 and obtained his professional qualification as a Chartered Secretary and Administrator from the Institute of Chartered Secretaries and Administrators, United Kingdom (External) in the same year.

He started his career as Legal Assistant with Hisham Sobri & Kadir in May 1996 and was subsequently promoted to a Partner in January 2000, where he was principally involved in the general corporate and commercial practice area.

He left Hisham Sobri & Kadir in August 2000 to set up the law firm Azmi & Associates, where he was one of the Founding Partners of the law firm. He is presently the Managing Partner and Head of Global Financial Services and Islamic Banking of Azmi & Associates, where he oversees the aforementioned practice areas as well as is responsible for the overall management of the firm.

He has also been appointed as an Independent Non-Executive Director for Malaysian Industrial Development Finance Berhad since February 2016 until to date, where he chairs the Board Risk Management Committee and a member of Board Audit & Compliance Committee and Board Technology Committee. He is concurrently a member of the Shariah Committee since January 2018, where he provides advice on Shariah compliance in relation to matters relating to policies, governance and operations.

He also served as an Independent Non-Executive Director for Bank Simpanan Nasional, a state-owned bank, for a tenure of 4 years from August 2019 to August 2023. In addition to carrying out duties of an independent non-executive director where he chaired the Board Nomination and Remuneration Committee and a member of Board Risk Management Committee, Board Audit & Compliance Committee and Board Tender Committee, he was concurrently a member of the Shariah Committee since April 2020, where he provides advice on Shariah compliance in relation to matters relating to policies, governance and operations, and he currently holds this position.

Presently, he also holds directorship in several public and private limited companies. Please refer to Section 5.2.3(f) of this Prospectus for further details.

(e) Rozainah Binti Baharuddin

Rozainah Binti Baharuddin, a Malaysian female, aged 50, is our Independent Non-Executive Director. She was appointed to our Board on 1 February 2024. She is also the Chairman of our Remuneration Committee and a member of our Audit and Risk Management Committee and Nomination Committee.

She graduated from the University of Exeter, United Kingdom with a Bachelor of Arts in Social Studies with Honours in Business Economics in July 1996. She was subsequently certified as a member of The Malaysian Association of Certified Public Accountants (now known as The Malaysian Institute of Certified Public Accountants) in December 2000. She is also a member of the MIA since April 2001.

She began her career in January 1997 as Audit Assistant in KPMG Peat Marwick Malaysia (presently known as KPMG) and left as Audit Semi-Senior in May 2000.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

During her tenure with KPMG, she was responsible for providing support in audit field works for the statutory audits and internal control reviews of numerous clients' as well as assisting in the preparation of consolidated group financial statements. She subsequently joined Aseambankers (presently known as Maybank Investment Bank Berhad) in June 2000 as a Senior Officer in the Corporate Finance Department where she was involved in the preparation of financial models and submission documents for corporate proposals to be submitted to regulatory bodies.

She left Aseambankers in April 2002 to join Commerce International Merchant Bankers Berhad (presently known as CIMB Investment Bank Berhad) ("**CIMB**") in May 2002 as Executive in the Corporate Finance Department and was progressively promoted to Manager. In May 2005, she transferred internally to the Group Finance Division, where she was involved in numerous finance-related projects and assignments. She was subsequently promoted to Senior Manager in January 2006 and transferred internally to the International Banking And Transaction Services ("**IBTS**") Department of the Investment Banking division in August 2007.

Her role in the IBTS Department included, among others, supporting various business initiatives undertaken and challenges faced by the business units within IBTS. She was promoted to Associate Director and subsequently transferred internally to the Group Human Resource Department Division in August 2008, where she was involved in a number of human resource assignments involving succession planning, employee branding, post-acquisition integration exercise, etc. She subsequently joined the Group CEO's office in December 2009 where she reported directly to the CEO of CIMB Investment Bank Berhad. During her tenure, she worked alongside the unit heads of the Investment Banking Division on a number of business enhancement initiatives and was the lead-coordinator for group-wide projects. She left CIMB as a Director in November 2013.

She joined Khazanah Nasional Berhad as a Senior Vice President in November 2013 where she was tasked with establishing and setting up of Khazanah Research Institute ("**KRI**"), a non-profit research organisation sponsored by Khazanah Nasional Berhad. Upon the readiness of KRI to commence operations, her employment was transferred to KRI, where she took on the role of COO in February 2014 and was promoted to Director and COO in June 2016. Her role included overseeing the operations of the company as well as managing the overall development and expansion of the company.

She resigned from KRI in May 2019 to take a career break. During her career break, she joined Kausar Wealth Management Sdn Bhd in August 2019 as an Inheritance Planning Consultant for Muslims on a part time basis and she is still presently involved in this role. In April 2021, she joined Wellfarer Group Sdn Bhd, a company involved in the provision of family office and wealth management services as Director where she is involved in the overall management of the company.

Presently, she also holds directorship in a private limited company. Please refer to Section 5.2.3(g) of this Prospectus for further details.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.3 Principal business performed outside our Group

Save as disclosed below, none of our Directors has any other principal directorship and/or principal business activities performed outside our Group within the past five (5) years up to the LPD:

(a) Tan Sri Dr Azmil Khalili Bin Dato' Khalid

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
UEM Edgenta Berhad (Listed on Main Market)	Investment holding with subsidiaries principally involved in facilities management services, engineering and construction works, digital technology, energy performance management services, property development, etc	Independent Non-Executive Chairman	24 May 2019	-	-	-
Sapura Industrial Berhad (Listed on Main Market)	Investment holding with subsidiaries involved in automotive component manufacturing, research, design and development, trading of autoparts and manufacturing and assembly of aerospace tooling and fixtures	Independent Non-Executive Director	20 March 2023	-	-	-
Reach Energy Berhad (Listed on Main Market)	Investment holding with subsidiaries principally engaged in the exploration, development and sale of crude oil and other petroleum products	Non-Independent Non-Executive Director / Indirect Shareholder	23 January 2017	-	2.66	1.91 ⁽¹⁾

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Yayasan Albaqiyat Alsalihat Asmah Azimah	Foundation advancing health, education, religion, community development, poverty relief, public welfare, and other purposes beneficial to the public at large	Director	4 April 2022	-	-	-
AFA Infrastructure and Development Sdn Bhd	Holding company for AFA Project and Management Services Sdn Bhd	Director/ Shareholder	6 July 2023	-	100.00	-
AFA Project and Management Services Sdn Bhd	Provision of project and management services	Director/ Indirect Shareholder	14 November 2023	-	-	100.00 ⁽²⁾
Reach Energy Ventures Sdn Bhd	Investment holding with shares in companies in the oil & gas industry	Director	11 February 2020	-	-	-
Shan Poornam Sdn Bhd	Provision of management services for Cenviro Sdn Bhd	Director	5 July 2019	-	-	-
Cenviro Sdn Bhd	Investment holding with subsidiary principally involved in the operation of integrated waste management centre, recycling and recovery	Director	1 October 2018	-	-	-
AF Gourmet (KSA) Sdn Bhd	Restaurants	Director	18 August 2010	-	-	* ⁽³⁾
AF Gourmet Sdn Bhd	Restaurants	Director/ Shareholder	18 August 2010	-	50.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
ANIH Berhad	Toll concession	Director/ Shareholder	4 August 2023	-	49.00	-
AFK Group International Sdn Bhd	Family office in the business of private equity investments, asset management and real estate investments	Director/ Shareholder	18 August 2010	-	90.00	-
AFK Group Sdn Bhd	Family office in the business of private equity investments, asset management and real estate investments	Director/ Shareholder	18 August 2010	-	50.00	-
AFK Capital Sdn Bhd	Family office in the business of private equity investments, asset management and real estate investments	Director/ Shareholder	18 August 2011	-	33.33	-
Juniper Capital Sdn Bhd	Family office	Director/ Shareholder	24 February 2011	-	99.00	-
Kembara Bakat Sdn Bhd	Family office	Director	20 October 2011	-	-	-
Ableace Raakin Sdn Bhd	Sale of Islamic finance products and trading of commodities such as palm oil, rubber, soy beans and cocoa	Director	1 August 2019	-	-	-
Azimah Holdings Sdn Bhd	Property investment holding company	Director/ Shareholder	1 June 1989	-	25.00	14.00 ⁽⁴⁾

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Azimah Properties Sdn Bhd	Property investment holding company	Director/ Shareholder	30 September 1992	-	2.00	-
Rentas Cita Sdn Bhd	Dormant	Director/ Shareholder	8 October 1996	-	0.01	-
Deep Quest Sdn Bhd	Dormant	Director/ Shareholder	15 December 1993	-	50.00	-
Primo Virtue Sdn Bhd	Provision of interior design and renovation contracting services	Shareholder	-	-	60.00	-
<u>Past involvement</u>						
UEM Sunrise Berhad (Listed on Main Market)	Investment holding with subsidiaries principally involved in property development, land trading, property investment, project procurement and management, hotel operations	Independent Non-Executive Director	13 December 2017	21 June 2021	-	-
Waver Offshore Sdn Bhd	Provision of services, equipment and consultancy in the oil and gas industry	Director	8 May 2019	26 November 2020	-	-
Rentas Utama Sdn Bhd (Struck off on 10 November 2023)	Dissolved	Director/ Shareholder	20 May 1999	-	99.00	-
Mega Legacy (M) Sdn Bhd	Property development	Director	26 June 2019	21 June 2021	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Alloy Toll Management Sdn Bhd	Management and operation of highway toll	Director	8 November 2011	31 December 2021	-	-
Alloy Maintenance Engineering Sdn Bhd	Provision of maintenance services for highway	Director	8 November 2011	31 December 2021	-	-

Notes:

* Negligible

(1) Deemed interested by virtue of his spouse's shareholdings in Reach Energy Berhad pursuant to Section 59 of the Act.

(2) Deemed interested by virtue of his shareholdings in AFA Infrastructure and Development Sdn Bhd pursuant to Section 8(4) of the Act.

(3) Deemed interested by virtue of his shareholdings in AF Gourmet Sdn Bhd pursuant to Section 8(4) of the Act.

(4) Deemed interested by virtue of his spouse's shareholdings in Reach Energy Berhad pursuant to Section 59 of the Act.

(b) Yeo Hock Cheong

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
GPI Management Sdn Bhd	Business management consultancy services	Director / Shareholder	8 June 2017	-	95.00	-
Eagle I Holdings Sdn Bhd	Engaged in the activity of providing transportation and weighing activities	Director / Shareholder	8 October 2012	-	100.00	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Global Provestment Sdn Bhd	Planting and trading of agriculture products	Director / Shareholder	24 May 2012	-	65.00	-
Golden World Metal Sdn Bhd	Sales and distributions of scrap metal and related recycle products and export and import of aluminium, metal and non-metal waste and scrap	Director / Shareholder	29 July 2010	-	95.00	-
Kayavest	Investment holding company in shares of the Company	Director / Shareholder	11 May 2023	-	100.00	-
Mikro MSC (Listed on ACE Market)	Research, development, design and manufacture analogue, digital and computer controlled electronic systems or devices for use in electrical, electronic and other industries such as power distribution industries and provision of technical and maintenance services	Shareholder	-	-	30.57	-
Elridge Energy Group Sdn Bhd ⁽¹⁾	Dormant	Director / Shareholder	30 November 2023	-	100.00	-
Past involvement						
O&G 8Electricals (M) Sdn Bhd	Trading and wholesale of car accessories, agriculture products, electrical and electronic goods	Director	5 January 2015	13 September 2019	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Rhinoceros Tyre Sdn Bhd (Struck off on 24 March 2023)	Trading in all types of tyres and semi tyres for all types of vehicles;	Director	29 January 2015	22 October 2020	-	-
BEH	Investment holding company in shares of the Company	Director	16 November 2016	13 May 2020	-	-
I Citenex Sdn Bhd (Struck off on 24 March 2023)	Trading of electrical appliances and other similar products	Director	1 December 2016	29 December 2021	-	-
BTH Power Sdn Bhd (Struck off on 6 October 2022)	Dormant with no future plans, initially intended for the setting up of boiler plant	Director/ Shareholder	23 December 2019	-	100.00	-

Note:

- (1) *The company was incorporated with the intention of being the listing vehicle of BESB for the IPO prior to the incorporation of EEHB. The company is currently dormant and is in the process of undergoing a change of name.*

(c) Salihudin

As at the LPD, Salihudin does not have any principal directorships and principal business activities performed outside of our Group.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(d) Dr Wang Hong

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
Mikro MSC (Listed on ACE Market)	Research, development, design and manufacture analogue, digital and computer controlled electronic systems or devices for use in electrical, electronic and other industries such as power distribution industries and provision of technical and maintenance services	Independent Non-Executive Director	29 May 2023	-	-	-
<u>Past involvement</u>						
Nil						

(e) Tan Suat Hoon

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
Central Global Berhad (Listed on Main Market)	Investment holding company with its subsidiaries principally involved in the manufacturing and trading of crepe paper masking and construction	Independent Non-Executive Director	3 January 2023	-	-	-
PGF Capital Berhad (Listed on ACE Market)	Investment holding company with subsidiaries principally involved in manufacturing, property development and agriculture	Independent Non-Executive Director	31 May 2023	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Smart Asia Chemical Berhad	Investment holding company with subsidiaries principally involved in the development, manufacturing, distribution and sale of decorative paints and protective coatings for household and industrial applications	Independent Non-Executive Director	17 April 2023	-	-	-

Past involvement

Nil

(f) Ahmad Lutfi B.Abdull Mutalip @ Talib

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
AAA Consulting Sdn Bhd	Investment holding company for shares of a company providing corporate secretarial services	Director/ Shareholder	15 November 2006	-	25.00	-
Impact Analytix Sdn Bhd	Provision of advisory, consultancy and business contracting services in relation to IT and software solutions	Director/ Shareholder	24 November 2009	-	66.67	-
Prudenz Corporatehouse Sdn Bhd	Provision of integrated management consulting services and corporate secretarial services	Director	21 September 2012	-	-	100.00

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Malaysian Industrial Development Finance Bhd	Investment holding with subsidiaries principally involved in the provision of financing, leasing and industrial hire-purchase services to industries and businesses in Malaysia	Director	22 February 2016	-	-	-
EPL PSI SPV 1 PLT	Investment holding in ETHIS Global Sdn Bhd, a company principally involved in the provision of Shariah-compliant crowdfunding services	Partner	24 January 2020	-	-	-
<u>Past involvement</u>						
Amanah International Finance Sdn Bhd	Provision of real estate and short-term financing services	Director	1 March 2017	1 September 2019	-	-

Note:

(1) Deemed interested by virtue of his shareholdings in AAA Consulting Sdn Bhd pursuant to Section 8(4) of the Act.

(g) Rozainah Binti Baharuddin

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
Wellfarer Group Sdn Bhd	Provision of family office and wealth management services	Director	31 March 2021	-	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Past involvement</u>						
Baz Sdn Bhd (Dissolved on 11 October 2019)	Dormant	Director / Shareholder	23 February 2001	20 January 2014	16.00	-

As at the LPD, the directorships of our Directors in other companies are in compliance with Rule 15.06 of the Listing Requirements as our Directors do not hold more than five (5) directorships in public listed companies on Bursa Securities.

The involvement of our Directors in those business activities outside our Group does not give rise to any conflict of interest situation with our business.

Further, the involvement of our Executive Directors in other businesses or corporations does not preclude them from allocating or committing their time and effort to our Group as they are not involved in the management and day-to-day operations of these businesses, other than attending meetings of the board of directors on which they serve. Such businesses do not require their involvement on a daily basis as these businesses are managed by their respective management. Our Executive Directors are of the view that although they are involved in other businesses as set out above, they are able to devote sufficient time and attention to the affairs of our Group to carry out their respective duties. The involvement of our Independent Non-Executive Directors in other directorships or business activities outside our Group are not expected to affect their contribution to our Group as they are not involved in our Group's day-to-day operations.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.2.4 Directors remuneration and benefits

The remuneration of our Directors including fees, salaries, bonuses, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board. The Director's fees and any benefits payable to our Directors shall be subject to annual approval by our shareholders pursuant to an ordinary resolution passed at a general meeting in accordance with our Constitution. Please refer to Section 15.1 for further details.

The aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our Directors for services rendered in all capacities to our Group for FYE 2023 and FYE 2024 are as follows:

	Directors' fees	Salaries	⁽¹⁾ Bonuses	Other emolument	Benefits-in- kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
FYE 2023 (Paid)						
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	-	-	-	-	-	-
Yeo Hock Cheong	-	690	225	113	-	1,028
Salihudin	-	100	-	12	-	112
Dr Wang Hong	-	-	-	-	-	-
Tan Suat Hoon	-	-	-	-	-	-
Ahmad Lutfi B.Abdull Mutalip @ Talib	-	-	-	-	-	-
Rozainah Binti Baharuddin	-	-	-	-	-	-
FYE 2024 (Proposed)						
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	52	-	-	10	-	62
Yeo Hock Cheong	-	720	-	88	-	808
Salihudin	-	240	-	30	-	270
Dr Wang Hong	40	-	-	8	-	48
Tan Suat Hoon	40	-	-	16	-	56
Ahmad Lutfi B.Abdull Mutalip @ Talib	40	-	-	16	-	56
Rozainah Binti Baharuddin	40	-	-	16	-	56

Note:

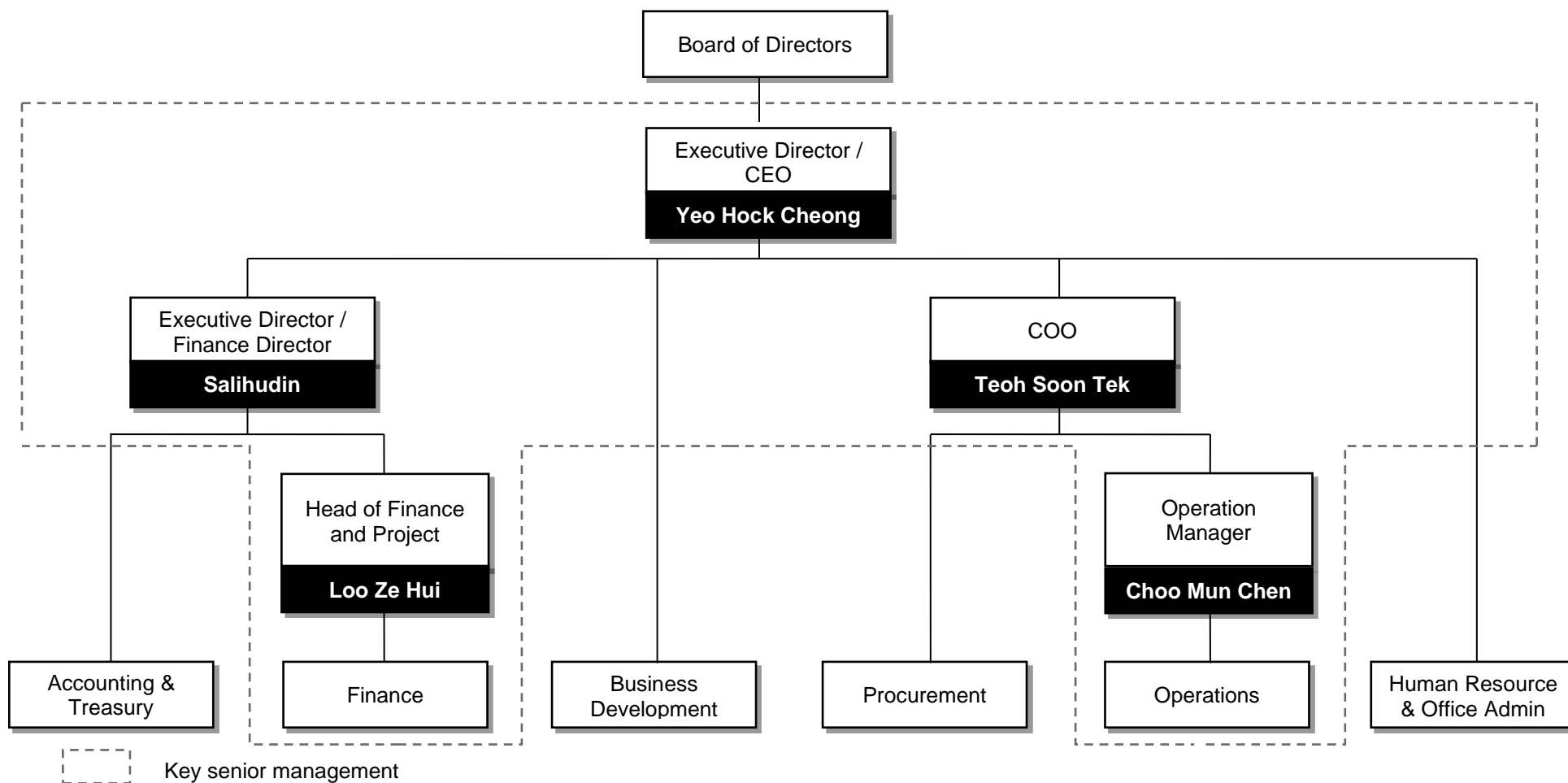
(1) The bonuses for FYE 2024 are not included. Such bonuses, if any, will be determined at a later date based on the individual's performance and our Group's performance, and will be subject to recommendation of our Remuneration Committee and approval by our Board.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3 KEY SENIOR MANAGEMENT

5.3.1 Management structure

The management reporting structure of our Group is as follows:



5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.2 Key senior management shareholdings

The shareholdings of our key senior management in our Company before and after our IPO together with the Share Transfer, save for our Executive Directors, which are disclosed in Section 5.2.1 of this Prospectus, assuming that they will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation	⁽¹⁾ Before our IPO but after the Acquisition				⁽²⁾ After our IPO and the Share Transfer			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Teoh Soon Tek	COO	-	-	-	-	⁽³⁾ 800,000	0.040	-	-
Loo Ze Hui	Head of Finance and Project	-	-	-	-	⁽³⁾ 500,000	0.025	-	-
Choo Mun Chen	Operation Manager	-	-	-	-	⁽³⁾ 500,000	0.025	-	-

Notes:

(1) Based on the issued share capital of 1,650,000,000 Shares before our IPO but after the Acquisition.

(2) Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO and the Share Transfer.

(3) Assuming that that all our Issue Shares allocated to our key senior management under the Pink Form Allocations are fully subscribed.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.3 Profiles of our key senior management

Save for our Executive Directors whose profiles have been set out in Section 5.1.2 of this Prospectus, the profiles of the other key senior management of our Group are as follows:

(a) Teoh Soon Tek

Teoh Soon Tek, a Malaysian male, aged 43, is our COO. He is responsible for overseeing the day-to-day operational activities of our Group which includes the manufacturing, warehousing and domestic and international logistics activities of our Group.

In 1999, he completed his secondary education in Chung Ling High School in George Town, Penang.

Upon graduating, he worked in Wanjun Engineering Sdn Bhd, a company involved in engineering and provision of machining solutions, as a technical assistant where he assisted in technical jobs. He left Wanjun Engineering Sdn Bhd in September 2002 as Production Supervisor to join Rapid Synergy Sdn Bhd as a Program Engineer where he was responsible for the programming of precision tools for the production of mould productions. He resigned in March 2003 to take a career break.

In October 2003, he joined Eng Lian Hup Trading Sdn Bhd as a salesman where he was tasked with stocktaking for the construction materials of the company. He was subsequently promoted to Sales Executive in January 2004 where he was in-charge of the sales and marketing of the company's products. He left Eng Lian Hup Trading Sdn Bhd in September 2006 to join Jin Yeng Trading, a business involved in the selling and distribution of scrap metal and related recycled products, as well as the trading of praying materials, as Assistant Manager where he assisted in the management of the operations and logistics of the company.

In December 2006, he started a sole proprietor known as United Metal Trading, which is a business involved in the trading of metal and hardware. He ceased the business in December 2007. In March 2010, he founded Enviro-Action Sdn Bhd, a company intended to undertake the trading of recycled products. The company remained dormant and was struck off in August 2014.

In March 2010, he co-founded Magna Bioenergy Sdn Bhd with Datin Cheah Lay Fong, a company intended to undertake the manufacturing and trading of biofuel and biomass products. The company remained dormant was subsequently struck off in June 2018

In July 2010, he joined Golden World Metal Sdn Bhd as the Director cum Head of Operations, where he was responsible for the overall operations and logistics of the company. He left Golden World Sdn Bhd in March 2018 but remained as a non-executive director and shareholder, where the company has its own independent and standalone management team to undertake its day-to-day management and operations.

He joined BESB as a director and Head of Operations in March 2018, and was subsequently re-designated to COO in November 2023.

Presently, he also holds directorship in several private limited companies. Please refer to Section 5.3.4(a) of this Prospectus for further details.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

(b) Loo Ze Hui

Loo Ze Hui, a Malaysian male, aged 32, is our Head of Finance and Project. He is responsible for the preparation of financial projections and financial evaluation for potential businesses and projects to be undertaken by our Group.

He graduated with a Bachelor of Science in Actuarial Science from Cass Business School, City, University of London (currently known as Bayes Business School) in June 2014.

He started his career as Graduate Trainee in Public Bank Berhad in June 2015 where his role included assisting in credit and financial statements analysis, preparing credit papers and enhancing of credit risk rating mechanism. He left Public Bank Berhad in March 2018 as Senior Executive to join HSBC Amanah Bank Malaysia Bhd as Assistant Business Manager, where he was responsible for managing the business relationship and provision of financial solutions for a portfolio of more than 40 corporate clients.

In September 2020, he joined BESB as Head of Finance and Project, a position that he presently holds.

(c) Choo Mun Chen

Choo Mun Chen, a Malaysian male, aged 34, is our Operation Manager. He is responsible for managing the manufacturing and warehousing operations of our Group.

He completed his Diploma in Technology majoring in Quantity Surveying from Tunku Abdul Rahman College in February 2013.

He started his career as Executive Assistant in Consumer Probe (M) Sdn Bhd, a market research firm, in May 2013 where his role involves assisting in the preparation of market research briefs and commissioning of research works. He left in May 2015 to join Public Bank Berhad as Financial Executive, where he assisted in the sale and marketing of financial products as well as the management of customer relationship.

He subsequently left Public Bank Berhad in September 2017 to join New Edge Safety Door (HQ) Sdn Bhd, a metal door and doorframe manufacturer, in October 2017 as Sales Manager. His role as Sales Manager includes planning and implementing sale strategies as well as monitoring the overall sales of the company.

In August 2019, he left to join BESB as Operation Manager, a position that he presently holds.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.4 Principal business performed outside our Group

Save as disclosed below, none of our key senior management has any other principal directorship and/or principal business activities performed outside our Group within the past five (5) years up to the LPD:

(a) Teoh Soon Tek

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
<u>Present involvement</u>						
GPI Management Sdn Bhd	Business management consultancy services	Director/ Shareholder	8 June 2017	-	5.00	-
Golden World Metal Sdn Bhd	Sales and distributions of scrap metal and related recycle products and export and import of aluminium, metal and non-metal waste and scrap	Director/ Shareholder	29 July 2010	-	5.00	-
Global Provestment Sdn Bhd	Planting and trading of agriculture products	Director/ Shareholder	24 May 2012	-	5.00	-
<u>Past involvement</u>						
Eagle I Holdings Sdn Bhd	Engaged in the activity of providing transportation and weighing services	Director	8 October 2012	2 May 2023	-	-
O&G 8lectricals (M) Sdn Bhd	Trading and wholesale of car accessories, agriculture products, electrical and electronic goods	Director	5 January 2015	13 September 2019	-	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Company	Principal activities	Position held	Date of appointment	Date of resignation	% of shareholdings held	
					Direct	Indirect
Rhinoceros Tyre Sdn Bhd (Struck off on 24 March 2023)	Trading in all types of tyres and semi tyres for all types of vehicles;	Director	29 January 2015	22 October 2020	-	-
BEH	Investment holding company in shares of the Company	Director	16 November 2016	26 June 2023	-	-
I Citenex Sdn Bhd (Struck off on 24 March 2023)	Trading of electrical appliances and other similar products	Director	1 December 2016	29 December 2021	-	-
E&D Tenaga Hijau Sdn Bhd (Struck off on 12 October 2022)	Dormant with no future plans, initially intended to do scrap metal recycling	Director/ Shareholder	30 October 2020	-	50.00	-

(b) Loo Ze Hui

As at the LPD, Loo Ze Hui does not have any principal directorships and principal business activities performed outside of our Group.

(c) Choo Mun Chen

As at the LPD, Choo Mun Chen does not have any principal directorships and principal business activities performed outside of our Group.

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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.3.5 Key senior management remuneration and benefits

The remuneration of our Executive Director/CEO and Executive Director/Finance Director are set out in Section 5.2.4 of this Prospectus. The remuneration of our key senior management including salaries, bonuses, other emoluments and benefits-in-kind, must be reviewed and recommended by our Remuneration Committee and subsequently, be approved by our Board.

The aggregate remuneration and material benefits-in-kind (in bands of RM50,000) paid or proposed to be paid to our key senior management for services rendered in all capacities to our Group for FYE 2023 and FYE 2024 are as follows:

	⁽¹⁾ Remuneration band	
	⁽²⁾ FYE 2023 (Paid)	⁽²⁾ FYE 2024 (Proposed)
	RM'000	RM'000
Teoh Soon Tek	300-350	200-250
Loo Ze Hui	150-200	100-150
Choo Mun Chen	150-200	100-150

Notes:

- (1) *The remuneration for key senior management includes salaries, bonuses, allowances and other emoluments.*
- (2) *The bonuses for FYE 2024 are not included. Such bonuses, if any, will be determined at a later date based on the individual's and our Group's performance, and will be subject to recommendation of our Remuneration Committee and approval by our Board.*

5.4 BOARD PRACTICES

Our Board takes note of the recommendations under the MCCG released on 28 April 2021. As at the LPD, our Board has adopted all relevant recommendations of the MCCG in terms of the composition of our Board and the relevant committees, save for the following:

- (a) Practice Note 5.9 of the MCCG recommends that all the board of directors should comprise at least 30% women directors. As at the LPD, our Board comprises two (2) female Directors out of seven (7) Directors, which represents 28.57% of our Board, and thus, is a departure from the Practice Note 5.9 of the MCCG. Pursuant thereto, we shall use our best endeavour to identify and appoint suitable female Directors within two (2) years after Listing in order to meet such recommendation.

5.4.1 Board

Our Board has adopted the following responsibilities for effective discharge of its functions:

- (a) together with senior management, promote good corporate governance culture within our Group which reinforce ethical, prudent and professional behaviour;
- (b) to review, challenge and decide on management's proposals for our Group and monitor its implementation by the management;
- (c) to ensure that the strategic plan of our Company supports long-term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability;
- (d) to supervise and assess management performance to determine whether our Group's businesses are being properly managed;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (e) to ensure there is a sound framework for internal controls and risk management;
- (f) to understand the principal risks of our Company's business and recognise that business decisions involve the taking of appropriate risks;
- (g) to set the risk appetite within which our Board expects the management to operate and ensure that there is an appropriate risk management framework to identify, evaluate, manage and monitor significant financial and non-financial risks;
- (h) to ensure that the senior management has the necessary skills and experience and there are measures in place to provide for the orderly succession of our Board and key senior management;
- (i) to ensure that our Company has in place procedures to enable effective communication with our stakeholders;
- (j) to ensure that all our Directors are able to understand financial statements and form a view on the information presented; and
- (k) to ensure the integrity of our Group's financial and non-financial reporting.

In accordance with our Constitution, an election of Directors shall take place each year at the AGM. At our first AGM, all our Directors shall retire from office, and at the AGM in every subsequent year, 1/3 of our Directors for the time being, or, if their number is not 3 or a multiple of 3, then the number nearest to 1/3 shall retire from office provided always that all our Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires.

The details of members of our Board and date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in that office as at the LPD are as follows:

Director	Designation	Date of appointment	Date of expiration of the current term of office at AGM	No. of years and months in office
Tan Sri Dr Azmil Khalili Bin Dato' Khalid	Independent Non-Executive Chairman	1 February 2024	Subject to retirement at the AGM in year 2025	1 month
Yeo Hock Cheong	Executive Director/ CEO	1 February 2024	Subject to retirement at the AGM in year 2025	1 month
Salihudin	Executive Director/ Finance Director	10 January 2024	Subject to retirement at the AGM in year 2025	1 month
Dr Wang Hong	Non-Independent Non-Executive Director	1 February 2024	Subject to retirement at the AGM in year 2025	1 month

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

Director	Designation	Date of appointment	Date of expiration of the current term of office at AGM	No. of years and months in office
Tan Suat Hoon	Independent Non-Executive Director	1 February 2024	Subject to retirement at the AGM in year 2025	1 month
Ahmad Lutfi B.Abdull Motalip @ Talib	Independent Non-Executive Director	1 February 2024	Subject to retirement at the AGM in year 2025	1 month
Rozainah Binti Baharuddin	Independent Non-Executive Director	1 February 2024	Subject to retirement at the AGM in year 2025	1 month

5.4.2 Audit and Risk Management Committee

The main function of our Audit and Risk Management Committee is to assist our Board in examining our Group's matters pertaining to the financial reporting, risk management and internal control, internal and external audit processes, related party transaction and conflict of interests' situation. The Audit and Risk Management Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) to review in depth the quarterly results and year-end financial statements of our Group before submission to our Board, focusing particularly on:
 - (i) the going concern assumption;
 - (ii) any changes in or implementation of major accounting policies and practices;
 - (iii) significant matters highlighted including financial reporting issues, significant judgements made by the management, significant and unusual events or transactions, and how these matters are addressed; and
 - (iv) compliance with applicable accounting standards, regulatory and other legal requirements for financial reporting;
- (b) to consider any legal matters of our Group that may have a significant impact on our Group's financial statements;
- (c) to review the following matters with the external auditors:
 - (i) the audit plan, its nature and scope;
 - (ii) the audit report;
 - (iii) there being no conflict of interest situations that could affect the independence of the external auditors;
 - (iv) the external auditors' evaluation of system of internal control and significant suggestions for improvements and management's response thereto;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (v) the external auditors' management letter and the management's response thereto;
- (vi) the problems and reservations arising from the interim and final external audits, and any matters the external auditors and/or internal auditors may wish to discuss (in the absence of the management, where necessary); and
- (vii) the assistance given by the employees of our Group to the external auditors;
- (d) to assess the suitability, objectivity and independence of the external auditors to safeguard the quality and reliability of the audited financial statements. If the assessment result is satisfactory, the Audit and Risk Management Committee will recommend the nomination of the suitable audit firm as external auditors of our Company;
- (e) to consider the appointment, removal, any letter of resignation or dismissal of the external auditors, including whether there is reason (supported by grounds) to believe that our Company's external auditors are not suitable for reappointment;
- (f) to review the following in respect of internal audit:
 - (i) the adequacy of the audit scope and coverage, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its functions;
 - (ii) the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action has been taken on the recommendations of the internal audit functions; and
 - (iii) the performance of the internal audit function;
- (g) to consider the appointment, termination, dismissal or resignation of the internal auditors and provide the resigning internal auditors an opportunity to submit his reason for resignation;
- (h) to review and assess the followings in respect of our Group's overall risk management and internal control:
 - (i) our Company's policies, processes and procedures for the oversight and management of risks;
 - (ii) the risk profile, risk appetite and levels of tolerance (including subsequent review and adjustment, where necessary) and the effective communication of the same throughout our Group;
 - (iii) the management's efforts to embed a risk management in all aspect of our Group's activities and promoting a risk awareness culture within our Group;
 - (iv) the adequacy and integrity of the internal control to manage the selected areas representing significant risks;
 - (v) the implementation of the management action plans in mitigating significant risks identified; and
 - (vi) the efficiency and effectiveness of the review mechanism and the accountability at an executive level for risk management and internal control;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (i) to consider the appropriate disclosures on the risk management and internal control in our Company's annual reports;
- (j) to review any related party transactions and situations where a conflict of interest may arise within our Group, including any transaction, procedure or course of conduct that raises questions of management integrity, and to consider the appropriateness of such transactions before recommending them to our Board for approval;
- (k) in respect of the recurrent related party transactions of a revenue or trading nature which are subjected to shareholders' mandate, to consider the prescribed guidelines and review procedures to monitor and ascertain that such transactions are in compliance with the terms of the shareholders' mandate;
- (l) to review the Audit and Risk Management Committee report prepared at the end of each financial year that complies with the provisions of the applicable Listing Requirements;
- (m) to involve and consider other matters as may be directed by our Board from time to time; and
- (n) to promptly report to Bursa Securities on any matter reported by it to our Board, which has not been satisfactorily resolved resulting in the breach of the applicable Listing Requirements.

The recommendations of our Audit and Risk Management Committee are subject to the approval of our Board.

The members of our Audit and Risk Management Committee as at the LPD are as follows:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Tan Suat Hoon	Chairman	Independent Non-Executive Director
Ahmad Lutfi B. Abdull Mutalip @ Talib	Member	Independent Non-Executive Director
Rozainah Binti Baharuddin	Member	Independent Non-Executive Director

Our Nomination Committee will review the composition, performance and effectiveness of our Audit and Risk Management Committee and each of its members annually.

5.4.3 Remuneration Committee

The main function of our Remuneration Committee is to assist our Board in fulfilling its responsibility on matters relating to the compensation and benefits of our Directors and key senior management. The Remuneration Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) to research, formulate and recommend to our Board the broad policy for the remuneration of Directors and key senior management, drawing from outside advice as necessary, with the objective of attracting, retaining and motivating the right talents in our Board and key senior management to drive our Group's long-term objectives;
- (b) to review annually our Directors' remuneration structure (cover all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, other emoluments and benefit-in-kind) of our Directors and key senior management in all forms by referring to the remuneration policy for Directors and key senior management adopted by our Board;
- (c) to ensure that remuneration packages of Executive Directors and key senior management are reflective of our Group's demands, complexities and performance as

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

a whole as well as skills, experience and level of responsibility required in line with the strategic objectives of our Group;

- (d) to ensure that remuneration payable to Non-Executive Directors reflects the experience, expertise and time required of our Non-Executive Directors to discharge their duties and responsibilities undertaken. The remuneration packages of Non-Executive Directors shall be a matter to be decided by our Board as a whole;
- (e) to review and recommend to our Board the compensation for loss of employment of Director, and the benefits or token of appreciation for former Director before presenting to the shareholders for approval;
- (f) to ensure that no Director or any of his associates are involved in deciding his own remuneration;
- (g) to review the Remuneration Committee report to be included in the annual report of our Company for each financial year that complies with the provisions of the applicable Listing Requirements;
- (h) to involve and consider other matters as may be directed by our Board from time to time; and
- (i) to promptly report to Bursa Securities on any matter reported by it to our Board, which has not been satisfactorily resolved resulting in the breach of the applicable Listing Requirements.

The recommendations of our Remuneration Committee are subject to the approval of our Board.

The members of our Remuneration Committee as at the LPD are as follows:

<u>Name</u>	<u>Designation</u>	<u>Directorship</u>
Rozainah Binti Baharuddin	Chairman	Independent Non-Executive Director
Ahmad Lutfi B. Abdull Mutalip @ Talib	Member	Independent Non-Executive Director
Tan Suat Hoon	Member	Independent Non-Executive Director

5.4.4 Nomination Committee

The main function of our Nomination Committee is to assist our Board in appointing new Directors, and in assessing our Board and committees' performance on an ongoing basis. The Nomination Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) to consider candidates for any directorships proposed by our shareholders, our Board or other sources such as independent recruitment firms;
- (b) to consider the performance, competency, commitment, contribution and independence (where applicable) of the retiring Directors;
- (c) to review annually the structure, size, and composition of our Board, including the requisite skill, knowledge, experience, competency, integrity and diversity of our Board members;
- (d) to assess annually the effectiveness and performance of our Board as a whole and each Director individually, as well as the effectiveness and performance of our committees;

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

- (e) to assess annually the independence of each of our Independent Non-Executive Directors to ensure the Independent Non-Executive Directors are fit and maintain independence at all times in order to provide scrutiny, objectivity and impartial judgement to our Board's decision-making;
- (f) to review the term of office and performance of the Audit and Risk Management Committee and each of its members annually to determine whether such committee and its members have carried out their duties in accordance with the terms of reference of such committee;
- (g) to develop and implement appropriate processes for evaluating our Board as a whole and each Director individually, the effectiveness and performance of our Board committees as well as the independence of our Independent Non-Executive Directors;
- (h) where appropriate, to co-ordinate and provide support in respect of assessments that are carried out by independent professional party;
- (i) to review the leadership needs and succession planning for our Directors and key senior management of our Group with a view to maximising our Group's ability to compete effectively in the marketplace;
- (j) to review the Nomination Committee report to be included in the annual report of our Company for each financial year that complies with the provisions of the applicable Listing Requirements;
- (k) to involve and consider other matters as may be directed by our Board from time to time; and
- (l) to promptly report to Bursa Securities on any matter reported by it to our Board, which has not been satisfactorily resolved resulting in the breach of the applicable Listing Requirements.

The recommendations of our Nomination Committee are subject to the approval of our Board.

The members of our Nomination Committee as at the LPD are as follows:

Name	Designation	Directorship
Ahmad Lutfi B.Abdull Mutalip @ Talib	Chairman	Independent Non-Executive Director
Tan Suat Hoon	Member	Independent Non-Executive Director
Rozainah Binti Baharuddin	Member	Independent Non-Executive Director

5.5 RELATIONSHIPS AND/OR ASSOCIATIONS

There are no family relationships (as defined under Section 197 of the Act) or association between or amongst our Promoters, substantial shareholders, Directors and key senior management as at the LPD.

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at the LPD, there are no existing or proposed service agreements entered into between our Company with any Directors; or between any companies within our Group with any key senior management.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (CONT'D)

5.7 DECLARATIONS FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

As at the LPD, none of our Promoters, Directors or key senior management is or has been involved in any of the following events (whether within or outside Malaysia):

- (a) in the last 10 years, a petition under any bankruptcy or insolvency law filed (and not struck out) against him or any partnership in which he was a partner or any corporation of which he was a Director or a member of key senior management;
- (b) disqualified from acting as a Director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (c) in the last 10 years, charged or convicted in a criminal proceeding nor is a named subject of a pending criminal proceeding;
- (d) in the last 10 years, any judgment that was entered against him, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on his part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (e) in the last 10 years, was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on his part that relates to the capital market;
- (f) being the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity;
- (g) in the last 10 years, has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; or
- (h) has any unsatisfied judgment against him.

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6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON OUR COMPANY

Our Company was incorporated in Malaysia under the Act on 10 January 2024 as a public limited company under our present name.

Our Company is principally an investment holding company. There has been no material change in the manner in which we conduct our business or activities since our incorporation and up to the LPD. Through our Subsidiary, we are principally involved in manufacturing and trading of biomass fuel products, particularly PKS and wood pellets. Please refer to Section 7.1 for detailed information of our Group's history.

As at the LPD, our share capital is RM34,980,979 comprising 1,650,000,000 Shares. The movements in our issued share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration/ Types of issue	Cumulative share capital	
			No. of Shares	RM
10 January 2024	1,000	RM1,000/ Subscriber's shares	1,000	1,000
[●]	1,649,999,000	⁽¹⁾ RM34,979,979/ Otherwise than cash	1,650,000,000	34,980,979

Note:

(1) Being the total consideration of RM34,979,979 which was fully satisfied by the issuance of 1,649,999,000 new Shares to the Vendors at an issue price of approximately RM0.0212 each pursuant to the Acquisition.

As at the LPD, we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon our Listing, our enlarged issued share capital will increase from RM34.98 million comprising 1,650,000,000 Shares to RM[●] million comprising 2,000,000,000 Shares.

As at the LPD, we are not involved in any winding-up, receivership or similar proceedings.

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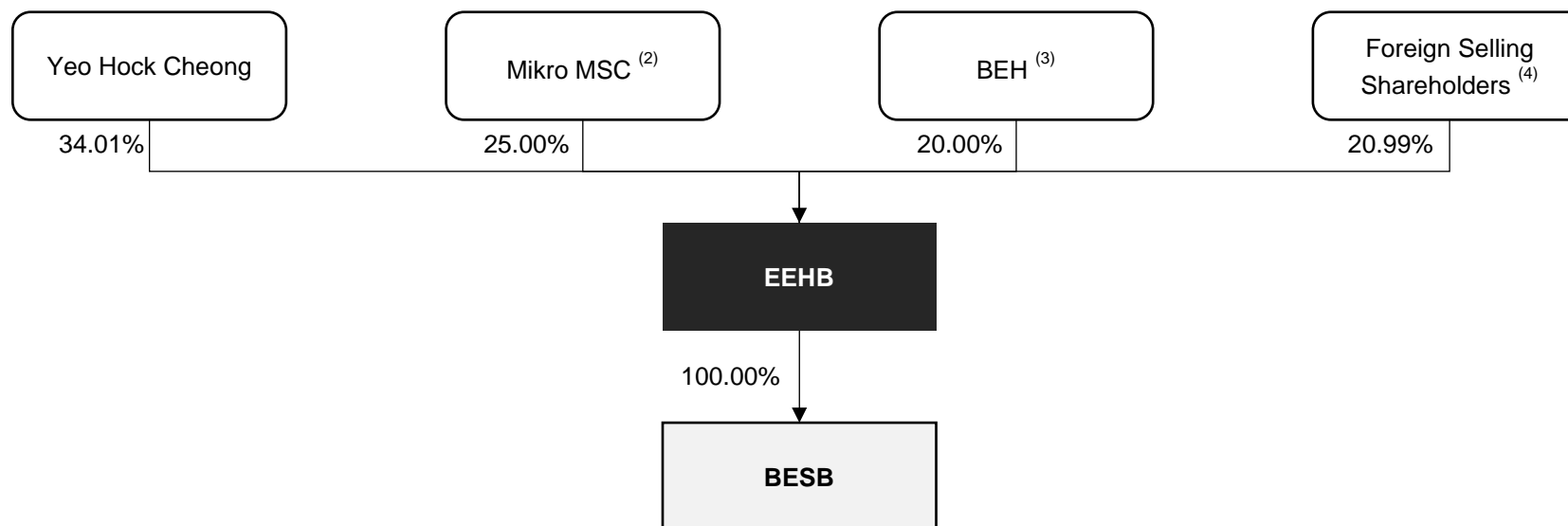
6. INFORMATION ON OUR GROUP (CONT'D)

6.2 OUR GROUP

6.2.1 Group Structure

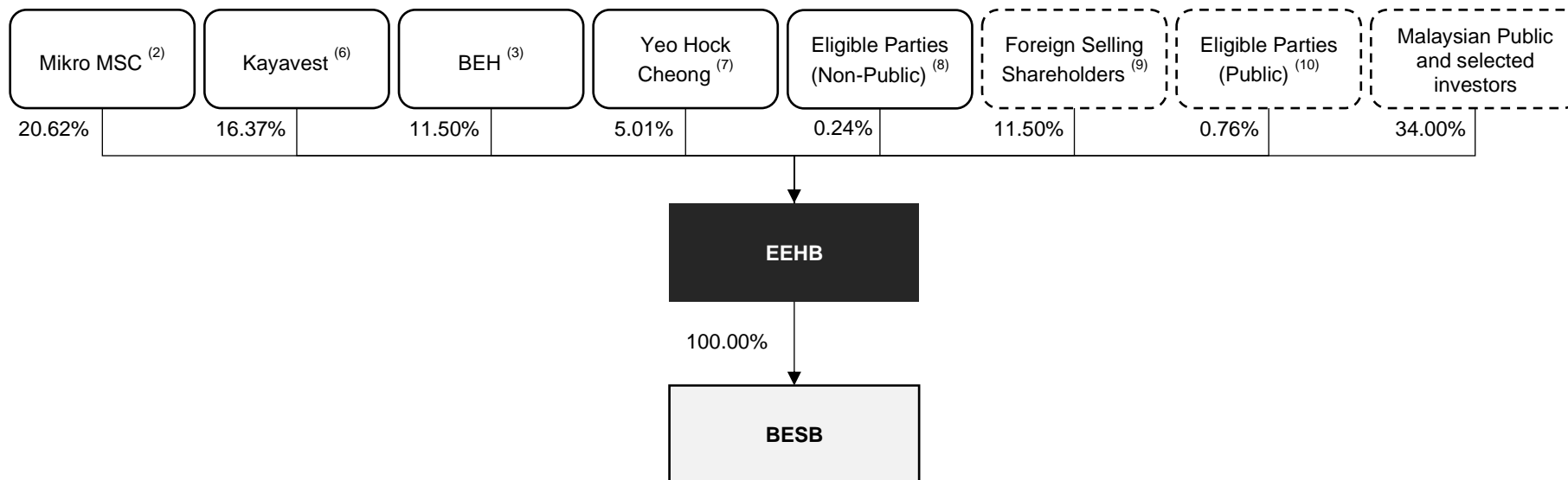
Our group structure before and after our Listing are as follows:

Before our IPO but after the Acquisition ⁽¹⁾



6. INFORMATION ON OUR GROUP (CONT'D)

After our IPO and the Share Transfer ⁽⁵⁾



Legends:

- Represents public shareholders
- Represents non-public shareholders

6. INFORMATION ON OUR GROUP (CONT'D)

Notes:

- (1) *Based on the issued share capital of 1,650,000,000 Shares before our IPO but after Acquisition.*
- (2) *Please refer to Section 5.1.2(d) of this Prospectus for the details of its shareholders and directors.*
- (3) *Please refer to Section 5.1.2(e) of this Prospectus for the details of its shareholders and directors.*
- (4) *Please refer to Section 4.3.2 of this Prospectus for further details.*
- (5) *Based on the enlarged issued share capital of 2,000,000,000 Shares after our IPO and the Share Transfer.*
- (6) *After the Share Transfer. Please refer to Section 5.1.2(c) of this Prospectus for the details of its shareholders and directors.*
- (7) *After the Offer for Sale of 133,499,800 Offer Shares and the Share Transfer.*
- (8) *Based on the assumption that all the Issue Shares allocated to our Directors and our COO, Teoh Soon Tek under the Pink Form Allocations are fully subscribed.*
- (9) *After the Offer for Sale. Please refer to Section 4.3.2 of this Prospectus for further details.*
- (10) *Based on the assumption that all the Issue Shares allocated to the Eligible Parties (save for our Directors and our COO, Teoh Soon Tek) under the Pink Form Allocations are fully subscribed.*

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6. INFORMATION ON OUR GROUP (CONT'D)

6.2.2 Listing Scheme

In conjunction with, and as an integral part of our Listing, the details of our Listing Scheme are as follows:

(a) Acquisition

Our Company entered into the share sale agreement with the Vendors on 31 January 2024 to acquire the entire issued share capital of BESB for a total consideration of RM34,979,979, which was fully satisfied by the issuance of 1,649,999,000 new Shares at an issue price of approximately RM0.0212 each. The total purchase consideration of RM34,979,979 was arrived at after taking into consideration the audited NA of BESB as at 31 December 2023 of approximately RM35.03 million.

The details of the Vendors and the number of Shares issued to them are as follows:

Vendors	Shareholding in BESB		Purchase consideration (RM)	No. of Shares issued
	No. of BESB Shares	%		
Yeo Hock Cheong	2,380,000	34.01	11,893,183	560,999,200
Mikro MSC	1,750,000	25.00	8,744,996	412,499,800
BEH	1,400,000	20.00	6,995,996	329,999,800
Koh Xian Kai	320,000	4.57	1,599,086	75,428,600
Steven Djunaidi	320,000	4.57	1,599,086	75,428,600
Ang Kian Siong (Hong Jianqiang)	320,000	4.57	1,599,086	75,428,600
Almuhaysini Ali Abdullah	255,000	3.64	1,274,273	60,107,200
Cao Yu	255,000	3.64	1,274,273	60,107,200

(b) IPO

The details of the Public Issue and Offer for Sale are set out in Sections 4.3.1 and 4.3.2 of this Prospectus.

(c) Share Transfer

During the prescription period (one day after the launching date of the Prospectus up to a period of 30 days), Yeo Hock Cheong will transfer a total of 327,320,400 Shares to Kayavest for a purchase consideration of RM94.92 million. Further details of the Share Transfer are set out below:

	No. of Shares held after our IPO but before the Share Transfer	No of Shares to be transferred to Kayavest	No. of Shares held after the Share Transfer	%
Yeo Hock Cheong	427,500,400	327,320,400	100,180,000	5.01

Kayavest is principally an investment holding company holding the Shares of Yeo Hock Cheong. Yeo Hock Cheong is the sole director and sole shareholder of Kayavest.

Please refer to Section 5.1.2(c) of this Prospectus for details of Kayavest, being our Promoter and substantial shareholder.

(d) Listing

Upon completion of our IPO, our Company's enlarged issued share capital of approximately RM[●] million comprising 2,000,000,000 Shares shall be listed on the ACE Market.

6. INFORMATION ON OUR GROUP (CONT'D)

6.2.3 SUBSIDIARY AND ASSOCIATED COMPANY

Details of our subsidiary as at the LPD are summarised as follows:

Company/ Registration Number	Date/ Place of incorporation	Principal place of business	Issued share capital	Effective equity interest	Principal activities
			RM	%	
BESB/ 201101026049 (954185-X)	25 July 2011/ Malaysia	Malaysia	7,300,000	100.0	Principally involved in manufacturing and trading of biomass fuel products

Details of the issued share capital of our Subsidiary are set out in Section 15.3(b) of this Prospectus.

As at the LPD, we do not have any associated company and joint venture.

6.3 MATERIAL CONTRACTS

Save as disclosed below, there were no contracts which are or may be material (not being contracts entered into in the ordinary course of business) entered into by our Group during the Financial Years Under Review and up to the LPD:

- (a) Investment agreement dated 5 April 2023 between BESB and Newman Trust Investment Bank Ltd ("**NTIB**") for a total consideration of USD2.66 million ("**Investment Sum**") for NTIB to invest in potential target companies with the objective of developing and expanding such target companies under the management of NTIB ("**Investment Agreement**"). The Investment Agreement was mutually terminated on 4 July 2023 and the Investment Sum was fully refunded to BESB without any profit or losses accrued to BESB. The termination of the Investment Agreement was due to the unexpected rapid business development of BESB due to an increase in demand for biomass fuel products, where the Investment Sum is required to be utilised for purchase of raw materials to meet the increase in demand.
- (b) Conditional share sale agreement dated 31 January 2024 between our Company and the Vendors for the Acquisition, which was completed on [●]; and
- (c) Underwriting Agreement.

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6. INFORMATION ON OUR GROUP (CONT'D)**6.4 MATERIAL INVESTMENT AND DIVESTITURES****6.4.1 Material capital expenditures**

Save for the expenditures disclosed below, there were no other capital expenditures (including interests in other corporations) made by us during the Financial Years Under Review and up to the LPD:

	FYE 2021	FYE 2022	FYE 2023	1 January 2024 up to the LPD
Capital expenditures	RM'000	RM'000	RM'000	RM'000
<u>PPE</u>				
Equipment	-	2	269	-
Furniture and fittings	2	1	48	-
Plant and machinery	-	102	76	(1) 4,714
Office equipment	1	55	157	3
Renovation	13	-	128	-
	16	160	678	4,717

Note:

(1) Mainly purchases of machinery and equipment for Kapar Warehouse of RM4.70 million.

6.4.2 Material capital divestitures

Save for the divestitures disclosed below, there were no other capital divestitures (including interests in other corporations) made by us during the Financial Years Under Review and up to the LPD.

	FYE 2021	FYE 2022	FYE 2023	1 January 2024 up to the LPD
Capital divestitures	RM'000	RM'000	RM'000	RM'000
<u>PPE</u>				
Furniture and fittings	-	-	-	10
Motor vehicles	-	-	118	-
Plant and machinery	-	-	~	1
Office equipment	-	~	3	2
Renovation	-	-	-	3
	-	~	121	16
<u>ROU assets</u>				
Motor vehicles	-	748	-	-
	-	748	-	-

Note:

~ Less than RM1,000

Moving forward, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.7.1 of this Prospectus, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

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6. INFORMATION ON OUR GROUP (CONT'D)

6.4.3 Material plans to construct, expand or improve our facilities

Save for the proposed utilisation of proceeds from our IPO vis-à-vis our proposed capital expenditure as set out in Section 4.7.1 and Section 7.20.1 of this Prospectus, our Group does not have any other immediate plan to construct, expand and improve our facilities as at the LPD.

6.5 PUBLIC TAKE-OVERS

Since our incorporation and up to the LPD, there has been:

- (a) no public take-over offers by third parties in respect of our Shares; and
- (b) no public take-over offers by our Company in respect of other companies' shares.

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6. INFORMATION ON OUR GROUP (CONT'D)

6.6 MAJOR APPROVALS AND LICENCES

As at the LPD, there are no other major approvals, licences and permits issued to our Group in order for us to carry out our operations other than those disclosed below:

<u>No.</u>	<u>Licencee</u>	<u>Issuing authority</u>	<u>Date of issue/ Date of expiry</u>	<u>Nature of approval/ licences</u>	<u>Equity and/or major conditions imposed</u>	<u>Compliance status</u>
(a)	BESB	MITI	23 October 2019/ Nil	Manufacturing licence for the premise located on Lot 9212 & 9213, Jalan Udang Galah KS 10, Kampung Telok Gong, 42000 Port Klang, Selangor for the manufacturing of wood pellets, wood chips and green flakes ⁽¹⁾	(i) The company must notify MITI and MIDA for any changes in the equity structure of the company; (ii) The company must train Malaysians to promote the transfer of technology and expertise at all levels of positions; (iii) The company must comply with the capital investment per employee ratio requirement - Capital Investment Per Employee (CIPE) of at least RM140,000.00; (iv) The company's total full-time workforce must consist of at least 80% Malaysian citizens no later than 31 December 2024. The employment of foreigners including workers obtained through outsourcing is subject to the current policy; and (v) The company must implement its project as approved and in accordance with the laws and other regulations enshrined in Malaysia.	Complied Complied Complied Complied
(b)	BESB	MTIB	27 March 2023/ 30 June 2024	Licence for the supply and export of wood waste, woodchip and woodflake	Nil	-

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Licencee	Issuing authority	Date of issue/ Date of expiry	Nature of approval/ licences	Equity and/or major conditions imposed	Compliance status
(c)	BESB	Port Klang Authority Malaysia	9 March 2024/ 8 March 2026	Licence to operate/trade in Southpoint, Warehouse A3 & A5 of Port Klang, Selangor	Nil	-
(d)	BESB	Klang Municipal Council	23 November 2023/ 31 December 2024	Business premise licence for office Licensed premise: Lot 9212 & 9213, Jalan Udang Galah KS 10, Kampung Telok Gong, 42000 Port Klang, Selangor	Nil	-
(e)	BESB	Klang Municipal Council	24 November 2023/ 31 December 2024	Storage licence Licensed premise: Lot 9212 & 9213, Jalan Udang Galah KS 10, Kampung Telok Gong, 42000 Port Klang, Selangor	Nil	-
(f)	BESB	Klang Municipal Council	24 November 2023/ 31 December 2024	Advertising and industrial licence Licensed premise: Lot 9212 & 9213, Jalan Udang Galah KS 10, Kampung Telok Gong, 42000 Port Klang, Selangor	Nil	-
(g)	BESB	Klang Municipal Council	5 December 2023/	Business premise licence for office	Nil	-

6. INFORMATION ON OUR GROUP (CONT'D)

<u>No.</u>	<u>Licencee</u>	<u>Issuing authority</u>	<u>Date of issue/ Date of expiry</u>	<u>Nature of approval/ licences</u>	<u>Equity and/or major conditions imposed</u>	<u>Compliance status</u>
			31 December 2024	Licensed premise: Lot 6466, Lorong Sungai Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor		
(h)	BESB	Klang Municipal Council	5 December 2023/ 31 December 2024	Storage licence	Nil	-
			31 December 2024	Licensed premise: Lot 6466, Lorong Sungai Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor		
(i)	BESB	Klang Municipal Council	4 December 2023/ 31 December 2024	Advertising and industrial licence	Nil	-
			31 December 2024	Licensed premise: Lot 6466, Lorong Sungai Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor		
(j)	BESB	Kuala Lumpur City Hall ("DBKL")	8 August 2023/ 8 August 2024	Business premise licence for office	(i) The DBKL shall have the rights to impose additional conditions as a business control measure from time to time as well as take action based on the relevant applicable laws with the external departments or agencies related to the business activities;	Noted
				Licensed premise: 61-2, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	(ii) The business licence shall be renewed every year, 60 days before the expiry of the licence, without notice from DBKL; and	Noted
					(iii) Employees of the premises shall comprise a minimum of 50% Malaysian employees and	Complied

6. INFORMATION ON OUR GROUP (CONT'D)

<u>No.</u>	<u>Licencee</u>	<u>Issuing authority</u>	<u>Date of issue/ Date of expiry</u>	<u>Nature of approval/ licences</u>	<u>Equity and/or major conditions imposed</u>	<u>Compliance status</u>
					the non-Malaysian employees must have valid working permits.	
(k)	BESB	DBKL	3 November 2023/ 3 November 2024	Business premise licence for office Licensed premise: 57-1, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	(i) The DBKL shall have the rights to impose additional conditions as a business control measure from time to time as well as take action based on the relevant applicable laws with the external departments or agencies related to the business activities; (ii) The business licence shall be renewed every year, 60 days before the expiry of the licence, without notice from DBKL; and (iii) Employees of the premises shall comprise a minimum of 50% Malaysian employees and the non-Malaysian employees must have valid working permits.	Noted Noted Complied

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Registration No.: 202401001446 (1547297-X)

6. INFORMATION ON OUR GROUP (CONT'D)



Note:

(1) The term "green flakes" refers to the PKS processed and manufactured by our Group pursuant to the patent as disclosed in Section 6.7.2 of this Prospectus. MITI has vide its letter dated 8 January 2024 confirmed that the term "green flakes" corresponds to the tariff code of PKS.

6.7 INTELLECTUAL PROPERTIES

Save as disclosed below, our Group has not registered any brand names, patents, trademarks or other intellectual property rights:

6.7.1 Trademark

Registration No.	Design	Registered Owner	Authority	Class/ Description	Issuance date/ Expiry date	Status
2018006338		BESB	MyIPO	4/ Biomass fuels included in class 4	28 May 2018/ 28 May 2028	Registered
2018006337		BESB	MyIPO	40/ Production of energy, renewable energy, and alternate fuel and energy; all included in class 40	28 May 2018/ 28 May 2028	Registered

6.7.2 Patent

Patent Grant No.	Patent Title	Registered Owner	Authority	Grant Date	Status
MY-192992-A	A system for processing palm kernel shell as biomass fuel	BESB	MyIPO	20 September 2022	Granted

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6. INFORMATION ON OUR GROUP (CONT'D)

6.8 PROPERTY, PLANT AND EQUIPMENT

6.8.1 Properties owned by our Group

The summary of the material properties owned by our Group as at the LPD are set out below:

No.	Particulars of title/ Postal address	Registered owner	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)/ Express conditions/ Restriction-in-interest	Land area/ Built-up area sq ft	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 December 2023 RM'000
(a)	HS(D) 71762, PT 67194, Mukim Klang, Daerah Klang, Selangor/ Lot No. 175, Jalan Sungai Pinang 5/6, Pulau Indah Industrial Park, Pulau Indah 42920, Port Klang, Selangor	BESB	1½-storey semi-detached factory/ Vacant/ Nil/ Industrial/ Industrial/ The land cannot be transferred, charged or leased without State Authority consent	8,525/ 4,567	27 December 2019/ 1 June 2000	Nil	2,576
(b)	Geran 31423, Lot 46 Seksyen 29, Bandar and Daerah Klang, Negeri Selangor/ Nil ⁽¹⁾	BESB	Vacant land/ Vacant intended for future development/ Nil/ Nil/ Nil/ Nil	1,593/ Not applicable ⁽¹⁾	27 December 2019/ Not applicable ⁽¹⁾	Land charged in favour of Affin Islamic Bank Berhad on 18 October 2023 Land charged in favour of Affin Islamic Bank Berhad on 14 September 2020	(2)-

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Particulars of title/ Postal address	Registered owner	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)/ Express conditions/ Restriction-in-interest	Land area/ Built-up area sq ft	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 December 2023 RM'000
(c)	Geran 31424, Lot 47 Seksyen 29, Bandar and Daerah Klang, Negeri Selangor/ Nil ⁽¹⁾	BESB	Vacant land/ Vacant intended for future development/ Nil/ Nil/ Nil/ Nil	1,593/ Not applicable ⁽¹⁾	27 December 2019/ Not applicable ⁽¹⁾	Land charged in favour of Affin Islamic Bank Berhad on 18 October 2023 Land charged in favour of Affin Islamic Bank Berhad on 14 September 2020	(2)-
(d)	Geran 31421, Lot 48 Seksyen 29, Bandar and Daerah Klang, Negeri Selangor/ Nil ⁽¹⁾	BESB	Vacant land/ Vacant intended for future development/ Nil/ Nil/ Nil/ Nil	1,593/ Not applicable ⁽¹⁾	27 December 2019/ Not applicable ⁽¹⁾	Land charged in favour of Affin Islamic Bank Berhad on 18 October 2023 Land charged in favour of Affin Islamic Bank Berhad on 14 September 2020	(2)-

6. INFORMATION ON OUR GROUP (CONT'D)

No.	Particulars of title/ Postal address	Registered owner	Description of property/ Existing use/ Expiry of lease (if any)/ Category of land use (if any)/ Express conditions/ Restriction-in-interest	Land area/ Built-up area sq ft	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 December 2023 RM'000
(e)	Geran 31422, Lot 49 Seksyen 29, Bandar and Daerah Klang, Negeri Selangor/ Nil ⁽¹⁾	BESB	Vacant land/ Vacant intended for future development/ Nil/ Nil/ Nil/ Nil	1,593/ Not applicable ⁽¹⁾	27 December 2019/ Not applicable ⁽¹⁾	Land charged in favour of Affin Islamic Bank Berhad on 18 October 2023 Land charged in favour of Affin Islamic Bank Berhad on 14 September 2020	(2)-

Notes:

(1) *The property is a vacant land and does not have any existing structure.*

(2) *The cumulative audited NBV as at 31 December 2023 for properties (b), (c), (d) and (e) is RM1.80 million.*

The property owned by our Group are not in breach of any land use conditions, statutory requirements, land rules or building regulations/ by-laws, which will have material adverse impact on our operations as at the LPD.

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6. INFORMATION ON OUR GROUP (CONT'D)

6.8.2 Properties rented by our Group

The summary of the properties rented by our Group as at the LPD are as follows:

No.	Postal address	Landlord/ Tenant	Description/ Existing use	Built-up area sq ft	Period of tenancy/ Rental per annum (RM)/ Option to renew
(1)	Lot 9212 & 9213, Jalan Udang Galah KS 10, Kampung Telok Gong, 42000 Port Klang, Selangor	C N H Holdings Sdn Bhd/ BESB	Two (2) adjoining single storey factory cum warehouse with one (1) double storey office building/ Wood pellet and palm kernel shell manufacturing and packing facility	100,806	1 November 2023 – 31 October 2025/ RM1,354,776/ 2 years
(2)	Warehouse A3 & Warehouse A5, Southpoint, Northport, Lorong Pelabuhan Selatan, Kawasan 13, 42000 Port Klang, Selangor	Northport (Malaysia) Berhad/ BESB	Two (2) warehouse space / Warehouse	102,200	1 January 2024 – 31 December 2025/ RM1,470,720/ Nil
(3)	Lot 6466, Lorong Sungai Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor	Syarikat Minho Kilning Sdn Bhd & Victory Enterprise Sdn Bhd/ BESB	A portion of a single storey factory building/ Storage	186,976	1 November 2023 – 31 October 2025/ RM2,692,454/ 2 years
(4)	Lot 6466, Lorong Sungai Puloh, Batu 6, Jalan Kapar, 42100 Klang, Selangor	Syarikat Minho Kilning Sdn Bhd & Victory Enterprise Sdn Bhd/ BESB	A portion of a single storey factory building/ Storage	188,160	1 December 2023 – 30 November 2025/ RM2,709,504/ 2 years
(5)	61-2, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Tarez (M) Sdn Bhd/ BESB	2 nd floor of a 3-storey shophot / Management office	1,920	1 January 2023 – 31 December 2024/ RM37,800/ Nil

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6. INFORMATION ON OUR GROUP (CONT'D)

No.	Postal address	Landlord/ Tenant	Description/ Existing use	Built-up area sq ft	Period of tenancy/ Rental per annum (RM)/ Option to renew
(6)	57-1, Jalan Radin Tengah, Bandar Baru Sri Petaling, 57000 Kuala Lumpur	Ecol Nutrihealth Sdn Bhd/ BESB	1 st floor of a 3-storey shoplot/ office Management	1,920	1 September 2023 – 31 August 2025/ RM49,200/ 1 year

The properties rented by our Group are not in breach of any land use conditions, statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at the LPD.

6.8.3 Acquisition of properties

We have not acquired nor entered into any agreements to acquire any properties during the Financial Years Under Review and up to the LPD.

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6. INFORMATION ON OUR GROUP (CONT'D)

6.9 EXCHANGE CONTROLS

Our Group has not established any other place of business outside of Malaysia and is not subject to governmental laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profits by or to our Group.

6.10 REGULATORY REQUIREMENTS AND ENVIRONMENTAL ISSUES

6.10.1 Governing laws and regulations

The following is an overview of the regulatory requirements governing our Group which are material to our business:

(a) Industrial Co-ordination Act 1975 (“ICA”)

Pursuant to the ICA, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Failure to comply is an offence punishable upon conviction to a fine not exceeding RM2,000.00 or a term of imprisonment not exceeding six months and to a further fine not exceeding RM1,000.00 every day during which such default continues.

“Manufacturing activity” is defined under the ICA as “the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article of substance with a view to its use, sale, transport, delivery or disposal and includes the assembly of part and ship repairing but shall not include any activity normally associated with retail or wholesale trade”.

Manufacturing companies with shareholders' funds of RM2.50 million and above or engaging 75 or more full-time paid employees are required to apply to the MITI for a manufacturing licence.

As at the LPD, our Subsidiary, which carries out the manufacturing activities of our Group holds a valid manufacturing licence for the manufacturing of wood pellets, wood chips and green flakes. For clarity, the term “green flakes” refers to the PKS processed and manufactured by our Group as further detailed in note (1) of Section 6.6 of this Prospectus.

(b) Malaysian Timber Industry Board (Incorporation) Act 1973 (“MTIB Act”)

Pursuant to Section 13 of the MTIB Act, no person shall carry on any activity as an exporter, importer, supplier, grader, processor, trader, operator or a jetty operator unless he is registered in accordance with the MTIB Act, failing which such persons shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM250,000 or to imprisonment for a term not exceeding 3 years or to both.

Pursuant to the MTIB Act, the term “export” means to take or cause to be taken out of Malaysia by land, sea or air or to place any timber in a vessel, conveyance or aircraft for the purpose of the timber being taken out of Malaysia by land, sea or air, and the term “exporter” means to a person who exports timber.

As at the LPD, our Subsidiary, which carries out activity as exporter, holds a valid licence issued by the MTIB to export.

6. INFORMATION ON OUR GROUP (CONT'D)

(c) Environmental Quality Act 1974 ("EQA"), Environmental Quality (Clean Air) Regulations 2014 ("EQCAR") and Environmental Quality (Scheduled Wastes) Regulations 2005 ("EQSWR")

The EQA regulates, among others, the levels of pollution of the atmosphere, noise pollution, pollution of the soil, pollution of inland waters without licence, prohibits the discharge of oil and wastes into Malaysian waters.

The EQCAR is a subsidiary legislation pursuant to the EQA which regulates the emission of air pollutants to the atmosphere and specifies the requirements for an air pollution control system for every premises to which the EQCAR applies to, including any premises used for any industrial or trade purposes, or on which matter is burnt in connection with any industrial or trade purposes and any other premises or process that discharges or is capable of discharging air pollutants into the open air. Any person who contravenes or fails to comply with any provisions of the EQCAR will be guilty of an offence and shall be liable to a fine not exceeding RM100,000 or to imprisonment for a term not exceeding two years or to both.

The EQSWR is a subsidiary legislation pursuant to the EQA which imposes on the waste generator of the premises an obligation to records, store, label, treat and dispose scheduled waste in accordance with the EQSWR. Any person who contravenes the EQSWR commits an offence and may be subject to a compound not exceeding RM2,000.

As at the LPD, our Group has not been issued with any fines or compounds in relation to any contravention of the EQA.

(d) Local Government Act 1976 ("LGA")

The LGA empowers every local authority to grant licence or permit for any trade, occupation or premise through by-laws. Every licence or permit granted shall be subject to such conditions and restrictions as the local authority may think fit and shall be revocable by the local authority at any time without assigning any reason therefor.

As we operate in Kuala Lumpur and Selangor, we are subject to the by-laws of the respective states and fall under the purview of Kuala Lumpur City Hall and Klang Municipal Council. The relevant by-laws governing the conduct of our business are as follows:

(i) Licensing of Trades, Businesses and Industries (Federal Territory of Kuala Lumpur) By-Laws 2016 ("Kuala Lumpur By-Laws")

The Kuala Lumpur By-Laws states that it is an offence for any person who uses any premise for any business activity without a business premise licence. Any person who contravenes this provision shall be guilty of an offence and shall be liable on conviction to a fine not exceeding RM2,000.00 or a term of imprisonment not exceeding one year or both and in the case of continuing offence a sum not exceeding RM200.00 for each day during which the offence is continued after conviction.

(ii) Advertisements (Federal Territory) By-Laws 1982 ("Advertisement (KL) By-Laws")

The Advertisement (KL) By-Laws requires all exhibitions of advertisement to be licensed including signboards. Any person who contravenes any of the provisions under the Advertisement (KL) By-Laws shall be guilty of an offence and shall on conviction be liable to a fine not exceeding RM2,000.00 or to a term of imprisonment not exceeding one year or to both such fine and imprisonment.

6. INFORMATION ON OUR GROUP (CONT'D)

(iii) Licensing of Trades, Businesses, and Industries (Klang Municipal Council) By-Laws 2007 (“Klang By-Laws”)

The Klang By-Laws provides that no person shall operate any activity of trade, business and industry or use any place or premise in the local area of the council for any activity of trade, business and industry without a licence issued by the licensing authority. Any person who contravenes any provision of the Klang By-Laws commits an offence and shall, on conviction be liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 1 year or to both, and in the case of a continuing offence to a fine not exceeding RM200 for each day during which such offence is continued after conviction.

(iv) Advertisement (Klang Municipal Council) By-Laws 2007 (“Klang Advertisement By-Laws”)

The Klang Advertisement By-Laws provides that no person shall exhibit any advertisement without a licence issued by the licencing authority. Any person who contravenes any of the provisions of the Klang Advertisement By-Laws shall be guilty of an offence and shall, on conviction be liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 1 year or to both.

As at the LPD, our Group has obtained the business premise and signboard licences, where relevant, for all our premises.

(e) Employment Act 1955 (“EA”)

The EA regulates all labour related matters and employment relationship between employers and employees. It serves as a framework for protecting the rights and welfare of employees.

Any person who commits any offence under, or contravenes any provision of the EA, or any regulations, order or other subsidiary legislation whatsoever made thereunder, in respect of which no penalty is provided, shall be liable, on conviction, to a fine not exceeding RM50,000.

As at the LPD, our Group complies with the relevant requirements under the EA.

(f) Free Zone Act 1990 (“FZA”) and Free Zone Regulations 1991 (“FZR”)

The FZA provides for the establishment of free zones in Malaysia for promoting the economic life of the country and for related purposes. The FZR is a subsidiary legislation made by the Minister in exercise of its power conferred under the FZA. Pursuant to Regulation 5 of the FZR, any person who intends to carry out any activity within a free zone shall apply to the free zone authority (“**FZ Authority**”) for approval. Further, no person shall hold any tenancy or lease of any movable or immovable property in a free zone for the purpose of carrying out any commercial or manufacturing activity and related operations in the zone, except with the permission of the Free Zone Authority.

Every omission or neglect to comply with, and every act done or attempted to be done contrary to the provisions of the FZA or any regulations made thereunder shall be an offence and in respect of any such offence for which no penalty is expressly provided, the offender shall be liable, on conviction, to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 3 years or to both.

As at the LPD, our Subsidiary holds a valid licence issued by Port Klang Authority Malaysia to operate and trade in Port Klang.

6. INFORMATION ON OUR GROUP (CONT'D)

(g) Port Authority Act 1963 (“PAA”)

Pursuant to Section 3 of the PAA, the port authority of the relevant ports in Malaysia shall have power to do all things reasonably necessary for or incidental to the discharge of its function, and in particular among others, to undertake or grant licence on such conditions as the authority may think fit to any company, firm, person or persons to undertake, any activities in the Port as may appear to the authority to be necessary.

The general penalty for contravening any provisions of PAA or any by-laws made thereunder shall be liable to a fine not exceeding RM500.

As at LPD, our Subsidiary holds a valid licence issued by Port Klang Authority Malaysia to operate and trade in Port Klang.

6.10.2 Environmental, social and governance practices

Our group's business lies in the production of biomass fuel products inherently positions our Group to generate enduring and substantial value growth for stakeholders. The versatility of our biomass fuel products is further evident in their application in the co-firing process, allowing the combustion of different fuel sources within the same system. This approach proves effective in reducing greenhouse gas emissions. In tandem with these efforts, we are dedicated to addressing climate change and actively contributing to preserving our oceans and forests. Our commitment to sustainability is outlined in our Environmental Policy guiding the implementation and ongoing adoption of the following practices by our group:

(a) Environmental

Our Group is committed to supporting environmental conservation and care through the incorporation of sustainable practices in our business operations. These initiatives encompass the measures we have implemented or intend to implement (as the case may be) including the following:

- Malaysia stands as a global leader in palm oil production and exportation. Nevertheless, the substantial production of palm oil presents a significant challenge in waste disposal, notably with the shell fractions left after palm oil extraction from palm kernels, which are by-products or wastes of the palm oil milling process. This underscores the need to explore solutions for converting this PKS into value-added products suitable for various applications. As part of our commitment to Environmental, Social, and Governance (ESG) principles, our initiative involves the implementation of innovative solutions to convert PKS into value-added products, reflecting our dedication to responsible and sustainable business practices.

In line with this commitment, our Proprietary PKS process at the Port Klang Factory feature the integration of our PKS production line. This system is designed to minimize impurities by separating useful PKS from small unwanted particles such as tiny stones and fibres during our PKS manufacturing process. This ensures that our PKS have minimal impurity content, typically 1% or less. By integrating these sustainable biomass fuel solutions, we contribute to reducing waste and promoting environmentally conscious practices within the palm oil industry.

- We take pride in our manufacturing facilities, where our biomass fuel products stand out for their environmental friendliness, sourced from by-products or wastes to actively contribute to waste reduction. Remarkably, our wood pellets stand out as the exclusive biomass company featured in the Alternative Fuel category of MyHIJAU's directory.

6. INFORMATION ON OUR GROUP (CONT'D)

Our biomass fuel products hold certifications such as PEFC for wood pellets, the Green Gold Label for PKS, and the Green Label Certification. These certifications underscore our dedication to sourcing from selected suppliers committed to sustainable management practices.

- Our location of Port Klang Factory and warehouses are strategically chosen. These warehouse facilities act as a temporary storage hub for our biomass fuel products before they are collected by customers or sent to our bonded warehouse in Port Klang, facilitating subsequent international exports. This strategic measure not only streamlines our supply chain but also contributes to a reduction in delivery costs with our goal to minimize the environmental impact associated with transportation while concurrently improving overall operational efficiency.

(b) Social

Participation in industry-related associations

Our social initiative involves active participation in industry-related associations, including the Malaysia Biomass Industries Confederation (“**MBIC**”) and the MTIB. Through these engagements, we aim to foster collaboration, understand the collective needs and interests of the biomass industry, and contribute to its holistic development.

By being a part of associations like MBIC, we leverage the platform to facilitate the commercialization, marketing, and utilization of high-value biomass products. Simultaneously, we endorse the principles of sustainable consumption and production. Our involvement is not only geared towards advancing the interests of our Group but also towards creating a conducive ecosystem for the sustainable growth of the biomass industry as a whole.

Moreover, our collaboration extends to supporting the sustainable growth of the Malaysian timber industry. Through the provision of a conducive environment and the continuous extension of quality services, we contribute to maintaining an ecosystem that aligns with ESG principles. This initiative underscores our commitment to responsible business practices, industry collaboration, and the promotion of sustainability across the biomass and timber sectors.

Local communities and employee engagement

Our Group strives to enhance human well-being and address economic security, inequality, and health needs, guided by fundamental principles including:

- ensuring a safe, healthy and conducive work environment for our employees;
- abolishing inappropriate behaviors and practices, encompassing workplace bullying, discrimination based on individual differences, discriminatory or sexual harassment, intimidation, and victimisation;
- ensuring equal access to opportunities regardless of one’s age, gender, ethnicity, religion, national origin, sexual orientation, disability or any other relevant characteristics;
- ensuring the preservation of fundamental workers’ rights by eradicating all forms of child labor and forced labor;
- empowering our workforce by supporting their personal and professional growth; and
- cultivating a diverse and inclusive culture that recognises and values individuality.

6. INFORMATION ON OUR GROUP (CONT'D)

As part of our commitment to continuously supporting the communities, our Group made contributions to the following:

- In 2022, our Group provided financial support to Persatuan Persaudaraan Kristian Rumah Charis Untuk Bantuan Dan Kebajikan Kuala Lumpur (Rumah Charis), a non-profit organization registered under the social welfare category with the Registrar Society of Malaysia. This contribution is part of our ongoing Corporate Social Responsibility (CSR) initiative. Rumah Charis, dedicated to providing a home for the elderly, children, and youth, offers vital social services including spiritual guidance, shelter, education, and engaging community activities.
- In 2023, our Group extended a monetary donation to places of worship, including the Persatuan Penganut Dewa Chuan Soon Kiong in Klang, Selangor, as part of our community initiative. This contribution was intended to support the ongoing maintenance and upkeep of these religious establishments, fostering a sense of unity and collective well-being within the community.

(c) Governance

We are committed to upholding the standards of corporate governance where our Board of Directors and employees uphold a high standard of integrity, transparency and accountability in our business dealings and conduct.

Save for certain practices of the MCCG, the compliance of which could only be achieved or becomes applicable upon the listing of our shares on the ACE Market, (such as the recommended disclosures to be made in the Company's Annual Report and Corporate Governance Report), we have adopted the MCCG practices by codifying the provisions of the practices into the Board Charter, Board Committee's terms of reference and other board policies and procedures.

In addition, our Group has adopted the Anti-Bribery and Anti-Corruption policy towards bribery where we have put in place the policies and procedures to ensure strict compliance with the Malaysian Anti-Corruption Commission Act 2009. In relation to our Group's risk management, our Group has put in place a risk management framework to monitor closely on the risk associated with our Group's business as well as the Whistleblowing Policy to ensure and promote fairness in business dealings.

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7. BUSINESS OVERVIEW

7.1 BACKGROUND AND HISTORY

7.1.1 Overview of our Group

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

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

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

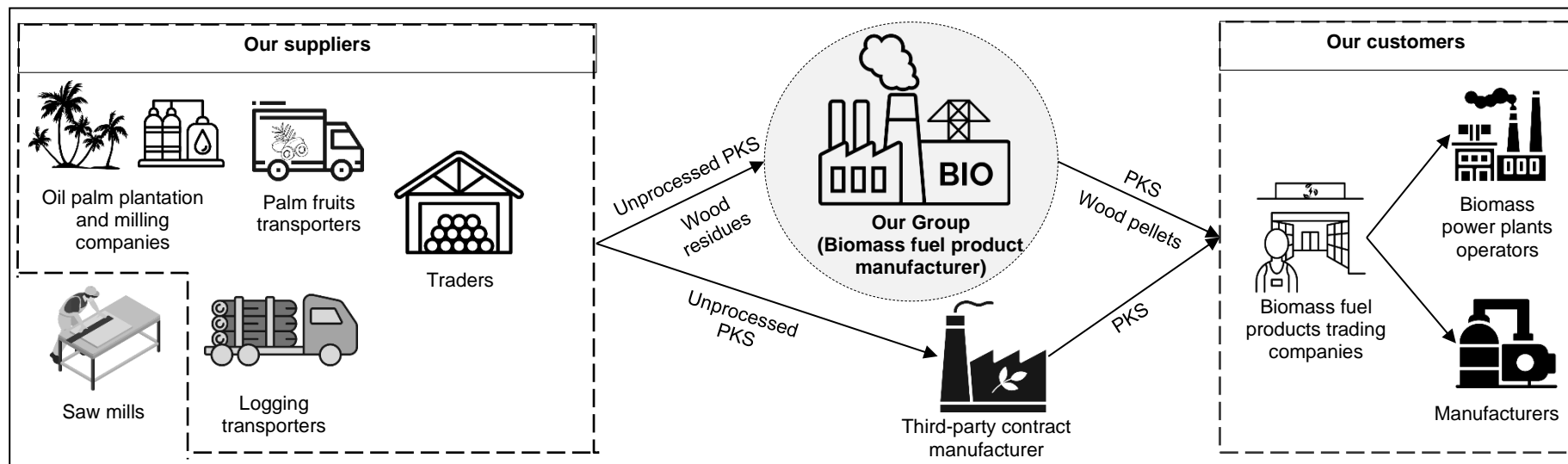
We primarily process our biomass fuel products at our Port Klang Factory. This eases transportation of our products to Port Klang to facilitate exports of our products to our foreign customers. We also engage a third-party contract manufacturer to manufacture PKS based on our specifications, and their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

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


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7. BUSINESS OVERVIEW (CONT'D)

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



Note:

 Denotes our Group's role

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7. BUSINESS OVERVIEW (CONT'D)

7.1.2 Ownership and group structure

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

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

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

7.1.3 Business and expansion

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

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

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

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

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

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

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

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

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7. BUSINESS OVERVIEW (CONT'D)

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

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

7.2 PRINCIPAL ACTIVITIES

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

The following diagram illustrates our business model:



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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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



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

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7. BUSINESS OVERVIEW (CONT'D)

7.3 PRODUCTS

Our products are as follows:

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

Note:

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

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

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7. BUSINESS OVERVIEW (CONT'D)

7.4 PRINCIPAL MARKETS AND SEGMENTS

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

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

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

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

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7. BUSINESS OVERVIEW (CONT'D)

7.5 PRINCIPAL PLACE OF BUSINESS AND LOCATION OF OPERATIONS

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

The following pictures illustrate our Port Klang Factory:



Entrance of Port Klang Factory



PKS production line



Wood pellet production line

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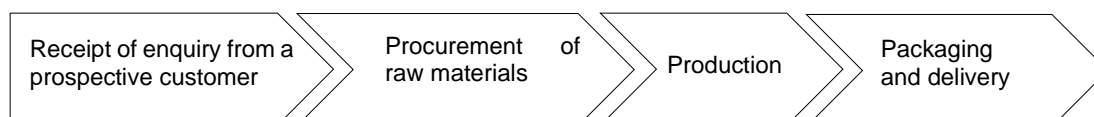
7. BUSINESS OVERVIEW (CONT'D)

Our Group operates at the following locations:

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

7.6 BUSINESS PROCESSES

Our operational process flow is as follows:



(a) Receipt of enquiry from a prospective customer

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

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

(b) Procurement of raw materials

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

7. BUSINESS OVERVIEW (CONT'D)

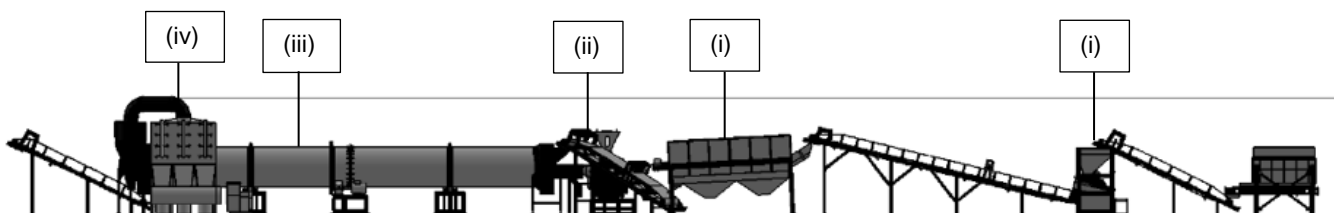
Based on the customer purchase orders or contract, we are able to project the quantity of products to be produced. Our production schedule is thus planned on a monthly basis. With the planning schedule, our procurement personnel will check our inventory to ascertain whether we have sufficient raw materials.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

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

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

(c) Production

PKS



(i) Screening to remove large non-PKS material

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

(ii) Drying

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

(iii) Magnetic and stone removal

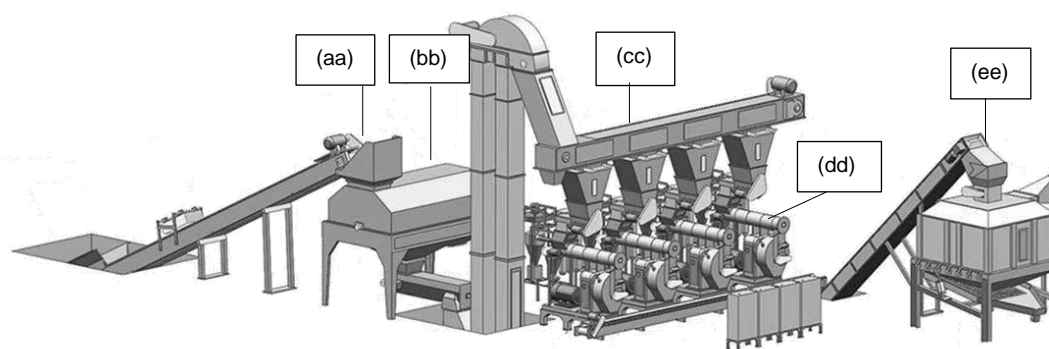
The unprocessed PKS will undergo another screening process where a magnetic filtering unit is used to remove metal impurities. Thereafter, the unprocessed PKS will go through our stone removal unit to remove the smaller particles such as tiny stones.

(iv) Dust removal

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

7. BUSINESS OVERVIEW (CONT'D)

Wood pellets



(i) Chipping

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

(ii) Preliminary screening

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

(iii) Drying

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

(iv) Sizing and pelleting

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

(v) Cooling

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

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

(d) Packaging and delivery

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

7.7 QC

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

(a) In-house QC

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

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

(b) Selection of suppliers

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

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

7. BUSINESS OVERVIEW (CONT'D)

(c) Third-party surveyor

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

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

7.8 BUSINESS DEVELOPMENT

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

(a) Participation in industry-related associations

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

(b) Participation in events and exhibitions

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

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

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

(c) Referrals from existing customers

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

(d) Media interviews

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

(e) Corporate website

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

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7. BUSINESS OVERVIEW (CONT'D)

7.9 KEY MACHINERY AND EQUIPMENT

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

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

7.10 SEASONAL OR CYCLICAL EFFECTS

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

7.11 TYPES, SOURCES AND AVAILABILITY OF MATERIALS

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

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

Note:

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

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7. BUSINESS OVERVIEW (CONT'D)

7.12 OPERATIONAL CAPACITIES AND OUTPUT

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

PKS

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

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

Note:

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

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

Wood pellets

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

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

Notes:

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

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

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

7.13 RESEARCH AND DEVELOPMENT

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

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7. BUSINESS OVERVIEW (CONT'D)

7.14 TECHNOLOGY USED OR TO BE USED

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

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

7.15 EMPLOYEES

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

The breakdown of our employees is as follows:

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

We have a management succession plan consisting of:

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

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

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

7.16 INTERRUPTION TO BUSINESS AND OPERATIONS

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

7.16.1 Impact of COVID-19 on our Group

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

7.16.3 Impact of COVID-19 on our financial performance

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

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

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7. BUSINESS OVERVIEW (CONT'D)

7.17 MAJOR CUSTOMERS

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

FYE 2021

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

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7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

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

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7. BUSINESS OVERVIEW (CONT'D)

FYE 2023

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

Note:

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

7.18 MAJOR SUPPLIERS

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

FYE 2021

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

7. BUSINESS OVERVIEW (CONT'D)

FYE 2022

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

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7. BUSINESS OVERVIEW (CONT'D)

FYE 2023

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

Notes:

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

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

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

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

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

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7. BUSINESS OVERVIEW (CONT'D)

7.19 COMPETITIVE STRENGTHS

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

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

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

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

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

7.19.2 We have a network of suppliers

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

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

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

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

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7. BUSINESS OVERVIEW (CONT'D)

7.19.3 We have an experienced and committed key senior management

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

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

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

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

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

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

7.20 FUTURE PLANS AND BUSINESS STRATEGIES

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

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

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

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

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

(i) New factory in Pasir Gudang, Johor

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

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

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

(ii) New factory in Kuantan, Pahang

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

(iii) New factory in Lahad Datu, Sabah

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

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

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

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

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

7.21 PROSPECTS OF OUR GROUP

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

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

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

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

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

(Source: Our Management)

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7. BUSINESS OVERVIEW (CONT'D)

7.22 CONTRACTS ON WHICH OUR GROUP IS MATERIALLY DEPENDENT

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

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

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

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

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

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

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

Date : 17 May 2022

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

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

Quantity and Shipment Period

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

Termination

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

7. BUSINESS OVERVIEW (CONT'D)

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

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

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

Date : 30 May 2023

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

Salient terms : Contract period
May 2023 to March 2040

Salient terms

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

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

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

Date : 21 September 2018

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

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

Pricing

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

Quantity and shipment period

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

7. BUSINESS OVERVIEW (CONT'D)

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

Specifications, Quality and Origin

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

Non-conformance to specifications

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

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

Date : 18 February 2020

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

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

Pricing

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

Quantity and shipment period

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

Specifications, Quality and Origin

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

7. BUSINESS OVERVIEW (CONT'D)

Non-conformance to specifications

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

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

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

Date : 1 September 2020

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

Salient terms : Contract Period
June 2022 to May 2027.

Quantity

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

Term and Termination

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

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

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

Date : 14 April 2020

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

7. BUSINESS OVERVIEW (CONT'D)

Salient terms : Contract Period
April 2023 to April 2026

Quantity

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

Delivery Term

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

Contract Price

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

Termination

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

Date : 14 December 2021

Description : Sale and purchase agreement entered into between our Group and B T S B for the supply of PKS to our Group

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

Quality

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

Quantity

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

Payment and Shipping Documents

1. Our Group shall make payment to B T S B's designated bank account subject to the supplier's invoice with the delivered quantity and price as agreed.
2. Our Group shall make telegraphic transfer to B T S B's bank account as stated on B T S B's invoice.
3. Each party shall bear its own respective bank charges accordingly.

7. BUSINESS OVERVIEW (CONT'D)

Termination

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

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8. IMR REPORT



PROVIDENCE STRATEGIC PARTNERS SDN BHD
(1238910-A)
67-1, Block D, Jaya One, Jalan Prof Diraja Ungku Aziz
46200 Petaling Jaya, Selangor, Malaysia.
T: +603 7625 1769

Date: 21 March 2024

The Board of Directors
ELRIDGE ENERGY HOLDINGS BERHAD
61-2, Jalan Radin Tengah,
Bandar Baru Sri Petaling,
57000 Kuala Lumpur,
Malaysia.

Dear Sirs/Madam,

Independent Market Research (“IMR”) Report on the Biomass Fuel Industry in Asia Pacific in conjunction with the Proposed Listing of ELRIDGE ENERGY HOLDINGS BERHAD on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD (“**PROVIDENCE**”) has prepared this IMR report on the Biomass Fuel Industry in Asia Pacific for inclusion in the Prospectus of ELRIDGE ENERGY HOLDINGS BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics.

No part of this publication may be copied, reproduced, published, distributed, transmitted or passed, in whole or in part, without prior express written consent from PROVIDENCE.

For and on behalf of PROVIDENCE:

A handwritten signature in black ink, appearing to read 'Melissa Lim', with a long horizontal flourish extending to the right.

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

8. IMR REPORT (cont'd)

Elridge Energy Holdings Berhad and its subsidiary (collectively referred to as “**EEHB Group**” or “**the Group**”) are principally involved in the manufacturing and trading of biomass fuel products, particularly palm kernel shells and wood pellets. In FYE 2023, approximately 95.0% of the Group’s revenue was derived from customers based in international countries (with key markets being Indonesia, Singapore and Japan). Its customers comprise biomass fuel trading companies and end-users such as manufacturers and biomass power plant operators. Customers who are biomass fuel trading companies may either sell biomass fuel products to the countries they are based in or export these products to other international countries.

As such, this IMR report will focus on the biomass fuel industry in Asia Pacific, with specific focus on palm kernel shells and wood pellets as these are the biomass fuel products the Group manufactures and trades. It will also assess key growth drivers from the end-user industries in countries where the Group’s customers are based in, i.e. Indonesia, Singapore and Japan, as well as in Malaysia.

1 THE BIOMASS FUEL INDUSTRY IN ASIA PACIFIC

DEFINITION AND SEGMENTATION

Biomass fuel refers to solid, liquid or gaseous energy sources derived from organic materials, that are burned or combusted to generate heat or electricity. These products are generally environmentally friendly as they are derived from by-products or wastes, thus promoting waste reduction. Further, they are also derived from renewable sources such as plants or organic waste which are infinite and have a lower likelihood of depleting.

Examples of biomass fuel products include:

- (i) **Palm kernel shells** – products derived from unprocessed palm kernel shells, which are shell fractions left after oil is extracted from palm kernels and is a by-product of palm oil milling;
- (ii) **Wood pellets** – products produced from wood residue from logging activities or by-products of wood processing such as sawdust, wood chips and offcuts. Such products may be in uniformly sized pellets or chip form;
- (iii) **Agriculture residue** – products produced from agriculture wastes such as rice husks, wheat husks, corn husks and empty palm fruit bunches;
- (iv) **Energy crops** – products produced from crops that are grown for the production of biomass fuel such as bamboo, corn and sugarcane; and
- (v) **Municipal waste** – produced from waste disposed at municipal waste disposal site such as paper, garden trimmings and food waste.

EEHB Group is principally involved in the manufacturing and trading of biomass fuel products, particularly palm kernel shells and wood pellets. As such, this will be the area of focus in this IMR report.

Palm kernel shells have traditionally been used as biomass fuel in palm oil mills in Southeast Asia. Increasingly, palm kernel shells are being used as biomass fuel in the power generation and manufacturing industries as it is a sustainable source of fuel with lower carbon emissions. As compared to other plant-based biomass fuels, palm kernel shells also have the following key advantages:

- Availability of unprocessed palm kernel shells as oil palm trees are widely planted in Southeast Asia, particularly in Malaysia and Indonesia;
- Contains residual palm oil resulting in relatively higher heating value compared to other plant-based biomass fuel;
- Unprocessed palm kernel shells are uniformly sized, easy to handle and transport.

Meanwhile, wood pellets are the most commonly used biomass fuel in Asia Pacific as it has traditionally been used as an alternative to fossil fuels such as coal to generate power. Although wood pellets are widely available, there are growing concerns on its sustainability as it may result in deforestation activities. Thus, end-user industries are beginning to source for wood pellets that are certified to verify that the raw materials are sourced from sustainably managed forests, and such certifications include the Programme for the Endorsement of Forest Certification (“**PEFC**”) and Green Label certifications.

The biomass fuel industry value chain begins with the procurement of raw materials from suppliers. For palm kernel shells, this involves procuring unprocessed palm kernel shells from suppliers which include oil palm plantation and milling companies, palm fruits transporters and traders. For wood pellets, this involves procuring wood residue from suppliers which include logging transporters, saw mills and traders. After the raw materials are transported, the manufacturing processes are carried out by biomass fuel manufacturers or contract manufacturers. These manufacturing processes include screening, drying, and

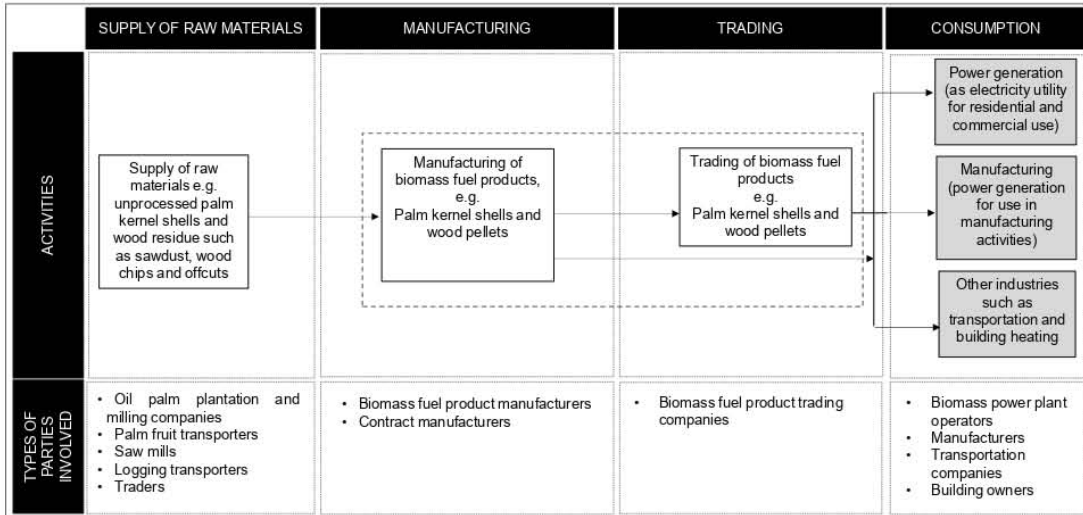
8. IMR REPORT (cont'd)



magnetic, stone and dust removal for palm kernel shells; or chipping, screening, drying, sizing and pelleting for wood pellets.

The finished products may either be sold to biomass fuel product trading companies for onward sale to end-customers, or sold directly to end-customers.

The biomass fuel industry value chain for palm kernel shells and wood pellets is as illustrated below:



Note:

(i) Denotes the segment that EEHB Group is principally involved in

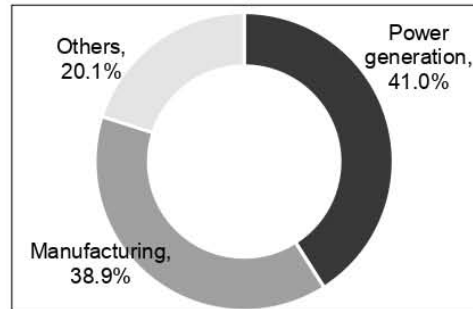
Source: PROVIDENCE

Biomass fuel products are generally used in the following end-user industries:

- Power generation – where biomass power plant operators generate electricity for residential, commercial and industrial usage;
- Manufacturing – where manufacturers generate power for their own usage in their operations; and
- Other industries such as transportation and building heating.

The largest end-user industries for biomass fuel products in Asia Pacific are the power generation and manufacturing industries. In 2023, the power generation industry in Asia Pacific was the largest end-user industry for biomass fuel products, consuming 41.0% of biomass fuel products sold in the region. This was closely followed by the manufacturing industry which consumed 38.9% of the biomass fuel products sold in the region. Other end-user industries collectively consumed the remaining 20.1% of biomass fuel sold in Asia Pacific in the same year.

Biomass fuel consumption by end-user industry in 2023



Notes:

(i) Others includes transportation and building heating

(ii) Latest publicly available information is as at 2022

Source: Coherent Market Insights

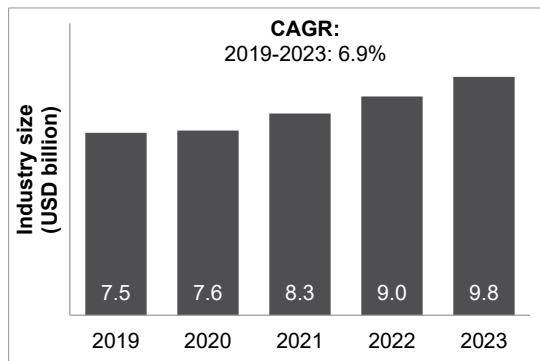
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PROVIDENCE
INDUSTRY PERFORMANCE, SIZE AND GROWTH

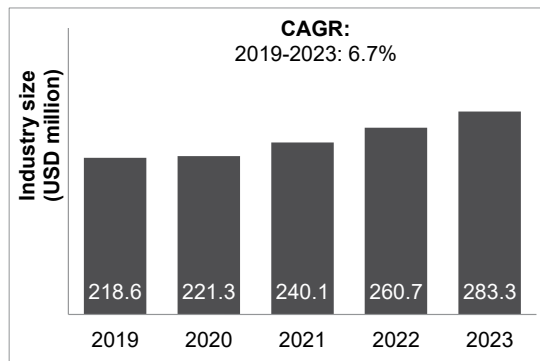
The industry size for palm kernel shells in Asia Pacific, in terms of sales of palm kernel shells in the region, grew from USD218.6 million (RM905.6 million¹) in 2019 to USD283.3 million (RM1.3 billion¹) in 2023 at a compound annual growth rate (“CAGR”) of 6.7%. Meanwhile, the wood pellet industry size in Asia Pacific, in terms of sales of wood pellets, grew from USD7.5 billion (RM31.1 billion¹) in 2019 to USD9.8 billion (RM44.7 billion¹) in 2023 at a CAGR of 6.9%.

Moving forward, the palm kernel shells industry size in Asia Pacific is forecast to grow at a CAGR of 8.9% from an estimated USD308.6 million (RM1.4 billion¹) in 2024 to USD366.1 million (RM1.7 billion¹) in 2026, while the industry size for wood pellets in Asia Pacific is forecast to grow by a further CAGR of 8.6%, from USD10.6 billion (RM48.4 billion¹) in 2024 to USD12.5 billion (RM57.1 billion¹) in 2026.

Wood pellet industry size in Asia Pacific



Palm kernel shell industry size in Asia Pacific



Source: Coherent Market Insights

KEY GROWTH DRIVERS

As EEHB Group is based in Malaysia, this section will assess the key growth driver from the angle of an industry player based in Malaysia. These key growth drivers include:

Growing exports to international markets

Malaysia’s export value of palm kernel shells has been growing from RM277.0 million in 2019 to RM760.0 million in 2023.² Meanwhile, export volume of palm kernel shells has grown from 975,464 metric tonne (“MT”) and 1.5 million MT during the same time period.²

The export value of wood pellets from Malaysia to international markets has also been growing from RM313.3 million in 2019 to RM554.9 million in 2023, in line with a growth in export volume of wood pellets from Malaysia from 614,558 MT in 2019 to 860,283 MT in 2023.³

Japan has been a major market for palm kernel shells exported from Malaysia.² In 2023, Japan imported 1.4 million MT of palm kernel shells from Malaysia, which was valued at RM717.7 million.² This translated to 93.3% and 94.4% of the total export volume and value of palm kernel shells from Malaysia.²

Meanwhile, the top export destinations for wood pellets from Malaysia in 2023 were Netherlands, Japan and South Korea.³ In 2023, Malaysia exported 317,131 MT or RM201.8 million to Netherlands; 258,172 MT or RM171.2 million to Japan; and 219,466 MT or RM131.4 million to South Korea.³

¹ Exchange rates from USD to RM were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia at:

2019: USD1 = RM4.1427

2022: USD1 = RM4.4005

2023: USD1 = RM4.5653

Exchange rate from USD and RM for 2024 and 2026 were converted based on average annual exchange rate extracted from published information from Bank Negara Malaysia for 2023 at USD1 = RM4.5653

² Source: Malaysian Palm Oil Board (“MPOB”)

³ Source: United Nations Comtrade

8. IMR REPORT (cont'd)



The growth in demand for palm kernel shells and wood pellets is driven by the growth of the end-user industries (i.e. power generation and manufacturing industries). The growth of the end-user industries in selected countries⁴ are as detailed below:

- **Japan**

Japan has consistently been a major export market for palm kernel shells from Malaysia, as depicted from the increasing exports from Malaysia to Japan since 2012 after biomass power generation became eligible for Japan's feed-in-tariff ("FIT") programme. This resulted in an increase in consumption of biomass fuel products from the power generation and manufacturing industries, as seen below:

Consumption of palm kernel shells and wood pellets by power plants and industrial heat boilers in manufacturing plants in Japan

Biomass fuel product	Consumption volume ('000 bone-dry tonne)				CAGR (2019-2022)
	2019	2020	2021	2022	
Imported palm kernel shells	2,011	2,785	3,560	4,142	27.2%
Wood pellets	11,098	12,452	13,706	14,776	10.0%

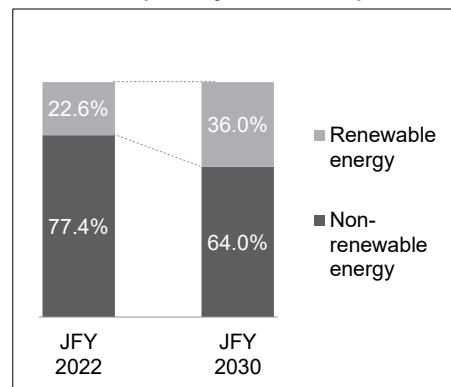
Notes:

- (i) Bone-dry tonne is a unit of weight that is equivalent to 2,000 pounds at 0% moisture content
- (ii) Latest publicly available information is as at 2022

Source: United States Department of Agriculture (Japan Biomass Annual 2023)

The demand for biomass fuel products, including palm kernel shells and wood pellets from Japan is expected to continue to grow in light of the Government of Japan placing priority on renewable energy as a major power source. The Sixth Strategic Energy Plan was released by the Ministry of Economy, Trade and Industry Japan in 2021 with the aim of achieving carbon neutrality by 2050. In 2022, Japan derived 22.6% of electricity generation from renewable energy, and the Government of Japan targets to increase the percentage contribution of renewable energy to its total electricity generation to approximately 36.0% by 2030. Biomass accounted for 33 terrawatt hours ("TWh") or 15.7% of the total renewable share in 2021, and the Government of Japan targets to increase electricity generation from biomass to 13.6% or 47 TWh of total electricity generation by 2030.⁵

Historical and target electricity consumption by source in Japan



Notes:

- (i) Latest publicly available information is as at 2022
- (ii) JFY begins on 1 April and ends on 31 March

Source: The International Energy Agency, the United States Department of Agriculture (Japan Biomass Annual 2023)

In March 2020, the Organization for Cross-regional Coordination of Transmission Operators, Japan (OCCTO) announced the Aggregation of Electricity Supply Plans for Japanese fiscal year ("JFY")⁶ 2022, which illustrated the plans to progressively set up 37 biomass plants with a total capacity of 1,583 megawatt by 2031.⁷ As at December 2022, the Ministry of Economy, Trade and Industry Japan had approved 900 biomass power plants with a total 8.3 gigawatt ("GW") in capacity for FiT.⁵ A total of 586 biomass plants with a total capacity of 4.1 GW were in operation in the year, indicating that potential new biomass power plants that will be set up and in operation in the following years.⁵

In addition, Japan's Green Transformation Basic Policy targets to establish success cases of ammonia or hydrogen co-firing coal plants by 2024. As at the end of 2023, there were 31 co-firing coal plants with biomass fuel.⁸

⁴ Selected countries are based on the major countries EEHB Group sells its products to and intends to deliver its products to
⁵ Source: The United States Department of Agriculture (Japan Biomass Annual 2023). Latest publicly available information is as at 2021

⁶ JFY begins on 1 April and ends on 31 March

⁷ Source: Japan Electric Power Information Centre, Inc

⁸ Source: The Ministry of Economy, Trade and Industry, Japan

8. **IMR REPORT** (cont'd)



The potential new biomass power plants as well as the Government of Japan’s target for renewable energy consumption is expected to increase the demand for palm kernel shells and wood pellets in Japan.

In addition, under the FiT programme, the Ministry of Economy, Trade and Industry Japan plans to enforce the use of palm kernel shells that has been certified by the Roundtable on Sustainable Biomaterials, Green Gold Label and International Sustainability, Carbon Certification (ISCC) or Malaysian Sustainable Palm Oil programs beginning April 2024. This is expected to benefit industry players that have obtained the abovementioned certifications for their palm kernel shells.

Meanwhile, the demand for palm kernel shells and wood pellets is also expected to be driven by the manufacturing industry in Japan, which has maintained an industry size of USD962.8 billion (RM4.0 trillion¹) in 2019 and USD987.2 billion (RM4.3 trillion¹) in 2022.⁹ Moving forward, the demand for biomass fuel products, including palm kernel shells and wood pellets, is expected to be driven by the Emission Reduction Programme which requires regulated manufacturing facilities to submit reports on energy conservation plans and practices to reduce greenhouse gas emissions or improve energy efficiency, as well as the resulting impact on greenhouse gas emissions. Besides this, prefectural governments may also offer rewards, which are typically non-monetary, to promote energy efficiency. Further, Japan’s Green Transformation Basic Policy aims to drive economic growth and development through emissions mitigation, which will be achieved through raising JPY150 trillion (RM4.9 trillion¹⁰) of private-public investment over 10 years. One of the areas of focus of this initiative is the decarbonisation of manufacturing processes and installation of industrial heat pumps and co-firing power plants.

- **Indonesia**

In Indonesia, there is growing demand for electricity due to its large population of 275.8 million in 2022.¹¹ Indonesia’s current renewable energy share as at 2022 was estimated at 19.0%¹², with the aim to increase its renewable energy share to 31.0% by 2050.¹³ In order to achieve this without having to make huge modifications to existing power generation facilities, the Government of Indonesia has initiated co-firing using biomass fuel in existing coal power plants. This is currently performed in the 114 coal-fired power plants owned and operated by the state-owned entity Perusahaan Listrik Negara, with plans to expand to plants owned and operated by independent power producers. As Indonesia is the world’s largest producer of palm oil, the oil palm industry is able to provide a reliable supply of biomass fuel products such as palm kernel shells and wood pellets, which would support the growing demand for electricity in the country.

Although Indonesia is the world’s largest producer of palm oil, its exports to international markets is expected to be impaired by export duties and levies imposed by the Government of Indonesia on exported palm oil and related products, including palm kernel shells. The following table denotes the average export duties and levies imposed on exported palm kernel shells from Indonesia:

Average export duties and levies for palm kernel shells exported from Indonesia

	Average export duty / levy for palm kernel shells (USD per MT)			
	2021	2022	2023	Jan – Mar 2024
Export duty	23.83	10.72	5.54	4.67
Export levy	5.00	2.04	3.00	3.00

Source: Katadataku.com

The export duties and levies are imposed to raise revenue from exports of palm oil and related products from the country in order to fund subsidies to encourage usage of biodiesel in Indonesia and develop the palm oil industry in Indonesia in terms of replanting, research and development and human resources. The export duties and levies imposed would increase prices of palm kernel shells exported from Indonesia, which is expected to adversely impact the competitiveness of palm kernel shells exported from Indonesia. This would thus benefit biomass fuel products exported from other countries such as Malaysia.

⁹ Source: World Bank

¹⁰ Exchange rates from JPY to RM were converted based on average annual exchange rates in 2023 extracted from published information from Bank Negara Malaysia at JPY100 = RM3.2486

¹¹ Source: BPS-Statistics Indonesia. Latest publicly available information is as at 2022

¹² Source: International Energy Agency

¹³ Source: Kementerian Energi dan Sumber Daya Mineral Republik Indonesia

8. IMR REPORT (cont'd)

- **Singapore**

In 2022, total generation capacity of power plants using renewable sources accounted for approximately 17.0% of the country's total generation capacity.¹⁴ The majority of the total generation capacity in Singapore comprised combined cycle gas turbine power plants, i.e. at 82.2% of total generation capacity.¹⁵ On 25 October 2021 the Energy Market Authority (EMA) announced plans to import up to 4GW of low-carbon electricity imports into Singapore (which accounts for 30.0% of Singapore's electricity supply) by 2035, in order to reduce its carbon footprint from power generation.

Apart from the above, Singapore is also a leading trading hub in Southeast Asia with the highest trade transactions recorded in 2022 amongst Southeast Asia countries.¹⁵ Thus, demand for biomass fuel products from customers based in Singapore is also expected to be driven by biomass fuel product trading companies who source palm kernel shells and wood pellets from other countries for export to other international countries.

Growing demand for biomass fuel products from end-user industries in Malaysia

Malaysia has been progressively seeking renewable energy alternatives. Under the Twelfth Malaysia Plan, the Government of Malaysia targets to increase the nation's total installed capacity of renewable energy to 31.0% by 2025, as a commitment to reduce greenhouse gas emissions by up to 45.0% by 2030. In 2022, the installed capacity of renewable energy was 24.5% of the nation's total installed capacity.¹⁶

The Malaysia Renewable Energy Roadmap aims to support Malaysia's commitment to achieving 31.0% renewable energy share in the national capacity mix by 2025 through various strategies including supporting the rollout of biomass, biogas and waste-to-energy capacity, as well as exploring potential opportunities in bio-compressed natural gas and biomass co-firing.

In December 2023, the National Biomass Action Plan 2023-2030 announced initiatives including co-firing power generation plants to combust a combination of coal and biomass fuel products. In addition, biomass hubs will be established in 20 locations nationwide to increase efficiency of the national biomass supply chain. Through the National Energy Transition Roadmap, the Government of Malaysia also intends to develop biomass clusters with a centralised plant with easy access to multiple neighbouring mills to improve economies of scale and have reliable access to larger quantities of biomass fuel products. In addition, a biomass co-firing initiative at the existing Tanjung Bin Power Plant, Johor will start to burn biomass alongside with coal, wherein the pilot project is expected to commence in 2024 and the plant is scheduled to reach a 15.0% biomass co-firing capacity by 2027.

Further, the Government of Malaysia also continues to support green businesses with the reinstatement of the Green Technology Financing Scheme 4.0 up to RM1.0 billion until 31 December 2025. The Green Technology Financing Scheme 4.0 will continue to provide 60.0% to 80.0% government guarantee on the cost of the green component financed by participating financial institutions, and a rebate of 1.5% per annum on interest or profit rate.

Availability of raw materials for manufacturing biomass fuel products in Malaysia

Malaysia is rich in natural forestry resources and has a robust agricultural sector due to fertile soil and tropical climate. The availability of organic materials, which are waste products from the timber and agricultural sectors, provides raw materials, such as wood residue and unprocessed palm kernel shells, for the manufacturing of biomass fuel products.

The oil palm industry is the largest agricultural industry in the country, contributing an estimated RM36.2 billion to the national GDP in 2023.¹⁷ The total planted area for oil palm in Malaysia was 5.7 million hectares in 2023, of which 90.8% is mature.¹⁸ There were 446 palm oil mills in Malaysia in 2023.¹⁸ As Malaysia is the second largest producer of palm oil in the world, the oil palm industry in Malaysia is able to provide a reliable supply of unprocessed palm kernel shells, as they are the by-products of the oil palm industry. Palm kernel production in Malaysia was measured at 4.6 million MT in 2023, which indicates the vast availability of unprocessed palm kernel shells to produce palm kernel shells.¹⁸

¹⁴ Source: Energy Market Authority. Latest publicly available information is as at 2022

¹⁵ Source: United Nations Comtrade

¹⁶ Source: Ministry of Natural Resources, Environment and Climate Change Malaysia (Malaysia's Sustainable Energy Development Prospectus)

¹⁷ Source: Department of Statistics Malaysia

¹⁸ Source: MPOB

8. IMR REPORT (cont'd)

On the other hand, Malaysia has vast land area of rain forests and is a major producer of timber products. In 2021, Malaysia's production of major timber products included logs (5.6 million cubic metres), sawn timber (1.9 million cubic metres) and plywood (1.6 million cubic metres).¹⁹ By-products of the timber industry include wood residue, which may be used as raw materials in wood pellet manufacturing.

The consistent availability of unprocessed palm kernel shells and wood residue from the palm oil and timber industries indicates the potential for the development of the industry for palm kernel shells and wood pellets in Malaysia.

INDUSTRY DYNAMICS

As EEHB Group is principally involved in the manufacturing and trading of biomass fuel products, this chapter aims to assess the supply conditions, risks and challenges and relevant laws and regulations affecting a biomass fuel manufacturer and trader.

Supply Conditions**Availability of raw materials**

Unprocessed palm kernel shells and wood residue are raw materials used in the manufacturing of biomass fuel products. Malaysia has a reliable supply of unprocessed palm kernel shells and wood residue. This is because these raw materials are by-products of the oil palm industry and timber industry, and Malaysia is one of the largest oil palm producers globally and is rich in forest resources (as indicated above in the **Key Growth Drivers** section).

Industry Risks and Challenges**Competition from other industry players**

The biomass fuel industry in Asia Pacific is fragmented, with numerous players that manufacture and/or trade palm kernel shells and wood pellets in the region. These industry players compete on the basis of price and ability to meet specifications and volume required by the customer. Industry players may also resort to competitive strategies such as taking on orders with lower profit margin in order to capture and/or retain market share.

Although there is no common price reference for palm kernel shells and wood pellets, the selling prices for palm kernel shells and wood pellets vary from customer to customer as it is dependent on factors such as the specifications of the palm kernel shells or wood pellets required by the customer (such as moisture levels, calorific value as well as ash, sulphur, sodium, potassium and chlorine volume, impurities and durability), the order volume required by the customer, the price of unprocessed PKS and wood residue and foreign exchange rate fluctuations. Industry players must have the experience and know-how to competitively price their biomass fuel products.

As indicated in the export value per MT for palm kernel shells and wood pellets below, the average value per MT differs according to the country and on a year-on-year basis:

Malaysia's export value per MT for palm kernel shells and wood pellets

	Average export value per MT for palm kernel shells (RM)					Average export value per MT for wood pellets (RM)					
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023	
Japan	290	371	387	424	529						
Thailand	211	302	315	397	357						
						Netherlands	-	-	-	950	635
						Japan	506	512	517	687	663
						South Korea	464	421	459	650	599

Note:

- (i) The average export value per MT is only indicative and may differ from the actual prices of palm kernel shells and wood pellets

Source: MPOB, United Nations Comtrade

Product substitution risks

Biomass fuel products, including palm kernel shells and wood pellets, can be substituted by other forms of energy. At present, non-renewable energy sources derived from coal, crude oil or natural gas are

¹⁹ Source: Malaysian Timber Industry Board

8. IMR REPORT (cont'd)

relatively more commonly used. The use or uptake of biomass fuel products to generate energy, particularly in the manufacturing industry, may be impacted if there are unfavourable changes in government initiatives to encourage adoption of renewable energy such as a cutback in subsidies or removal of tax exemptions. Further, in the event that the prices of non-renewable energy sources become substantially lower than prices of biomass fuel products such that it does not make sense to generate biomass energy, this could potentially impact demand for biomass fuel products such as palm kernel shells and wood pellets. The prices of key non-renewable energy sources, i.e. coal, crude oil and natural gas in 2019 and 2023 are as follows:

Energy source	Average annual prices					
	Crude oil		Coal		Natural gas	
	USD per barrel	RM per barrel ¹	USD per MT	RM per MT ¹	USD per one million British thermal units	RM per one million British thermal units ¹
2019	64.03	265.26	77.89	322.67	2.57	10.65
2023	82.62	377.19	172.78	788.79	2.54	11.60

Note:

- (i) ¹Exchange rates from USD to RM were converted based on average annual exchange rates extracted from published information from Bank Negara Malaysia at:
 2019: USD1 = RM4.1427
 2023: USD1 = RM4.5653

Source: World Bank

Biomass fuel products may also be substituted by other forms of renewable energy such as solar or hydro. Although these energy sources are typically not able to be used as fuel for industrial boilers that generate energy in manufacturing facilities, or as alternative fuel in biomass power plants or co-firing coal plants, any changes in government policies that solely favour the use of other renewable energy sources could lead to less usage of biomass fuel products. Further, any shift in preferences to other forms of biomass fuel products that would lower demand for PKS and wood pellets or deem these products as obsolete.

Relevant Laws and Regulations

Wood pellet manufacturers and/or traders have to comply to the Malaysian Timber Industry Board (Incorporation) Act 1973, which states that no person shall carry on any activity as an exporter, importer, supplier, grader, processor, trader, operator or a jetty operator for the supply and export of wood waste, woodchip and wood flake without a licence issued by the Malaysian Timber Industry Board.

Palm kernel shell manufacturers do not require a licence to manufacture, trade and/or export palm kernel shells, other than the typical manufacturing and business licences.

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8. IMR REPORT (cont'd)



COMPETITIVE LANDSCAPE

PROVIDENCE has identified 14 industry players, including EEHB Group on the basis that:

- (i) They are involved in the manufacturing of palm kernel shells and/or wood pellets;
- (ii) They are based in Malaysia; and
- (iii) They have a revenue of RM1.0 million and above, based on their latest audited FYE.

These industry players are^(a):

Company name	Palm kernel shells	Wood pellets	Latest audited FYE	Revenue (RM '000)	Gross profit ("GP") (RM '000)	Profit/Loss After Tax ("PAT/LAT") (RM '000)	GP margin ^(b) (%)	PAT margin ^(c) (%)
BTM Biomass Products Sdn Bhd ^(d)	-	✓	31 December 2022	4,066 ^(e)	(1,031) ^(f)	(1,101) ^(f)	-	-
Daya Synergy Borneo Sdn Bhd	✓	-	30 June 2022	4,948 ^(g)	(3,097)	(3,477)	-	-
EEHB Group	✓	✓	31 December 2023	335,251^(g)	45,969	23,565	13.7	7.0
Green Pellet (Sarawak) Sdn Bhd	-	✓	31 December 2022	19,658 ^(g)	3,069	(5,524)	15.6	-
Kyoto Oil & Grains (M) Sdn Bhd	✓	-	31 December 2022	8,208 ^(g)	1,294	993	15.8	12.1
Living Nature Sdn Bhd	-	✓	31 December 2021 ^(h)	32,609 ^(g)	1,089	(299)	3.3	-
Maya Wood Pellets Sdn Bhd	-	✓	31 March 2023	24,006 ^(g)	3,789	883	15.8	3.7
Mesjaya Abadi Sdn Bhd	-	✓	31 December 2022	8,366 ^(g)	1,541	211	18.4	2.5
Rainbow Pellet Sdn Bhd	-	✓	31 December 2022	161,537 ^(e)	68,088 ^(f)	44,181 ^(f)	42.2 ⁽ⁱ⁾	27.4 ⁽ⁱ⁾
Taiyo Biomass Sdn Bhd	✓	-	30 September 2022	66,814 ^(g)	4,946	818	7.4	1.2
Tanjong Manis Resources Sdn Bhd	✓	-	31 December 2022	5,566 ^(e)	2,085 ^(f)	972 ^(f)	37.5 ⁽ⁱ⁾	17.5 ⁽ⁱ⁾
Techniray Sdn Bhd	-	✓	31 December 2022	1,957 ^(g)	(138)	(462)	-	-
Top Energy Sdn Bhd	-	✓	30 September 2022	5,322 ^(g)	567	408	10.7	7.7
TreeOne MegaPellet Sdn Bhd	-	✓	30 June 2023	16,403 ^(e)	499 ^(f)	(7,635) ^(f)	3.0 ⁽ⁱ⁾	-

Notes:

- (i) ^a The list is not exhaustive. It contains information based on publicly disclosed information as at 21 March 2024 and excludes exempt private companies

8. IMR REPORT (cont'd)

- (ii) ^b GP margin is computed based on GP over revenue
- (iii) ^c PAT / LAT margin is computed based on PAT/ LAT over revenue
- (iv) ^d BTM Biomass Products Sdn Bhd is a subsidiary of BTM Resources Berhad, a public listed company
- (v) ^e Based on segmental financial information of the company's biomass fuel products business
- (vi) ^f Based on total consolidated financial information as segmental financial information of the company's biomass fuel products business is not publicly available
- (vii) ^g Revenues may be derived from business activities other than the company's biomass fuel products business
- (ix) ^h Latest available information
- (x) ⁱ GP/PAT margin is based on consolidated GP/PAT over segmental revenue as the segmental GP/PAT is not publicly available

Source: Companies Commission of Malaysia, various company websites, PROVIDENCE

As palm kernel shell and wood pellet manufacturers require capital expenditure to set up a manufacturing facility and working capital to purchase raw materials, the barriers to entry faced by industry players involved in the manufacturing of palm kernel shells and/or wood pellets is moderately high. Meanwhile, the barriers to entry for palm kernel shell and wood pellet traders is low.

The competitiveness of a palm kernel shell and wood pellet manufacturer is dependent on its manufacturing capability and technical expertise in manufacturing of palm kernel shells and wood pellets based on the specifications required by the customer in terms of moisture levels, calorific value as well as ash, sulphur, sodium, potassium and chlorine volume, impurities content and durability. Further, in light of the requirement from the Ministry of Economy, Trade and Industry Japan that palm kernel shells used under the FiT programme in Japan to be certified by the Roundtable on Sustainable Biomaterials, Green Gold Label and International Sustainability, Carbon Certification (ISCC) or Malaysian Sustainable Palm Oil programs beginning April 2024, and growing concerns on the sustainability of the sources of wood pellets, industry players that have obtained sustainability certifications such as the Green Gold Label, PEFC and Green Label certifications for their palm kernel shells and wood pellets would also be able to enhance its competitiveness. Other critical success factors applicable to manufacturers and/or traders of palm kernel shells and wood pellets include the capability and experience to manufacture palm kernel shells and wood pellets, a network of customer to sell products to and a network of suppliers to source raw materials from.

MARKET SHARE

Based on the revenue generated by EEHB Group from the manufacturing and sale of palm kernel shells of RM144.4 million for the FYE 31 December 2022 and the total palm kernel shell industry size in Asia Pacific of USD260.7 million (RM1.1 billion¹) in 2022, EEHB Group garnered an industry revenue share of approximately 13.1% in 2022. EEHB Group's industry revenue share for wood pellets in Asia Pacific was minimal in 2022.

EEHB Group's industry revenue share for palm kernel shells was approximately 22.3% in 2023, with a revenue of RM290.2 million for the FYE 31 December 2023 from the manufacturing and sale of palm kernel shell segment and a palm kernel shell industry size in Asia Pacific of USD283.3 million (RM1.3 billion¹) in 2023. Meanwhile, EEHB Group's industry revenue share for wood pellets was approximately 0.1%, with a revenue of RM45.1 million for the FYE 31 December 2023 from the manufacturing and trading of wood pellet segment, and a wood pellet industry size in Asia Pacific of USD9.8 billion (RM44.7 billion¹) in 2023.

2 PROSPECTS AND OUTLOOK OF THE EEHB GROUP

Moving forward, the palm kernel shells industry size in Asia Pacific is forecast to grow at a CAGR of 8.9% while the wood pellets industry size in Asia Pacific is forecast to grow by a further CAGR of 8.6%, between 2024 and 2026. As a palm kernel shell and wood pellet manufacturer and/or trader, EEHB Group stands to benefit from this growth which is driven by:

- Growing exports to international markets which will be mainly supported by government initiatives to drive the use of renewable energy, including biomass, in the countries in which EEHB Group's customers are based in or intends to deliver its products to;
- Growing demand from end-user industries in Malaysia that is driven by government initiatives to drive the use of renewable energy, including biomass; and
- Availability of raw materials for manufacturing biomass fuel products in Malaysia.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS

9.1.1 We may face disruptions in our manufacturing activities

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

The machineries and equipment, particularly our PKS and wood pellet production lines, are also susceptible to unanticipated failures, damages as well as breakdowns, failure and sub-standard performance. Although our Group schedules and carries out maintenance works for our machineries and equipment on a regular basis, there can be no assurance that there will not be any unexpected machinery or equipment breakdowns. In such scenarios, this may halt or delay our manufacturing activities.

Any prolonged disruption to our manufacturing activities may adversely affect our production schedule and timely delivery of our products. As a result, this will cause a negative impact on our industry reputation, relationships with our customers, business and financial performance.

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

There can be no assurance that we will not experience major operational disruptions to our PKS and wood pellet production lines in the future due to abovementioned unforeseeable circumstances or unanticipated failures or damages which would adversely impact our Group's financial performance.

9.1.2 We may be adversely affected if we are unable to source raw materials in sufficient quantities and/or at acceptable prices

Unprocessed PKS and wood residues are the major cost component in the manufacturing of biomass fuel products. For the Financial Years Under Review, purchase of unprocessed PKS and wood residues constituted between 93.81% and 95.52% of our total cost of sales.

Although we have a network of suppliers to procure unprocessed PKS and wood residues from, we may not be able to obtain the volume required for our operations in sufficient quantities or at prices commercially acceptable to us. If we are unable to obtain the volume of unprocessed PKS and wood residues required for our operations in sufficient quantities or at prices commercially acceptable to us, our business operations and financial performance may be adversely affected.

Although we have supply contracts with most of these suppliers for unprocessed PKS where our suppliers will supply a specified volume of raw materials to us throughout the time period specified in the contract, there is no assurance that we will not face any supply disruptions for

9. RISK FACTORS (CONT'D)

unprocessed PKS. We do not sign any supply contracts with our suppliers for the supply of wood residue. There is also no assurance that in the event prices of these materials increase significantly, our customers will allow us to revise our selling prices nor will the selling price increase be sufficient to not impact our profit margins.

9.1.3 We are dependent on our Executive Directors and our key senior management for the continuing success of our Group

Our Group's continuing success and growth are dependent upon the efforts and commitment our Executive Directors and key senior management, i.e. our Executive Director/ CEO, Yeo Hock Cheong, our Executive Director/ Finance Director, Salihudin, our COO, Teoh Soon Tek, Head of Finance and Project, Loo Ze Hui, and Operations Manager, Choo Mun Chen. Our Executive Directors and key senior management play a pivotal role in our day-to-day operations as well as developing and implementing strategies to drive the future growth of our Group. Further, they are also key in leading business development, sales and marketing activities.

As such, the loss of services from any of our Executive Directors and/or key senior management within a short period of time and without any suitable or prompt replacement may cause an adverse effect on our business, financial performance and prospects.

9.1.4 We are dependent on contracts signed with our major customers and major supplier

As at the LPD, our Group's business or profitability is materially dependent on the contracts as set out in Section 7.22 of this Prospectus. Our Group is dependent on our major customers, namely PT Orion Apac Indonesia, Customer B and Customer C as our Group entered into long term contracts with them and we anticipate that they will purchase up to a total of 720,000 MT of PKS in FYE 2024, in which case, each of them will contribute at least 20.00% of our orderbook for FYE 2024.

We are also dependent on our major supplier, Biotechnology Sensational Sdn Bhd, with whom our Group has entered into a long-term contract. Biotechnology Sensational Sdn Bhd accounted for more than 20.00% of our Group's total value of purchases in FYE 2021 and FYE 2022.

Further details of the terms of the contracts signed with these major customers and major supplier are as elaborated in Section 7.22 of this Prospectus.

The termination or loss of any of our abovementioned contracts with the major customers will have material adverse impact to our business, financial condition, results of operations and prospects. In addition, while we may procure unprocessed PKS from other suppliers, the termination or loss of our contract with one of our major supplier, Biotechnology Sensational Sdn Bhd and our inability to promptly source the quantity of unprocessed PKS required within the time span that we require, could lead to delays in delivery of our PKS to customers, and this could adversely impact our business and financial performance.

9.1.5 We depend on our ability to secure new orders and contracts

Apart from long-term contracts of more than 3 years secured with some of our customers to supply PKS as at the LPD, we secure orders from other customers for PKS and wood pellets on a purchase order basis or spot contract basis which have a tenure of less than 1 year.

For such customers, orders are secured on as needed basis. Hence, our financial performance is dependent on our ability to continuously secure new orders, and there is a risk that we may not be able to secure sufficient new orders to sustain our business.

While our Group continuously seeks to maintain and strengthen existing business relationships and establish relationship with new customers to expand our network, any adverse economic

9. RISK FACTORS (CONT'D)

conditions or slowdowns in the biomass fuel industry may also adversely impact our sales, and consequently affect our Group's financial performance and business operations.

9.1.6 We are exposed to fluctuation in foreign exchange rates

As our sales are mainly transacted in RM, SGD and USD, a depreciation of RM against the foreign currencies will lead to higher revenues in RM and vice versa.

During the Financial Year Under Review, we have incurred losses/gains from fluctuations in foreign exchange rates, as disclosed in Section 12.3.4(A) of this Prospectus.

Although we maintain a foreign currency account and have a foreign exchange line of credit, there can be no assurance that the financial performance of our Group will not be affected by any adverse fluctuations in foreign exchange rates in the future.

9.1.7 We may not have sufficient insurance to cover all losses or liabilities

We are exposed to risks such as fire and public liability that may negatively impact our business operations such as damages to our products and premises. Hence, we have secured insurance that are customary in our industry to protect against various losses and liabilities such as coverage protection against fire and public liability.

Notwithstanding the insurance coverage taken by our Group, our insurance does not cover certain types of losses that are not insurable or not economically insurable such as wars, riots, acts of terrorism, acts of God and outbreak of diseases.

In addition, our insurance may not be adequate to cover the losses, damages or liabilities that may arise in the course of our business operations. Any losses, damages or liabilities in excess of our insured limits or in areas for which we are not fully insured may adversely affect our Group's business, financial performance or results of operations.

9.1.8 We may not be able to successfully execute our business strategies which may hinder our Group's business growth and success

As set out in Section 7.20 of this Prospectus, our Group intends to set up new factories in Kapar, Klang, Pasir Gudang, Johor and Lahad Datu, Sabah as well as set up the New Kuantan Facility. Whilst we believe that our business strategies will be beneficial to the overall performance of our Group, the expected benefits may not materialise immediately at all or may take a longer time to materialise, which may limit or reduce our profitability in the short term.

The implementation of our business strategies may be influenced by several factors beyond our control, including, but not limited to, changes in economic, social and political environment in Malaysia. Should the economic, social and political environment in Malaysia deteriorate, this would impact the demand for our biomass fuel products by our existing and prospective customers.

Further, the execution of our business strategies may also result in additional operational expenditures. Such additional expenditure will increase our Group's operational cost which may adversely affect our implementation of these business strategies as well as profit margin and cash flow, should we be unable to gain sufficient revenue by securing more orders.

Therefore, there is no guarantee that we will be able to successfully execute our business strategies, nor can we assure that we will be able to anticipate all business and operational risks that may arise from our business strategies. Any failure or delays in managing and executing our business growth strategies may lead to materially adverse effects on our future business prospects and financial performance.

9. RISK FACTORS (CONT'D)

9.1.9 We may face credit risk

Our Group is subject to credit risks as our financial performance is dependent on our customers' ability to pay us. We generally provide our customers with credit periods of between 30 and 90 days. As such, we are exposed to credit risks arising from trade receivables which may arise from events or circumstances which are beyond our control and/or are difficult to anticipate or detect such as economic downturn or slowdown.

In the event where there is a delay in payment in part or at all, our cash flow and working capital may be adversely affected, which may adversely affect our financial performance. There is no assurance that we will not experience significant impairment losses or bad debts in the future.

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We may face competition from other industry players

Our Group competes with industry players involved in the manufacturing of biomass fuel products. They may compete with us in terms of pricing, quality, manufacturing capabilities and ability to deliver in a timely manner.

Some of our competitors may have longer operating history, greater financial and marketing abilities and larger customer bases. Such competitors can more promptly respond to evolving industry standards and changes in market conditions than we can. Intense competition will subject us to pricing pressure which may squeeze profit margins and reduce our revenue. If we fail to compete effectively or maintain our competitiveness in the market, our business, results of operations and prospects will be adversely affected.

9.2.2 We are subject to political, social, regulatory and economic risks

We operate mainly in Malaysia, and we sell our product to overseas market including, but not limited to, Indonesia, Japan, Singapore, China and South Korea. Hence, any changes in political, economic or regulatory conditions in Malaysia and globally, may materially and adversely affect the demand and supply of our products and its prices. These events could include, but not limited to:

- political and economic instability, including global and regional macroeconomic disruptions such as natural disasters, pandemics and epidemics, geopolitical tension, or other risks related to countries where we sell our products;
- unfavourable changes in government policies such as introduction of new regulations, including trade protection measures, sanctions and subsidies as well as changes in import tariffs and related duties; and
- risks with respect to social and political crisis resulting from riots, terrorism, war or civil unrest, and outbreak of diseases or pandemics.

As at the LPD, we have not experienced any material impact of any adverse government, political, economic and regulatory changes on our Group's business and operations. However, there can be no assurance that the adverse political, social, economic or regulatory developments, which are beyond our control, will not materially affect our business and financial performance in the future.

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9. RISK FACTORS (CONT'D)

9.2.3 We are subject to risks of product substitution of PKS and wood pellets

We presently have the capability to manufacture PKS and wood pellets. PKS and wood pellets may be substituted by various biomass fuel products such as agriculture residue or other new biomass fuel products that have yet to be used. PKS and wood pellets may also be substituted by other non-renewable fuel products such as coal, natural gas or crude oil and other renewable energy such as solar or hydro.

Therefore, the continued business operation of our Group is dependent upon the continued demand for PKS and wood pellets from end-user industries such as the power generation and manufacturing industries. Any unfavorable changes in government initiatives to encourage adoption of renewable energy such as a cutback in subsidies or removal of tax exemptions, or changes in government policies that solely favour the use of other renewable energy sources, could result in lower demand for biomass fuel products. Further, any shift in preferences to other forms of biomass fuel products that would lower demand for PKS and wood pellets or deem these products as obsolete. Consequently, this would adversely impact our Group's business and financial performance.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES

9.3.1 There is no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occurs:

- (a) The selected investors fail to subscribe for their portion of our IPO Shares;
- (b) Our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) We are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to the investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 or 117 of the Act and its related rules.

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and CCM within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

9. RISK FACTORS (CONT'D)

9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters will collectively hold approximately 21.46% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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10. RELATED PARTY TRANSACTIONS
10.1 RELATED PARTY TRANSACTIONS

Save for the Acquisition and as disclosed below, there are no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during the Financial Years Under Review and up to the LPD:

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transaction	Transaction value							
				FYE 2021		FYE 2022		FYE 2023		1 Jan 2024 up to the LPD	
				RM'000	%	RM'000	%	RM'000	%	RM'000	%
GPI Management Sdn Bhd ("GMSB")	BESB	Yeo Hock Cheong is our Promoter, Executive Director/CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GMSB	Provision of management services to BESB	336	(1)4.33	-	-	-	-	-	-
			Repayment of amount owing to GMSB in relation to management services	203	(2)0.29	209	(2)0.27	-	-	-	-
			There is no outstanding amount as at the LPD as the outstanding amount has been fully settled before the LPD								
Golden World Metal Sdn Bhd ("GWMSB")	BESB	Yeo Hock Cheong is our Promoter, Executive Director/CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GWMSB.	Rental of a portion of Lot 11936B, Jalan Perajurit 1, Kampung Teluk Gong, 42000 Pelabuhan Klang, Selangor to BESB ⁽³⁾	120	(1)1.55	120	(1)1.35	-	-	-	-
			Rental of HS(M) 12088, PT No. 11765, Mukim Klang, Daerah Klang, Tempat Kampong Nelayan Telok Gong, Selangor to BESB ⁽⁴⁾	300	(1)3.87	75	(1)0.85	-	-	-	-
			Rental of our Port Klang Factory to BESB ⁽⁵⁾	1,227	(1)15.82	1,125	(1)13.82	-	-	-	-
			Repayment of amount owing to GWMSB	-	-	1,368	(2)1.74	1,230	(2)1.39	-	-
			There is no outstanding amount as at the LPD as the outstanding amount has been fully settled before the LPD								
Yeo Hock Cheong	BESB	Yeo Hock Cheong is our Promoter, Executive Director/CEO and substantial shareholder.	Repayment of advances by BESB to Yeo Hock Cheong	-	-	-	-	90	(2)0.10	-	-
			There is no outstanding amount as at the LPD as the outstanding amount has been fully settled before the LPD								

10. RELATED PARTY TRANSACTIONS (CONT'D)

Notes:

- (1) Calculated based on our selling and administrative expenses for each of the respective financial years/period.
- (2) Computed based on our total liabilities for each of the respective financial years.
- (3) GWMSB had on 30 December 2018 entered into a subtenancy agreement with BESB for the rental of a portion of premises located at Lot 11936B, Jalan Perajurit 1, Kampung Teluk Gong, 42000 Pelabuhan Klang, Selangor for storage of PKS. The tenancy commenced from 1 January 2019 to 31 December 2019 and was subsequently renewed for a further 3 terms of 12 months commencing from 1 January 2020 to 31 December 2020, 1 January 2021 to 31 December 2021 and 1 January 2022 to 31 December 2022 respectively. The registered proprietor of the premises is Ikram Tegas Sdn Bhd ("**ITSB**").

The rationale behind the subtenancy arrangement between GWMSB and BESB is due to BESB requiring additional storage space in Port Klang while GWMSB had additional storage space at the premises that were not utilised from its business operations.

The transaction between GWMSB and BESB was not conducted at an arms' length basis as the rental charged by GWMSB to BESB was higher than the rental rate charged by ITSB to GWMSB. The higher rental rate was due to fees payable to GWMSB to cover the risk of default of payment of rental by BESB as well as the facility management services provided by GWMSB.

The subtenancy arrangement with GWMSB ended on 31 December 2022.

- (4) GWMSB had on 5 July 2018 entered into a subtenancy agreement with BESB for the rental of a premises located at HS(M) 12088, PT No. 11765, Mukim Klang, Daerah Klang, Tempak Kampong Nelayan Telok Gong, Selangor as warehouse and storage of PKS. The tenancy commenced from 1 June 2018 to 31 May 2020, and a new tenancy agreement dated 30 June 2020 for the tenancy commencing 1 July 2020 to 30 July 2021, and was subsequently renewed on a monthly basis. The tenancy agreement was terminated on 31 March 2022. The registered proprietor of the warehouse and storage is Mentari Rampai Sdn Bhd ("**MRSB**").

The rationale behind the subtenancy arrangement between GWMSB and BESB is in response to considerations raised by MRSB during the negotiation of a tenancy agreement with BESB in 2018 whereby MRSB had reservations about entering into a direct tenancy agreement with BESB, citing concerns related to the financial standing of BESB at that time.

The transaction between GWMSB and BESB was not conducted at an arms' length basis as the rental charged by GWMSB to BESB was higher than the rental charged by MRSB to GWMSB. The higher rental rate was due to fees payable to GWMSB to cover the risk of default of payment of rental by BESB.

The subtenancy arrangement with GWMSB was terminated on 31 March 2022.

- (5) GWMSB had on 11 November 2017 entered into a subtenancy agreement with BESB for the rental of our Port Klang Factory for a period of 24 months from 1 January 2018 to 31 December 2019. The tenancy was subsequently renewed for a term of 24 months commencing from 1 January 2020 to 31 December 2021 and a further term of 12 months commencing from 1 January 2022 to 31 December 2022. The registered proprietor of our Port Klang Factory is C N H Holdings Sdn Bhd ("**CNH**").

The rationale behind the subtenancy arrangement between GWMSB and BESB is in response to considerations raised by CNH during the negotiation of a tenancy agreement with BESB in 2017 whereby CNH had reservations about entering into a direct tenancy agreement with BESB, citing concerns related to the financial standing of BESB at that time.

The transaction between GWMSB and BESB was not conducted at an arms' length basis as the rental charged by GWMSB to BESB was higher than the rental charged by CNH to GWMSB. The higher rental rate was due to fees payable to GWMSB to cover the risk of default of payment of rental by BESB.

The subtenancy agreement with GWMSB was terminated on 31 October 2022 and thereafter on 1 November 2022, BESB entered into a tenancy agreement with CNH.

10. RELATED PARTY TRANSACTIONS (CONT'D)

As at the LPD, there is no outstanding amount for all the related party transactions set out above as all the outstanding amount has been fully settled before the LPD.

Save for the transactions in Notes (3), (4) and (5), our Directors are of the view that all the above related party transactions were carried out at arm's length basis and on normal commercial terms which are not unfavourable to our Group and comparable to those generally available to third parties.

Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least two (2) other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

10. RELATED PARTY TRANSACTIONS (CONT'D)

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or major shareholders will also undertake that he shall ensure that the persons connected with him will abstain from voting on the resolution approving the proposed related party transaction at the general meeting. The relevant directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

10.2 OTHER TRANSACTIONS**10.2.1 Transactions entered into that are unusual in their nature or conditions**

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party during the Financial Years Under Review and up to the LPD.

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10. RELATED PARTY TRANSACTIONS (CONT'D)

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Loans and/or advances made to/for the benefit of related parties or granted by related parties

Save as disclosed below, there are no outstanding loans and/or advances made by our Group to/for the benefit of related parties or granted by the related parties for the benefit of our Group during the Financial Years Under Review and up to the LPD:

Related party	Transacting company in our Group	Interested persons and nature of relationship	Nature of transaction	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	1 Jan 2024 up to the LPD RM'000
GMSB	BESB	Yeo Hock Cheong is our Promoter, Executive Director/ CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GMSB	Amount owing by BESB to GMSB in relation to provision of management services The amount owing to GMSB was unsecured and interest-free.	336	-	-	-
GWMSB	BESB	Yeo Hock Cheong is our Promoter, Executive Director/ CEO and substantial shareholder. Teoh Soon Tek is our COO and director of BESB. Yeo Hock Cheong and Teoh Soon Tek are also directors and substantial shareholders of GWMSB.	Advances from GWMSB to BESB for working capital and purchase of plant & machinery The advances provided was unsecured and interest-free.	-	550	-	-
Yeo Hock Cheong	BESB	Yeo Hock Cheong is our Promoter, Executive Director/ CEO and substantial shareholder.	Advances from Yeo Hock Cheong to BESB for working capital The advances provided was unsecured and interest-free.	50	40	-	-

The advances given by the Group's related parties were not conducted on arm's length basis as the advances were unsecured, interest-free and not on normal commercial terms. As at the LPD, all advances given by the Group's related parties have been fully settled.

10. RELATED PARTY TRANSACTIONS (CONT'D)

In addition, our Group has put in place internal control and compliance procedures in relation to loans and/or financial assistance to be provided to its related parties and/or third parties. Moving forward, no further loans, advances or financial assistance will be provided to or for the benefit of any related parties by our Group unless such loans are permitted under the applicable laws and the Listing Requirements and brought to our Company's Audit and Risk Management Committee and our Board for deliberation and approval. The procedures to be undertaken to ensure that future related party transactions (if any) are carried out on an arm's length basis are set out in Section 10.1 of this Prospectus.

(b) Guarantees

As at the LPD, Yeo Hock Cheong (our Promoter, Executive Director/CEO and substantial shareholder), Teoh Soon Tek (our COO and director of BESB), Datin Cheah Lay Fong (director of BESB) and BEH (our substantial shareholder) have jointly and severally provided personal guarantees for the banking and financing facilities extended by Affin Islamic Bank Berhad, Maybank Islamic Berhad, Export-import Bank of Malaysia Berhad and Affin Bank Berhad ("**Financiers**") to our Group. The details of the banking and financing facilities are set out below:

Financiers	Type of facilities	Purpose	Outstanding balance as at the LPD RM'000	Facility limit and amount guaranteed RM'000	Type of Third-party Securities	Guarantor(s)
Affin Islamic Bank Berhad	3 trade financing facilities	For working capital purposes	17,235	46,000	Nil	<ul style="list-style-type: none"> • Yeo Hock Cheong • Datin Cheah Lay Fong
Maybank Islamic Berhad	1 trade financing facility	For working capital purposes	3,366	9,000	Nil	<ul style="list-style-type: none"> • Yeo Hock Cheong • Teoh Soon Tek • Datin Cheah Lay Fong
Export-Import Bank of Malaysia Berhad	2 trade financing facilities	For working capital purposes	-	8,000	Nil	<ul style="list-style-type: none"> • Yeo Hock Cheong • Teoh Soon Tek • Datin Cheah Lay Fong • BEH
Affin Bank Berhad	Hire purchase	Hire purchase of motor vehicle	61	155	Nil	Datin Cheah Lay Fong
Total			20,662	63,155		

10. RELATED PARTY TRANSACTIONS (CONT'D)

We have written to the Financiers to request for their conditional consent to release and/or discharge of the above stated personal and corporate guarantees by substituting the same with a corporate guarantee from our Company.

As at the LPD, we have yet to receive conditional approvals from the Financiers to release the above stated personal and corporate guarantees by substituting the same with a corporate guarantee from our Company. The conditions imposed (which do not have specific timeframes) by the Financiers may include, amongst others, the following:

- (a) the successful listing of our Company on the ACE Market of Bursa Securities; and
- (b) the perfection of a corporate guarantee by our Company after the completion of our Listing.

10.2.3 Financial assistance provided for the benefit of a related party

There is no financial assistance provided by us for the benefit of any related party for the Financial Years Under Review and the subsequent period up to the LPD.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS

As at the LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group, or which are customers and suppliers of our Group.

11.2 MONITORING AND OVERSIGHT OF CONFLICT OF INTEREST

Our Audit and Risk Management Committee will supervise any actual conflict of interest or potential conflict of interest situations.

In order to mitigate any possible conflict of interest situation, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group.

Our Nomination Committee will first then evaluate if such Director's involvement give rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nomination Committee will then:-

- (a) Immediately inform our Board of the conflict of interest situation;
- (b) Make recommendations to our Board to direct the conflicted Director to:-
 - (i) Withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
 - (ii) Abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of the Board, be present at the Board meeting for the purposes of answering any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

11.3 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) KAF IB has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (b) Rosli Dahlan Saravana Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.

11. CONFLICT OF INTEREST (CONT'D)

- (c) HLB Ler Lum Chew PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.
- (d) Providence has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

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

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

12.1.1 Historical statements of profit or loss and other comprehensive income

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

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

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

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

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

- (2) *GP margin is calculated based on GP divided by revenue.*
- (3) *PBT margin and PAT margin is calculated based on the respective PBT and PAT divided by revenue.*
- (4) *Effective tax rate is calculated based on tax expenses divided by PBT.*
- (5) *Calculated based on our PAT attributable to the owners of our Company divided by the enlarged share capital of 2,000,000,000 Shares after our IPO. The diluted EPS is equal to the basic EPS as there was no potential dilutive ordinary shares outstanding at the end of the respective FYE.*

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

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

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

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

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

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

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12. FINANCIAL INFORMATION (CONT'D)

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

Note:

~ Less than RM1,000

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12. FINANCIAL INFORMATION (CONT'D)**12.2 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

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

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

Note:

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

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12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

12.3.1 Overview of our operations

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

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

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

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12. FINANCIAL INFORMATION (CONT'D)

12.3.2 Results of our operations

(A) Revenue

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

(i) Revenue by principal activities

Principal activities	Audited								
	FYE 2021			FYE 2022			FYE 2023		
	MT sold	RM'000	%	MT sold	RM'000	%	MT sold	RM'000	%
Manufacturing of PKS	279,605	104,764	91.01	353,150	144,398	99.97	531,813	290,171	86.55
Manufacturing and trading of wood pellets	24,257	10,350	8.99	59	42	0.03	67,960	45,080	13.45
Total		115,114	100.00		144,440	100.00		335,251	100.00

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

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

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

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

During FYE 2022:

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

Comparison between FYE 2022 and FYE 2023

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

During FYE 2023:

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

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

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

(i) Cost of sales by principal activities

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

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

Notes:

~ Less than RM1,000

Less than 0.01%

12. FINANCIAL INFORMATION (CONT'D)

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

(ii) Cost of sales by cost component

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

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

(a) Raw materials consumed

Our Group's raw materials consumed mainly consist of unprocessed PKS and wood residues. We source our raw materials from traders, palm oil plantation and milling companies, palm fruits transporters, and logging transporters. As Malaysia is one of the largest oil palm producers globally and is rich in forest resources, most of our raw materials are locally sourced from Malaysia and overseas. The breakdown of the raw materials consumed are as follows:

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

12. FINANCIAL INFORMATION (CONT'D)

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

(b) Transportation charges

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

(c) Rental of factory, machineries and equipment

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

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

(d) Depreciation

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

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

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

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

(f) Other overhead expenses

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

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

Note:

~ Less than 0.01%.

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

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

Comparison between FYE 2022 and FYE 2023

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

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

Notes:

~ Less than 0.01%.

Less than RM1,000.

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

Comparison between FYE 2021 and FYE 2022

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

Comparison between FYE 2022 and FYE 2023

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

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

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

Comparison between FYE 2021 and FYE 2022

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

Comparison between FYE 2022 and FYE 2023

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

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

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

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

Notes:

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

Comparison between FYE 2021 and FYE 2022

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

However, such increase was partially offset by the following:

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

Comparison between FYE 2022 and FYE 2023

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

(F) Finance costs

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

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

Comparison between FYE 2021 and FYE 2022

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

Comparison between FYE 2022 and FYE 2023

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

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

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

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

Comparison between FYE 2021 and FYE 2022

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

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

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

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

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

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

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

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

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

(H) Taxation

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

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

Note:

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

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

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

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

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

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

Notes:

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

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

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

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

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

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

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

Current assets

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

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

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

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

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

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

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

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

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

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

(B) Liabilities

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

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

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

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

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

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

Notes:

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

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12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

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

Current liabilities

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

Current liabilities

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

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

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

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

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

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
RM	74,063	64.34	67,290	46.59	16,807	5.01
USD	35,149	30.53	54,444	37.69	247,004	73.68
SGD	5,902	5.13	22,706	15.72	71,440	21.31
Total	115,114	100.00	144,440	100.00	335,251	100.00

Our raw materials purchased are mainly denominated in the following currencies, as tabulated below:

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

Note:

Less than RM1,000

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

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

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

(B) Impact of interest rates

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

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Interest coverage ratio (times) ⁽¹⁾	2.83	3.89	15.51

Note:

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

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

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

(C) Impact of commodity prices

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

12. FINANCIAL INFORMATION (CONT'D)

12.3.5 Impact of Inflation

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

12.3.6 Impact of Government, Economic, Fiscal or Monetary Policies

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

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

12.4 LIQUIDITY AND CAPITAL RESOURCES

12.4.1 Working capital

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

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

12.4.2 Review of cash flow

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

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

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

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

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

Net cash used in investing activities

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

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

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

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

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

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

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

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

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

Net cash from investing activities

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

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

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

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

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

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

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

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

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

Net cash used in investing activities

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

12. FINANCIAL INFORMATION (CONT'D)

Net cash from financing activities

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

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

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

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

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

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

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

Pro forma gearing (times)

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

Notes:

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

Note:

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

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

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

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

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

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

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

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

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

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

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

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

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

Note:

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

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

12. FINANCIAL INFORMATION (CONT'D)

(B) Material litigations and contingent liabilities

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

12.5 KEY FINANCIAL RATIOS

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

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

Notes:

(1) Computed based on the following:

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

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

(2) Computed based on the following:

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

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

(3) Computed based on the following:

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

12.5.1 Trade receivables turnover period

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

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

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

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

12.5.2 Trade payables turnover period

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

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

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

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

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

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

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

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

Our inventories comprise:

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

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

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

12.5.4 Current ratio

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

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

Note:

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

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

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

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

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

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

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

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

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

12.6 TREND INFORMATION

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

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

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

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

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

12.7 ORDER BOOK

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

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

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12. FINANCIAL INFORMATION (CONT'D)

12.8 DIVIDENDS

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

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

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

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

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

(i) Disruptions in our manufacturing activities

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

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

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

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

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

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

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

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

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

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

As at the LPD, our Group's business or profitability is materially dependent on the contracts as set out in Section 7.22 of this Prospectus. Our Group is dependent on our major customers, namely PT Orion Apac Indonesia, Customer B and Customer C as our Group entered into long term contracts with them and we anticipate that they will purchase up to a total of 720,000 MT of PKS in FYE 2024, in which case, each of them will contribute at least 20.0% of our orderbook for FYE 2024.

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

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

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

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

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

12. FINANCIAL INFORMATION (CONT'D)

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

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

(v) Impact from fluctuations in foreign exchange rates

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

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

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

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

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

(vii) Impacts of credit risk

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

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

(viii) COVID-19 pandemic

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

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

12.10 SIGNIFICANT CHANGES

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

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>Note</u>	<u>Non-distributable</u>	<u>Distributable</u> (Accumulated losses)/ Retained earnings	<u>Total</u>	
		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

	← Financial years ended →		
	31.12.2021	31.12.2022	31.12.2023
Note	RM	RM	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)

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)

(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)*

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)

(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)

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)****(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)

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)****(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)

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)

(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)

Registration No.: 201101026049 (954185-X)

BIO ENECO SDN. BHD.
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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)

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)****(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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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

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)

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)

(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)

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)

(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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BIO ENECO SDN. BHD.
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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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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

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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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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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**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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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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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)**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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	← 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>

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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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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>

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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:-

	←	Financial years ended		→
	31.12.2021	31.12.2022	31.12.2023	
	RM	RM	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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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.

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(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)*

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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.

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(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>

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(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>

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(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.

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(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)

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BIO ENECO SDN. BHD.
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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)

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BIO ENECO SDN. BHD.
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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)

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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)

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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)

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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)

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BIO ENECO SDN. BHD.
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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)*

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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)*

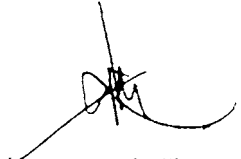
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BIO ENECO SDN. BHD.
(Incorporated in Malaysia)

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
Pro Forma Statements of Financial Position

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
Pro Forma Statements of Financial Position*

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
Pro Forma Statements of Financial Position

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

							Pro Forma III		
	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	Pro Forma IV 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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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)

			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
Pro Forma Statements of Financial Position*

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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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)

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
Pro Forma Statements of Financial Position

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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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*

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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21 MAR 2024
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Chartered Accountants

15. STATUTORY AND OTHER INFORMATION

15.1 EXTRACTS OF OUR CONSTITUTION

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

15.1.1 Remuneration, voting and borrowing powers of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows:

(i) Remuneration of Directors

Clause 21.4 – Remuneration

“The Directors shall be paid by way of remuneration for their services such fixed sum as shall from time to time be determined by the Company in meeting of Members, and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by the shareholders in general meeting;
- (b) remuneration and other emoluments (including bonus, benefits or any other emoluments) payable to executive Directors may not include a commission on or percentage of turnover;
- (c) fees payable to Directors and any benefits payable to Directors shall be subject to annual approval by an Ordinary Resolution at a meeting of Members;
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the fees and/or benefits payable to non-executive Directors who is also Director of the subsidiary(ies) includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiary(ies), but does not include insurance premium or any issue of Securities.”

Clause 21.5 – Reimbursement

“In addition to the remuneration provided under Clause 21.4, each Director shall be paid such reasonable travelling, hotel and other expenses as he shall incur in attending and returning from meetings of the Directors or any committee of the Directors or meeting of Members or which they may otherwise incur in connection with the business of the Company.”

Clause 22.3 – Remuneration of Managing Director

“The remuneration of a Managing Director or Managing Directors shall be fixed by the Directors, and may be by way of fixed salary or commission or participation in profits or by any or all of those modes, but shall not include a commission on or percentage of turnover but it may be a term of his appointment that he shall receive pension, gratuity or other benefits upon his retirement.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)

(ii) Borrowing powers of Directors

Clause 23.2 – Directors' borrowing powers

- (a) “The Directors may from time to time at their discretion raise or borrow such sums of money as they think proper and may secure the repayment of such sums in such manner and upon such terms and conditions in all respects as they think fit and in particular by the issue of bonds, perpetual or redeemable, debentures or debenture stock or any mortgage or guarantee, charge or security on the undertaking of the whole or any part of the property of the Company (both present and future), including its uncalled capital for the time being and borrow any money or mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of any subsidiary, associated or other companies or persons. Provided that the Directors shall not issue any debt securities convertible to ordinary shares without the prior approval of the Company in meeting of members.
- (b) Any debentures, debenture stock, bonds or other securities may be issued with any special privileges as to redemption, surrender, drawings, allotment of Shares, attending and voting at meeting of members of the Company, appointment of Directors and otherwise.
- (c) If the Directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company in its ordinary course of business, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or other persons so becoming liable as aforesaid from any loss in respect of such liability.
- (d) The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of Section 352 of the Act as regards the registration of mortgages and charges therein specified or otherwise.”

Clause 23.3 – Guarantee

“The Directors may exercise all the powers of the Company to guarantee payment of money payable under contract obligations of any subsidiary company or companies with or without securities.”

(iii) Voting powers of Directors

Clause 24.7 – Proceedings of meeting

“A meeting of the Directors for the time being at which a quorum is present shall be competent to exercise all or any of the powers, authorities and discretion by or under this Constitution vested in or exercisable by the Directors generally. Subject to this Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes of the Directors present and each Director having one (1) vote and determination by a majority of Directors shall for all purposes deemed as a decision from the Board.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)

Clause 24.8 – Chairman’s casting vote

“In case of an equality of votes, the chairman shall have a second or casting vote provided always that the chairman of a meeting at which only two (2) Directors form a quorum or at which only two (2) Directors are competent to vote on the questions at issue, shall not have a second or casting vote.”

15.1.2 Changes to share capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

The provisions in the Constitution dealing with changes in share capital and rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights are as follows:

Clause 15.1 – Company may alter its capital in certain ways

“Subject to the Applicable Laws, the Company may from time to time by Ordinary Resolution:

- (a) consolidate and divide all or any of its share capital into Shares of larger amount than its existing shares;
- (b) subdivide its share capital or any part thereof into shares of smaller amount than is fixed by this Constitution by subdivision of its existing shares or any of them, subject nevertheless to the provisions of the Act and so that as between the resulting shares, one (1) or more of such shares may, by the resolution by which such subdivision is effected, be given any preference or advantage as regards dividends, return of capital, voting or otherwise over the others or any other of such shares;
- (c) cancel Shares which at the date of the passing of the resolution in that behalf have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled;
- (d) convert all or any of its issued Shares into stock and reconvert that stock into paid up Shares; and
- (e) subject to the provisions of this Constitution and the Act, convert and/or re-classify any class of Shares into any other class of Shares.”

Clause 15.2 – Power to reduce capital

“The Company may by Special Resolution, reduce its share capital in any manner permitted or authorised under and in compliance with the Applicable Laws.”

Clause 15.4 – Purchase of own Shares

“Subject to the provisions of the Act and/or the Applicable Laws, the Company may, with the sanction of an Ordinary Resolution of the Members in meeting of Members, purchase its own Shares and make payment in respect of the purchase and/or give financial assistance to any person for the purpose of purchasing its own Shares on such date(s), terms and manner as may be determined from time to time by the Directors. Any Shares in the Company so purchased by the Company shall be dealt with in accordance with the Act and/or the Applicable Laws. The provision of Clauses 15.1 and 15.2 hereof shall not affect the power of the Company to cancel any Shares or reduce its share capital pursuant to any exercise of the Company’s power under this Clause.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)

Clause 16.1 – Increase of share capital

“Subject to all Applicable Laws, the Company may from time to time, whether all the Shares for the time being issued shall have been fully called up or not, by Ordinary Resolution increase its share capital by the creation of new Shares, such new capital to be of such amount and to be divided into Shares of such respective amounts and (subject to any special rights for the time being attached to any existing class of shares) to carry such preferential, deferred or other special rights (if any) or to be subject to such conditions or restrictions (if any), in regard to dividend, return of capital, voting or otherwise, as the Company by the resolution authorising such increase may direct.”

Clause 17 – Variation on Rights

“If at any time the share capital is divided into different classes of Shares, the rights attached to any class (unless otherwise provided by the terms of issue of the Shares of that class) may, whether or not the Company is being wound up, be varied or abrogated with the consent in writing of the holders of seventy-five per centum (75%) of the issued shares of that class or with the sanction of a Special Resolution passed at a separate meeting of the holders of the Shares of that class. To every such separate meeting the provisions of this Constitution relating to meeting of Members shall mutatis mutandis apply so that the necessary quorum shall be two (2) persons at least holding or representing by proxy at least one-third (1/3) of the issued shares of the class and that any holder of Shares of the class present in person or by proxy may demand a poll. To every such Special Resolution the provisions of Section 292 of the Act shall apply with such adaptations as are necessary.”

15.1.3 Transfer of shares

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

Clause 11.1 – Transfer in writing and to be left at the Office

“For the purpose of registration of a transfer of Shares that are not Deposited Securities, every instrument of transfer which is executed in accordance with the Applicable Laws, shall be left at the Office together with such fee not exceeding RM3.00 or as the Directors may determine, where a share certificate has been issued for the Share to be transferred, the certificate of the Shares and such other evidence as the Company may require to prove the title of the transferor or his right to transfer the Shares, and thereupon the Company shall subject to the powers vested in the Directors by this Constitution register the transferee as the Member within thirty (30) days from receipt of such duly executed and stamped instrument of transfer.”

Clause 11.2 – Transfer of Securities

“The transfer of any Deposited Security shall be by way of book entry by the Central Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Deposited Security.”

Clause 11.5 – Directors may refuse registration of transfer

“Subject to the provisions of the Act, the SICDA, the Listing Requirements and the Rules, the Directors may, in their discretion and without assigning any reason therefor, refuse to register, the transfer of any Share, not being a fully paid share, and whether or not the Company claims lien on the same.”

15. STATUTORY AND OTHER INFORMATION (CONT'D)

Clause 11.6 – Closing of registration of transfers

“The registration of transfers may be closed at such times and for such periods as the Directors may from time to time determine but not exceeding in the whole thirty (30) days in any calendar year. In relation to the closure, the Company shall give written notice in accordance with the Rules to the Central Depository to issue the relevant appropriate Record of Depositors.

The Company shall before close such register:

- (a) give notice of such intended book closure (in the case of the register) in accordance with Section 55 of the Act; and
- (b) give notice of such intended closure to the Exchange for such period as prescribed by the Exchange or the Applicable Laws before the intended date of such closure including in such notice, such date, the reason for such closure and the address of the share registry at which documents will be accepted for registration.”

Clause 11.7 – Limitation of liability

“Neither the Company nor the Directors nor any of its officers shall incur any liability for authorising or causing the registering or acting upon a transfer of Securities apparently made by sufficient parties, although the same may by reason of any fraud or other cause not known to the Company or the Directors or other officers be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although transferred, the transfer may, as between the transferor and the transferee, be liable to be set aside, and notwithstanding that, the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee of the particulars of the Securities transferred, or otherwise in defective manner. In every such case, the person registered as the transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.”

15.2 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one (1) class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the allocation to the Eligible Parties as disclosed in Sections 4.3.1(b) and 4.3.4 of this Prospectus:
 - (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiary; and
 - (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiary.
- (c) Save as disclosed in Sections 4.3.1 and 6.1 of this Prospectus respectively, no Shares have been issued or are proposed to be issued in cash or otherwise, within the past two (2) years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1 of this Prospectus, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

15. STATUTORY AND OTHER INFORMATION (CONT'D)**15.3 CHANGES IN SHARE CAPITAL OF OUR GROUP**

- (a) The changes in the share capital of our Company since our incorporation on 10 January 2023 are disclosed in Section 6.1 of this Prospectus.
- (b) As at the LPD, the issued share capital of BESB is RM7,300,000 comprising 7,000,000 ordinary shares. The changes in the issued share capital of BESB from incorporation and up to the LPD are as follows:

Date of Allotment	No. of Shares Allotted	Type of Issue / Consideration	Cumulative share capital (RM)
25 July 2011	2	RM2/ Cash	2
24 February 2012	599,998	RM599,998/ Cash	600,000
20 April 2012	100,000	RM100,000/ Cash	700,000
28 December 2012	700,000	RM1,000,000/ Cash	1,700,000
25 January 2019	1,600,000	RM1,600,000/ Otherwise than cash	3,300,000
30 December 2019	4,000,000	RM4,000,000/ Otherwise than cash	7,300,000

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

15.4 GENERAL INFORMATION

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

15. STATUTORY AND OTHER INFORMATION (CONT'D)

15.5 CONSENTS

- (a) The written consents of the Principal Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn;
- (b) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and Reporting Accountants' report on the Compilation of Pro Forma Statements of Financial Position as at 31 December 2023 in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not subsequently been withdrawn; and
- (c) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issuance of this Prospectus and have not been subsequently withdrawn.

15.6 DOCUMENTS AVAILABLE FOR INSPECTION

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

- (a) Constitution;
- (b) Audited financial statements of BESB for FYEs 2021 to 2023;
- (c) Accountants' Report as set out in Section 13 of this Prospectus;
- (d) Reporting Accountants' Report on the Compilation of Pro Forma Statements of Financial Position as at 31 December 2023 as set out in Section 14 of this Prospectus;
- (e) IMR Report as set out in Section 8 of this Prospectus;
- (f) Material contracts as set out in Section 6.3 of this Prospectus; and
- (g) Letters of consent as set out in Section 15.5 of this Prospectus.

15.7 RESPONSIBILITY STATEMENTS

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

KAF IB acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

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

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

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

16.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10:00 A.M., [●]

CLOSING OF THE APPLICATION PERIOD: 5:00 P.M., [●]

In the event there is any change to the Closing Date or time, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

16.2 METHODS OF APPLICATIONS**16.2.1 Application by the Malaysian Public and the Eligible Parties**

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

Types of Application	Application Method
Applications by Eligible Parties	Pink Application Form only
Applications by the Malaysian Public:-	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

16.2.2 Application by selected investors via private placement

Types of Application	Application Method
Applications by Bumiputera investors approved by MITI	MITI will directly contact the Bumiputera investors. The Bumiputera investors should follow MITI's instructions.
Applications by selected investors	The Placement Agent will contact the selected investors directly. The selected investors should follow the Placement Agent's instructions

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3 ELIGIBILITY

16.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts will not be accepted** for the Applications.

Only **ONE (1)** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

16.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfil all of the following:-

- (a) You must be one of the following:-
 - (i) a Malaysian citizen who is at least 18 years old as at the date of the Application; or
 - (ii) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (c) You must submit Applications by using only one of the following methods:-
 - (i) White Application Form;
 - (ii) Electronic Share Application; or
 - (iii) Internet Share Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

16.3.3 Application by Eligible Parties

The Eligible Parties will be provided with Pink Application Forms and letters from us detailing their respective allocations as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Parties must follow the notes and instructions in those documents and where relevant, in this Prospectus.

16.4 APPLICATION BY WAY OF APPLICATION FORM

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

The FULL amount payable is RM[●] for each Issue Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. [●]**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

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

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

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

- (b) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on [●] or by such other time and date specified in any change to the date or time for closing.

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

16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, GCS International Securities Sdn. Bhd. (formerly known as CGS-CIMB Securities Sdn. Bhd.), Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

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

- (a) reject Applications which:-
 - (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (ii) are illegible, incomplete or inaccurate; or
 - (iii) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (c) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 of this Prospectus.

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

16.8 OVER/UNDER-SUBSCRIPTION

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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

The basis of allocation of Issue Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> **within one (1) Market Day** after the balloting date. Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of our Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Parties, subject to the reallocation provisions as set out in Section 4.3.5 of this Prospectus, any of the abovementioned Issue Shares not subscribed for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner:-

16.9.1 For applications by way of Application Forms

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

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

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

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

16.10 SUCCESSFUL APPLICANTS

If you are successful in your application:-

- (a) Our Issue Shares allotted to you will be credited into your CDS Account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and the Rules.
- (d) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

16.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:-

Mode of Application	Parties to Direct the Enquiries
Application Form	Issuing House Enquiry Services at telephone number +603 - 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

The results of the allocation of the Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website at <https://tiih.online>, within one (1) Market Day after the balloting date.

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

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