

NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF KAWAN RENERGY BERHAD (“KAWAN” OR THE “COMPANY”) DATED 29 APRIL 2024 (“ELECTRONIC PROSPECTUS”)

(Unless otherwise indicated, specified or defined in this notice, the definitions in the Prospectus shall apply throughout this notice)

Website

The Electronic Prospectus can be viewed or downloaded from Bursa Malaysia Securities Berhad’s (“**Bursa Securities**”) website at www.bursamalaysia.com (“**Website**”).

Availability and Location of Paper/Printed Prospectus

Any applicant in doubt concerning the validity or integrity of the Electronic Prospectus should immediately request a paper/printed copy of the Prospectus directly from the Company, M & A Securities Sdn Bhd (“**M&A Securities**”), or Tricor Investor & Issuing House Services Sdn Bhd. Alternatively, the applicant may obtain a copy of the Prospectus from participating organisations of Bursa Securities, members of the Association of Banks in Malaysia and members of the Malaysian Investment Banking Association.

Prospective investors should note that the Application Form is not available in electronic format.

Jurisdictional Disclaimer

This distribution of the Electronic Prospectus and the sale of the units are subject to Malaysian law. Bursa Securities, M&A Securities and Kawan take no responsibility for the distribution of the Electronic Prospectus and/or the sale of the units outside Malaysia, which may be restricted by law in other jurisdictions. The Electronic Prospectus does not constitute and may not be used for the purpose of an offer to sell or an invitation of an offer to buy any units, to any person outside Malaysia or in any jurisdiction in which such offer or invitation is not authorised or lawful or to any person to whom it is unlawful to make such offer or invitation.

Close of Application

Applications will be accepted from 10.00 a.m. on 29 April 2024 and will close at 5.00 p.m. on 14 May 2024.

In the event the Closing Date is extended, Kawan will advertise the notice of the extension in a widely circulated English and Bahasa Malaysia daily newspaper in Malaysia prior to the original Closing Date.

The Electronic Prospectus made available on the Website after the closing of the application period is made available solely for informational and archiving purposes. No securities will be allotted or issued on the basis of the Electronic Prospectus after the closing of the application period.

Persons Responsible for the Internet Site in which the Electronic Prospectus is Posted

The Electronic Prospectus which is accessible at the Website is owned by Bursa Securities. Users’ access to the website and the use of the contents of the Website and/or any information in whatsoever form arising from the Website shall be conditional upon acceptance of the terms and conditions of use as contained in the Website.

The contents of the Electronic Prospectus are for informational and archiving purposes only and are not intended to provide investment advice of any form or kind, and shall not at any time be relied upon as such.

Kawan[®]

KAWAN RENERGY BERHAD

(Registration No. 202201039658 (1485355-U))
(Incorporated in Malaysia)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING:

(I) PUBLIC ISSUE OF 110,000,000 NEW ORDINARY SHARES IN OUR COMPANY (“SHARES”) IN THE FOLLOWING MANNER:

- 27,500,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
- 19,250,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP; AND
- 63,250,000 NEW SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY (“MITI”);

AND

(II) OFFER FOR SALE OF 34,500,000 EXISTING SHARES IN THE FOLLOWING MANNER:

- 5,500,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY MITI; AND
- 29,000,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS,

AT AN ISSUE / OFFER PRICE OF RM0.30 PER SHARE, PAYABLE IN FULL UPON APPLICATION.

Adviser, Sponsor, Underwriter and Placement Agent



M & A SECURITIES SDN BHD

Registration No. 197301001503 (15017-H)

(A Participating Organisation of Bursa Malaysia Securities Berhad)

Bursa Securities has approved the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities and this Prospectus has been registered by Bursa Securities. The approval of the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities 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 the company and takes no responsibility for the contents of this Prospectus, 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 170.

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 NOT A PROPOSAL 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 29 APRIL 2024

KAWAN RENERGY BERHAD

Kawan[®]

PROSPECTUS



HEAD OFFICE:

18, Lebuhr Perusahaan Klebang 1
IGB Industrial Park
31200 Ipoh
Perak

Tel: +605-2913 840

Email: enquiries@kawan-renergy.com.my

www.kawan-renergy.com.my

Our Directors, Promoters and Selling Shareholder (as defined herein) 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.

M & A Securities Sdn Bhd, being our Adviser, Sponsor, Underwriter and Placement Agent to our IPO (as defined herein), 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.

This Prospectus, together with the Application Form (as defined herein), has also been lodged with the Registrar of Companies, who takes no responsibility for its contents.

Investors should note that they may seek recourse under Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 ("**CMSA**") for breaches of securities laws including any statement in the Prospectus that is false, misleading, or from which there is a material omission; or for any misleading or deceptive act in relation to the Prospectus or the conduct of any other person in relation to our Group (as defined herein).

Shares are offered to the public premised on 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.

Approval has been obtained from Bursa Securities for the listing of and quotation for our IPO Shares (as defined herein) on 11 January 2024. 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.

The Securities Commission Malaysia ("**SC**") has on 15 January 2024 approved the resultant equity structure of our Company under the Bumiputera equity requirements for public listed companies pursuant to our Listing (as defined herein).

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

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.

We will not, prior to acting on any acceptance in respect of our IPO, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility if you are or may be subject to the laws of countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether our IPO would result in the contravention of any law of such countries or jurisdictions.

Further, it shall also be your sole responsibility to ensure that your application for our IPO Shares would be in compliance with the terms of our IPO as stated in our Prospectus and the Application Form and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected. We will further assume that you had accepted our IPO in Malaysia and will be subjected 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.

No action has been or will be taken to ensure that this Prospectus complies with the laws of any country or jurisdiction other than the laws of Malaysia. It shall be your sole responsibility to consult your legal and/or other professional adviser on the laws to which our IPO or you are or might be subjected to. Neither us nor our Adviser nor any other advisers in relation to our IPO shall accept any responsibility or liability in the event that any application made by you shall become illegal, unenforceable, avoidable or void in any country or jurisdiction.

ELECTRONIC PROSPECTUS

This Prospectus can also 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 (as defined herein) may be subject to 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 (as defined herein). 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, our Adviser or the Issuing House (as defined herein), a paper printed copy of this Prospectus.

In the event of any discrepancies arising between the contents of the electronic 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 the 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:

- (a) We and our 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;
- (b) We and our 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 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
- (c) Any data, information, files or other material downloaded from Third Party Internet Sites is done at your own discretion and risk. We and our 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 cost, 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.

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INDICATIVE TIMETABLE

All terms used are defined under "Definitions" commencing from page vii.

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

Events	Indicative date
Issuance of this Prospectus / Opening of Application	29 April 2024
Closing of Application	14 May 2024
Balloting of Application	17 May 2024
Allotment / Transfer of IPO Shares to successful applicants	27 May 2024
Date of Listing	29 May 2024

In the event there is any change to the timeline, 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.

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All terms used in this section are defined under "Definitions" commencing from page vii.

All references to "Kawan" and "Company" in this Prospectus are to Kawan Renergy Berhad (Registration No.: 202201039658 (1485355-U)). Unless otherwise stated, references to "Group" are to our Company and our subsidiaries taken as a whole; and references to "we", "us", "our" and "ourselves" are to our Company, and save where the context otherwise requires, our subsidiaries. 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 one decimal place (for percentages) or one sen (for currency). 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 "Technical Glossary" appearing after this section. 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 Independent Market Researcher. 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.

The information on our website, or any website directly or indirectly linked to such websites do not form part of this Prospectus.

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FORWARD-LOOKING STATEMENTS

All terms used are defined under "Definitions" commencing from page vii.

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", "propose" or similar expressions and include all statements that are not historical facts.

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

- (a) Demand for our products and services;
- (b) Our business strategies;
- (c) Our future plans;
- (d) Our future earnings, cash flows and liquidity; and
- (e) 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.

DEFINITIONS

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

COMPANIES WITHIN OUR GROUP:

“Kawan” or “Company”	:	Kawan Renergy Berhad (Registration No. 202201039658 (1485355-U))
“Kawan Engineering”	:	Kawan Engineering Sdn Bhd (Registration No. 199601013253 (385603-U))
“Kawan Green”	:	Kawan Green Energy Sdn Bhd (Registration No. 202201013998 (1459695-D))
“Kawan Group” or the “Group”	:	Kawan and its subsidiaries, collectively
“Magenko Asia”	:	Magenko Renewables (Asia) Sdn Bhd (Registration No. 201101007556 (935694-P)), a wholly-owned subsidiary of Kawan Engineering
“Magenko Ipoh”	:	Magenko Renewables (Ipoh) Sdn Bhd (Registration No. 201101007521 (935659-A)), a wholly-owned subsidiary of Magenko Asia
“Magenko Group”	:	Magenko Asia, Magenko Ipoh and Magenko Penang, collectively
“Magenko Penang”	:	Magenko Renewables (Penang) Sdn Bhd (Registration No. 201101007552 (935690-U)), a wholly-owned subsidiary of Magenko Asia

GENERAL:

“ACCA”	:	Association of Chartered Certified Accountants
“ACE Market”	:	ACE Market of Bursa Securities
“Act”	:	Companies Act 2016
“Acquisition”	:	Acquisition by our Company of the entire equity interest of Kawan Engineering for a purchase consideration of RM45,144,000 which was wholly satisfied by the issuance of 439,999,999 new Shares at an issue price of RM0.1026 per share, and completed on 6 March 2024
“ADA”	:	Authorised Depository Agent
“Adviser” or “Sponsor” or “Placement Agent” or “Underwriter”	:	M & A Securities
“AGM”	:	Annual general meeting
“Application(s)”	:	Application(s) for IPO Shares by way of Application Form(s), Electronic Share Application(s) or Internet Share Application(s)

DEFINITIONS (Cont'd)

"Application Form(s)"	:	Printed application form(s) for the application of our IPO Shares accompanying this Prospectus
"ASME"	:	American Society of Mechanical Engineers
"ATM"	:	Automated teller machine
"Board"	:	Board of Directors of Kawan
"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
"CDS"	:	Central Depository System
"CDS Account"	:	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
"CFA"	:	Certificate for Accommodation
"CIDB"	:	Construction Industry Development Board
"CIDB Act"	:	Lembaga Pembangunan Industri Pembinaan Malaysia Act 1994
"CMSA"	:	Capital Markets and Services Act 2007
"Constitution"	:	Our constitution
"COVID-19"	:	Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
"Depository Rules" or "Rules of Bursa Depository"	:	Rules of Bursa Depository and any appendices thereto
"Director(s)"	:	An executive director or a non-executive director of our Company within the meaning of Section 2 of the Act
"Distribution"	:	Distribution by Kawan Engineering by way of dividend-in-specie comprising the entire equity interest it holds in Kawan Green, which amounts to RM52,206, being the audited NA of Kawan Green as at 31 October 2022 which was completed on 15 March 2024

DEFINITIONS (Cont'd)

"DOE"	:	Department of Environment
"DOSH"	:	Department of Occupational Safety and Health
"EBIT"	:	Earnings before interest and tax
"EBITDA"	:	Earnings before interest, tax, depreciation and amortisation
"EC"	:	Energy Commission of Malaysia
"Electronic Prospectus"	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
"Electronic Share Application(s)"	:	Application(s) for IPO Shares through a Participating Financial Institution's ATM
"EMSH 1990"	:	Employees' Minimum Standards of Housing and Amenities Act 1990
"EMSH Regulations"	:	Employees' Minimum Standards of Housing, Accommodations and Amenities (Employees required to be provided with Accommodations) Regulations 2021
"EPCC"	:	Engineering, procurement, construction and commissioning
"EPS"	:	Earnings per share
"EQA 1974"	:	Environmental Quality Act 1974
"EQSIER 1979"	:	Environmental Quality (Sewage and Industrial Effluents) Regulations 1979
"EQSWR 2005"	:	Environmental Quality (Scheduled Wastes) Regulations 2005
"ERA 1968"	:	Employment (Restriction) Act 1968
"ESA 1990"	:	Electricity Supply Act 1990
"FiT"	:	Feed-in Tariff
"FMA 1967"	:	Factories and Machinery Act 1967
"FMM"	:	Federation of Malaysian Manufacturers
"FYE"	:	Financial year(s) ended/ending 31 October, as the case may be
"Government"	:	Government of Malaysia
"GP"	:	Gross profit
"Group Internal Restructuring"	:	Acquisition and Distribution, collectively
"HTRI"	:	Heat Transfer Research, Inc.

DEFINITIONS (Cont'd)

"IA 1959"	:	Immigration Act 1959/63
"ICA 1975"	:	Industrial Co-ordination Act 1975
"IFRS"	:	International Financial Reporting Standards
"IMR" or "SMITH ZANDER"	:	Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)), our Independent Market Researcher
"IMR Report"	:	Independent Market Research Report titled "Industrial Process Equipment Industry and Biogas Industry in Malaysia"
"Internet Participating Financial Institution(s)"	:	Participating financial institution(s) for Internet Share Application(s) as listed in Section 16.6
"Internet Share Application(s)"	:	Application(s) for IPO Shares through an online share application service provided by Internet Participating Financial Institution(s)
"Initial Public Offering" or "IPO"	:	Our initial public offering comprising the Public Issue and Offer for Sale
"IPO Price"	:	Issue / Offer price of RM0.30 per Share under our Public Issue and Offer for Sale
"IPO Share(s)"	:	Issue Share(s) and Offer Share(s), collectively
"IPP"	:	Independent Power Producer
"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))
"ISO"	:	International Organisation for Standardisation
"IT"	:	Information technology
"Kawan Engineering Vendor(s)"	:	Lim Thou Lai, Lim Thou Kiong, Chong Hon Choong and Heng Siew Aun, collectively
"LGA 1976"	:	Local Government Act 1976
"Listing"	:	Listing of and quotation for our entire enlarged share capital of RM78,144,401 comprising 550,000,000 Shares on the ACE Market
"Listing Requirements"	:	ACE Market Listing Requirements of Bursa Securities
"Listing Scheme"	:	Comprising the Public Issue, Offer for Sale and Listing, collectively
"LMA"	:	Local manufacturer or assembler recognised under SEDA for the fabrication and assembly of boilers
"LPD"	:	31 March 2024, being the latest practicable date for ascertaining certain information contained in this Prospectus

DEFINITIONS (Cont'd)

"M & A Securities"	:	M & A Securities Sdn Bhd (Registration No. 197301001503 (15017-H))
"Malaysian Public"	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia, but excluding the Directors of Kawan Group, substantial shareholders of Kawan and persons connected or associated with them (as defined by the Listing Requirements)
"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. This may include a day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year
"MCCG"	:	Malaysian Code on Corporate Governance
"MCO"	:	The nationwide Movement Control Order imposed by the Government under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
"MFRS"	:	Malaysian Financial Reporting Standards
"MGTC"	:	Malaysian Green Technology and Climate Change
"MITI"	:	Ministry of Investment, Trade and Industry
"MIDA"	:	Malaysian Investment Development Authority
"MOE"	:	Ministry of Energy
"MOF"	:	Ministry of Finance
"MyIPO"	:	Intellectual Property Corporation of Malaysia
"NA"	:	Net assets
"NB Mark"	:	NB mark for the pressure vessels manufactured in accordance with ASME U stamp
"NBV"	:	Net book value
"NDT"	:	Non-destructive tests
"NLC"	:	National Land Code
"Offer for Sale"	:	Offer for sale of 34,500,000 Offer Shares by our Selling Shareholder at our IPO Price
"Offer Share(s)"	:	34,500,000 existing Share(s) to be offered by our Selling Shareholder pursuant to our Offer for Sale
"OSHA 1994"	:	Occupational Safety and Health Act 1994

DEFINITIONS (Cont'd)

"Participating Institution(s)"	Financial	:	Participating financial institution(s) for Electronic Share Application as listed in Section 16.5
"PAT"		:	Profit after tax
"PBT"		:	Profit before tax
"PE Multiple"		:	Price-to-earnings multiple
"PET"		:	Polyethylene terephthalate
"Pink Form Allocations"		:	Allocation of 19,250,000 Issue Shares to our eligible Directors, employees and persons who have contributed to the success of our Group, which forms part of our Public Issue
"PMI"		:	Positive material identification
"Promoter(s)"		:	Lim Thou Lai, Chong Hon Choong and Heng Siew Aun, collectively
"Prospectus"		:	This prospectus dated 29 April 2024 in relation to our IPO
"Public Issue"		:	Public issue of 110,000,000 Issue Shares at our IPO Price
"REA 2011"		:	Renewable Energy Act 2011
"REPPA"		:	Renewable Energy Power Purchase Agreement
"ROC"		:	Registrar of Companies
"SC"		:	Securities Commission Malaysia
"SEDA"		:	Sustainable Energy Development Authority
"Selling Shareholder"		:	Lim Thou Lai, who is undertaking the Offer for Sale
"Share(s)" or "Share(s)"	"Kawan	:	Ordinary share(s) in Kawan
"SOP"		:	Standard operating procedures
"Specified Shareholder(s)"		:	Lim Thou Lai and Lim Thou Kiong, collectively
"TOL"		:	Temporary occupational licence issued by the state authority to a licensee to occupy certain lands in Peninsular Malaysia and the Federal Territory of Labuan for the purposes stated in the licence
"Underwriting Agreement"		:	Underwriting agreement dated 3 April 2024 entered into between our Company and our Underwriter for the purpose of our IPO
"USA"		:	United States of America

DEFINITIONS (Cont'd)

CURRENCY AND UNITS:

"°C"	:	Degree Celsius
"CNY"	:	Chinese Yuan Renminbi
"EUR"	:	Euro
"GBP"	:	Pound Sterling
"kW"	:	Kilowatt
"kWh"	:	Kilowatt-hour
"m ³ "	:	Cubic metre
"MW"	:	Megawatt
"MWh"	:	Megawatt-hour
"RM" or "sen"	:	Ringgit Malaysia and sen respectively
"sq ft"	:	Square foot
"SGD"	:	Singapore Dollar
"USD"	:	United States Dollar

LIST OF OPERATING FACILITIES:

"Bercham Plant"	:	Our landfill biogas power plant situated on the Bercham Landfill
"Bercham Landfill"	:	A part of Lot 41293, Batu 8, Jalan Bercham, Tanjung Rambutan, 31250 Bercham, Perak, on which our Bercham Plant is located
"Factory 1"	:	A parcel of industrial land with a single-storey open-sided factory with attic, a single-storey office with attic and other ancillary buildings located at No. 18, Lebuhr Perusahaan Klebang 1, Kawasan Perusahaan IGB, 31200 Ipoh, Perak held under PN 89535, Lot 181684, Mukim Hulu Kinta, Daerah Kinta, Perak
"Factory 2"	:	A parcel of industrial land with a single-storey open-sided factory, a double-storey office and other ancillary buildings located at Lot 181630, Lebuhr Perusahaan Klebang 11, Kawasan Perusahaan IGB, 31200 Ipoh, Perak held under PN 89481, Lot 181630, Mukim Hulu Kinta, Daerah Kinta, Perak
"Factory 3"	:	A parcel of industrial land with 2 single-storey open-sided detached factory, a single-storey warehouse and other ancillary buildings located at No. 25, Lebuhr Perusahaan Klebang 1, Kawasan Perusahaan IGB, 31200 Ipoh, Perak held under PN 89536, Lot 181685, Mukim Hulu Kinta, Daerah Kinta, Perak

TECHNICAL GLOSSARY

This 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:

- "Abrasive blasting" : A process where abrasive particles such as glass and garnet are forcefully propelled at high speed against the surface of an industrial process equipment to remove contaminants from the material's surface and condition the surface for subsequent finishing
- "Acid pickling" : A cleaning process for steel parts that uses an acid solution such as hydrochloric or sulphuric acid to remove oxides from the surface of the metal
- "Auxiliary parts and equipment" : Supporting components which are necessary to support the functionality and operation of the main equipment
- "Buffing" : A process that smoothens and shines the surface of the industrial process equipment
- "Ceramic coating" : A process that coats the surface of the industrial process equipment with a layer of ceramic material to protect its surface by increasing its corrosion resistance
- "Certificate of shop inspection" : A document confirming that a fabricated industrial process equipment has been checked by the relevant authorities or third-party quality control consultant at the place of manufacture and complies with the applicable standards and regulations
- "EFB" : Refers to "empty fruit bunches", which is the leftover fibrous material after the threshing / removal of oil palm fruits from fresh fruit bunches, which can be used as biomass feedstock
- "Heat treatment" : A controlled process of heating and cooling of metals and alloys to increase the ductility, strength, surface hardness and temperature resistance of the metals and alloys
- "Hot dipped galvanising" : A process of coating the surface of the industrial process equipment with zinc by immersing the material in a bath of molten zinc at temperature up to 450°C to prevent corrosion
- "Markings" : A process of applying visible texts, lines, figures, patterns or symbols on the surface of the industrial process equipment for identification, labelling or instruction purposes
- "Methane capture and flaring" : A process of collecting methane gas (i.e. landfill gas) released from the decomposition of organic wastes in landfills and burning the collected methane gas to generate electricity
- "Non-destructive test" : A quality control process used to evaluate the physical quality and performance of the industrial process equipment without causing damages to the industrial process equipment

TECHNICAL GLOSSARY (Cont'd)

- "Polymer lining" : A process that coats the surface of the industrial process equipment with a layer of polymer to protect and decorate its surface
- "Pounds per square inch gauge" or "PSIG" : A measurement unit which measures the amount of pressure contained in a closed container with respect to atmospheric pressure, when one pound of force is applied to one square inch of area of the container
- "Power brushing" : A process of cleaning, polishing, smoothening or roughening the surface of the industrial process equipment using automatic or semi-automatic machines with brushes made of carbon steel, nylon fibers and wires
- "Spray painting" : A process of applying paint or coating on the surface of the industrial process equipment using a pressurised spray gun
- "Stress relief treatment" : A process of heating metals and alloys to reduce the residual stresses introduced in the metals and alloys during fabrication process
- "Surface treatment" : A process in which treatment such as abrasive blasting is applied onto the surface of the industrial process equipment to improve or modify the characteristics of the surface

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1. CORPORATE DIRECTORY

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name	Designation	Residential address	Nationality / Profession	Gender
Dr. Chuah Chaw Teo	Independent Non-Executive Chairman	4, Persiaran 8 Arena Kepadang Putra Fair Park 31400 Ipoh Perak	Malaysian / Director	Male
Lim Thou Lai	Managing Director (Non-Independent)	15, Jalan Ixora Tropika 1 Taman Ixora Tropika 30350 Ipoh Perak	Malaysian / Director	Male
Chong Hon Choong	Executive Director (Non-Independent) and Head of Department (Project)	10, Klebang Bayu S/2 Taman Klebang Bayu 31200 Chemor Perak	Malaysian / Director	Male
Heng Siew Aun	Executive Director (Non-Independent) and General Manager	170, Rancangan Perkampungan Tersusun Bercham 31400 Ipoh Perak	Malaysian / Director	Female
Liew Li Ping	Independent Non-Executive Director	Desa ECO @ Meru Valley 3-2, Tingkat Meru Valley 1 Taman Peranginan Lembah Meru 30020 Ipoh Perak	Malaysian / Director	Female
Loh Leng Sem	Independent Non-Executive Director	A-17-03 Residensi KM1 13 Jalan Jalil Perkasa 1 Bukit Jalil 57000 Kuala Lumpur	Malaysian / Director	Male
Ngoi Evon	Independent Non-Executive Director	7, Jalan Impiana 1 Taman Bandaraya Impiana 30250 Ipoh Perak	Malaysian / Entrepreneur	Female

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Liew Li Ping	Chairperson	Independent Non-Executive Director
Loh Leng Sem	Member	Independent Non-Executive Director
Ngoi Evon	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (Cont'd)

NOMINATING COMMITTEE

Name	Designation	Directorship
Ngoi Evon	Chairperson	Independent Non-Executive Director
Liew Li Ping	Member	Independent Non-Executive Director
Loh Leng Sem	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Loh Leng Sem	Chairperson	Independent Non-Executive Director
Liew Li Ping	Member	Independent Non-Executive Director
Ngoi Evon	Member	Independent Non-Executive Director

COMPANY SECRETARIES : Law Mee Poo (MAICSA 7033423)
SSM Practising Certificate No.: 201908002275
(Chartered Secretary and Associate of the Malaysian Institute of Chartered Secretaries and Administrators)

Mastura Binti Muhamad (MACS 01875)
SSM Practising Certificate No.: 202308000517
(Company Secretary)

Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone: +603-2783 9191

REGISTERED OFFICE : Unit 30-01, Level 30, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone: +603-2783 9191

HEAD OFFICE : 18, Lebuhr Perusahaan Klebang 1
IGB Industrial Park
31200 Ipoh
Perak

Telephone: +605-2913 840

EMAIL ADDRESS AND WEBSITE : Website: www.kawan-renergy.com.my
Email address: enquiries@kawan-renergy.com.my

1. CORPORATE DIRECTORY (Cont'd)

- AUDITORS AND REPORTING ACCOUNTANTS FOR OUR LISTING** : **Baker Tilly Monteiro Heng PLT**
(Registration No. 201906000600 (LLP0019411-LCA) & AF 0117)

Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur

Partner-in-charge: Paul Tan Hong
Approval number: 03459/11/2025 J
(Chartered Accountant of the Malaysian Institute of Accountants and Fellow Member of the Association of Chartered Certified Accountants)

Telephone: +603-2297 1000
- ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT** : **M & A Securities Sdn Bhd**
(Registration No. 197301001503 (15017-H))

45 & 47, Levels 3 and 7
The Boulevard
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

Telephone: +603-2284 2911
- SOLICITORS FOR OUR LISTING** : **Rosli Dahlan Saravana Partnership**

Level 16, Menara 1 Dutamas
1, Jalan Dutamas 1
Solaris Dutamas
50480 Kuala Lumpur

Telephone: +603-6209 5400
- ISSUING HOUSE AND SHARE REGISTRAR** : **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
8, Jalan Kerinchi
59200 Kuala Lumpur

Telephone: +603-2783 9299

1. CORPORATE DIRECTORY (Cont'd)

INDEPENDENT MARKET RESEARCHER : **Smith Zander International Sdn Bhd**
(Registration No. 201301028298 (1058128-V))

15-01, Level 15
Menara MBR
1, Jalan Syed Putra
58000 Kuala Lumpur

Person-in-charge: Dennis Tan Tze Wen
(Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada)

Telephone: +603-2732 7537

LISTING SOUGHT : ACE Market of Bursa Securities

SHARIAH STATUS : Approved by Shariah Advisory Council of SC

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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 IPO

The following details relating to our IPO are derived from the full text of this Prospectus and should be read in conjunction with that text:

	Public Issue		Offer for Sale		Total	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%
Malaysian Public ⁽²⁾	27,500,000	5.0	-	-	27,500,000	5.0
Pink Form Allocations	19,250,000	3.5	-	-	19,250,000	3.5
Private placement to MITI approved Bumiputera investors	63,250,000	11.5	5,500,000	1.0	68,750,000	12.5
Private placement to selected investors	-	-	29,000,000	5.3	29,000,000	5.3
	110,000,000	20.0	34,500,000	6.3	144,500,000	26.3

Enlarged number of Shares upon Listing	550,000,000
IPO Price per Share	RM0.30
Market capitalisation upon Listing (based on our IPO Price and enlarged number of Shares upon Listing)	RM165,000,000

Notes:

- (1) Based on our enlarged share capital of 550,000,000 Shares after our IPO.
- (2) 13,750,000 Shares will be set aside for Bumiputera public investors.

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

In compliance with Rule 3.19(1A)(b) of the Listing Requirements, our Specified Shareholders' entire shareholdings after our IPO will be held under moratorium for 6 months from the date of our admission to the Official List. The moratorium has been fully accepted by the Specified Shareholders, who have provided written undertakings that they will not sell, transfer or assign their shareholdings under moratorium during the moratorium period.

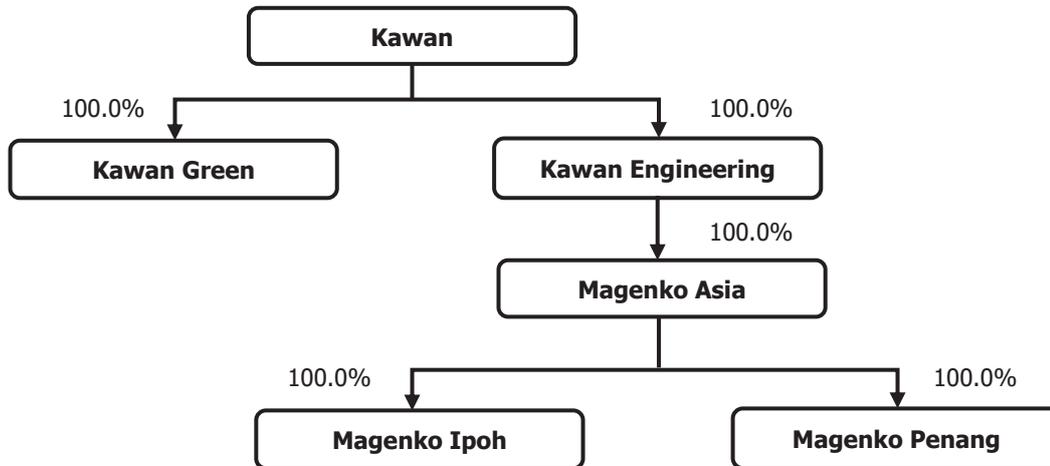
Further details on the moratorium on our Shares are set out in Section 3.2.

2.2 GROUP STRUCTURE AND BUSINESS MODEL

Our Company was incorporated in Malaysia under the Act on 26 October 2022 as a private limited company under the name of Kawan Renergy Sdn Bhd. On 28 July 2023, we converted into a public limited company and adopted our present name.

2. PROSPECTUS SUMMARY (Cont'd)

Our principal activity is investment holding company. Our Group structure as at LPD is as follows:



Through our subsidiaries, we are an engineering solutions provider, principally involved in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants (“**design, fabrication, installation and/or commissioning solutions**”). As an engineering solutions provider, our solutions encompass our Group’s technical capability to analyse our customer’s need and proactively propose suitable design solutions which are customised to meet our customers’ engineering requirements. In addition to proposing design solutions, our Group’s solutions also include the capability to provide in-house fabrication, installation and/or commissioning of the industrial process equipment, process plants as well as renewable energy and co-generation plants. Our business activities are further elaborated in Section 7.2.1.1. Apart from our principal business activities disclosed, we are also involved in power generation and sale of electricity through the acquisition of Magenko Group on 1 August 2022. Further details are as set out in Section 7.1.

Our Group’s business model is illustrated as below:

	Our principal activities	Other business activity
	Design, fabrication, installation and/or commissioning solutions	Power generation and sale of electricity
Our engineering solutions	Industrial process equipment: <ul style="list-style-type: none"> • Heat exchangers • Pressure vessels • Boilers and heaters Process plants: <ul style="list-style-type: none"> • Food processing • Oleochemical and chemical processing • Waste recovery Renewable energy and co-generation plants: <ul style="list-style-type: none"> • Co-generation and tri-generation • Biomass • Combined cycle • Biogas / landfill • Waste incineration • Organic rankine cycle 	<ul style="list-style-type: none"> • Sale of electricity to the distribution licensee
Our product application	Examples of applicable industries: <ul style="list-style-type: none"> • Food processing • Oleochemical and chemical processing • Oil and gas • Waste recovery • Power plant 	<ul style="list-style-type: none"> • Not applicable

2. PROSPECTUS SUMMARY (Cont'd)

Further details of our Group and our business model are set out in Sections 6 and 7.

The breakdown of our Group's revenue by principal business activities for FYE 2020 to 2023 is as follows:

Revenue by business segment	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, fabrication, installation and/or commissioning solutions								
- Industrial process equipment	30,041	61.5	32,183	50.3	54,344	39.0	48,439	49.2
- Process plants	18,782	38.5	31,858	49.7	43,388	31.2	27,708	28.2
- Renewable energy and co-generation plants	-	-	-	-	41,411	29.8	22,050	22.4
Sub-total	48,823	100.0	64,041	100.0	139,143	100.0	98,197	99.8
Other⁽¹⁾	-	-	-	-	41	<0.1	182	0.2
Total	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0

Note:

- (1) Other comprises the sale of electricity revenue from the power generation following the acquisition of Magenko Group in August 2022. Hence, revenue for this business segment was not applicable for FYE 2020 and 2021.

For FYE 2020 to 2023, local sales contributed 86.1%, 94.5%, 88.1% and 81.9% to our Group's total revenue respectively, while export sales contributed 13.9%, 5.5%, 11.9% and 18.1% to our Group's total revenue respectively. Nonetheless, it should be noted that the physical deliveries of our Group's solutions are within Malaysia. The breakdown of our Group's revenue by geographical market, based on the place of domicile of our customers, is as follows:

Revenue by geographical market ⁽¹⁾	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	42,022	86.1	60,548	94.5	122,594	88.1	80,597	81.9
Overseas								
- Indonesia	1,350	2.8	1,411	2.2	8,533	6.1	1,426	1.5
- Singapore	1,509	3.1	1,447	2.3	7,299	5.2	1,037	1.1
- Japan	3,266	6.7	617	1.0	352	0.3	34	<0.1
- USA	-	-	-	-	39	<0.1	13,312	13.5
- Others ⁽²⁾	676	1.3	18	<0.1	367	0.3	1,973	2.0
Total	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0

Notes:

- (1) Revenue by geographical market is based on the place of domicile of our customers. The design and fabrication of our projects will be performed in Malaysia. However, we will purchase the equipment from overseas if we are unable to design and fabricate it. The installation and commissioning works of our projects will be carried out at our customer's project site in Malaysia or overseas.
- (2) Others comprises mainly New Zealand, South Africa and Germany.

2. PROSPECTUS SUMMARY (Cont'd)

2.3 INTERRUPTION TO BUSINESS AND OPERATIONS

Save for the temporary disruptions to our operations arising from the COVID-19 pandemic, our Group had not experienced any other interruptions in our business and operations which had a significant effect on our Group for the past 12 months preceding LPD.

Further details on the impact of COVID-19 are set out in Section 7.7.

2.4 COMPETITIVE STRENGTHS

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

- (a) We have an established history of 28 years in the industrial process equipment industry with a proven track record in the provision of design, fabrication, installation and/or commissioning solutions. Over the years, we grew our capabilities from the fabrication of non-pressure vessels and tanks to various industrial process equipment comprising heat exchangers, pressure vessels as well as boilers and heaters. We also offer process plants within the specialty of food processing, oleochemical and chemical processing, waste recovery and power plant.
- (b) We have the technical capabilities to provide design, fabrication, installation and/or commissioning solutions to our customers to meet their specifications and requirements. Through our track record and experience in the provision of design, fabrication, installation and/or commissioning solutions, we are able to understand our customer's industrial process requirements and propose suitable process plants for our customers.
- (c) We are able to offer engineering solutions for a wide range of industries such as food processing (e.g. food emulsifier production as well as edible oil and palm phytonutrient extraction), oleochemical and chemical processing (e.g. palm biodiesel, biolubricants, fatty acids and industrial esters), oil and gas (e.g. oil and gas refinery), waste recovery, power plant (e.g. co-generation and power generation) and utilities.
- (d) The quality of our products is attested by our ability to meet internationally recognised standards such as the ASME U, U2, H and S Stamp Certification Marks, R Symbol, NB Mark as well as ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, as attested by the respective certifications awarded to our Group.
- (e) Our Group is led by an experienced and technically skilled key management team that has accumulated years of experience in their respective field and key expertise. They also have industry experience and/or in-depth knowledge of our business operations.

Further details of our competitive strengths are set out in Section 7.15.

2.5 BUSINESS STRATEGIES

Our business objectives are to maintain sustainable growth and create long term shareholder value. To achieve our business objectives, we will implement the following business strategies:

- (a) We intend to improve the output of Bercham Plant using an anaerobic digestion system. To improve the production output of the Bercham Plant as well as to increase the revenue from our power generation and sale of electricity business, we will use agricultural waste (used in anaerobic digestion system) as additional feedstock on top of landfill gas, in accordance with our Feed-In-Approval, pursuant to our consultation with SEDA. As at LPD, we are in the midst of conducting a feasibility study of the new system and material.

2. PROSPECTUS SUMMARY (Cont'd)

We will purchase and install an anaerobic digestion system, which will be connected, and will supply gas directly, to Bercham Plant. With the combination of landfill gas and gas produced from the anaerobic digestion system, we expect to be able to generate approximately 24MWh of electricity per day which is expected improve the revenue of our power generation and sale of electricity business to approximately RM3.4 million (i.e. 24MWh multiplied by RM0.3880/kWh and 365 days) per year from the estimated RM0.2 million a year;

- (b) We intend to construct a new 2MW biomass power plant to grow our power generation and sale of electricity business segment and diversify our income base to include more recurring income. We will leverage on our Group's expertise in design, fabrication, installation and commissioning, to construct the new biomass power plant in-house. We plan to use biomass feedstock (such as EFB, wood chips or bamboo chips) which will be sourced from local suppliers to generate fuel for the new biomass power plant. We intend to construct the new biomass power plant on our existing land in Factory 3, where we have excess, unused space of approximately 40,000 sq ft and connection to the grid situated next to the factory; and
- (c) We intend to upgrade some of our production processes by upgrading our machinery and equipment at Factory 1 and Factory 3 to improve our production efficiency. We intend to install a fibre laser cutting machine at Factory 1 which allow us to eliminate the need to utilise additional manpower to clean the plates pursuant to cutting. This, in turn, enhances our operating efficiencies as shorter time is used to complete the cutting works and less labour is utilised. We also intend to install 2 adjustable rotators at Factory 3 which enable us to semi-automate the rotation of tanks during welding and fitting processes. The adjustable rotators allow ease of access to different sides of the tanks without the need to reposition the object or the fabricator and thus, enabling us to reduce the time taken to complete the fabrication process, hence improving our operating efficiency.

Further details of our business strategies are set out in Section 7.16.

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. Some of the more important risk factors are summarised below:

- (a) The success of our Group is dependent on the experience, industry knowledge and technical expertise of our Managing Director, Executive Directors and key senior management. As such, the loss of our Managing Director and/or any of our Executive Directors and key senior management simultaneously or within a short time may create unfavourable or material impact on our Group's operations and the future growth of our business if we are unable to replace them in a timely manner. This may ultimately affect our business operations, financial performance and prospects.
- (b) We do not enter into any long-term contracts with our customers due to the nature of our business and the prevailing customer practices where the demand for our products are subject to our customers' needs as and when required. The project-based nature of our Group's business may result in the fluctuation of our Group's sales and result in uncertainties over our overall financial performance.

2. PROSPECTUS SUMMARY (Cont'd)

- (c) We may not be able to successfully implement our business strategies. The execution of our business strategies is subject to additional operating and capital expenditures. Such additional expenditure will increase our Group's operating cost including overhead costs, which may adversely affect our profitability if we are unable to generate sufficient revenue following the implementation of our business strategies. Furthermore, the implementation of our business strategies may be influenced by factors beyond our control, such as changes in general market conditions, Government policies, economic conditions as well as political environment in Malaysia, which may affect the commercial viability of our business strategies.
- (d) We are exposed to warranty claims and product liability claims by our customers. We provide a standard warranty period of 12 months to our customers for our industrial process equipment, process plants, and renewable energy and co-generation plants. During this period, we will rectify and/or replace faulty or damaged parts at our cost. If we are required to rectify defects during the warranty period, which will result in substantial costs being borne by us, the margin from the particular project will be reduced. We may also be subject to product liability claims from our customers for the losses or damages suffered as a result of product defects. As such, the cost to reimburse the losses or to rectify the damages incurred will be borne by our Group which may adversely affect our financial performance and position.
- (e) Our industry is reliant on certain licences, permits and approvals, as well as quality and safety accreditations (such as ASME, DOSH, National Board of Boiler & Pressure Vessel Inspectors and ISO). Some of these licenses, permits, approvals, and quality and safety accreditations are subject to periodic inspections, renewals, changes and/or fulfilment of certain conditions imposed by the relevant authorities, particularly DOSH with respect to the fabrication and repair of pressure vessels and steam boilers. If we are unable to renew any of our licences, permits and approvals, as well as quality and safety accreditations or comply with the regulations or conditions of such licences, permits, approvals and accreditations, they may be suspended or revoked and this will negatively affect our business operations.
- (f) We rely on skilled workers such as foremen, machinists, welders and fitters to carry out our fabrication activities. Any loss of our skilled workers and our inability to find suitable replacements in a timely manner and at competitive salary rates may cause disruptions to our deliverables which may consequently affect our revenue recognition.

2.7 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and key senior management are as follows:

Name	Designation
Directors	
Dr. Chuah Chaw Teo	Independent Non-Executive Chairman
Lim Thou Lai	Managing Director
Chong Hon Choong	Executive Director and Head of Department (Project)
Heng Siew Aun	Executive Director and General Manager
Liew Li Ping	Independent Non-Executive Director
Loh Leng Sem	Independent Non-Executive Director
Ngoi Evon	Independent Non-Executive Director
Key senior management	
Doris Tan Chuen Chuen	Chief Financial Officer
Sharizan Bin Abd. Bahrin	Head of Department (Engineering)
Syahirul Hafiz Bin Safuan Wong	Head of Department (Quality Control)
Chuah Theam Choon	Head of Department (Production)

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

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 IPO are set out below:

Name	Nationality	⁽¹⁾ Before IPO				⁽²⁾ After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Promoter and substantial shareholder									
Lim Thou Lai	Malaysian	422,400,000	96.0	-	-	387,900,000	70.5	-	-
Promoters									
Chong Hon Choong	Malaysian	6,160,000	1.4	-	-	⁽³⁾ 6,435,000	⁽³⁾ 1.2	-	-
Heng Siew Aun	Malaysian	4,840,000	1.1	-	-	⁽³⁾ 11,000,000	⁽³⁾ 2.0	-	-

Notes:

- ⁽¹⁾ Based on the share capital of 440,000,000 Shares before our IPO.
- ⁽²⁾ Based on the enlarged share capital of 550,000,000 Shares after our IPO.
- ⁽³⁾ Assuming he/she fully subscribes for his/her respective entitlements under the Pink Form Allocations.

Further details of our Promoters and substantial shareholders are set out in Section 5.

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2. PROSPECTUS SUMMARY (Cont'd)**2.9 UTILISATION OF PROCEEDS**

The gross proceeds to be raised by our Company from the Public Issue of RM33.0 million shall be utilised in the following manner:

Utilisation of proceeds	RM'000	%	⁽¹⁾Estimated timeframe for utilisation
Working capital	15,000	45.5	Within 24 months
Investment into a new 2MW power plant	5,000	15.1	Within 36 months
Improvement of Bercham Plant output	2,500	7.6	Within 15 months
Purchase of additional machinery	500	1.5	Within 12 months
Repayment of bank borrowings	6,000	18.2	Within 3 months
Estimated listing expenses	4,000	12.1	Within 1 month
Total	33,000	100.0	

Note:

⁽¹⁾ From the date of Listing.

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

Detailed information on our utilisation of proceeds is set out in Section 4.9.

2.10 FINANCIAL HIGHLIGHTS**2.10.1 Combined statements of comprehensive income**

The following table sets out the financial highlights based on our combined statements of comprehensive income for FYE 2020 to 2023:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	48,823	64,041	139,184	98,379
GP	7,468	10,077	21,516	23,997
PBT	5,673	8,937	18,569	18,920
PAT	4,425	6,883	14,228	13,302
GP margin (%) ⁽¹⁾	15.3	15.7	15.5	24.4
PAT margin (%) ⁽²⁾	9.1	10.7	10.2	13.5
EPS (sen) ⁽³⁾	0.8	1.3	2.6	2.4

Notes:

⁽¹⁾ GP margin is calculated based on GP over revenue.

⁽²⁾ PAT margin is calculated based on PAT over revenue.

⁽³⁾ Calculated based on PAT over our enlarged share capital of 550,000,000 Shares after our IPO.

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

2. PROSPECTUS SUMMARY (Cont'd)

2.10.2 Pro forma combined statements of financial position

The following table sets out a summary of the pro forma combined statements of financial position of our Group to show the effects of the Group Internal Restructuring, Public Issue and utilisation of proceeds. It is presented for illustrative purposes only and should be read together with the pro forma combined statements of financial position as set out in Section 14.

	As at 31 October 2023	I After subsequent events ⁽¹⁾	II After I and Group Internal Restructuring	III After II and Public Issue	IV After III and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS					
Total non-current assets	22,344	22,344	22,344	22,344	22,344
Total current assets	85,449	75,449	75,449	108,449	99,809
TOTAL ASSETS	107,793	97,793	97,793	130,793	122,153
EQUITY AND LIABILITIES					
Invested equity / Share capital	10,200	10,200	45,144	78,144	77,144
Mergers deficit	(200)	(200)	(35,144)	(35,144)	(35,144)
Retained earnings	43,435	33,435	33,435	33,435	31,795
TOTAL EQUITY	53,435	43,435	43,435	76,435	73,795
Total non-current liabilities	7,494	7,494	7,494	7,494	1,977
Total current liabilities	46,864	46,864	46,864	46,864	46,381
TOTAL LIABILITIES	54,358	54,358	54,358	54,358	48,358
TOTAL EQUITY AND LIABILITIES	107,793	97,793	97,793	130,793	122,153
No. of Shares in issue ('000)	10,200 ⁽²⁾	10,200 ⁽²⁾	440,000	550,000	550,000
NA per Share (RM)	5.24	4.26	0.10	0.14	0.13
Borrowings	10,735	10,735	10,735	10,735	4,735
Gearing (times) ⁽³⁾	0.2	0.2	0.2	0.1	<0.1

Notes:

⁽¹⁾ The subsequent events arose from the following:

- (a) On 18 January 2024, Kawan Engineering declared single-tier interim dividend of RM0.50 per ordinary share, amounting to RM5.0 million in respect of the FYE 2024 and paid on 18 January 2024.
- (b) On 2 February 2024, Kawan Engineering declared single-tier interim dividend of RM0.50 per ordinary share, amounting to RM5.0 million in respect of the FYE 2024 and paid on 2 February 2024.

⁽²⁾ Represents the aggregate number of issued shares of Kawan Engineering, Kawan Green and Kawan.

⁽³⁾ Computed based on total interest-bearing borrowings (including lease) over total equity.

2. PROSPECTUS SUMMARY (Cont'd)**2.11 DIVIDEND POLICY**

Our Company presently does not have any formal dividend policy. 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.

During FYE 2020 to 2023 and up to LPD, we have declared and paid the following dividends:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 November 2023 up to LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends declared	1,500	3,000	8,000	5,000	10,000
Dividends paid ⁽¹⁾	1,000	1,500	3,000	13,000	10,000

Note:

⁽¹⁾ The balance of dividends declared which were not paid in each respective financial year were subsequently paid in the following financial year. As at LPD, there is no outstanding dividends declared but remained unpaid.

Subsequent to 31 October 2023 and up to the LPD, our Group declared and paid dividends of RM5.0 million in both January and February 2024, in respect of FYE 2024. The dividends above were funded by our internally generated funds. Further, we do not intend to declare and pay any dividends from LPD up to the point of our Listing.

Further details of our dividend policy are set out in Section 12.15.

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3. APPROVALS AND CONDITIONS

3.1 APPROVALS AND CONDITIONS

3.1.1 Bursa Securities approval

Bursa Securities had, vide its letter dated 11 January 2024, approved our admission to the Official List of the ACE Market, the listing of and quotation for our entire enlarged issued share capital on the ACE Market. The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
(1)	Submission of the following information with respect to the moratorium on the shareholdings of the Specified Shareholders to Bursa Depository: <ul style="list-style-type: none"> (i) Name of shareholders; (ii) Number of Shares; and (iii) Date of expiry of the moratorium for each block of Shares. 	Complied
(2)	Confirmation that approvals from other relevant authorities have been obtained for implementation of the Listing;	Complied
(3)	The Bumiputera equity requirements for public listed companies as approved / exempted by the SC including any conditions imposed thereon;	Complied
(4)	Make the relevant announcement pursuant to Paragraphs 8.1 and 8.2 of Guidance Note 15 of the Listing Requirements;	To be complied
(5)	Furnish to Bursa Securities a copy of the schedule of distribution showing compliance with the public shareholding spread requirements based on the entire issued share capital of Kawan on the first day of Listing;	To be complied
(6)	In relation to the Public Issue to be undertaken by Kawan, to announce at least 2 market days prior to the Listing date, the result of the offering including the following: <ul style="list-style-type: none"> (i) Level of subscription of public balloting and placement; (ii) Basis of allotment / allocation; (iii) A table showing the distribution for placement tranche; and (iv) Disclosure of placees who become substantial shareholders of Kawan arising from the Public Issue, if any. 	To be complied
(7)	Kawan / M & A Securities to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval upon the admission of Kawan to the Official List.	To be complied

3. APPROVALS AND CONDITIONS (Cont'd)

3.1.2 SC approval

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 15 January 2024, 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)	Kawan is to allocate shares equivalent to 12.5% of its enlarged number of issued shares at the point of Listing to Bumiputera investors to be approved by MITI; and	Complied
(b)	Kawan is to make available at least 50.0% of the Shares offered to the Malaysian public investors via balloting to Bumiputera public investors at the point of Listing.	Complied

The effect of our Listing on our equity structure is as follows:

Category of shareholders	As at 30 June 2023		After Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Bumiputera investors approved by MITI	-	-	⁽¹⁾ 68,750,000	12.5
- Bumiputera public investors via balloting	-	-	⁽¹⁾ 13,750,000	2.5
Total Bumiputera	-	-	82,500,000	15.0
Non-Bumiputera	1	100.0	467,500,000	85.0
Malaysians	1	100.0	550,000,000	100.0
Foreigners	-	-	-	-
	1	100.0	550,000,000	100.0

Note:

⁽¹⁾ Based on the assumption that the Shares offered to the Bumiputera investors to be approved by MITI and Bumiputera public investors via balloting shall be fully subscribed.

The Shariah Advisory Council of SC had, vide its letter dated 24 April 2024 classified our Shares as shariah-compliant based on our audited combined financial statements for FYE 2023.

3.1.3 MITI approval

The MITI had, vide its letter dated 8 September 2023, taken note and has no objection to our Listing.

3. APPROVALS AND CONDITIONS (Cont'd)

3.2 MORATORIUM ON OUR SHARES

As at the date of submission of our listing application to Bursa Securities, we have met the quantitative criteria for admission to the Main Market of Bursa Securities. Hence, in accordance with Rule 3.19(1A)(b) of the Listing Requirements, a moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholders during the period of 6 months from the date of admission to the Official List ("**Moratorium Period**").

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

Specified Shareholders	Moratorium shares during the Moratorium Period	
	(1)No. of Shares	(2)%
Lim Thou Lai	387,900,000	70.5
Lim Thou Kiong	6,600,000	1.2
	394,500,000	71.7

Notes:

- (1) After Offer for Sale.
- (2) Based on the enlarged share capital of 550,000,000 Shares after our IPO.

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 our Specified Shareholders to ensure that our Share Registrar does not register any transfer that contravenes with such restrictions.

M & A Securities, our Sponsor has confirmed that our Group has satisfied the profit requirements to be listed on the Main Market for the past 3 financial years ended 31 October 2021 to 2023 of our business, totalling RM34.4 million, with PAT of RM13.3 million for FYE 2023, being the most recent financial year.

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4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATION PERIOD

The Application period will open at 10.00 a.m. on 29 April 2024 and will remain open until 5.00 p.m. on 14 May 2024. **LATE APPLICATIONS WILL NOT BE ACCEPTED.**

4.2 INDICATIVE TIMETABLE

Events	Indicative date
Issuance of this Prospectus / Opening of Application	29 April 2024
Closing of Application	14 May 2024
Balloting of Application	17 May 2024
Allotment / Transfer of IPO Shares to successful applicants	27 May 2024
Date of Listing	29 May 2024

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.

4.3 DETAILS OF OUR IPO

4.3.1 Listing scheme

(a) Public Issue

A total of 110,000,000 Issue Shares, representing approximately 20.0% of our enlarged share capital are offered at our IPO Price. The Issue Shares shall be allocated in the following manner:

(i) Malaysian Public

27,500,000 Issue Shares, representing 5.0% of our enlarged share capital, are reserved for application by the Malaysian Public, to be allocated via balloting process as follows:

(aa) 13,750,000 Issue Shares made available to public investors; and

(bb) 13,750,000 Issue Shares made available to Bumiputera public investors.

(ii) Eligible Directors, employees and persons who have contributed to the success of our Group

19,250,000 Issue Shares, representing 3.5% of our enlarged share capital, are reserved for our eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Allocations. Further details of our Pink Form Allocations are set out in Section 4.3.3.

(iii) Private placement to Bumiputera investors approved by MITI

63,250,000 Issue Shares, representing 11.5% of our enlarged share capital, are reserved for private placement to Bumiputera investors approved by MITI.

4. DETAILS OF OUR IPO (Cont'd)

The basis of allocation of the Issue Shares shall take into account our Board's intention to distribute the Issue Shares to a reasonable number of applicants to broaden our Company's shareholding base to meet the public spread requirements, and to establish a liquid and adequate market for our Shares. Applicants will be selected in a fair and equitable manner to be determined by our Directors.

Upon completion of our Public Issue, our share capital will increase from RM45,144,001 comprising 440,000,000 Shares to RM78,144,001 comprising 550,000,000 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.

(b) Offer for Sale

Our Selling Shareholder will undertake an offer for sale of 34,500,000 Offer Shares, representing 6.3% of our enlarged share capital at our IPO Price. The Offer Shares shall be undertaken by way of private placement in the following manner:

- (i) 5,500,000 Offer Shares, representing 1.0% of our enlarged share capital, are made available for selected Bumiputera investors approved by MITI; and
- (ii) 29,000,000 Offer Shares, representing 5.3% of our enlarged share capital, are made available for selected investors.

Further details of our Selling Shareholder are set out in Section 4.3.2.

Our Offer for Sale is subject to the terms and conditions of this Prospectus.

(c) Listing

Upon completion of our IPO, our Company's entire enlarged share capital of RM78,144,001 comprising 550,000,000 Shares shall be listed on the ACE Market.

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4. DETAILS OF OUR IPO (Cont'd)

4.3.2 Selling Shareholder

Details of our Selling Shareholder is as follows:

Name / Residential address	Relationship with our Group	⁽¹⁾ Before IPO / As at LPD		Offer Shares offered			After IPO	
		No. of Shares	⁽²⁾ %	No. of Shares	⁽²⁾ %	⁽³⁾ %	No. of Shares	⁽³⁾ %
Lim Thou Lai / 15, Jalan Ixora Tropika 1 Taman Ixora Tropika 30350 Ipoh Perak	Promoter, substantial shareholder and Managing Director	422,400,000	96.0	34,500,000	7.8	6.3	387,900,000	70.5

Notes:

- (1) After completion of the Group Internal Restructuring but prior to our Public Issue.
- (2) Based on our share capital of 440,000,000 Shares before our IPO.
- (3) Based on our enlarged share capital of 550,000,000 Shares after our IPO.

Further details of our Selling Shareholder, who is also our Promoter, substantial shareholder and Managing Director can be found in Section 5.1.

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4. DETAILS OF OUR IPO (Cont'd)**4.3.3 Pink Form Allocations**

We have allocated 19,250,000 Issue Shares under the Pink Form Allocations to our eligible Directors, employees and persons who have contributed to the success of our Group as follows:

Category	No. of eligible persons	Aggregate no. of Issue Shares allocated
Eligible Directors	6	6,735,000
Eligible employees	139	11,515,000
Persons who have contributed to the success of our Group	20	1,000,000
	165	19,250,000

Pink Form Allocations which are not accepted by certain eligible Directors, employees and persons who have contributed to the success of our Group will be re-allocated among the other eligible Directors mentioned in the table below and other eligible employees and persons who have contributed to the success of our Group at the discretion of our Board.

(a) Allocation to eligible Directors

The criteria for allocation to our eligible Directors are based on, amongst others, their past and anticipated contribution to our Group.

Lim Thou Lai (our Managing Director) has opted not to participate in the Pink Form Allocations as he is already our substantial shareholder and undertaking the Offer for Sale.

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

Name	Designation	No. of Issue Shares allocated
Dr. Chuah Chaw Teo	Independent Non-Executive Chairman	75,000
Chong Hon Choong	Executive Director and Head of Department (Project)	275,000
Heng Siew Aun	Executive Director and General Manager	6,160,000
Liew Li Ping	Independent Non-Executive Director	75,000
Loh Leng Sem	Independent Non-Executive Director	75,000
Ngoi Evon	Independent Non-Executive Director	75,000
		6,735,000

(b) 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 an eligible and confirmed employee and on the payroll of our Group;
- (ii) The number of shares allocated to our eligible employees are based on their seniority, position, length of service and respective contribution made to our Group as well as other factors deemed relevant to our Board; and

4. DETAILS OF OUR IPO (Cont'd)

(iii) Full time employee of at least 18 years of age.

Included in the allocation to our eligible employees are the proposed allocations to our key senior management:

Name	Designation	No. of Issue Shares allocated
Doris Tan Chuen Chuen	Chief Financial Officer	650,000
Sharizan Bin Abd. Bahrin	Head of Department (Engineering)	2,172,500
Syahirul Hafiz Bin Safuan Wong	Head of Department (Quality Control)	175,000
Chuah Theam Choon	Head of Department (Production)	175,000
		3,172,500

(c) 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, subcontractors, customers 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 with us, length of their relationship with us and the level of contribution and support to our Group.

4.3.4 Placement and underwriting arrangement

Our Underwriter will underwrite 46,750,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. The balance 63,250,000 Issue Shares and 34,500,000 Offer Shares available for application by Bumiputera investors approved by MITI and selected investors will not be underwritten and will be placed out by our Placement Agent.

Any of our Issue Shares not subscribed by the Malaysian Public and Pink Form Allocations shall be subject to the following clawback and reallocation provisions:

- If any Issue Shares allocated to the Malaysian Public are undersubscribed, the balance portion will be allocated for excess application by our eligible Directors, employees and persons who have contributed to the success of our Group. Likewise, any Issue Shares which are not taken up by our eligible Directors, employees and persons who have contributed to the success of our Group, will be allocated to the Malaysian Public.
- After (a) above, the remaining portion will be made available for application by way of private placement to selected investors to be identified.
- Thereafter, any remaining Issue Shares that are not subscribed for will be subscribed by our Underwriter based on the terms and conditions of the Underwriting Agreement.

The allocation of Issue Shares to identified Bumiputera investors shall be subject to the allocation as approved by MITI. Such Issue Shares shall be subject to the following clawback and reallocation provisions:

- Any unsubscribed Issue Shares allocated to Bumiputera investors approved by MITI shall firstly be reallocated to Malaysian institutional investors. If after the above reallocation, there are still Issue Shares not taken up, the said unsubscribed Issue Shares shall then be offered to Bumiputera public investors via public balloting.

4. DETAILS OF OUR IPO (*Cont'd*)

- (b) After (a) above, the remaining portion will be made available for:
- (i) Malaysian Public, in the event of an oversubscription; or
 - (ii) application by way of private placement to selected investors to be identified, the proportion of which will be determined by our Board and Placement Agent.

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. Our Board will ensure that any excess IPO Shares will be allocated in a fair and equitable manner.

4.3.5 Minimum and over-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 Directors.

Under the Listing Requirements, at least 25.0% of our enlarged 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. In such an event, we will return in full, without interest, all monies paid in respect of all applications. If any such monies are not repaid within 14 days after we become liable to do so, the provision of sub-section 243(2) of the CMSA shall apply accordingly.

As at LPD, save as disclosed in Section 4.3.3, to the extent known to our Company:

- (a) there are no substantial shareholder(s), Directors or key senior management of our Company who have indicated to our Company that they intend to subscribe for the IPO Shares; and
- (b) there are no person(s) who have indicated to our Company that they intend to subscribe for more than 5.0% of the IPO Shares.

4.4 SHARE CAPITAL, CLASSES OF SHARES AND RANKINGS

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

Details	No. of Shares	RM
Share capital		
As at the date of incorporation	1	1
To be issued pursuant to the Acquisition	439,999,999	45,144,000
As at the date of this Prospectus	440,000,000	45,144,001
To be issued under our Public Issue	110,000,000	33,000,000
Enlarged share capital upon our Listing	550,000,000	78,144,001

4. DETAILS OF OUR IPO (Cont'd)

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

As at the date of this Prospectus, we have only one class of shares, being ordinary shares, all of which rank equally amongst one another.

Our Issue Shares will, upon allotment and issuance, rank equally in all respects with our existing ordinary 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 ordinary 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 amount paid-up on the Shares held by them, be entitled to share in the 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. Every shareholder present in person or by proxy or other duly authorised representative shall have one vote for each ordinary share held.

4.5 PURPOSES OF OUR IPO

The purposes of our IPO are as follows:

- (a) To enable our Group to raise funds for the purposes specified in Section 4.9 herein;
- (b) To gain recognition through our listing status to enhance our reputation and to retain and attract new and skilled employees from our related industry;
- (c) To provide an opportunity for the Malaysian Public, including our eligible Directors, employees and persons who have contributed to the success of our Group to participate in our equity; and
- (d) To enable us to tap into the equity capital market for future fund raising and to provide us the financial flexibility to pursue future growth opportunities as and when they arise.

4.6 BASIS OF ARRIVING AT OUR IPO PRICE

Our IPO Price was determined and agreed upon by us and M & A Securities, as our Adviser, Sponsor, Underwriter and Placement Agent, after taking into consideration the following factors:

- (a) Our pro forma NA per Share of RM0.13 as at 31 October 2023 after IPO and utilisation of proceeds, calculated based on our pro forma NA after Public Issue and utilisation of proceeds as at 31 October 2023 of approximately RM73.8 million and enlarged share capital of 550,000,000 Shares upon Listing;
- (b) The PE Multiple of our IPO Price of approximately 12.4 times based on our EPS of approximately 2.4 sen for FYE 2023, calculated based on our PAT for FYE 2023 of RM13.3 million and enlarged share capital of 550,000,000 Shares upon Listing;

4. DETAILS OF OUR IPO (Cont'd)

(c) Our historical financial track record as follows:

	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	48,823	64,041	139,184	98,379
GP	7,468	10,077	21,516	23,997
PAT	4,425	6,883	14,228	13,302

(d) Our competitive strengths as set out in Section 7.15; and

(e) Our business strategies and prospects as set out in Section 7.16.

You should note that our market price upon Listing is subject to the vagaries of market forces and other uncertainties that may affect the price of our Shares. You should form your own views on the valuation of our IPO Shares before deciding to invest in them. You are reminded to carefully consider the risk factors as set out in Section 9 before deciding to invest in our Shares.

4.7 TOTAL MARKET CAPITALISATION UPON LISTING

Based on our IPO Price and enlarged share capital of 550,000,000 Shares upon Listing, our total market capitalisation will be RM165.0 million.

4.8 DILUTION

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

	RM
IPO Price	0.30
Pro forma NA per Share as at 31 October 2023 after Group Internal Restructuring but before Public Issue	0.10
Pro forma NA per Share as at 31 October 2023 after Group Internal Restructuring, Public Issue and utilisation of proceeds	0.13
Increase in pro forma NA per Share attributable to existing shareholders	0.03
(Decrease) in pro forma NA per Share to our new public investors	(0.17)
(Decrease) in pro forma NA per Share as a percentage of our IPO Price	(56.7%)

Further details of our pro forma NA per Share as at 31 October 2023 is set out in Section 14.

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

Shareholders	⁽¹⁾No. of Shares received	Total consideration	Average effective cost per Share
		RM	RM
Lim Thou Lai	422,400,000	43,338,240	0.1026
Chong Hon Choong	6,160,000	632,016	0.1026
Heng Siew Aun	4,840,000	496,584	0.1026
Lim Thou Kiong	6,600,000	677,160	0.1026
	440,000,000	45,144,000	

4. DETAILS OF OUR IPO (Cont'd)**Note:**

(1) Being Shares issued under the Acquisition.

Save as disclosed above and the Pink Form Allocations to our eligible Directors and key senior management, there has been no acquisitions or subscription of any of our Shares by our Directors or key senior management, substantial shareholders or persons connected with them, or any transaction entered into by them which grants them the right to acquire any of our existing Shares, in the past 3 years up to LPD.

4.9 UTILISATION OF PROCEEDS**4.9.1 Public Issue**

The estimated gross proceeds from our Public Issue of RM33.0 million will accrue entirely to us and are planned to be utilised in the following manner:

Utilisation of proceeds	Notes	RM'000	%	(1)Estimated timeframe for utilisation
Working capital	(a)	15,000	45.5	Within 24 months
Investment into a new 2MW power plant	(b)	5,000	15.1	Within 36 months
Improvement of Bercham Plant output	(c)	2,500	7.6	Within 15 months
Purchase of additional machinery	(d)	500	1.5	Within 12 months
Repayment of bank borrowings	(e)	6,000	18.2	Within 3 months
Estimated listing expenses	(f)	4,000	12.1	Within 1 month
Total		33,000	100.0	

Pending the deployment of the proceeds raised from our Public Issue as aforementioned, the funds will be placed in short-term deposits with financial institutions.

Note:

(1) From the date of Listing.

(a) Working capital

Our Group's working capital requirements are expected to increase in tandem with the expected growth in scale of our business. As such, our Group intends to allocate proceeds for the working capital requirements of our on-going and future co-generation plant projects, mainly comprising purchase of turbines, auxiliary parts and equipment, as well as related raw materials, the breakdown of which will be determined based on the requirements of such projects at the material time. We have allocated approximately RM15.0 million from our gross proceeds raised from Public Issue for this purpose to be utilised over 24 months from the date of our Listing.

4. DETAILS OF OUR IPO (Cont'd)

The breakdown of the foregoing has not been determined at this juncture and will be dependent on the operating and funding requirements at the time of utilisation. Nevertheless, based on internal management estimates, the allocation of the proceeds to be utilised for our on-going and future co-generation plant projects are as follows, subject to the operating and funding requirements of our Group at the time of utilisation:

Description	Estimated allocation of proceeds (%)
On-going plant project	45.0
Future co-generation plant project	55.0
	100.0

For FYE 2020 to 2023, the purchase of turbines, auxiliary parts and equipment, as well as related raw materials representing approximately 50.8%, 54.2%, 64.6% and 46.8% of our total cost of sales respectively.

The allocation of proceeds raised from the Public Issue for our working capital requirements will allow us to undertake more projects concurrently. This is because the number and size of projects that we can undertake at any point in time depend largely on the availability of our working capital.

(b) Investment into a new 2MW power plant

We intend to construct a new 2MW biomass power plant to grow our power generation and sale of electricity business segment and diversify our income base to include more recurring income. We will leverage on our Group's expertise in design, fabrication, installation and/or commissioning, to construct the new biomass power plant in-house. We plan to use biomass feedstock (such as EFB, wood chips or bamboo chips) which will be sourced from local suppliers to generate fuel for the new biomass power plant. We will sell all the electricity generated from the new biomass power plant to the distribution licensee. Please refer to Section 7.16.2 for further details.

The total estimated cost for the construction of the new biomass power plant is RM15.0 million which was derived based on the quotation by contractors as well as internal management estimates. We intend to allocate RM5.0 million for the construction of the new 2MW biomass power plant from our Public Issue proceeds whilst the remaining RM10.0 million is financed via bank borrowings and/or internally generated funds.

The details of the estimated costs for the new 2MW biomass power plant is set out as follows:

Estimated costs	RM'000
Civil works	1,500
Boiler island	7,000
Turbine island	2,500
Water and exhaust treatment	800
Chimney and continuous emissions monitoring system	800
Plant electrical works	1,200
Substation and interconnection	600
Cooling tower, steam condenser and related piping	400
Miscellaneous works	200
Total	15,000

4. DETAILS OF OUR IPO (Cont'd)

We expect to complete the construction of the new 2MW biomass power plant within 18 months from the date of SEDA's approval on the proposed quota. As at LPD, we are in the midst of preparing for a bid application to SEDA for 2MW of quota, whereby the bid application is expected to open in second quarter of 2024. Please refer to Section 7.16.2 for further details.

In the event of an unsuccessful bid, we intend to participate in subsequent bidding exercises for the new biomass power plant for up to 18 months from our Listing. In the event that we are unable to secure the quota within 18 months from our Listing, we may consider extending the timeframe or reallocate the proceeds for other purposes, and in such an event, we will seek shareholders' approval, if required under the Listing Requirements, for such variation. Once successful, we expect to construct the new biomass power plant within 18 months from the date of successful bidding.

(c) Improvement of Bercham Plant output

Our Bercham Plant has an installed capacity of 1.2MW and a net export capacity of 1MW, and is operating under the FiT mechanism. As such, we are licenced to sell up to 24MWh of electricity per day (i.e. 1MW multiplied by 24 hours). Under the FiT mechanism, we are allowed to sell the electricity produced from our plant to the distribution licensee at a predetermined rate of RM0.3880/kWh until 2032. As at LPD, our electricity generated for sale is approximately 1.5MWh per day which is 6.3% of our maximum allowable electricity sales of 24MWh per day, due to blockages in the gas piping caused by polymers present in the landfill in which methane gas is extracted as feedstock for the Bercham Plant.

To improve the production output of the Bercham Plant as well as to increase the revenue from our power generation and sale of electricity business, we will use agricultural waste (used in anaerobic digestion system) as additional feedstock on top of landfill gas, in accordance with our Feed-In-Approval, pursuant to our consultation with SEDA. As at LPD, we are in the midst of conducting a feasibility study of the new system and material. Our feasibility study entails carrying out design calculations to determine the feasibility of the new system required (i.e. anaerobic digestion system) to be installed for the additional feedstock as well as conducting prototype testing by constructing a pilot testing plant for the new system at Bercham Landfill. Thereafter, we will purchase and install an anaerobic digestion system, which will be connected, and will supply gas directly, to Bercham Plant.

The amount of gas produced by the anaerobic digestion system is expected to be able to generate up to 24MWh of electricity per day. With the combination of landfill gas and gas produced from the anaerobic digestion system, we expect to be able to generate approximately 24MWh of electricity per day which is expected improve the revenue of our power generation and sale of electricity business to approximately RM3.4 million (i.e. 24MWh multiplied by RM0.3880/kWh and 365 days) per year from the estimated RM0.2 million a year. Please refer to Section 7.16.1 for further details.

4. DETAILS OF OUR IPO (Cont'd)

We expect to commence the installation of the anaerobic digestion system within 15 months upon our Listing:

Timeframe from Listing (T)	Details
T + 3 months	Completed feasibility study and finalised system design
T + 4 months	Fulfilment of deposit payment
T + 9 months	Delivery of anaerobic digestion system
T + 15 months	Installation, testing and commissioning

The total estimated cost for the installation of the anaerobic digestion system is RM2.5 million based on quotation from the supplier, which will be fully funded from our Public Issue proceeds.

(d) Purchase of additional machinery

We intend to upgrade some of our production processes by purchasing additional machinery at Factory 1 and Factory 3 to improve our production efficiency.

We intend to purchase the following machinery for Factory 1 and Factory 3:

Machinery	Description	Number of unit(s)	Estimated cost (RM'000)
Fibre laser cutting machine	Fibre laser cutting machine uses a focused, high-powered laser beam for precision cutting of materials such as metal	1	320
Adjustable rotator	Adjustable rotator uses a rotating platform to semi-automate the rotation of tanks during welding and fitting processes	2	78
Total		3	398

In addition, installation costs amounting to RM0.1 million will be incurred for the installation of the machines.

Please refer to Section 7.16.3 for further details of the upgraded machinery and the improvements in process.

We intend to purchase the abovementioned additional machinery within 12 months upon our Listing. The total estimated cost for the purchase of additional machinery including installation is RM0.5 million which was derived based on the quotation from suppliers. It will be entirely funded from the Public Issue proceeds.

4. DETAILS OF OUR IPO (Cont'd)**(e) Repayment of bank borrowings**

We have allocated RM6.0 million to repay 2 of our term financing which were drawn down to finance our working capital and the purchase of Factory 3. As at 31 October 2023, these term financing amount to RM0.3 million and RM6.0 million respectively.

We have decided to prioritise the repayment of these term financing from Malayan Banking Berhad as they carry higher effective interest rates of 3.50% and 4.25% respectively, for FYE 2023 compared to our other term financing.

As at LPD, our outstanding banking facilities amounted to RM6.0 million. We expect to drawdown further term financing to support our working capital requirements and for purposes of our business growth. Nonetheless, the expected annual interest savings from the repayment of the term financing is approximately RM0.3 million based on their effective interest rates for FYE 2023. However, the actual interest savings may vary depending on the then applicable interest rates.

(f) Estimated listing expenses

An amount of RM4.0 million 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⁾	2,250
Fees to authorities	86
Underwriting, placement and brokerage fees	1,300
Printing, advertising fees and contingencies ⁽²⁾	364
	4,000

Notes:

- (1) Includes advisory fees for, amongst others, our Principal Adviser, solicitors, reporting accountants, IMR, independent internal control review consultant and Issuing House.
- (2) Other incidental or related expenses in connection with our IPO.

If our actual listing expenses are higher than the amount budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital requirements.

Any variations from the amounts budgeted above, save for item (a), shall be adjusted towards or against, as the case may be, the proceeds allocated for our general working capital requirements. Where applicable and required under Rule 8.24 of the Listing Requirements, we will seek shareholders' approval for any material variation to the intended utilisation of proceeds. Any further shortfall shall be funded from our internally-generated funds or bank borrowings, at a proportion to be determined at the point of funding.

4. DETAILS OF OUR IPO (Cont'd)

4.9.2 Offer for Sale

The Offer for Sale is expected to raise gross proceeds of approximately RM10.4 million which will accrue entirely to our Selling Shareholder and we will not receive any of the proceeds.

The Selling Shareholder shall bear all of the expenses relating to the Offer Shares, the aggregate of which is estimated to be approximately RM2.5 million.

4.10 BROKERAGE FEES, PLACEMENT FEES AND UNDERWRITING COMMISSION

4.10.1 Brokerage fees

Brokerage is payable in respect of the Issue Shares at the rate of 1.0% 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 Malaysia Investment Banking Association in Malaysia or Issuing House.

4.10.2 Placement fees

Our Placement Agent will place out a total of 63,250,000 Issue Shares and 34,500,000 Offer Shares to Bumiputera investors approved by MITI and selected investors.

We will pay our Placement Agent a placement fee of 2.5% of our IPO Price multiplied by the number of Issue Shares placed out by our Placement Agent.

The placement fee of 2.5% of the value of those Offer Shares placed out by our Placement Agent will be paid by our Selling Shareholder.

4.10.3 Underwriting commission

Our Underwriter has agreed to underwrite 46,750,000 Issue Shares made available for application by the Malaysian Public and Pink Form Allocations. We will pay our Underwriter an underwriting commission of 3.0% of our IPO Price multiplied by the number of Shares underwritten.

4.11 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into the Underwriting Agreement with M & A Securities, to underwrite 46,750,000 Issue Shares ("**Underwritten Shares**") as set out in Section 4.3.3.

The following are the salient terms in the Underwriting Agreement. The capitalised terms used in this section shall have the respective meanings as ascribed thereto in the Underwriting Agreement.

4.11.1 Conditions precedent

The several obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon:

- (a) the acceptance of our Listing and the clearance of registrable prospectus from Bursa Securities, and the lodgement of registrable prospectus with the ROC respectively together with copies of all documents required under Section 154 of the Act prior to the issuance of this Prospectus to the public;

4. DETAILS OF OUR IPO (Cont'd)

- (b) the issuance of this Prospectus (including all procedures, requirements, letters and documents) required under Section 154 of the Act to the public within 3 months from the date hereof or such extension as consented by the Underwriter;
- (c) there having been, as at any time hereafter up to and including the Closing Date, no material adverse change, or any development involving a prospective material adverse change, in the condition, financial or otherwise of our Group (which in the reasonable opinion of the Underwriter is or will be material in the context of the issue of the Issue Shares) from that set forth in this Prospectus, nor the occurrence of any event nor the discovery of any fact rendering inaccurate, untrue or incorrect to an extent which is or will be material in any of the representations, warranties and undertakings contained in the Underwriting Agreement, if they are repeated on and as of the Closing Date;
- (d) the issue, offering and subscription of the Issue Shares in accordance with the provisions hereof and this Prospectus not being prohibited by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority of Malaysia (including Bursa Securities);
- (e) all necessary approvals and consents required in relation to the Public Issue including but not limited to governmental approvals having been obtained and are in full force and effect;
- (f) the Underwriter having been satisfied that arrangements have been made by our Company to ensure payment of the expenses referred to in Underwriting Agreement;
- (g) the delivery to the Underwriter prior to the date of registration of this Prospectus of (i) a copy certified as a true copy by an authorised officer of our Company of all the resolutions of our Board and the shareholders in general meeting approving the Underwriting Agreement, this Prospectus, the Public Issue and authorising the execution of the Underwriting Agreement and the issuance of this Prospectus; (ii) a certificate dated the date of this Prospectus signed by duly authorised officers of our Company stating that, after having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in sub-section (c);
- (h) the delivery to the Underwriter on the Closing Date of such reports and confirmations dated the Closing Date from our Board as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Group nor the occurrence of any event rendering, untrue or incorrect, to a material extent any representations and/or warranties contained in the Underwriting Agreement as though they have been given and/or made on such date; and
- (i) the Underwriter being satisfied that our Company will, following completion of the Public Issue be admitted to the official list and its issued share capital listed and quoted on the ACE Market of Bursa Securities without undue delay.

4. DETAILS OF OUR IPO (Cont'd)

4.11.2 Non-fulfilment of conditions precedent

In the event any of the conditions as set out in Section 4.11.1 are not satisfied by the Closing Date, the Underwriter shall thereupon be entitled but not bound to terminate the Underwriting Agreement by notice given to our Company not later than 3 Market Days after the Closing Date and upon such termination, our Company and the Underwriter shall be released and discharged from their obligations save for our Company's obligations pursuant to the Underwriting Agreement and none of the parties shall have a claim against the other save for antecedent breaches by our Company and claims arising therefrom. Each party shall in such event return any and all monies paid to the other under the Underwriting Agreement within 72 hours of the receipt of such notice (except for monies paid by our Company for the payment of the expenses as provided in the Underwriting Agreement). The Underwriter reserves the right to waive or modify any of the conditions aforesaid and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.

4.11.3 Termination

Notwithstanding anything herein contained, the Underwriter may by notice in writing to our Company given at any time on or before the allotment and issuance of the Issue Shares, terminate and cancel and withdraw its commitment to underwrite the Underwritten Shares if:

- (a) there is any breach by our Company of any of the representations, warranties or undertakings, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to our Company, or by the Closing Date, whichever is earlier, or withholding of information of a material nature from the Underwriter, which is required to be disclosed pursuant to the Underwriting Agreement which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of the Public Issue, or the distribution of the Issue Shares; or
- (b) there is withholding of information of a material nature from the Underwriter, which, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to our Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group and the success of the Public Issue, or the distribution of the Issue Shares; or
- (c) there shall have occurred, happened or come into effect in the opinion of the Underwriter any material and/or adverse change to the business or financial condition of our Group; or
- (d) there shall have occurred, happened or come into effect any of the following circumstances:
 - (i) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions (including but not limited to conditions on the stock market, in Malaysia or overseas, foreign exchange market or money market or with regard to interbank offer or interest rates both in Malaysia and overseas) or foreign exchange controls or the occurrence of any combination of any of the foregoing; or

4. DETAILS OF OUR IPO (Cont'd)

- (ii) any change in law, regulation, directive, policy or ruling in any jurisdiction or any event or series of events beyond the reasonable control of our Company and/or the Underwriter (including without limitation, acts of God, acts of terrorism, strikes, lock-outs, fire, explosion, flooding, civil commotion, sabotage, acts of war or accidents); which, (in the reasonable opinion of the Underwriter), would have or can reasonably be expected to have, a material adverse effect on and/or materially prejudice the business or the operations of our Group and the success of the Public Issue, or the distribution of the Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
- (iii) the FTSE Bursa Malaysia KLCI Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (1) on or after the date of the Underwriting Agreement; and
 - (2) prior to the allotment of the Issue Shares, lower than 90% of the level of the Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to such date and remains at or below that level for at least 3 Market Days; or
- (iv) in the event of national disorder, outbreak of war or the declaration of a state of national emergency; or
- (e) there is failure on the part of our Company to perform any of our respective obligations contained under the Underwriting Agreement; or
- (f) any matter which arose immediately before the date of this Prospectus would have constituted a material and adverse omission in the context of the Public Issue; or
- (g) any event, act or omission which gives or is likely to give rise to any liability which will have a material and adverse effect on our Company pursuant to the indemnities contained under the Underwriting Agreement.

4.12 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.

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Promoters' and substantial shareholders' shareholdings

The shareholdings of our Promoters and substantial shareholders in our Company before and after IPO are set out below:

Name	Nationality	⁽¹⁾ Before IPO				⁽²⁾ After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
<u>Promoter and substantial shareholder</u>									
Lim Thou Lai	Malaysian	422,400,000	96.0	-	-	387,900,000	70.5	-	-
<u>Promoters</u>									
Chong Hon Choong	Malaysian	6,160,000	1.4	-	-	⁽³⁾ 6,435,000	⁽³⁾ 1.2	-	-
Heng Siew Aun	Malaysian	4,840,000	1.1	-	-	⁽³⁾ 11,000,000	⁽³⁾ 2.0	-	-

Notes:

- (1) Based on the share capital of 440,000,000 Shares before our IPO.
- (2) Based on the enlarged share capital of 550,000,000 Shares after our IPO.
- (3) Assuming he/she fully subscribes for his/her respective entitlements under the Pink Form Allocations.

Our Promoters and substantial shareholders do not have different voting rights from other shareholders of our Group and there is no arrangement between our Group and our shareholders with any third parties, the operation of which may at a subsequent date result in a change in control of our Company.

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

5.1.2 Profiles of Promoters and/or substantial shareholders

The profiles of our Promoters and/or substantial shareholders are set out below.

(a) Lim Thou Lai

Lim Thou Lai, a Malaysian aged 56, is our Promoter, substantial shareholder and Managing Director. He was appointed to our Board on 22 October 2022 and has over 31 years of experience in the engineering industry. As our Managing Director, he is responsible for the overall management, business strategies and growth of our Group.

He obtained a Bachelor of Engineering in Mechanical from Universiti Teknologi Malaysia in 1992. He was admitted as a Member of the Institution of Engineers, Malaysia in 2006. He was also admitted as a Professional Engineer (Mechanical) by the Board of Engineers Malaysia in 2007. He also served as a Member of the Federation of Malaysian Manufacturers (Perak Branch) between 2010 and 2011. He is currently a registered Electrical Energy Manager with the EC since 2024.

In 1992, he began his career as a Management Trainee at Hemach Sdn Bhd involved in the design of newsprint machineries. He was later promoted to Senior Engineer in 1993 where he was responsible for supervising the design team, oversaw factory operations and set up machinery and fabrication production line. He left Hemach Sdn Bhd in February 1994.

In March 1994, he joined Ikatan Engineering Sdn Bhd (formerly known as Ikatan Murni Sdn Bhd) as an Engineer where he was involved in design, quality control, engineering and production works. He was later promoted to Engineering Manager in September 1994 where he was in charge of design, production, quality control of pressure vessels, heat exchanger and miscellaneous steel fabrication works.

In May 1996, he co-founded Kawan Engineering (then known as Kawan Dynamic Engineering Sdn Bhd) to carry on the business as fabricator and installer of boiler making, pressure vessel, process and storage tanks, wastewater, piping, mechanical & electrical works, structural and civil works. The other founding shareholders and directors were Chan Fook Kheong, Wong Heng Kuan and Kam Foong Cheng.

Lim Thou Lai left Ikatan Engineering Sdn Bhd by end of August 1996. He assumed the position of Director of Kawan Engineering in September 1996. Subsequently, in 2011, he was appointed as Managing Director of Kawan Engineering.

He also holds directorships and shareholdings in several private limited companies. Please refer to Section 5.2.3(b) for further details of his directorships and shareholding in other private limited companies.

(b) Chong Hon Choong

Chong Hon Choong, a Malaysian aged 45, is our Promoter, Executive Director and Head of Department (Project). He was appointed to our Board on 26 June 2023 and has more than 22 years of experience in the engineering industry.

He obtained his Higher National Diploma in Electrical and Electronic Engineering in 2000 and Bachelor of Engineering in June 2001 from Nottingham Trent University, United Kingdom.

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

In October 2001, he commenced his career as the Electrical and Control Engineer at Kawan Teknik Sdn Bhd (company not related to our Group) where he was responsible for ensuring the electrical and control sections of projects are completed within the project timeline. He later joined Kawan Engineering as the Electrical Engineer in 2002 where he assumed the same responsibilities. In 2004, he was promoted to Assistant Manager (Control & Instrumentation) where he led the company to venture into a new business field in automation. He was subsequently promoted to Project Manager in 2007 where he was responsible in ensuring that projects are completed within the timeline and scope. In 2012, he was promoted to the Head of Department (Project), a role that he assumes presently, where he undertook the same responsibilities.

He does not hold any directorship or shareholding in other companies.

(c) Heng Siew Aun

Heng Siew Aun, a Malaysian aged 39, is our Promoter, Executive Director and General Manager. She was appointed to our Board on 26 June 2023 and has more than 14 years of experience in the engineering industry.

She obtained Bachelor of Engineering (Chemical) from University Putra Malaysia in June 2009. She was admitted as a Member of the Institution of Engineers, Malaysia since October 2010 and thereafter, as a Graduate Engineer of the Board of Engineers Malaysia since December 2010. She is also a registered Electrical Energy Manager with the EC since 2024.

In March 2009, she began her career as the Design Engineer at Kawan Engineering where she was involved in preparing the process and equipment design for plant and water treatment process plant as well as ensuring construction drawings meet the applicable code and standards. She left to join Unisem (M) Berhad as a Technology Development Engineer in May 2010 for 3 months. In August 2010, she joined KenEp Resources (Asia) Sdn Bhd as a Sales and Application Engineer where she was primarily involved in design and sales as well as the execution of projects. She left KenEp Resources (Asia) Sdn Bhd in October 2011.

She rejoined Kawan Engineering as a Sales and Application Engineer in November 2011 where she was responsible in preparing design calculation in fulfilling customers' requirements as well as statutory and regulatory requirements, gathering product and customer requirements, working closely with our Group's engineering and production department to ensure customer satisfaction.

In 2015, she was promoted to the Assistant Head of Department (Business) where she assisted in the overall management of the on-going business operations including meeting potential customers for the sales of products. She was later promoted to the Head of Department (Business) in 2019 where she is primarily responsible in the overall management of the on-going business operations including meeting customer acquisition and revenue growth targets. In November 2023, she was promoted to General Manager, a role that she assumes presently, where she is responsible in spearheading the growth and operations of Kawan Engineering.

She does not hold any directorship or shareholding in other companies.

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 substantial shareholders' respective shareholdings in our Company since our incorporation are as follows:

Name	As at incorporation				⁽¹⁾ Before IPO				⁽²⁾ After IPO			
	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>Promoter and substantial shareholder</u>												
Lim Thou Lai	1	100.0	-	-	422,400,000	96.0	-	-	387,900,000	70.5	-	-
<u>Promoters</u>												
Chong Hon Choong	-	-	-	-	6,160,000	1.4	-	-	⁽³⁾ 6,435,000	⁽³⁾ 1.2	-	-
Heng Siew Aun	-	-	-	-	4,840,000	1.1	-	-	⁽³⁾ 11,000,000	⁽³⁾ 2.0	-	-

Notes:

- ⁽¹⁾ Based on the share capital of 440,000,000 Shares before our IPO.
- ⁽²⁾ Based on our enlarged share capital of 550,000,000 Shares after our IPO.
- ⁽³⁾ Assuming he/she fully subscribes for his/her respective entitlements under the Pink Form Allocations.

5.1.4 Persons exercising control over the corporation

Save for our Promoters as set out in Section 5.1.1, there is no other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company.

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

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

Save for the issuance of our Shares as disclosed in Section 6.2(a), the dividends as set out in Section 12.15 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, there are no other amounts or benefits that have been paid or intended to be paid to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus.

5.2 DIRECTORS

Our Board takes note of the recommendations under the MCGG released on 28 April 2021. As at LPD, our Board has adopted all relevant recommendations of the MCGG.

5.2.1 Directors' shareholdings

The shareholdings of our Directors in our Company before and after IPO are set out below:

Name	Designation / Nationality	⁽¹⁾ Before IPO				⁽²⁾ After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Dr. Chuah Chaw Teo	Independent Non-Executive Chairman / Malaysian	-	-	-	-	⁽³⁾ 75,000	⁽³⁾ <0.1	-	-
Lim Thou Lai	Managing Director / Malaysian	422,400,000	96.0	-	-	387,900,000	70.5	-	-
Chong Hon Choong	Executive Director and Head of Department (Project) / Malaysian	6,160,000	1.4	-	-	⁽³⁾ 6,435,000	⁽³⁾ 1.2	-	-

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

Name	Designation / Nationality	⁽¹⁾ Before IPO				⁽²⁾ After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Heng Siew Aun	Executive Director and General Manager / Malaysian	4,840,000	1.1	-	-	⁽³⁾ 11,000,000	⁽³⁾ 2.0	-	-
Liew Li Ping	Independent Non-Executive Director / Malaysian	-	-	-	-	⁽³⁾ 75,000	⁽³⁾ <0.1	-	-
Loh Leng Sem	Independent Non-Executive Director / Malaysian	-	-	-	-	⁽³⁾ 75,000	⁽³⁾ <0.1	-	-
Ngoi Evon	Independent Non-Executive Director / Malaysian	-	-	-	-	⁽³⁾ 75,000	⁽³⁾ <0.1	-	-

Notes:

- (1) Based on the share capital of 440,000,000 Shares before our IPO.
- (2) Based on the enlarged share capital of 550,000,000 Shares after our IPO.
- (3) Assuming he/she fully subscribes for his/her respective entitlements under the Pink Form Allocations.

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

5.2.2 Profiles of Directors

The profiles of Lim Thou Lai, Chong Hon Choong and Heng Siew Aun are set out in Section 5.1.2. The profiles of our other Directors are as follows:

(a) Dr. Chuah Chaw Teo

Dr. Chuah Chaw Teo, a Malaysian aged 73, is our Independent Non-Executive Chairman. He was appointed to our Board on 26 June 2023.

He obtained a Bachelor of Science (Honours) from the University of Otago, New Zealand in 1975 where he was awarded the University of Otago Science Award for ranking first in class. He later obtained a Doctorate in Applied Organic Chemistry from the same university in 1979. Subsequently, he obtained a Diploma in Management from the Malaysian Institute of Management with Merit in 1988. He was a Member of the Industry Advisory Panel for Applied Chemistry Programme of Universiti Teknologi PETRONAS from 2016 to 2019. He was also a Member of the Committee set up by the Standard and Industrial Research Institute of Malaysia (now known as SIRIM Berhad) to produce a draft for Malaysian Standards Specification on natural mineral water in 1991. He has been a Fellow of Institut Kimia Malaysia since 2014.

He commenced his career as a Teaching Assistant in the Polymer Laboratory at the State University of New York, College of Environmental Science and Forestry at Syracuse, New York in 1980 where he conducted research on natural polymer. He returned to Malaysia upon completing his tenure as a Teaching Assistant in 1982 and became a lecturer at the Institut Pengajian Tinggi, Universiti Malaya where he was involved in the research of conversion of waste materials such as palm oil waste into useful products. He left Universiti Malaya in 1983.

Between 1983 and 1997, he was the Chief Chemist and General Manager of Research & Development of Yee Lee Edible Oils Sdn Bhd (a subsidiary of Yee Lee Corporation Berhad which is a major shareholder of Spritzer Bhd (a company listed on the Main Market of Bursa Securities)) where he conducted research and supervised lab operations and ensured the quality of palm oil products. In addition, he was also the Executive Director of Spritzer Bhd where he oversaw the overall management and operations of the group and research department and was involved in strategic decision making between 1994 and 2017. He was later re-designated as the Research & Development Director of Spritzer Bhd after 2017 and up to LPD.

Since 1997 and up to LPD, he also serves as Director and General Manager of Chuan Sin Sdn Bhd (a subsidiary of Spritzer Bhd) where he is responsible for the product development, quality control and improvement of their products.

He also holds directorships and shareholdings in several private limited companies. Please refer to Section 5.2.3(a) for further details of his involvement in other business outside our Group.

(b) Liew Li Ping

Liew Li Ping, a Malaysian aged 55, is our Independent Non-Executive Director. She was appointed to our Board on 26 June 2023.

She was admitted as an Associate Member of ACCA in 1994 and a Fellow Member of ACCA since 1999. She has been a member of Malaysian Institute of Accountants since 1995.

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

She also served as the Vice Chairman (Female) of Malaysian International Chamber of Commerce and Industry (MICCI) Perak Branch between 2019 and 2021 as a representative of KPMG PLT ("KPMG").

She commenced her career in 1992 as an Audit Assistant at KPMG Peat Marwick (now known as KPMG) and through the years, held capacities as Audit Manager and Audit Senior Manager of the firm. She took a career break in 2001 and returned to KPMG as the Training and Technical Consultant in 2005 where she was responsible for training and updating the firm's staff in Ipoh on technical accounting, legal, financial reporting standards requirements. She went on a further career break from 2009 to October 2010.

In November 2010, she was appointed as KPMG's Ipoh Branch Director where she was responsible for the operations for the firm's audit, tax and administration functions. Whilst holding a position as the Branch Director, she was also the Audit Director for various audit engagements in KPMG. In 2015, she was promoted to Audit Executive Director of KPMG until her early retirement in 2022.

During her tenure of more than 23 years at KPMG, she has gained extensive experience in audit and special engagements in diversified industries, among others, plantation, pharmaceutical and healthcare, cement, industrial products, consumer products, transport, electronics, technology, education, port and bulk terminals and property development industries.

Please refer to Section 5.2.3(c) for further details of her involvement in other business outside our Group.

(c) Loh Leng Sem

Loh Leng Sem, a Malaysian aged 56, is our Independent Non-Executive Director. He was appointed to our Board on 26 June 2023.

In 1992, he obtained a Bachelor of Mechanical Engineering from the Universiti Teknologi Malaysia. He was registered as a Member of the Institution of Engineers, Malaysia from 1998 to 2001.

He commenced his career as an Application Engineer at SKF Malaysia Sdn Bhd in 1992 where he supported the company's clients in bearing application such as conducting fixing and training works at the clients' sites up to his resignation in April 1994. In May 1994, he joined Malaysia Workshop LLP as a Project Engineer where he supervised quality, safety and progress of projects until 1995. Subsequently, he joined Miya Engineering (M) Sdn Bhd in 1996 as Project Engineer where he undertook the same responsibilities. In 1998, he was promoted to Project Manager (Mechanical & Electrical Engineering) where he oversaw all departments' project work and progress. He left Miya Engineering (M) Sdn Bhd in 2000. In 2000, he co-founded Kawan Teknik Sdn Bhd where he was involved in the capacity of a shareholder and a Project Manager in supervising the quality, safety and progress of projects. Due to differing visions for the future directions of Kawan Teknik Sdn Bhd, he left the company in April 2003.

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

In May 2003, he joined McQuay International Inc, as a Project Manager where he was involved in the setting up of a factory in Wuhan, China. Upon completion of his contractual tenure, he left McQuay International Inc in March 2005. He joined AECOM Ltd as a Technical Director at the Department of Project Management / Construction Management in April 2005 where he supervised the quality, safety and progress of projects. He left the company in March 2023 and joined Shanghai Fayi Project Management Ltd Company (上海法谊工程项目管理有限公司) in April 2023 as Technical Director where he is responsible for providing technical guidance and supervising projects.

As at LPD, he does not hold any directorship or shareholding in other companies. Please refer to Section 5.2.3(d) for further details of his past involvement in business activities outside our Group.

(d) Ngoi Evon

Ngoi Evon, a Malaysian aged 36, is our Independent Non-Executive Director. She was appointed to our Board on 26 June 2023.

She obtained a Bachelor of Laws from Aberystwyth University, United Kingdom in 2011. She later completed her Bar Professional Training Course from City University, London in 2012. In the same year, she was called to the Bar of the High Court of England and Wales and was admitted as a Barrister-at-Law at Lincoln's Inn, London. She was admitted as an Advocate and Solicitor with the High Court of Malaya and became a Member of the Bar Council Malaysia since 2013.

She commenced her career as a pupil in Skrine in 2013 and continued her career at Skrine as a Legal Assistant between February 2014 and June 2014 where she conducted legal research, drafting works and assisted in hearings at all levels of the Malaysian courts. Upon relocating to Ipoh, she joined Leong & Tan as a Legal Associate in July 2014 where she was involved, mainly in corporate advisory works including providing legal opinions on various legal topics across an array of industries and conducted hearings. She left Leong & Tan in 2021. In 2022, she joined Christopher Yeo & KP Chang as a Legal Associate. She established and continues to run the Ipoh branch, where she is involved in corporate advisory work.

Since 2013, she is also involved in her family business, a skincare and healthcare distribution company known as Eltean Incorporated Sdn Bhd. As its shareholder and director, she is actively involved in negotiations and management of importation, marketing and distribution of international dermatological cosmetic brands.

Please refer to Section 5.2.3(e) for further details of her involvement in other business outside our Group.

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

5.2.3 Principal business performed outside our Group

Details of our Directors' involvement in principal business activities and directorships outside our Group as at LPD ("**Present Involvements**") and in the past 5 years preceding LPD ("**Past Involvements**") are set out below:

(a) Dr. Chuah Chaw Teo

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<u>Present Involvements</u>					
Angenet Sdn Bhd (wholly-owned subsidiary of Spritzer Bhd (listed on Main Market of Bursa Securities))	Manufacturing and selling of bottled water	Director	12 February 2001 / -	-	-
Spritzer Ecopark Sdn Bhd (wholly-owned indirect subsidiary of Spritzer Bhd (listed on Main Market of Bursa Securities))	Operator of a mini golf course and recreational park	Director	30 April 2003 / -	-	-
Golden Pet Industries Sdn Bhd (wholly-owned subsidiary of Spritzer Bhd (listed on Main Market of Bursa Securities))	Manufacturing and selling of PET preforms, pet bottles, caps, toothbrushes and other plastics goods	Director	21 November 1984 / -	-	-
Cranberry (M) Sdn Bhd	Manufacturing and sales of latex gloves	Director	9 June 1988 / -	-	-

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

Company	Principal activities	Position held	Date of appointment / Date of cessation	% of shareholdings held	
				Direct	Indirect
Pet Master Sdn Bhd (wholly-owned indirect subsidiary of Spritzer Bhd (listed on Main Market of Bursa Securities))	Manufacturing and selling of PET preform	Director	30 June 1997 / -	-	-
Chuan Sin Sdn Bhd (wholly-owned subsidiary of Spritzer Bhd (listed on Main Market of Bursa Securities))	Production and sale of natural mineral water, carbonated flavoured water, distilled water, drinking water and non-carbonated flavoured water	Director	15 December 2017 / -	-	-
Phytogaia Sdn Bhd	Export and import of pharmaceutical and medical goods; export and import of bio-diesel products; manufacture of biotech pharmaceuticals	Director / Shareholder	30 April 2021 / -	100.0	-
Malaysian Recycling Alliance Berhad (a public company limited by guarantee)	To engage with the relevant Governmental authorities and municipalities to promote policies and initiatives to increase collection and recycling rate of post-consumer packaging waste in Malaysia	Alternate Director	16 June 2023 / -	-	-

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

Company	Principal activities	Position held	Date of appointment / Date of cessation	% of shareholdings held	
				Direct	Indirect
Uniyelee Sdn Bhd	Investment holding in shares	Shareholder	-	0.4	-
Unikampar Credit and Leasing Sdn Bhd	Hire purchase, lease financing, and investment holding	Shareholder	-	0.1	-
<u>Past Involvements</u>					
Hovid Berhad	Manufacture of pharmaceutical and herbal products	Director	22 December 2004 / 31 March 2019	-	-
Attest Research Sdn Bhd	Research and development of pharmaceutical products including formulation development; technology transfer and stability study of drug products. To carry on the business of institutions of clinical research and establish research centre or hospital	Director	29 November 2013 / 31 March 2019	-	-
Allpac Solutions Sdn Bhd	Manufacture of plastic articles for the packing of goods for the pharmaceuticals and other industries	Director	29 November 2013 / 31 March 2019	-	-

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

Company	Principal activities	Position held	Date of appointment / Date of cessation	% of shareholdings held	
				Direct	Indirect
Javid Sdn Bhd	Investment holding in property with no other intended principal activities	Director	29 November 2013 / 31 March 2019	-	-
Abiotide Sdn Bhd	Production of peptides and active ingredient for pharmaceutical products	Director	29 November 2013 / 31 March 2019	-	-
Hovid Pharmacy Sdn Bhd	Trading of medical supplies, pharmaceutical and consumer products	Director	29 November 2013 / 31 March 2019	-	-
Hovid Nutriworld Sdn Bhd	E-commerce marketing in health food products, consumer products, supplements and herbal products	Director	29 November 2013 / 31 March 2019	-	-
Carotech Bio-Vits Sdn Bhd	Dormant with no intended activity (wound up on 18 June 2019)	Director	25 June 2013 / 18 June 2019	-	-

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

(b) Lim Thou Lai

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<u>Present Involvements</u>					
ADV Systems Sdn Bhd	Repairs of machinery, metal works, iron foundry and mechanical (Inactive since January 2023) ⁽¹⁾	Director / Shareholder	1 June 2018 / -	70.0	-
Periforce Asia Sdn Bhd	Dormant with no intended activities ⁽¹⁾	Director / Shareholder	20 April 2021 / -	67.0	-
<u>Past Involvements</u>					
Engecrol Moditech Pacific) Sdn Bhd	(Asia Trading and services of machinery and also engaged in the business of commissioning of turbine machinery	Director / Shareholder	30 August 2018 / 15 May 2023	⁽²⁾ 55.0	-

Notes:

- ⁽¹⁾ The company is in the process of striking off, which is expected to be completed by second quarter of 2024.
- ⁽²⁾ Lim Thou Lai had on 22 June 2023, transferred his entire 55.0% equity interest in Engecrol Moditech (Asia Pacific) Sdn Bhd to a non-related party, namely Ravintheran A/L S. Gunasegaran.

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

(c) Liew Li Ping

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<u>Present Involvements</u>					
Wonderbiz 29 PLT	Event management	Partner	3 April 2023 / -	-	-
TMK Chemical Bhd	Trading and acting as marketing agent for industrial and specialty chemicals, fertilisers and other related products	Director	6 October 2023 / -	-	-
<u>Past Involvements</u>					
Nil					

(d) Loh Leng Sem

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<u>Present Involvements</u>					
Nil					
<u>Past Involvements</u>					
Gencell DNA Sdn Bhd	Administrative health care services (struck off on 5 August 2019)	Director / Shareholder	21 December 2017 / 5 August 2019	51.0	-

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**(e) Ngoi Evon**

<u>Company</u>	<u>Principal activities</u>	<u>Position held</u>	<u>Date of appointment / Date of cessation</u>	<u>% of shareholdings held</u>	
				<u>Direct</u>	<u>Indirect</u>
<u>Present Involvements</u>					
Eltean Incorporated Sdn Bhd	Distribution of skincare and healthcare	Director / Shareholder	28 November 2013 / -	20.0	-
<u>Past Involvements</u>					
Walla Enterprise Sdn Bhd	Operating of boutique hotel	Director	1 April 2015 / 7 December 2020	-	-

As at 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 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. Additionally, the involvement of our Managing Director in those business activities does not require significant amount of time, and hence does not affect his ability to perform his executive roles and responsibilities to our Group.

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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 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 15.3 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 2021 to 2024 are as follows:

	<u>Directors' fees</u>	<u>Salaries</u>	<u>Bonuses</u>	<u>Other emolument</u>	<u>Benefits-in-kind</u>	<u>Total</u>
	RM'000					
FYE 2021 (Paid)						
Lim Thou Lai	-	216	4	30	24	274
Chong Hon Choong	-	132	6	20	13	171
Heng Siew Aun	-	129	6	21	5	161
FYE 2022 (Paid)						
Lim Thou Lai	-	221	9	28	11	269
Chong Hon Choong	-	142	6	26	22	196
Heng Siew Aun	-	142	6	19	5	172
FYE 2023 (Paid)						
Dr. Chuah Chaw Teo	-	-	-	*	-	*
Lim Thou Lai	-	240	10	31	9	290
Chong Hon Choong	-	151	7	24	24	206
Heng Siew Aun	-	153	7	21	12	193
Liew Li Ping	-	-	-	*	-	*
Loh Leng Sem	-	-	-	*	-	*
Ngoi Evon	-	-	-	*	-	*

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

	<u>Directors' fees</u>	<u>Salaries</u>	<u>Bonuses</u>	<u>Other emolument</u>	<u>Benefits-in-kind</u>	<u>Total</u>
	<u>RM'000</u>					
FYE 2024 (Proposed)						
Dr. Chuah Chaw Teo	(1)17	-	-	3	-	20
Lim Thou Lai	-	240	-	31	9	280
Chong Hon Choong	-	151	-	26	24	201
Heng Siew Aun	-	153	-	22	12	187
Liew Li Ping	(1)17	-	-	3	-	20
Loh Leng Sem	(1)17	-	-	3	-	20
Ngoi Evon	(1)17	-	-	3	-	20

Notes:

* Less than RM1,000.

(1) The Independent Non-Executive Directors' fees will be determined upon the date of our Listing. Such Directors' fees will be subject to shareholders' approval at a general meeting pursuant to Section 230 of the Act.

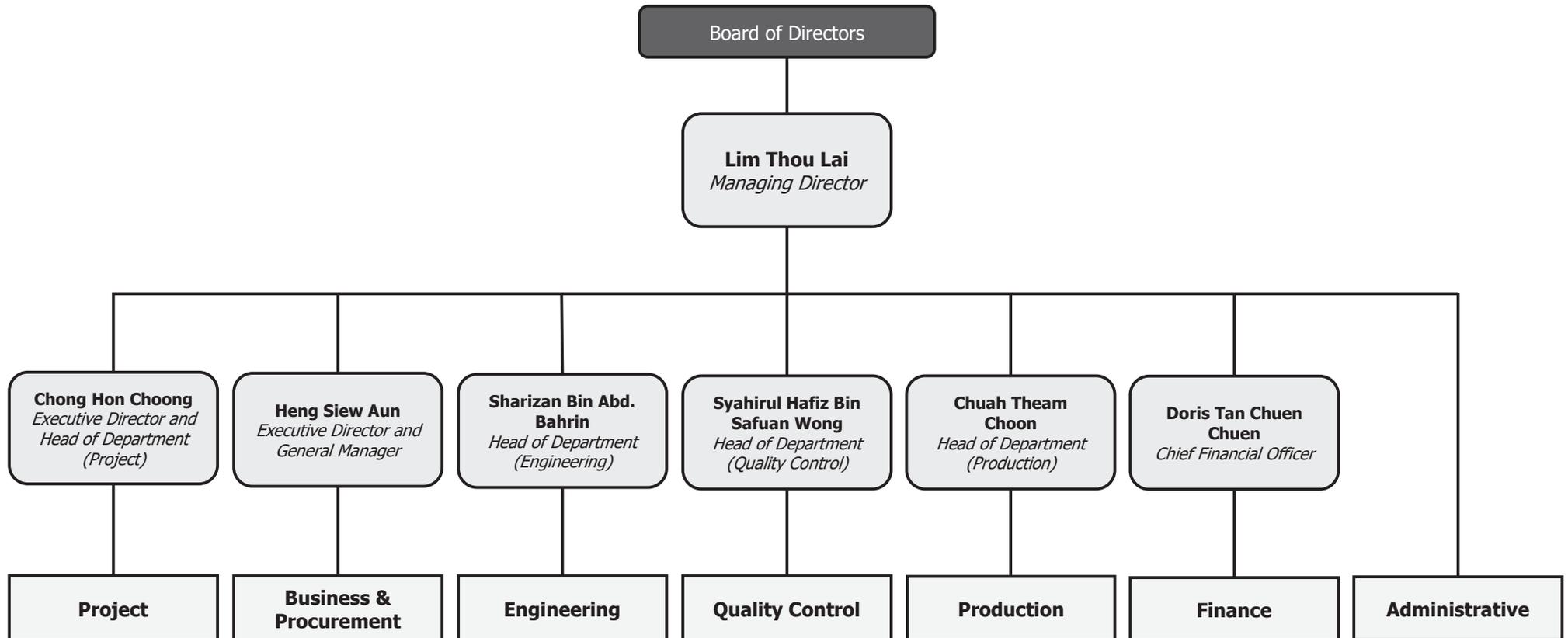
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5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (*Cont'd*)

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 IPO, save for our Executive Directors (including our Managing Director), which are disclosed in Sections 5.1.1 and 5.2.1, assuming that they will fully subscribe for their respective entitlements under the Pink Form Allocations are set out below:

Name	Designation / Nationality	⁽¹⁾ Before IPO				⁽²⁾ After IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	%	No. of Shares	%
Doris Tan Chuen Chuen	Chief Financial Officer / Malaysian	-	-	-	-	⁽³⁾ 650,000	⁽³⁾ 0.1	-	-
Sharizan Bin Abd. Bahrin	Head of Department (Engineering) / Malaysian	-	-	-	-	⁽³⁾ 2,172,500	⁽³⁾ 0.4	-	-
Syahirul Hafiz Bin Safuan Wong	Head of Department (Quality Control) / Malaysian	-	-	-	-	⁽³⁾ 175,000	⁽³⁾ <0.1	-	-
Chuah Theam Choon	Head of Department (Production) / Malaysian	-	-	-	-	⁽³⁾ 175,000	⁽³⁾ <0.1	-	-

Notes:

- (1) Based on the share capital of 440,000,000 Shares before our IPO.
- (2) Based on the enlarged share capital of 550,000,000 Shares after our IPO.
- (3) Assuming he/she fully subscribes for his/her respective entitlements under the Pink Form Allocations.

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

5.3.3 Profiles of key senior management

Save for the profiles of Lim Thou Lai (our Managing Director), Chong Hon Choong (our Executive Director and Head of Department (Project)) and Heng Siew Aun (our Executive Director and General Manager), which are set out in Section 5.1.2, the profile of the other key senior management of our Group are as follows:

(a) Doris Tan Chuen Chuen

Doris Tan Chuen Chuen, a Malaysian aged 53, is our Chief Financial Officer. She has more than 20 years of experience in accounting and finance via her involvement in various companies.

She obtained her Diploma in Commerce (Financial Accounting) from Tunku Abdul Rahman College in 1995. She was admitted as Chartered Accountant by ACCA since 1999, Fellow Member of ACCA since 2016 and a Public Accountant by the Malaysian Institute of Accountants since 1999.

She began her career with Azman, Wong, Salleh & Co as an Audit Assistant in 1995 where she carried out audit work and reported to audit seniors and managers. Subsequently, in 1998, she was promoted as the Audit Senior where she led the audit team in conducting audit on various industries which include manufacturing, banking, trading and plantation. In 2000, she joined Malaysia British Assurance Berhad (now known as Allianz Malaysia Berhad, a company listed on Main Market of Bursa Securities) as the Finance Senior Executive where she was involved in financial planning and budget. She left in 2001 to move back to Ipoh to take a career break.

In 2004, she continued her career as an Internal Auditor in Seal Polymer Industries Berhad where she established the internal audit department. In 2007, she left Seal Polymer Industries Berhad to join Uniko Calcium Carbonate Industry Sdn Bhd as an Accountant where she was responsible for its finance and accounts matters.

In 2008, she joined Hovid Berhad as the Accountant where she oversaw the finance department and was involved in financial planning and budgeting for local and overseas subsidiaries of Hovid Berhad. She was promoted to Finance Manager of Carotech Berhad, a former subsidiary of Hovid Berhad in 2011 where she held similar responsibilities and worked with financial institutions to manage the debt restructuring of Carotech Berhad.

In 2015, she left Carotech Berhad and joined ExcelVite Sdn Bhd as Finance Manager where she assumed overall responsibility for the company's finance department. In 2017, she left to join Bekaert Ipoh Sdn Bhd as the Head of Finance where she managed the finance department, overseeing financial planning, budgeting, and treasury activities. Additionally, she was also involved in controlling plant and operational costs as well as managing regional transfer pricing activities and transactions.

In 2019, she left Bekaert Ipoh Sdn Bhd to join Kawan Engineering as the Chief Financial Officer where she is primarily responsible in overseeing finance functions, managing financial planning and budgeting, enhancing monitoring and collection systems, implementing cost-saving initiatives, and driving improved cost awareness.

She does not hold any directorship or shareholding in other companies.

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

(b) Sharizan Bin Abd. Bahrin

Sharizan Bin Abd. Bahrin, a Malaysian aged 45, is our Head of Department (Engineering). He has 22 years of experience in the engineering industry.

He completed Sijil Pelajaran Malaysia (SPM) in 1996 at Sekolah Menengah Doktor Megat Khas, Ipoh. Over the years, he has attended and completed the following professional courses:

- 2008: PVElite New User Product Training (Pressure Vessel & Exchanger Analysis) course organized by EDS Asia Sdn Bhd;
- 2014: AUTOCAD Plant 3D 2014 Essentials course with Man Sketch Technologies Sdn Bhd;
- 2017: Inventor Professional Essentials 2018 by Autodesk; and
- 2022: ASME Section 1 conducted by ABS Consulting (M) Sdn Bhd.

In 1996, he started his career as a part time employee in Rekabina Alam Enterprise where he learnt AutoCAD software for architecture drawings. He then left to join Lysaght Corrugated Pipe Sdn Bhd in February 1997 as a General Worker where he was involved in the cleaning of steel for galvanising processes. In September 1997, he rejoined Rekabina Alam Enterprise as Draughtsman where he was involved in architecture drawings. He left Rekabina Alam Enterprise in September 1999 and joined the Royal Malaysian Navy as a recruit in October 1999 for one month. He returned to Rekabina Alam Enterprise in 2000 as Junior Site Supervisor and Draughtsman where he supervised semi-detached housing projects and was also involved in architecture drawings.

In 2001, he joined IAC Electricals (M) Sdn Bhd as the Production Clerk and Production Planner, responsible for planning fabrication and overseeing tower assembly. In 2003, he moved to Kawan Engineering as the Assistant Design Engineer, tasked with creating construction drawings based on order specifications. He was subsequently promoted to Design Executive in 2004, continuing to handle these responsibilities while also supervising the team's drawings. From 2006 to 2008, he advanced from Assistant Design Engineer to Design Executive, assuming similar responsibilities. In 2012, he was promoted to Assistant Head of Department (Engineering) at Kawan Engineering, where he supervised construction drawings, team drawings, engineering calculations (such as automated analysis and design of pressure vessels and heat exchangers to ensure the structural integrity and compliance with industry codes and standards), order monitoring, and delegation of design tasks. In 2014, he further progressed to become the Head of Department (Engineering), a role that he assumes presently, maintaining similar responsibilities.

He does not hold any directorship or shareholding in other companies.

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

(c) Syahirul Hafiz Bin Safuan Wong

Syahirul Hafiz Bin Safuan Wong, a Malaysian aged 28, is our Head of Department (Quality Control).

He obtained a Diploma in Mechanical Engineering from the Universiti Teknologi MARA in December 2017. In 2022, he was awarded the Certificate of Proficiency by TWI Certification Ltd certifying that he has demonstrated proficiency in fusion welding inspection as a Welding Inspector in accordance with the Certification Scheme for Personnel (CSWIP) requirements.

He commenced his career as the Quality Control Inspector at Kawan Engineering in July 2017 where he was responsible in daily inspection on incoming materials, implementation of correction action on non-conforming materials, daily inspection on work in progress and finished goods, calibration on the measurement and test of equipment and coordinating welder testing facilities and maintaining welder qualification records. In 2020, he was promoted to Quality Control Lead where he primarily led the quality control team to ensure that projects are constructed, tested, inspected, and documented in accordance with the project specifications. He was later promoted to Quality Control Manager in 2022 where he ensured that the project is constructed, tested, inspected, and documented in accordance with the project specifications. He was also responsible for quality control in areas such as materials management, subcontractors, document controls, discrepancy control and system acceptance. In 2023, he was promoted to the Head of Department (Quality Control), a role that he assumes presently, where he assumed similar responsibilities.

He does not hold any directorship or shareholding in other companies.

(d) Chuah Theam Choon

Chuah Theam Choon, a Malaysian aged 50, is our Head of Department (Production). He has more than 20 years of experience in the engineering industry.

He obtained a Diploma of Electro-Mechanical Engineering from Linton Institute of Technology Ipoh in November 1995. He also obtained a Certificate of Attendance where he has completed the course on Certificate in Safety and Health Officer in February 2003 issued by the FMM Institute of Manufacturing. Subsequently, he completed a training course for ASME "U" Certificate of Authorisation by the Llyod's Register Technical Services Sdn Bhd in May 2003.

He began his career with Ikatan Engineering Sdn Bhd in December 1995 as the Coordinator where he was in charge of production fabrication works. He was later promoted to Supervisor in 1998 where he was responsible for the production fabrication workers, supervising workers, monitoring work orders and arranging the delivery of products. In February 2003, he was promoted to Works Manager where he held similar responsibilities.

In 2013, he left to join Kawan Engineering as the Assistant Head of Department (Production) where he was involved in purchasing requisition of raw materials, fabrication and delivery arrangement and maintenance of machinery. He was later promoted as the Head of Department (Production) in 2014, a role that he assumes presently, where he is primarily responsible for delivery arrangement, maintenance of machinery, supervision of subcontractors and production team.

He does not hold any directorship or shareholding in other companies.

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

5.3.4 Principal business performed outside our Group

Save for our Executive Directors as disclosed in Section 5.2, none of our key senior management has any principal directorship and/or principal business activities performed outside our Group as at LPD and in the past 5 years preceding the LPD.

5.3.5 Key senior management remuneration and benefits

The remuneration of our key senior management including salaries, bonuses, allowances, 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 and proposed to be paid to our key senior management (save for our Promoters and Directors which are disclosed in Section 5.2.4) for services rendered in all capacities to our Group for FYE 2022 and 2024 are as follows:

	⁽¹⁾ Remuneration band		
	FYE 2022 (Paid)	FYE 2023 (Paid)	⁽²⁾ FYE 2024 (Proposed)
	RM'000		
Doris Tan Chuen Chuen	200 – 250	200 – 250	200 – 250
Sharizan Bin Abd. Bahrin	50 – 100	50 – 100	50 – 100
Syahirul Hafiz Bin Safuan Wong	50 – 100	50 – 100	50 – 100
Chuah Theam Choon	50 – 100	50 – 100	50 – 100

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 performance as well as our Group's performance.

5.4 BOARD PRACTICE

5.4.1 Board

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

- to provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- to review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- to review and adopt corporate governance best practices throughout our Group in all our business dealings in respect of our shareholders and other stakeholders and to ensure compliance with applicable laws and regulations;

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

- (d) to ensure that our Group has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the MCCG;
- (e) to review and approve our Group's annual business plans, annual budget, financial statements and annual reports;
- (f) to monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or effective shareholders' communications policy for our Group;
- (g) to ensure that senior management has the necessary skills and experience, and there are measures in place to provide for the orderly succession of board and senior management;
- (h) to ensure the integrity of our Group's financial and non-financial reporting; and
- (i) to appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

In accordance with our Constitution, an election of Directors shall take place each year. At the first AGM of our Company, all our Directors shall retire from office, and at the AGM in every subsequent year, one-third (1/3) of the Directors for the time being or, if their number is not 3 or a multiple of 3, then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election provided always that all Directors shall retire from office at least once in every 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 whether adjourned or not.

As at LPD, the details of the 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 office are as follows:

Name	Date of appointment as Director	Date of expiration of the current term in office	Approximate tenure in office as at LPD
Dr. Chuah Chaw Teo	26 June 2023	At the 2025 AGM of our Company	Less than 1 year
Lim Thou Lai	26 October 2022	At the 2025 AGM of our Company	1 year 4 months
Chong Hon Choong	26 June 2023	At the 2026 AGM of our Company	Less than 1 year
Heng Siew Aun	26 June 2023	At the 2026 AGM of our Company	Less than 1 year
Liew Li Ping	26 June 2023	At the 2027 AGM of our Company	Less than 1 year
Loh Leng Sem	26 June 2023	At the 2027 AGM of our Company	Less than 1 year
Ngoi Evon	26 June 2023	At the 2027 AGM of our Company	Less than 1 year

The members of our Board are set out in Section 5.2.

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

5.4.2 Audit and Risk Management Committee

The main function of our Audit and Risk Management Committee is to assist our Board in fulfilling its responsibility on the oversight of the integrity of our Group's accounting and financial reporting matters. Our Audit and Risk Management Committee's duties and responsibilities as stated in its terms of reference include, amongst others, the following:

- (a) to review the following and report the same to our Board:
 - (i) the external audit plan, nature, scope and plan of the audit before audit commences and ensure co-ordination where more than one audit firm is involved;
 - (ii) any significant audit findings, reservations, difficulties encountered or material weaknesses reported by the external auditors;
 - (iii) the external audit report;
 - (iv) the assistance given by our Company's employees to the external auditors, including any difficulties or disputes with management encountered during the audit;
 - (v) the annual evaluation of the performance of the external auditors, including the suitability, objectivity and independence of the external auditors which takes into consideration the following and undertaking follow-up measures, where required:
 - (aa) the external auditors' ability to meet deadlines in providing services and responding to issues in a timely manner as contemplated in the external audit plan;
 - (bb) the competence, audit quality and resource capacity of the external auditors in relation to the audit; and
 - (cc) the nature and extent of the non-audit services tendered and the appropriateness or the level of fees;
 - (vi) written assurance from the external auditors confirming that they are, and have been independent through the conduct of the audit engagement in accordance with the terms of all relevant professional and regulatory requirements;
- (b) to approve non-audit service before they are rendered by the external auditors and its affiliates while taking into account the nature and extent of the non-audit services and the appropriateness of the level of fees. The Audit and Risk Management Committee should avoid situations where the audit firm inadvertently assumes the responsibilities of management in the course of providing non-audit services. Such a situation may be a breach of the independence requirements on the part of the audit firm.

In the event that the non-audit fees paid to our Company's external auditors, or a firm or corporation affiliated to the external auditors' firm are significant, i.e. constitute 50% of the total amount of audit fees paid to our Company's external auditors, the details on the nature of non-audit services rendered shall state in the Audit and Risk Management Committee's Report;

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

- (c) to nominate and recommend the appointment or re-appointment of the external auditors, and any issues regarding resignation or dismissal of the external auditors and to review the letter of resignation from the external auditors, if applicable and report the same to our Board;
- (d) to discuss problems and reservations arising from the interim and final audits, and any matter the external and internal auditors may wish to discuss (in the absence of management, where necessary);
- (e) to review the external auditors' management letter and management's response;
- (f) to provide oversight, direction and counsel to our Group's risk management process which includes the following:
 - (i) establish our Group's Risk Management Framework based on an internationally recognised risk management framework;
 - (ii) conduct an annual review and periodic testing of our Group's Risk Management Framework. This should include any insights it has gained from the review and any changes made to its Risk Management Framework arising from the review;
 - (iii) monitor our Group and divisional level risk exposures and management of the significant financial and non-financial risks identified;
 - (iv) review our Group risk profile (including risk registers) and evaluate the risk assessments of our Group and ensure that significant risks that are outside tolerable ranges are being responded with appropriate actions taken in a timely manner;
 - (v) review the status of the implementation of management action plans in mitigating significant risks identified; and
 - (vi) review and recommend our Group's level of risk tolerance and actively identify, assess and monitor key business risks to safeguard shareholders' investments and our Group's assets;
- (g) to establish and periodically review our Group risk management guidelines and policies and ensure implementation of the objectives outlined in the policies and compliance with them;
- (h) to recommend for our Board's approval our Group's Risk Management Framework, policies, strategies, key risk indicators and risk tolerance levels, and any proposed changes thereto;
- (i) to evaluate the effectiveness of the risk management structure, processes and support system to identify, assess, monitor and manage our Group's key risks;
- (j) to review all major investment and project business cases in accordance with established thresholds in the approved Group limits of authority, focusing on the following:
 - (i) evaluate the risks associated with funding options and costs, and investment returns and making its recommendation to our Board for approval of the investment or project;

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

- (ii) advise our Board on potential risk response strategies that need to be adopted in relation to a decision to proceed with the investment or project;
 - (iii) monitor the execution / operationalisation of investments or projects and highlighting key risks to our Board as relevant;
 - (iv) review the effectiveness of risk mitigating actions post approval for major investments and projects based on Group finance assessments, and reporting the same to our Board; and
 - (v) review actual financial and operational performance of investments or projects against projected returns (i.e. return on investment, implementation timelines), and reporting the same to our Board;
- (k) to review investment proposals considered significant including:
- (i) new lines of business (defined as businesses outside existing sectors, expansion across industry value chains within current sectors and new franchises); or
 - (ii) new territories and countries (defined as expansion of existing businesses into new markets/ territories);
- (l) to review the statement on risk management and internal control for inclusion in the annual report to ensure that relevant information as prescribed in the Listing Requirements is disclosed. Disclosure in the annual report should include a discussion on how key risk areas such as finance, operations, regulatory compliance, reputation, cyber security and sustainability were evaluated and the controls in place for our Group to mitigate and manage those risks;
- (m) to review the adequacy, effectiveness and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
- (n) to do the following, in relation to the internal audit function:
- (i) review the adequacy of the scope, functions, competency and resources of the internal audit function and that it has the necessary authority to carry out its work;
 - (ii) review the internal audit programme, processes, the results of the internal audit programme, processes or investigation undertaken and where necessary, ensure that appropriate actions are taken on the recommendations of the internal auditors;
 - (iii) review any appraisal or assessment of the performance of members of the internal audit function;
 - (iv) approve any appointment or termination of the internal auditors;
 - (v) take cognisance of resignations of internal audit staff members and provide the resigning staff member an opportunity to submit his reasons for resigning;
 - (vi) investigate or cause to be investigated any activity within its terms of reference; and

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

- (vii) to have explicit authority over the resources such as professional advice and full access to information to investigate certain matters;
- (o) to discuss and review the major findings or any internal investigations and the management's response;
- (p) to ensure the internal audit function is independent of the activities it audits and the internal auditor reports directly to the Audit and Risk Management Committee. The internal auditors should have relevant qualifications and be responsible for providing assurance to the Audit and Risk Management Committee that the internal controls are operating effectively. The internal auditors will be responsible for the regular review and/or appraisal of the effectiveness of the risk management, internal control, and governance processes within our Company;
- (q) to review the adequacy and effectiveness of the risk management process to identify key original risks and the systems / processes in place to monitor and manage risks prepared by the internal auditors;
- (r) to review any related party transaction and conflict of interest situation that may arise within our Company or Group including any transaction, procedure or course of conduct that raises questions of management's integrity and the framework to be established;
- (s) to review conflict of interest situation that may arise within our Company or our Group, including any transaction, procedure or course of conduct that raises questions of management's integrity;
- (t) to ensure that our Group has adequate procedures and processes in place to monitor and track related party transactions and to review these processes;
- (u) to ensure that proper investigations are carried out, on a timely basis, for substantiated cases reported by any whistleblower to the Chairman of our Board or Chairperson of our Audit and Risk Management Committee, and report the results and conclusion of such investigations, with the appropriate cause of action shall be recommended to our Board for approval, in accordance with our Group's whistleblowing policy;
- (v) to review our Group's policies and procedures for detecting fraud;
- (w) to review the quarterly and year-end financial statements of our Group, focusing particularly on:
 - (i) any changes in or implementation of major accounting policies and practices;
 - (ii) significant matters highlighted including financial reporting issues, significant judgements made by management, significant and unusual events or transactions and how these matters are being addressed;
 - (iii) the going concern assumption; and
 - (iv) compliance with accounting standards and other legal requirements;

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

- (x) to monitor the integrity of the financial statements of our Group;
 - (i) to assess whether the financial reports represent a true and fair view of our Group's performance and ensure compliance with the regulatory requirements;
 - (ii) to ensure the competency of the accounting staff and adequacy of the resources and infrastructure of the finance function; and
 - (iii) to propose best practices on disclosure in the financial statements and the annual reports of our Group, to be in line with the recommendations set out in the MCCG and other applicable rules and regulations;
- (y) to verify the allocation of options pursuant to the share issuance scheme for employees to ensure in compliance with the criteria for allocation of options under the share issuance scheme, at the end of each financial year; and
- (z) to consider other areas as defined by our Board or as may be prescribed by Bursa Securities or any other relevant authority from time to time.

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 LPD are as follows:

Name	Designation	Directorship
Liew Li Ping	Chairperson	Independent Non-Executive Director
Loh Leng Sem	Member	Independent Non-Executive Director
Ngoi Evon	Member	Independent Non-Executive Director

Our Nominating Committee will review the composition, performance and effectiveness of our Audit and Risk Management Committee annually.

5.4.3 Nominating Committee

The duties and responsibilities as stated in the terms of reference of our Nominating Committee include the following:

- (a) to assess and recommend to our Board, the candidate for directorship, Chairman or Chief Executive Officer, based on objective criteria, merit and with due regard for diversity in skills, experience, age, cultural background and gender;
- (b) when identifying candidate for directorship, Chairman or Chief Executive Officer, aside from recommendation by the existing Board members, management or shareholders, the Nominating Committee shall utilise independent sources or any other sources to identify the suitably qualified candidate;
- (c) to assess and examine, on annual basis or as and when require, the size and composition of our Board and Board Committees, with a view to determining the impact of the number upon its effectiveness;
- (d) to ensure sufficient diversity and independence in our Board in order to achieve greater depth and breadth in the decision-making process;

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

- (e) to review on annual basis, the required mix of skills, experience, gender diversity and other qualities including core competencies which Non-Executive and Executive Directors should have;
- (f) to review on annual basis, the meeting attendance of the Directors at our Board and/or Board Committee(s) meetings and sufficiency of time commitment of the Directors in discharging their roles and responsibilities in our Company;
- (g) to review on annual basis, the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether the Audit and Risk Management Committee and members have carried out their duties in accordance with the terms of reference of the Audit and Risk Management Committee;
- (h) to assess on annual basis, the effectiveness of our Board as a whole, our Board Committee(s) and the contribution and performance of each individual Director;
- (i) to review on annual basis, the length of service each Independent Non-Executive Director and to assess their independence and ability to exercise of their independent judgement or the ability to act in the best interest of our Company;
- (j) for Independent Director whose terms have exceeded 9 years' tenure, to review his independence and if deem appropriate for continuance in the office, to provide justification to our Board for consideration;
- (k) to review on annual basis, the training programmes attended by our Directors and to identify or recommend the training needs for our Directors;
- (l) to consider and recommend the re-election of Directors who will be retiring pursuant to our Company's Articles of Association / Constitution;
- (m) to develop and continually review the succession plan for our Board, Chairman and senior management of our Company;
- (n) to consider and examine such other matters as the Nominating Committee considers appropriate; and
- (o) to consider any other matters as defined by our Board.

The recommendations of our Nominating Committee are subject to the approval of our Board. The members of our Nominating Committee as at LPD are as follows:

Name	Designation	Directorship
Ngoi Evon	Chairperson	Independent Non-Executive Director
Liew Li Ping	Member	Independent Non-Executive Director
Loh Leng Sem	Member	Independent Non-Executive Director

5.4.4 Remuneration Committee

The duties and responsibilities as stated in the terms of reference of our Remuneration Committee include the following:

- (a) to administer a fair and transparent policy or procedure for setting remuneration of Directors and senior management, which takes into account the demands, complexities and performance of our Company as well as skills and experience required. The policy or procedure shall be reviewed periodically to ensure relevance to our Group;

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

- (b) to review and assess the remuneration package of the Executive Directors and senior management in all forms, with or without other independent professional advice or other outside advice;
- (c) to ensure the level of remuneration is sufficiently attractive and be able to retain and reward our Executive Directors and senior management in order to run businesses of our Group successfully;
- (d) to ensure the level of remuneration or fee should reflect the experience and level of responsibilities undertaken by the particular Director;
- (e) to recommend to our Board the remuneration package of the Executive Directors and directors' fee and other benefits for the Non-Executive Directors;
- (f) when recommending the fee and other benefits for the Independent Directors, the Remuneration Committee shall ensure it does not conflict with the Independent Directors' obligation to bring objectivity and independent judgment on matters discussed at Board meetings;
- (g) to consider and examine such other matters as the Remuneration Committee considers appropriate; and
- (h) to consider any other matters as defined by our Board.

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

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

Name	Designation	Directorship
Loh Leng Sem	Chairperson	Independent Non-Executive Director
Liew Li Ping	Member	Independent Non-Executive Director
Ngoi Evon	Member	Independent Non-Executive Director

5.5 RELATIONSHIPS AND/OR ASSOCIATIONS

Save for Lim Thou Lai and Lim Thou Kiong being siblings, there are no family relationships (as defined under Section 197 of the Act) or associations between or amongst our Promoters, substantial shareholders, Directors and key senior management as at LPD.

For avoidance of doubt, Lim Thou Kiong is not our Promoter, substantial shareholder, Director or key senior management. Lim Thou Kiong is our Specified Shareholder and is included above for purposes of completeness.

5.6 EXISTING OR PROPOSED SERVICE AGREEMENTS

As at 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 DECLARATION FROM PROMOTERS, DIRECTORS AND KEY SENIOR MANAGEMENT

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

- (a) in the last 10 years, a petition under any bankruptcy or insolvency laws that was 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 or 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; and
- (h) has any unsatisfied judgment against him.

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6. INFORMATION ON OUR GROUP

6.1 INFORMATION ON KAWAN

Our Company was incorporated in Malaysia under the Act on 26 October 2022 as a private limited company under the name of Kawan Renergy Sdn Bhd. On 28 July 2023, we converted into a public limited company and adopted our present name.

Our Company was incorporated to facilitate our Listing and 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 LPD.

Through our subsidiaries, our Group is principally involved in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants ("**design, fabrication, installation and/or commissioning solutions**"). As an engineering solutions provider, our solutions encompass our Group's technical capability to analyse our customer's need and proactively propose suitable design solutions which are customised to meet our customers' engineering requirements. In addition to proposing design solutions, our Group's solutions also include the capability to provide in-house fabrication, installation and/or commissioning of the industrial process equipment, process plants as well as renewable energy and co-generation plants. Our business activities are further elaborated in Section 7.2.1.1. Apart from our principal business activities disclosed, we are also involved in power generation and sale of electricity through the acquisition of Magenko Group on 1 August 2022. Further details are as set out in Section 7.1.

As at LPD, our share capital is RM45,144,001 comprising 440,000,000 Shares, all of which have been issued and fully paid-up. The movements in our 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 RM
26 October 2022	1	RM1 / Ordinary	1
13 March 2024	439,999,999	RM45,144,000 / Consideration for the Acquisition	45,144,001

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

Upon completion of our IPO, our enlarged share capital will increase to RM78,144,001 comprising 550,000,000 Shares.

6.2 GROUP INTERNAL RESTRUCTURING

In preparation for our Listing, we have undertaken the Group Internal Restructuring as detailed below.

(a) Acquisition

On 13 July 2023, we entered into a conditional share sale agreement with the Kawan Engineering Vendors to acquire the entire equity interest in Kawan Engineering comprising 10,000,000 ordinary shares for a purchase consideration of RM45,144,000 which was satisfied by the issuance of 439,999,999 new Shares to Kawan Engineering Vendors at an issue price of RM0.1026 each.

6. INFORMATION ON OUR GROUP (Cont'd)

Details of Kawan Engineering Vendors and the number of Shares issued to them under the Acquisition are set out below:

Kawan Engineering Vendors	Shareholding in Kawan Engineering		Purchase consideration	No. of Shares issued
	No. of acquired	% of share capital		
			RM	
Lim Thou Lai	9,600,000	96.0	43,338,240	422,399,999
Chong Hon Choong	140,000	1.4	632,016	6,160,000
Heng Siew Aun	110,000	1.1	496,584	4,840,000
Lim Thou Kiong	150,000	1.5	677,160	6,600,000
	10,000,000	100.0	45,144,000	439,999,999

The purchase consideration for the Acquisition of RM45,144,000 was arrived based on a "willing-buyer willing-seller" basis after taking into consideration the audited NA of Kawan Engineering as at 31 October 2022 of RM45,138,488.

The Acquisition was completed on 6 March 2024. Thereafter, Kawan Engineering became our wholly-owned direct subsidiary. Accordingly, Kawan Green and Magenko Asia became our wholly-owned subsidiaries through Kawan Engineering; and Magenko Ipoh and Magenko Penang became our wholly-owned subsidiaries through Magenko Asia.

The new Shares issued under the Acquisition rank equally in all respects with our existing Shares including voting rights and will be entitled to all rights and dividends and/or other distributions, the entitlement date of which is subsequent to the date of issuance of the new Shares.

(b) Distribution

Concurrent with the Acquisition, and immediately after its completion, Kawan Engineering declared a dividend-in-specie comprising the entire equity interest it holds in Kawan Green, which amounts to RM52,206, being the audited NA of Kawan Green as at 31 October 2022.

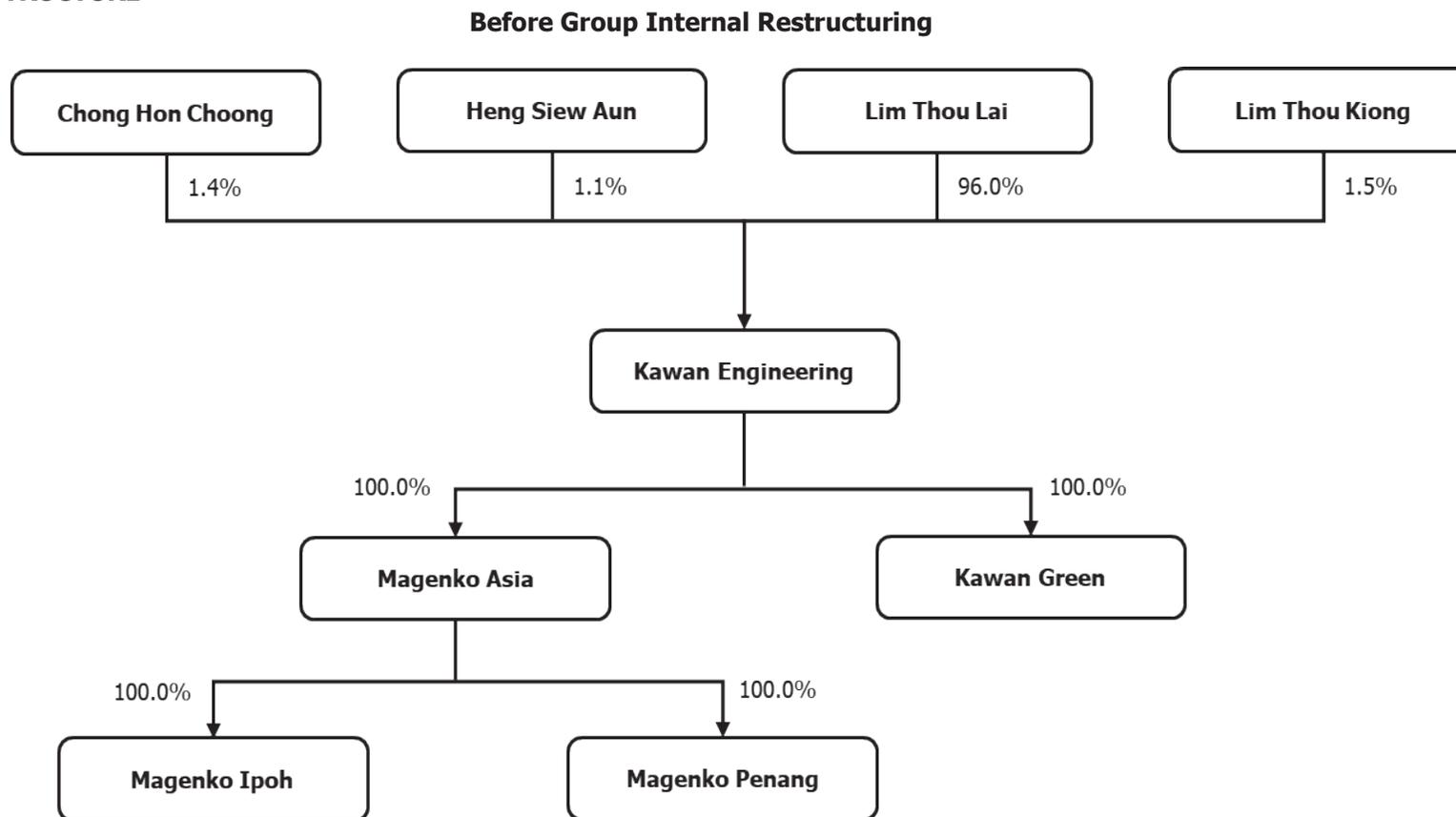
The Distribution was completed on 15 March 2024. Arising therefrom, Kawan Green became a wholly-owned direct subsidiary of Kawan.

The Distribution did not involve the issuance of any new Shares by Kawan.

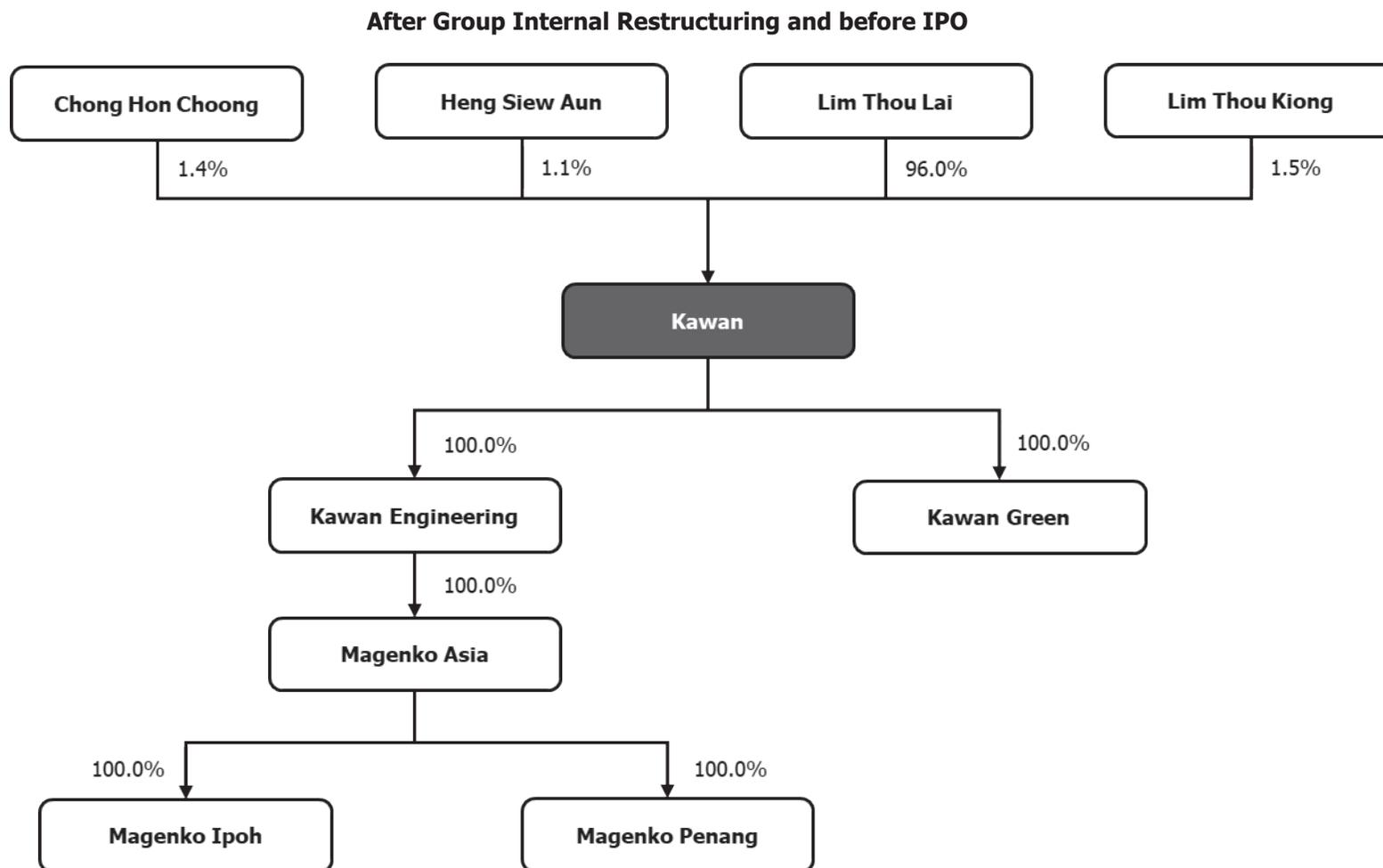
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6. INFORMATION ON OUR GROUP (Cont'd)

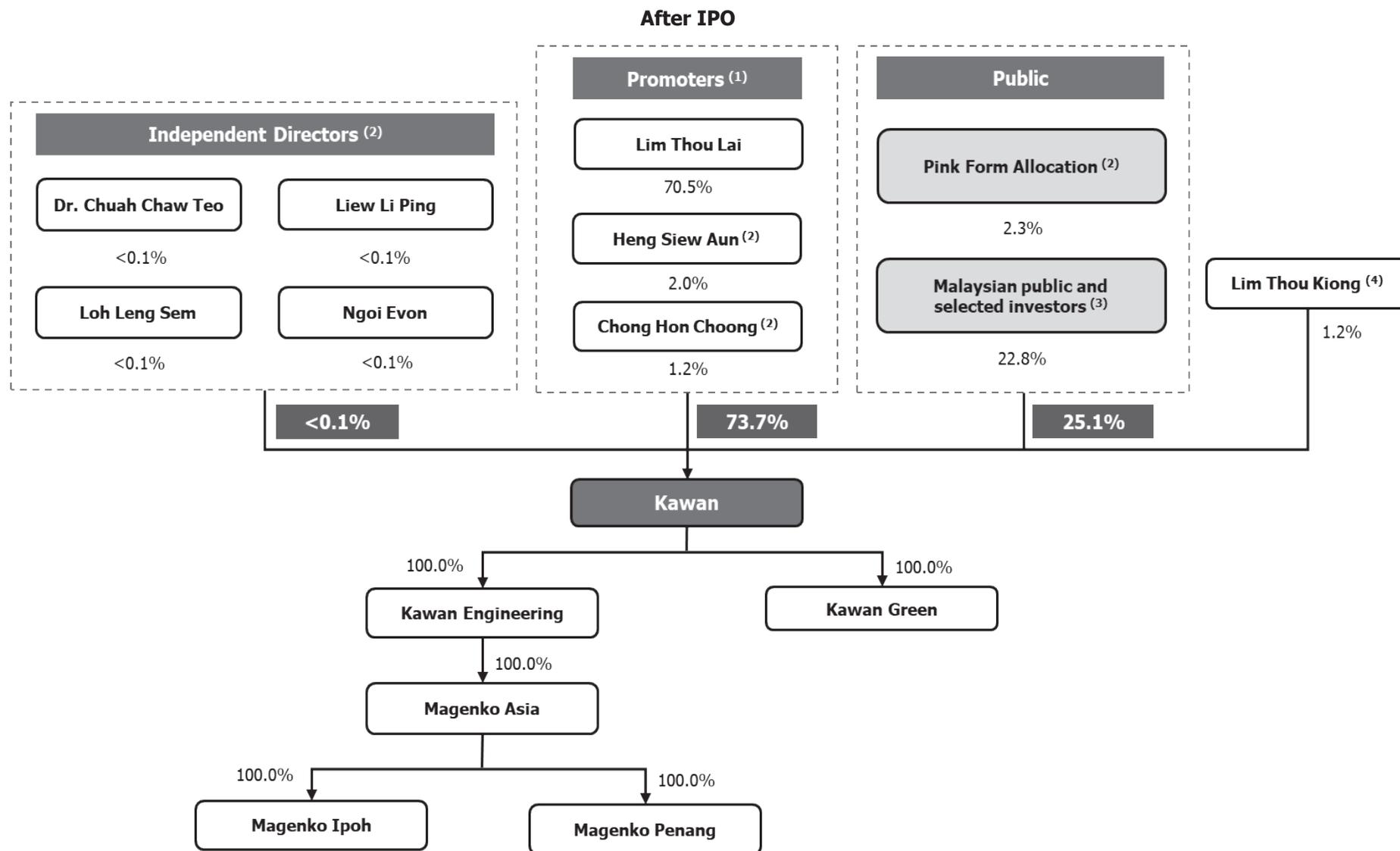
6.3 GROUP STRUCTURE



6. INFORMATION ON OUR GROUP (Cont'd)



6. INFORMATION ON OUR GROUP (Cont'd)



6. INFORMATION ON OUR GROUP *(Cont'd)*

Notes:

- (1) Promoters of our Group.
- (2) Assuming that all our eligible Directors, employees and persons who have contributed to the success of our Group will subscribe for the Pink Form Allocations.
- (3) Including Bumiputera investors approved by MITI.
- (4) Being our Specified Shareholder and brother of Lim Thou Lai (our Managing Director).

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6. INFORMATION ON OUR GROUP *(Cont'd)*

6.4 SUBSIDIARIES AND ASSOCIATED COMPANIES

Details of our subsidiaries as at LPD are summarised as follows:

Company	Date / Place of incorporation	Principal place of business	Issued share capital RM	Effective equity interest %	Principal activities
Kawan Engineering	2 May 1996 / Malaysia	Malaysia	10,000,000	100.0	Design, fabrication, installation and/or commissioning of industrial process equipment and process plants
Kawan Green	15 April 2022 / Malaysia	Malaysia	200,000	100.0	Design, fabrication, installation and/or commissioning of renewable energy and co-generation plants
<i>Held through Kawan Engineering</i>					
Magenko Asia	10 March 2011 / Malaysia	Malaysia	50,000	100.0	IPP involved in power generation and sale of electricity
<i>Held through Magenko Asia</i>					
Magenko Ipoh	10 March 2011 / Malaysia	Malaysia	100,000	100.0	IPP involved in power generation and sale of electricity
Magenko Penang	10 March 2011 / Malaysia	Malaysia	100,000	100.0	Dormant. Intended as IPP involved in power generation and sale of electricity

Details of the share capital of our subsidiaries are set out in Section 15.2.

As at LPD, we do not have any associated company.

6. INFORMATION ON OUR GROUP (Cont'd)**6.5 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 for FYE 2020 to 2023 and up to LPD:

- (a) Sale and purchase agreement dated 1 April 2022 between Jih Her Plastic Sdn Bhd (as vendor) and Kawan Engineering (as purchaser) for the acquisition of Factory 3 for a total cash consideration of RM8,000,000 which was completed on 5 August 2022;
- (b) Sale and purchase agreement dated 12 March 2021 between Tan Kim Hong (as vendor) and Kawan Engineering (as purchaser) for the acquisition of a condominium unit held under title master title Geran 98393, Lot 148798, Bandar Ipoh, Daerah Kinta, Negeri Perak, bearing postal address C-10-09, Kondominium Kelab Golf, Jalan Kelab Golf, 30350 Ipoh, Perak for a total cash consideration of RM730,000 which was completed on 15 July 2021;
- (c) Sale and purchase agreement dated 12 March 2021 between Tan Kim Hong and Lim Thou Lai (as vendors) and Kawan Engineering (as purchaser) for the acquisition of a condominium unit held under strata title Geran 12046/M5/T6/P250, Lot 9342 S, Bandar Ipoh, Daerah Kinta, Negeri Perak, bearing postal address B-5-3A, Jalan Chin Hwa, Damaipuri Kondominium, 30250 Ipoh, Perak for a total cash consideration of RM650,000 which was completed on 28 April 2021;
- (d) Shares transfer and sales agreement dated 1 November 2021 between Magenko Asia and the then shareholders of Magenko Asia, namely Matthew Costas Los, Nicholas John Frangos and Ong Hock Keat (as vendors) and Kawan Engineering (as purchaser) for the acquisition of Magenko Asia for a total cash consideration of RM50,000 which was completed on 1 August 2022 as well as the settlement of up to RM1,150,000 of outstanding amounts owed to the creditors of Magenko Asia.

Matthew Costas Los and Nicholas John Frangos are non-Malaysian citizens. They were directors of Magenko Asia since May 2011 and had resigned in August 2019. In the same year, they, together with Ong Hock Keat (director of Magenko Asia from April 2017 to May 2022), decided to dispose their shares as they intended to exit the business. Matthew Costas Los and Nicholas John Frangos had verbally authorised the directors of Magenko Asia at that point in time, namely Rosman Bin Tahir and Ong Hock Keat, to do all things necessary for the disposal of their shares in Magenko Asia including entering into and executing the shares transfer and sales agreement. Thereafter, Ong Hock Keat resigned as director in May 2022. Matthew Costas Los and Nicholas John Frangos had also subsequently executed the relevant share transfer forms (and witnessed by an attorney-at-law in Greece as that was their then country of residence) on 1 August 2022 for the disposal of their shares.

Separately, as part of the terms and conditions of the shares transfer and sales agreement, Magenko Ipoh had obtained the approvals from SEDA and the EC on 21 January 2022 and 31 May 2022 respectively for the transfer of shares;

- (e) Conditional sale and purchase agreement dated 13 July 2023 between our Company and Kawan Engineering Vendors for the Acquisition, which was completed on 6 March 2024;

6. INFORMATION ON OUR GROUP (Cont'd)

- (f) Sale and purchase agreement dated 25 July 2023 between Kawan Engineering (as vendor) and Loh Kok Hong @ Loh Hou Kong (as purchasers) for the disposal of a condominium unit held under master title Geran 98393, Lot 148798, Bandar Ipoh, Daerah Kinta, Negeri Perak, bearing postal address C-10-09, Kondominium Kelab Golf, Jalan Kelab Golf, 30350 Ipoh, Perak for a total cash consideration of RM720,000 which was completed on 17 November 2023;
- (g) Sale and purchase agreement dated 24 January 2024 between Kawan Engineering (as vendor) and Teoh Tze Ching and Kong Yoke Kuan (as purchasers) for the disposal of a condominium unit held under strata title Geran 12046/M5/T6/P250, Lot 9342 S, Bandar Ipoh, Daerah Kinta, Negeri Perak, bearing postal address B-5-3A, Jalan Chin Hwa, Damaipuri Kondominium, 30250 Ipoh, Perak for a total cash consideration of RM536,000 which was completed on 25 March 2024; and
- (h) Underwriting agreement dated 3 April 2024 between our Company and M & A Securities for the underwriting of 46,750,000 Issue Shares for an underwriting commission of 3.0% of the IPO Price multiplied by the number of Issue Shares underwritten.

6.6 PUBLIC TAKE-OVERS

During the last financial year and the current financial year up to LPD, there were:

- (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)*

6.7 MAJOR APPROVALS AND LICENCES

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

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
(a)	Kawan Engineering (For Factory 1)	MITI / A 018010	8 February 2011 / 15 December 2010 / Valid until revoked	Manufacturing licence for pressure vessels, heat exchangers, thermal fluid heaters, boilers, steam generators, economiser and calorifiers and deaerators, waste water equipment and process equipment	(i) The sale of the shares in the company must be notified to MITI. (ii) Company must train Malaysians to promote the transfer of technology and expertise at all levels of positions.	Complied ⁽¹⁾ Complied
(b)	Kawan Engineering (For Factory 2)	MITI / A 024377	6 April 2022 / 24 February 2022 / Valid until revoked	Manufacturing licence for pressure vessels, heat exchangers, thermal fluid heaters, boilers, steam generators, economiser and calorifiers and deaerators, waste water equipment and process equipment	(i) The sale of the shares in the company must be notified to MITI and MIDA. (ii) Company must train Malaysians to promote the transfer of technology and expertise at all levels of positions.	Complied ⁽¹⁾ Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
(c)	Kawan Engineering (For Factory 3)	MITI / A 024649	18 October 2022 / 13 September 2022 / Valid until revoked	Manufacturing licence for pressure vessels, boilers, steam generators, economizer and calorifiers and deaerators, waste water equipment and process equipment	(i) Company must have Capital Investment Per Employee of at least RM140,000. (ii) Total full-time workforce of the company must comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers is subject to prevailing policies.	Complied To be complied ⁽²⁾
(d)	Kawan Engineering	CIDB / 1970802-PK041514	18 October 2022 / 18 October 2022 / 1 November 2025	Certificate of Registration issued by CIDB certifying that Kawan Engineering has been registered as a contractor with CIDB in accordance with CIDB Act as follows:	(i) This certificate is non-transferable. (ii) The contractor shall not participate in any tender or perform any construction work after the expiry of this certificate until it is renewed. (iii) The contractor shall not undertake any construction project which exceeds the value of construction work specified under the registered grade and shall not carry out any construction work not within the category of its registration.	Complied Complied Complied

Grade	Category	Specialisation
G7	B	B04
G7	CE	CE09 and CE21
G7	ME	M01, M08, M11 and M15

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences Category	Equity and/or major conditions imposed	Compliance status																					
				<table border="1"> <tr> <td>B</td> <td>:</td> <td>Building Construction</td> </tr> <tr> <td>CE</td> <td>:</td> <td>Civil Engineering</td> </tr> <tr> <td>ME</td> <td>:</td> <td>Mechanical and Electrical</td> </tr> </table>	B	:	Building Construction	CE	:	Civil Engineering	ME	:	Mechanical and Electrical	(iv) The contractor shall submit the information regarding any construction work or contract within 14 days of the date of award or before the commencement of construction work, whichever is earlier.	Complied												
B	:	Building Construction																									
CE	:	Civil Engineering																									
ME	:	Mechanical and Electrical																									
				<p>Specialisation</p> <table border="1"> <tr> <td>B04</td> <td>:</td> <td>Building general works</td> </tr> <tr> <td>CE09</td> <td>:</td> <td>Oil or gas pipelines</td> </tr> <tr> <td>CE21</td> <td>:</td> <td>General civil engineering works</td> </tr> <tr> <td>M01</td> <td>:</td> <td>Air-conditioning system</td> </tr> <tr> <td>M08</td> <td>:</td> <td>Heat restoration system</td> </tr> <tr> <td>M11</td> <td>:</td> <td>Construction and special treatment</td> </tr> <tr> <td>M15</td> <td>:</td> <td>Miscellaneous mechanical equipment</td> </tr> </table>	B04	:	Building general works	CE09	:	Oil or gas pipelines	CE21	:	General civil engineering works	M01	:	Air-conditioning system	M08	:	Heat restoration system	M11	:	Construction and special treatment	M15	:	Miscellaneous mechanical equipment	(v) The contractor shall apply for renewal of registration within 60 days prior to the expiry date specified in the certificate.	Noted
B04	:	Building general works																									
CE09	:	Oil or gas pipelines																									
CE21	:	General civil engineering works																									
M01	:	Air-conditioning system																									
M08	:	Heat restoration system																									
M11	:	Construction and special treatment																									
M15	:	Miscellaneous mechanical equipment																									
					(vi) The contractor shall appoint skilled construction workers and site supervisors accredited and certified by CIDB.	Complied																					
(e)	Kawan Engineering	CIDB / 1970802-PK041514	26 October 2022 / 26 October 2022 / 1 November 2025	<p>Certificate of Government Procurement issued by CIDB certifying that Kawan Engineering is allowed to participate in tenders for Government contracts subject to the following:</p> <table border="1"> <tr> <th>Grade</th> <th>Category</th> </tr> <tr> <td>G7</td> <td>B</td> </tr> <tr> <td>G7</td> <td>CE</td> </tr> <tr> <td>G7</td> <td>ME</td> </tr> </table>	Grade	Category	G7	B	G7	CE	G7	ME	(i) This certificate shall not be used as a licence for commencing or undertaking any construction works. This certificate can only be used for government procurement works or other government agency procurement works.	Complied													
Grade	Category																										
G7	B																										
G7	CE																										
G7	ME																										

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status									
				<p>Category</p> <table border="1"> <tr> <td>B</td> <td>:</td> <td>Building Construction</td> </tr> <tr> <td>CE</td> <td>:</td> <td>Civil Engineering</td> </tr> <tr> <td>ME</td> <td>:</td> <td>Mechanical and Electrical</td> </tr> </table>	B	:	Building Construction	CE	:	Civil Engineering	ME	:	Mechanical and Electrical	<p>(ii) This certificate must be submitted together with the current Certificate of Registration to participate in the tenders for Government contracts.</p> <p>(iii) This certificate should be renewed together with the Certificate of Registration issued by CIDB.</p> <p>(iv) The company or certificate holder shall not lend, lease, transfer, allow or cause this certificate to be used by other persons not named in this certificate for the purpose of obtaining government procurement works.</p> <p>(v) The contractor shall not participate in any tender or be involved in any construction works after the expiry of this certificate until it is renewed.</p>	<p>Complied</p> <p>Noted</p> <p>Complied</p> <p>Complied</p>
B	:	Building Construction													
CE	:	Civil Engineering													
ME	:	Mechanical and Electrical													

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
(f)	Kawan Engineering	MOF / Certificate No.: K63264575853073430	22 November 2021 / 22 November 2021 / 22 December 2024	<p>Certificate of Registration for the supply and/or services in the sectors, fields and sub-fields set out in the certificate which include, amongst others:</p> <p>Engineering equipment, machines, electrical machinery, generator equipment / spare parts, and service / maintenance / repair engineering.</p> <p>The individuals authorised by the company for government procurement matters are as follows:</p> <p>(i) Lim Thou Lai</p> <p>(ii) Heng Siew Aun</p> <p>(iii) Chong Hon Choong</p>	<p>(i) Company should ensure that the field registered in the certificate does not overlap with the field that has received approval by any companies that:</p> <p>(aa) comprise the same owner or board of directors / director, management and employee; or</p> <p>(bb) operates in the same premise.</p> <p>(ii) Company must submit the application for renewal within 3 months prior to the expiry date of the certificate.</p> <p>(iii) Company must ensure that the registration with the MOF remains active throughout the enforcement period of the contract.</p>	<p>Complied</p> <p>Noted</p> <p>Complied</p>

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status						
(g)	Kawan Engineering	DOSH / JKKP/2021/26/31	19 June 2021 / 2 July 2021 / 1 July 2024 ⁽³⁾	Certificate of Registration as Competent Firm (Petroleum Contractor) <u>Scope</u>	(i) Prior to the commencement of any installation work, the company must first obtain permission to install from DOSH.	Complied						
				<table border="1"> <thead> <tr> <th>Code</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>KPD 01</td> <td>Onshore Petroleum Contractor (Pipeline)</td> </tr> <tr> <td>KPD 02</td> <td>Onshore Petroleum Contractor (Reticulation pipe)</td> </tr> </tbody> </table>	Code	Description	KPD 01	Onshore Petroleum Contractor (Pipeline)	KPD 02	Onshore Petroleum Contractor (Reticulation pipe)	(ii) All installation works after the permission to install has been obtained must be done by the certificate holder only.	Complied
Code	Description											
KPD 01	Onshore Petroleum Contractor (Pipeline)											
KPD 02	Onshore Petroleum Contractor (Reticulation pipe)											
					(iii) Welding work must be completed by a welder approved by DOSH or any inspection authority recognised by DOSH in accordance with the Approved Welding Procedure Specifications. All welding works shall be carried out under close supervision by the company's own quality control officer. ⁽⁴⁾	Complied						
					(iv) Company must provide sufficient occupational safety and health training to the employees to ensure that employees work in safe conditions.	Complied						

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
					(v) Company must ensure that petroleum equipment installed such as valves, devices and etc. have been approved.	Complied
					(vi) Company must submit the application for renewal of registration at least 3 months before the expiry date.	Complied
(h)	Kawan Engineering	DOSH / JKKP/2021/19/19	14 March 2024 / 14 March 2024 / 13 March 2027	Certificate of Registration as Competent Firm to Manufacture and Repair of Pressure Vessels at Factory 1, Factory 2 and Factory 3 <u>Scope</u>	(i) Company must notify DOSH of any change / addition / transfer to the existing officers (i.e. company's employee who is in charge of the submission of application and responsible for all dealings with DOSH officer), machinery and premises. DOSH can cancel this registration if Company fails to do so.	Noted
					(ii) Prior to any manufacturing or repairing work being carried out, Company must obtain an approval from DOSH.	Complied

Code	Description
SBM02	Manufacturer of Pressure Vessel
PVM01	Manufacturer of Unfired Pressure Vessel
PVM03	Manufacturer of Clutch Door
PVM04	Manufacturer of Dished End
SBR02	Repairer of Pressure Vessel
PVR01	Repairer of Unfired Pressure Vessel

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status						
(i)	Kawan Engineering	DOSH / JKKP/2022/20/53	2 September 2022 / 2 September 2022 / 1 September 2025	Certificate of Registration as Competent Firm to Manufacture and Repair of Steam Boilers at Factory 1 and Factory 2 <u>Scope</u>	(i) All manufacturing or repair work procedures must be carried out in accordance with the Quality Control Manual that has been reviewed and accepted by DOSH and any changes that will be made to the Quality Control Manual must be approved by DOSH.	Complied						
				<table border="1"> <thead> <tr> <th>Code</th> <th>Description</th> </tr> </thead> <tbody> <tr> <td>SBM01</td> <td>Manufacturer of Steam Boilers</td> </tr> <tr> <td>SBR01</td> <td>Repairer of Steam Boilers</td> </tr> </tbody> </table>	Code	Description	SBM01	Manufacturer of Steam Boilers	SBR01	Repairer of Steam Boilers	(ii) All welding work must be done by the company's welder in accordance with the Welding Procedure Specification approved by the Inspecting Authority recognised by DOSH. All welding work must also be carried out under close supervision and control by the company's quality control team and all welding records must kept in an orderly manner. ⁽⁴⁾	Complied
Code	Description											
SBM01	Manufacturer of Steam Boilers											
SBR01	Repairer of Steam Boilers											

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
					(iii) All records must be kept in an orderly manner for DOSH's review from time to time. These records will also be inspected during the application for renewal in the future.	Complied
					(iv) All manufacturing or repair work must be done at the registered premise or at the place of the owner of the pressure vessel or steam boilers.	Complied
					(v) Company must submit the application for renewal of registration at least 3 months before the expiry date.	Noted
(j)	Magenko Ipoh	SEDA / A00001236	4 April 2013 / 20 July 2016 / 19 July 2032	Feed-In Approval	(i) The Feed-In Approval holder shall continue to comply with the eligibility criteria described in the Renewable Energy (Feed-In Approval and FiT Rate) Rules 2011.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
					(ii) The Feed-In Approval holder shall ensure that its renewable energy installation meets an annual minimum performance threshold of no less than 35% of the declared annual availability for each year during the effective period.	To be complied ⁽⁵⁾
(k)	Magenko Ipoh	EC / LRE 12/1/6/137 (BG)	8 January 2015 / 8 January 2015 / 29 November 2030	Licence pursuant to Section 9 of the ESA 1990 to use, work or operate electrical installation to be construed by or for the Licencee at Bercham Landfill and to supply electricity to and for the use of the distribution licensee and/or to any other person permitted by the EC with the approval of the MOE in writing.	(i) The Licencee is to finance, construct, complete, own, operate and maintain a generating facility using renewable energy sources as fuel, and its ancillary facility with a total aggregate installation capacity of 1,200kW at part of Bercham Landfill and any distribution and/or interconnection facilities, in order to supply electricity to or for the use of the distribution licensee or any other permissible person.	Complied

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
					(ii) The Licencee shall not, at any time supply electricity to any person other than the distribution licensee provided that the EC may with the approval of the Minister in writing, permit the Licencee to distribute and supply electricity to such person.	Complied
					(iii) The generating facility shall be operated and maintained by the Licencee throughout the period of this licence, solely for the purpose of supplying electricity to the distribution licensee and/or other person permitted by the EC and approved by the MOE in writing.	Complied
					(iv) Any changes to the shareholders and the shareholding structure shall be subject to the prior written approval of the MOE.	Noted ⁽⁶⁾

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Licencee	Issuing authority / Registration no.	Issuance date / Commencement date / Date of expiry	Nature of approval / Licences	Equity and/or major conditions imposed	Compliance status
					(v) The Licencee shall not assign, transfer, sublet or otherwise dispose of its rights, duties, liabilities, obligations and privileges or part thereof under the terms and conditions of this licence except with the prior written approval of the MOE.	Complied

Notes:

- (1) We have notified MITI and MIDA on 15 March 2024 and 21 March 2024 respectively in respect of the completion of the Acquisition.
- (2) By way of a circular dated 18 July 2022, MITI provided an extension of time to all licence holders which are subject to this condition to comply with the same by 31 December 2024.
- (3) Our Group has submitted the renewal application to DOSH on 26 March 2024, which is currently pending issuance of the renewed certificate.
- (4) Our Group has 22 and 16 welders approved by DOSH in accordance with the Approved Welding Procedure Specifications as at 31 October 2023 and as at LPD respectively.
- (5) We had, vide letter dated 29 May 2023, informed SEDA that our Group is in the midst of carrying out certain improvement process at Bercham Landfill, in particular, installation of gas and cow dung storage, to achieve a higher level of output in order to increase and meet the annual minimum performance of the declared annual availability (i.e. 6,000 MWh for year 2023). Subsequently, SEDA officer had on 26 July 2023 conducted an inspection at our Bercham Landfill where it was acknowledged that the abovementioned improvement process is on-going. As at LPD, our Group is in the midst of conducting a feasibility study. Upon completion of the feasibility study, we will implement the alternative improvement process including installation of a new bio reactor tank for purposes of biogas fermentation. For avoidance of doubt, the annual minimum performance of the declared annual availability for year 2024 is 4,380 MWh.

6. INFORMATION ON OUR GROUP *(Cont'd)*

- (6) As the conditional share sale would not result in a change in the shareholding of Magenko Ipoh, in that Magenko Asia will remain as its sole direct shareholder, no prior written approval from MOE is required.

Aside from the approvals, licences and certificates listed above, our Group is also required to maintain business premise and signboard licences for our premises where we conduct our business activities. These business premise and signboard licences are renewed on an annual basis. The application and renewal process is an ongoing process and at one point in time, there will be premises which are in the midst of applying for or renewing business premise and signboard licences. As at LPD, all our business premise and signboard licences are valid and subsisting.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.8 TRADEMARKS

As at LPD, our Group does not own any other trademark other than those disclosed below:

No.	Trademark	Registered owner	Trademark no. / Class / Description	Approving authority / Place of application or registration	Status / Registration validity
(a)		Kawan Engineering	08000867 / 11 / Shell heat exchanger; evaporators; evacuated heat pipe solar collectors (heat exchangers); pressure vessels for sterilising; reactor vessels; solar heating panels; condensers; economizers; heat exchangers; filters for industrial installations	MyIPO / Malaysia	Registered / Valid from 16 January 2008 to 16 January 2028

As at LPD, our Group has submitted an application to MyIPO for the registration of the following trademark:

No.	Trademark	Applicant	Trademark application no. / Class / Description	Approving authority / Place of application or registration	Status / Registration validity
(a)		Kawan Green	TM2022020275 / 37 / Building construction, repair, installation of renewable energy & high efficient systems	MyIPO / Malaysia	⁽¹⁾ Published

6. INFORMATION ON OUR GROUP (Cont'd)

Note:

- ⁽¹⁾ MyIPO has issued a notice of temporary refusal to Kawan Green on 30 November 2022 due to the existence of a similar trademark registered under Kawan Engineering. Our Group had on 3 January 2023 submitted an appeal letter to MyIPO to explain that:
- (i) Kawan Green is a subsidiary of Kawan Engineering;
 - (ii) Kawan Green and Kawan Engineering do not carry out similar business activity nor are they involved in similar nature of business; and
 - (iii) the trademarks used by Kawan Green and Kawan Engineering are highly distinctive in terms of the colour, font, font size and name of the company.

MyIPO had on 13 February 2024 provided its consent for the registration of the abovementioned trademark conditional upon receipt of the letter of consent from Kawan Engineering to allow for the application, use and registration of the said trademark by Kawan Green. Pursuant thereto, Kawan Engineering had submitted the letter of consent to MyIPO on 28 February 2024.

The trademark has subsequently been published on 14 March 2024 in the Intellectual Property Official Journal. Any person may, within two months after the date of the publication, give notice of opposition to the Registrar of Trademarks opposing the registration. In the event that no opposition is filed, or if any opposition is resolved in favour of the applicant, the Registrar of Trademarks will proceed with the registration of the trademark. As at LPD, the trademark is pending registration.

For avoidance of doubt, in the event that the trademarks are not successfully renewed or registered, our business and profitability will not be materially affected as our Group's business and profitability are not materially dependent on the trademarks listed above.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.9 PROPERTY, PLANT AND EQUIPMENT

6.9.1 Properties owned by our Group

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

No.	Registered owner / Postal address / Title details	Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)	Land area / Built-up area sq ft	Date of purchase / Date of CCC	Encumbrance / Restriction-in-interest	NBV as at 31 October 2023 RM'000
(a)	Kawan Engineering / No. 18, Lebuhraya Perusahaan Klebang 1, Kawasan Perusahaan IGB, 31200 Ipoh, Perak / PN 89535, Lot 181684, Mukim Hulu Kinta, Daerah Kinta, Perak	A parcel of industrial land with a single-storey open-sided factory with attic, a single-storey office with attic and other ancillary buildings (Factory 1) / Headquarter, factory and storage / Leasehold of 99 years expiring on 17 October 2089 (approximately 65 years remaining as at LPD) / Industrial	90,449 / 60,007	15 September 2004 / 29 December 2006	(a) Charged in favour of OCBC Bank (Malaysia) Berhad on 5 February 2008; and (b) Part of the land is leased to Tenaga Nasional Berhad for a period of 30 years commencing from 15 January 2009 to 14 January 2039. / (a) This land cannot be transferred or leased without the permission of the Menteri Besar Perak; and (b) This land cannot be subdivided in accordance with Section 135 of the NLC without the permission of the Menteri Besar Perak.	2,007

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered owner / Postal address / Title details	Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)	Land area / Built-up area sq ft	Date of purchase / Date of CCC	Encumbrance / Restriction-in-interest	NBV as at 31 October 2023 RM'000
(b)	Kawan Engineering / Lot 181630, Lebu Perusahaan Klebang 11, Kawasan Perusahaan IGB, 31200 Ipoh, Perak / PN 89481, Lot 181630, Mukim Hulu Kinta, Daerah Kinta, Perak	A parcel of industrial land with a single-storey open-sided factory, a double-storey office and other ancillary buildings (Factory 2) / Factory and storage / Leasehold of 99 years expiring on 17 October 2089 (approximately 65 years remaining as at LPD) / Industrial	91,999 / 63,825	22 June 2009 / 8 June 2012	Charged in favour of OCBC Bank (Malaysia) Berhad on 13 December 2010 / (a) This land cannot be transferred, leased or mortgaged without the permission of the Menteri Besar Perak; and (b) This land cannot be subdivided in accordance with Section 135 of the NLC without the permission of the Menteri Besar Perak.	2,821
(c)	Kawan Engineering / No. 25, Lebu Perusahaan Klebang 1, Kawasan Perusahaan IGB, 31200 Ipoh, Perak / PN 89536, Lot 181685, Mukim Hulu Kinta, Daerah Kinta, Perak	A parcel of industrial land with 2 single-storey open-sided detached factory, a single-storey warehouse and other ancillary buildings (Factory 3) / Factory and storage / Leasehold of 99 years expiring on 17 October 2089 (approximately 65 years remaining as at LPD) / Industrial	130,265 / 42,560	1 April 2022 / 22 December 1998	(a) Charged in favour of Maybank Islamic Berhad on 1 August 2022; and (b) Part of the land is leased to Tenaga Nasional Berhad for a period of 30 years commencing from 30 May 1998 to 29 May 2028. /	8,349

Registration No.: 202201039658 (1485355-U)

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Registered owner / Postal address / Title details	Description of property / Existing use / Expiry of lease (if any) / Category of land use (if any)	Land area / Built-up area sq ft	Date of purchase / Date of CCC	Encumbrance / Restriction-in-interest	NBV as at 31 October 2023 RM'000
					(a) This land cannot be transferred, leased or mortgaged without the permission of the Menteri Besar Perak; and (b) This land cannot be subdivided in accordance with Section 135 of the NLC without the permission of the Menteri Besar Perak.	

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6. INFORMATION ON OUR GROUP (Cont'd)

6.9.2 Properties rented by our Group

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

No.	Postal address	Landlord / Tenant	Description / Existing use	Date of CCC	Land area / Built-up area sq ft	Period of tenancy / Rental per annum (RM)
(a)	8 and 8A, Tasek Mutiara 2, Pusat Perdagangan Tasek Mutiara, 31400 Ipoh, Perak	Chan Kam Hing / Kawan Green (First floor) Magenko Ipoh (Ground floor)	Ground and first floor of a double storey shop lot / Office	17 April 2013	1,539 / 3,037	1 June 2024 to 31 May 2025 / 21,600
(b)	6A, Laluan Tawas Damai 4, Anjung Tawas Damai, 30010 Ipoh, Perak	Kok Kam Hong / Kawan Engineering	First floor of a double storey shop lot / Workers' accommodation	10 November 2022	1,399 / 1,376	1 April 2023 to 31 March 2026 / 4,800
(c)	28A, Laluan Tawas Damai 4, Anjung Tawas Damai, 30010 Ipoh, Perak	Ng Yook Fong / Kawan Engineering	First floor of a double storey shop lot / Workers' accommodation	11 November 2022	1,399 / 1,376	1 April 2023 to 31 March 2026 / 4,800
(d)	20A, Laluan Tawas Damai 3, Anjung Tawas Damai, 30010 Ipoh, Perak	Ng Chong Hun / Kawan Engineering	First floor of a double storey shop lot / Workers' accommodation	10 November 2022	1,399 / 1,376	15 January 2023 to 14 January 2025 / 5,400
(e)	19A, Laluan Tawas Damai 1, Anjung Tawas Damai, 30010 Ipoh, Perak	Loo Chui Hon / Kawan Engineering	First floor of a double storey shop lot / Workers' accommodation	10 November 2022	1,399 / 1,376	1 April 2023 to 31 March 2026 / 6,000
(f)	46-A, Laluan Tawas Damai 3, Anjung Tawas Damai, 30010 Ipoh, Perak	Heng Guan Huat / Kawan Engineering	First floor of a double storey shop lot / Workers' accommodation	11 November 2022	1,399 / 1,376	1 April 2023 to 31 March 2026 / 6,000

6. INFORMATION ON OUR GROUP (Cont'd)

No.	Postal address	Landlord / Tenant	Description / Existing use	Date of CCC	Land area / Built-up area	Period of tenancy / Rental per annum (RM)
(h)	25A, Laluan Tawas Damai 1, Anjung Tawas Damai, 30010 Ipoh, Perak	Wong Loong Yee / Kawan Engineering	First floor of a double storey shop lot / Workers' accommodation	28 March 2023	1,399 / 1,376	1 December 2022 to 30 November 2024 / 6,360

As at LPD, all our workers' accommodations are issued with a CFA. The properties rented by our Group are not in breach of any other land use conditions and/or non-compliance with current statutory requirements, land rules or building regulations/by-laws, which will have material adverse impact on our operations as at LPD.

6.9.3 Acquisition of properties

Save for properties (c), (d) and (e) as set out in Section 6.9.1, we have not acquired nor entered into any agreements to acquire any properties during FYE 2020 to 2023 and up to LPD.

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6. INFORMATION ON OUR GROUP (Cont'd)

6.9.4 Material machinery

A summary of the key machinery and equipment owned and used by our Group to facilitate our daily business operations as at 31 October 2023 are set out as below:

No.	Material machinery	Average economic useful life (years)	Year of purchase / completed	No. of units	No. of units fully depreciated	Audited NBV as at 31 October 2023 RM'000
(a)	Fabrication machinery for Factory 1 (mainly overhead cranes, cutting, flanging, and welding equipment)	7	2006 to 2023	68	35	1,018
(b)	Fabrication machinery for Factory 2 (mainly forklift, overhead cranes, gantry, bending, grinding, flanging and edging equipment)	7	2012 to 2023	28	25	103
(c)	Fabrication machinery for Factory 3 (overhead cranes, rotators, saw column, and girder)	7	2022 to 2023	44	-	2,851
(d)	Bercham Plant	10	2016	1	-	1,540
						5,512

We conduct periodic inspections and maintenance of our machinery and undertake certain repair works when necessary. Our maintenance procedures include oiling, corrosion prevention and cleaning. The machinery that we own are commonly used in the engineering industry and are generally available from the local and overseas market. Machinery which is fully depreciated would have surpassed its useful life. However, although certain machineries are fully depreciated, they can still operate effectively and efficiently. If the machinery is well maintained and can operate efficiently and effectively, it will not be disposed. Fully depreciated machineries are disposed when they cannot operate effectively, or are functionally obsolete.

6. INFORMATION ON OUR GROUP (Cont'd)**6.9.5 Material capital expenditures and divestitures****(a) Material capital expenditures**

Save for the expenditures disclosed below, there were no other capital expenditures made by us for FYE 2020 to 2023 and up to LPD:

	At cost				
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 November 2023 up to LPD
Capital expenditures	RM'000	RM'000	RM'000	RM'000	RM'000
Buildings	-	1,427	5,609	838	30
Plant and machinery	519	732	2,182	1,607	575
Motor vehicles	116	515	455	865	641
Furniture and fittings	-	90	513	126	14
Office equipment	5	12	132	31	7
Computer and software	126	20	41	620	49
Right-of-use assets	48	-	2,832	129	-
	814	2,796	11,764	4,216	1,316

FYE 2020

For FYE 2020, our capital expenditure was mainly related to the purchase of plant and machinery amounting to RM0.5 million comprising the purchase of hydraulic tube expanding machine, power press machine, drilling machine, hydraulic tube pulling machine, internal tube cutter and weld removal tools, motor vehicles of RM0.1 million and computers and software of RM0.1 million to accommodate our growing staff force.

FYE 2021

For FYE 2021, our capital expenditure was mainly related to the purchase of:

- (i) Buildings amounting to RM1.4 million comprising largely 2 units of condominiums located in Ipoh as accommodation for workers (currently vacant);
- (ii) Plant and machinery amounting to RM0.7 million comprising mainly portable tube cleaning machine, welding system, overhead travelling crane and portable water jet cutting machine; and
- (iii) Motor vehicles amounting to RM0.5 million.

FYE 2022

For FYE 2022, our capital expenditure was mainly related to the purchase of:

- (i) Buildings amounting to RM5.6 million comprising mainly in relation to Factory 3;
- (ii) Plant and machinery amounting to RM2.2 million comprising mainly semi-travelling crane, electric overhead travelling crane, welding column boom and runway beam; and

6. INFORMATION ON OUR GROUP (Cont'd)

- (iii) Rights-of-use assets amounting to RM2.8 million comprising mainly a leasehold land for Factory 3.

FYE 2023

For FYE 2023, our capital expenditure was mainly related to the purchase of:

- (i) Buildings amounting to RM0.8 million comprising mainly Factory 3;
- (ii) Plant and machinery amounting to RM1.6 million comprising roller machine, laser cutting machine, electric overhead travelling crane and incinerator;
- (iii) Motor vehicles amounting to RM0.9 million; and
- (iv) Computer and software amounting to RM0.6 million comprising additional server, ERP system and laptop.

The above capital expenditures were primarily financed by a combination of bank borrowings and internally generated funds. Our capital expenditures are mainly driven by our business growth as well as for replacement purposes.

(b) Material capital divestitures

Save for the divestitures disclosed below, there were no other capital divestitures made by us for FYE 2020 to 2023 and up to LPD:

	At cost				1 November
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	2023 up to
Capital divestitures	RM'000	RM'000	RM'000	RM'000	LPD
Buildings	-	-	-	730	650
Plant and machinery	-	35	-	-	-
Motor vehicles	210	171	-	293	46
Furniture and fittings	-	-	-	2	2
Computers and softwares	-	-	3	-	-
Right-of-use assets	-	47	-	132	-
Office equipment	-	-	-	-	3
	210	253	3	1,157	701

All our capital divestitures were carried out in the ordinary course of business as part of the periodic review of our fixed asset register to identify and eliminate those assets which have been fully depreciated or no longer in use or obsolete or surpassed their useful lives.

Moving forward, other than the proposed utilisation of proceeds from our Public Issue for our capital expenditure as disclosed in Section 4.9.1, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

6. INFORMATION ON OUR GROUP (Cont'd)

6.9.4 Material plans to construct, expand or improve our facilities

Save for the proposed utilisation of proceeds from our IPO to finance our investment in a new 2MW power plant and improvement of Bercham Plant output as set out in Section 4.9.1, our Group does not have any other immediate plans to construct, expand and improve our facilities as at LPD.

6.10 RELEVANT LAWS, REGULATIONS, RULES OR REQUIREMENTS

The following is an overview of the major laws, regulations, rules and requirements governing the conduct of our Group's business and environmental issue which may materially affect our business operations:

(a) ICA 1975

The ICA 1975 provides for the co-ordination and orderly development of manufacturing activities in Malaysia, for the establishment of an Industrial Advisory Council and for other matters connected therewith or incidental thereto.

Pursuant to Section 3(1) of the ICA 1975, no person shall engage in any manufacturing activity unless he is issued a licence in respect of such manufacturing activity. Any person engaging in any manufacturing activity with a shareholders' fund of RM2.5 million and above or employing 75 or more full-time paid employees are required to apply for a manufacturing licence.

Failure to comply constitutes an offence and such person shall, on conviction, be liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and to a further fine not exceeding RM1,000 for every day during which such default continues.

As at LPD, our Group has obtained 3 manufacturing licences for Factory 1, Factory 2 and Factory 3, all of which are valid and subsisting.

(b) CIDB Act

The CIDB Act and the regulations made thereunder govern the establishment of the CIDB and provide for its functions relating to the construction industry and for matters connected therewith.

Section 25 of the CIDB Act provides that no person shall carry out or complete, undertake to carry out or complete any construction work or hold himself out as a contractor, unless he is registered with CIDB and holds a valid certificate of registration issued by CIDB.

Any person who contravenes Section 25 of the CIDB Act shall be guilty of an offence and shall, on conviction, be liable to a fine of not less than RM10,000 but not more than RM100,000.

A contractor is defined as a person who carries out or completes or undertakes to carry out or complete any construction works and for the purposes of the CIDB Act, any person who has been awarded or executed any contract for construction works, or has undertaken to carry out, manage or complete any construction works, or has carried out, managed or completed any construction works, shall be deemed to be a contractor unless proven otherwise.

6. INFORMATION ON OUR GROUP (Cont'd)

As at LPD, Kawan Engineering holds a valid certificate of registration (Grade 7) as well as certificate of government procurement (Grade 7) issued by CIDB.

(c) FMA 1967

The FMA 1967 and the relevant regulations made thereunder, including the Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970 provide for the control of factories with respect to matters relating to the safety, health and welfare of persons in the factories, the registration and inspection of machinery and other matters connected therewith.

Section 19 of the FMA 1967 states that no person shall operate or cause or permit to be operated any machinery in respect of which a certificate of fitness is prescribed, unless there is a valid certificate of fitness issued under the FMA 1967 in relation to the operation of the machinery. Any person who contravenes this provision shall be served with a notice in writing prohibiting the operation of such machinery or may render such machinery inoperative until such time as a valid certificate of fitness is issued. In addition, such person shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM150,000 or to imprisonment for a term not exceeding 3 years or to both.

Our subsidiary, Kawan Engineering, had previously operated an unfired pressure vessel at Factory 2 without a valid certificate of fitness and was issued a compound of RM15,000 by DOSH in December 2021. The compound has been duly paid and our Group has not experienced any material adverse impact on our business operations or financial condition arising from such compound.

As at LPD and save as disclosed above, our Group is in compliance with the relevant provisions under the FMA 1967 and we have obtained valid certificates of fitness for the operation of our machineries that require certifications under the FMA 1967.

(d) ESA 1990

The ESA 1990 regulates the electricity supply industry, the supply of electricity at reasonable prices, the licensing of any electrical installation, the control of any electrical installation, the control of any electrical installation, plant and equipment with respect to matters relating to the safety of persons and the efficient use of electricity and for purposes connected therewith.

Section 9 of the ESA 1990 provides that no person other than a supply authority shall use, work or operate or permit to be used, worked or operated any installation or supply to any other person energy from any installation, except under and in accordance with the terms of a licence granted by the EC and expressly authorising the supply or use. Any person who supplies electricity from an installation to or for the use of any person without a licence shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 and to a further fine not exceeding RM1,000 every day or part of a day during which the offence continues after conviction.

As at LPD, our subsidiary, Magenko Ipoh, holds a valid licence to use, work or operate electrical installation at Bercham Landfill and to supply electricity to and for the use of the distribution licensee and/or to any other person subject to permission granted by the EC.

6. INFORMATION ON OUR GROUP (Cont'd)

(e) REA 2011

The REA 2011 provides for the establishment and implementation of a special tariff system to catalyse the generation of renewable energy and to provide for related matters.

A person is eligible to apply for a Feed-In Approval to participate in the FiT system if the person proposes to generate renewable energy from a renewable energy installation having an installed capacity of not more than 30MW or such higher installed capacity as may be approved by the relevant Minister and the person meets such other criteria as may be prescribed by SEDA from time to time.

Upon obtaining the Feed-In Approval, the approval holder must comply with the prescribed standard conditions of the Feed-In Approval and any special conditions imposed by SEDA under the said approval. Failure to comply with any of the conditions imposed constitutes an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 3 years or to both.

As at LPD and save as disclosed in Section 6.7, our subsidiary, Magenko Ipoh, has obtained SEDA Feed-In Approval and is in compliance with the conditions imposed.

(f) OSHA 1994

The OSHA 1994 regulates the safety, health and welfare of persons at work, to protect others against risks to safety or health in connection with the activities of persons at work, as well as to promote an occupational environment for persons at work.

Pursuant to Section 16 of the OSHA 1994, it is the duty of every employer to prepare and as often as may be appropriate revise a written statement of his general policy with respect to the safety and health at work of his employees and the organisation and arrangements for the time being in force for carrying out that policy, and to bring the statement and any revision of it to the notice of all of his employees. Employer who contravenes this provision shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 or to imprisonment for a term not exceeding 2 years or to both.

Section 29 of the OSHA 1994 requires an occupier of a place of work to which this section applies to employ a competent person to act as a safety and health officer at the place of work. An occupier who contravenes the provisions of this section shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or to a term of imprisonment not exceeding 6 months or to both. The employer of the class or description of industries that shall employ a safety and health officer can be found under Order 3 of the Occupational Safety and Health (Safety and Health Officer) Order 1997, which include any boiler and pressure vessel manufacturing activity employing more than a hundred employees.

In addition, Section 30 of the OSHA 1994 provides that every employer shall establish a safety and health committee at the place of work if there are 40 or more persons employed at the place of work or the Director General of DOSH directs the establishment of such a committee at the place of work. A person who contravenes this provision shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or to imprisonment for a term not exceeding 6 months or to both.

6. INFORMATION ON OUR GROUP (Cont'd)

As at LPD, our Group is in compliance with the relevant provisions under the OSHA 1994.

Notwithstanding the above, our subsidiary, Kawan Engineering, was issued with 6 improvement notices pursuant to Section 48 of the OSHA 1994 (2 in FYE 2020 and 4 in FYE 2021) by DOSH due to the following non-compliances:

- (i) Regulation 7(1) of the Occupational Safety and Health (Notification of Accident, Dangerous Occurrence, Occupational Poisoning and Occupational Disease) Regulations 2004: failure to send a report within 7 days to the nearest DOSH office in relation to the occupational diseases (hearing impairment) suffered by its employees at Factory 1.
- (ii) Regulation 5 of the Occupational Safety and Health (Noise Exposure) Regulations 2019: failure to provide the record of provision of training to employees exposed to excessive noise at Factory 1.
- (iii) Regulation 5 of the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000: failure to identify and record in a register all chemicals hazardous to health used in the place of work at Factory 1.
- (iv) Regulation 9 of the Occupational Safety and Health (Use and Standards of Exposure of Chemicals Hazardous to Health) Regulations 2000: failure to make a written assessment of the risks created by the chemical hazardous to health at Factory 1.
- (v) Regulation 3 of the Occupational Safety and Health (Noise Exposure) Regulations 2019: failure to identify whether its employee may be exposed to excessive noise in the place of work at Factory 1.
- (vi) Regulation 4 of the Occupational Safety and Health (Noise Exposure) Regulations 2019: failure to appoint a noise risk assessor to carry out noise risk assessment at Factory 1.

As at LPD, our Group has rectified all the non-compliances to the satisfaction of the relevant officers.

(g) EQA 1974, EQSIER 1979 and EQSWR 2005

The EQA 1974 sets out provisions in respect of prevention, abatement, control of pollution and enhancement of the environment.

Under the EQA 1974, no person shall, unless licensed –

- (i) emit or discharge any environmentally hazardous substances, pollutants or wastes into the atmosphere;
- (ii) pollute or cause or permit to be polluted any soil or surface of any land; or
- (iii) emit, discharge or deposit any environmentally hazardous substances, pollutants or wastes into any inland waters;

in contravention of the acceptable conditions specified under the EQA 1974.

6. INFORMATION ON OUR GROUP (Cont'd)

Any person who contravenes the above shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM100,000 or to imprisonment for a period not exceeding 5 years or to both and to a further fine not exceeding RM500 a day for every day that the offence is continued after a notice by the Director General of Environmental Quality requiring him to cease the act specified therein has been served upon him.

Notwithstanding the above provisions of the EQA 1974, Schedule 1 of the EQSIER 1979 provides a list of discharges which is exempted from the EQSIER 1979 which include, amongst others, processing, manufacturing, washing or servicing of any other products or goods that produce effluent of less than 60 cubic metres (13,000 imperial gallons) per day. During the FYE 2020 to 2022 and up to LPD, our Group discharges effluent produced from the acid used for our cleaning purposes. As the effluent produced is less than 60 cubic metres (13,000 imperial gallons) per day, our Group is not in contravention with the EQA 1974 and is exempted from complying with the EQSIER 1979.

In addition, the EQSWR 2005 imposes an obligation on the waste generator to record, store, label, treat and dispose scheduled waste in accordance with the regulation. Failure to comply constitutes an offence and may be liable to a compound not exceeding RM2,000.

As at LPD, our Group also complies with the relevant provisions of the EQA 1974 and EQSWR 2005 as the disposal of our scheduled wastes is carried out by a licenced service provider.

(h) IA 1959, ERA 1968 and all regulations made thereunder

The IA 1959 regulates matters relating to immigration in Malaysia where it provides that no person other than a citizen shall enter Malaysia unless he is in possession of a valid entry permit, his name is endorsed upon the said valid entry permit and he is in the company of the holder of the said entry permit or he is in possession of a valid pass lawfully issued to him to enter Malaysia or exemption is granted to him pursuant to the IA 1959.

Section 55B(1) of the IA 1959 provides that a person who employs one or more persons, other than a citizen or a holder of an entry permit, who is not in possession of a valid pass shall be guilty of an offence, and shall on conviction, be liable to a fine of not less than RM10,000 but not more than RM50,000 or to a term of imprisonment not exceeding 12 months or to both for each such employee. Further, where it is proved to the satisfaction of the court that the person has at the same time employed more than 5 such employees, that person shall, on conviction be liable to imprisonment for a term of not less than 6 months but not more than 5 years and shall also be liable to whipping of not more than 6 strokes.

In addition, the Employment (Restriction) Act 1968 also expressly prohibits a person from employing a non-citizen of Malaysia unless there has been issued in respect of that person a valid employment permit. Failure to obtain the valid employment permit is an offence and shall, on conviction, be liable to a fine not exceeding RM5,000 or imprisonment for a term not exceeding 1 year or both.

As at LPD, all of our foreign employees are in possession of a valid work permit.

6. INFORMATION ON OUR GROUP (Cont'd)

(i) EMSH 1990 and EMSH Regulations

The EMSH 1990 prescribes the minimum standards of housing, nurseries and accommodation for employees (and their dependents, if applicable) as well as health, hospital, medical and social amenities to be provided by the employers to their employees.

Pursuant to the EMSH Regulations, employers are required to provide accommodation to foreign employees with a Visit Pass (Temporary Employment) issued under Regulation 11 of the Immigration Regulations 1963.

Section 24D of the EMSH 1990 states that no accommodation shall be provided to an employee unless certified with a CFA. An employer who contravenes this provision commits an offence and shall, on conviction, be liable to a fine not exceeding RM50,000 per unit of workers' accommodation.

As at LPD, we provide accommodations to all our foreign employees and our Group has obtained the CFA in respect of all the workers' accommodations.

(j) LGA 1976

The LGA 1976 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 our Group's business activities are mainly carried out in Ipoh, we are subject to the Licensing of Trades, Businesses and Industries (Ipoh City Council) By-Laws 2017 ("**MRI Licensing By-Laws**") and the Advertisement (Ipoh City Council) By-Laws 2013 ("**MRI Advertisement By-Laws**") which state:

- (i) MRI Licensing By-Laws: no person shall operate any activity of trade, business or industry or use any place or premise in the local area of the Ipoh City Council for any activity or trade, business or industry without the licence issued by the licensing authority; and
- (ii) MRI Advertisement By-Laws: no person shall exhibit or erect or cause to be exhibited or erected any advertisement without a licence issued by the Ipoh City Council under the MRI Advertisement By-Laws.

Any person who fails to comply with the abovementioned By-Laws shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM2,000 or to imprisonment for a term not exceeding 1 year or to both, and in the case of a continuing offence, to a fine not exceeding RM200 or part thereof for each day during which the offence is continued after conviction.

As at LPD, our Group holds and maintains valid business premise licences for all our operating business premises as well as signboard licences in respect of all premises with external signboards.

Save as disclosed above, our Group has not received any notices, fines, penalties or compounds relating to any non-compliances with the abovementioned legislations during the FYE 2020 to 2023 and up to LPD.

6. INFORMATION ON OUR GROUP (Cont'd)

Details of the major approvals, licences and permits issued to our Group in order for us to carry out our operations are set out in Section 6.7. Save as disclosed therein, as at LPD, there are no other material laws, regulations, rules or requirements governing the conduct of our business and/or major environmental issue which may materially affect our operations.

6.11 ENVIRONMENT, SOCIAL AND GOVERNANCE ("ESG") PRACTICES

Kawan is dedicated to being proactive in the face of disruptive events and sees them as opportunities to create value for our stakeholders.

Our ESG Integrated Policy and Framework has been established as we give high priority to the identification and management of sustainability risks and aim to integrate them into all our decision-making processes and the entire value chain. Our objective is to advance sustainable development among our stakeholders by providing accessible and renewable energy, fostering innovation, and empowering our employees and the community. As a responsible public governance entity, we are dedicated to championing sustainability and driving positive change as a global citizen.

Kawan is deeply dedicated to establishing an organisation that advances sustainable development for both the community and stakeholders. This statement showcases our firm commitment to embracing impactful practices, initiatives, and endeavours that tackle the influence of our operations on the local economy, environment, society, and governance. We are continually working towards improving our performance in these areas, ensuring that our actions make a positive contribution to a sustainable future.

We are steadfast in our commitment to generating sustainable value for our stakeholders, and we will continue to deliver balanced, comparable, and meaningful reports through our ongoing reporting initiatives in accordance with Bursa Securities' Sustainability Reporting Guide, Integrated Reporting framework, and aligned with the Sustainable Development Goals by the United Nations.

(a) Environmental

We strive to improve our environment by utilising greener alternatives such as follows:

- (i) We aim to reduce our energy consumption and carbon footprint by investing in renewable energy sources and improving our energy efficiency practices; and
- (ii) Despite the absence of substantial water usage, we are still dedicated to decreasing the overall water consumption by promoting water conservation practices.

(b) Social

We strive to build a safe harmony and supportive working environment and work hand in hand contributing to the local community development:

- (i) We are committed to defending against cybercrime, adhering to cyber-related regulations, and securely transforming our operations through the use of cyber services. Regular IT risk assessments are conducted to ensure that customer and organisational data is not compromised or destroyed;
- (ii) We have implemented stringent standard operating procedures which are essential in enabling our employees to carry out their work while simultaneously protecting the interests of our shareholders;

6. INFORMATION ON OUR GROUP (Cont'd)

- (iii) We place emphasis on the health and safety of our employees, especially in the pandemic situation. In response, we have implemented several measures to foster a safe and healthy work environment. These measures encompass the provision of personal protective equipment to our employees, regular cleaning and sanitisation of our workplaces and equipment, and strict adherence to Government guidelines and regulations to prevent the spread of COVID-19;
- (iv) We are committed to providing our employees with a working environment that aligns with the International Labour Organisation's Fair Recruitment Initiative. We ensure that recruitment practices, nationally or across borders, are grounded in labour standards, are developed through social dialogue, and ensure gender equality;
- (v) We are committed to cultivate a workplace culture that embraces diversity and equality;
- (vi) We ensure that all our employees are recruited based on their skills and experience, following a fair and unbiased selection process;
- (vii) To assess employee performance, we conduct transparent and objective annual performance reviews, providing valuable feedback to our staff;
- (viii) We offer a range of learning opportunities to our employees throughout their careers to ensure they acquire the necessary skills to excel in their roles. We recognise that our workforce is essential to achieving operational and safety excellence, and therefore, we invest in our human capital by supporting employee development to meet the changing demands of our business; and
- (ix) We are committed to give back to the community through various initiatives, including donations and sponsorships via charity organisations.

(c) Governance

- (i) At Kawan, we acknowledge and understand the significance of good governance. Our Board recognises the value of a robust risk management framework and internal control system in promoting good corporate governance, as stated in the MCCG. By disclosing pertinent information related to sustainability, we aim to enhance the transparency of our management practices. This will instil greater confidence in our organisation among our customers, stakeholders, communities, and the general public.
- (ii) We have a zero-tolerance policy towards fraud, bribery, corruption, money laundering and the financing of terrorism. Therefore, we have implemented an anti-bribery and corruption policy and whistle blowing policy, to enhance the transparency of our Group and provide a better governance environment.
- (iii) We prioritise the evaluation of quality and safety and had obtained the following certification:

Certificate	Award Body
Certificate of Authorisation - U, U2, H, and S	ASME
Certificate of Authorisation - R	National Board of Boiler & Pressure Vessel Inspectors
Licensed contractor for liquefied petroleum gas / liquefied natural gas piping	DOSH
Member of Heat Transfer Research, Inc.	Heat Transfer Research, Inc.
Grade G7 certification for site piping and site installation works	CIDB
ISO 9001:2015	QMS Certification Services
MyHIJAU Mark on the waste sector (EPCC of Energy-Efficient & Renewable-Energy Plants)	Malaysian Green Technology and Climate Change Corporation

6. INFORMATION ON OUR GROUP (Cont'd)

<u>Certificate</u>	<u>Award Body</u>
Steam Boiler Manufacturer and Repairer	DOSH
Pressure Vessel Manufacturer and Repairer	DOSH
Petroleum Contractor	DOSH

6.12 EMPLOYEES

As at LPD, we have a total workforce of 192 employees, of which 142 are local employees and 50 are foreign employees, and all of whom are permanent employees.

The breakdown of our employees as at 31 October 2023 and LPD are as follows:

<u>Department</u>	<u>No. of employees</u>				<u>Total</u>
	<u>Permanent</u>		<u>Contract</u>		
	<u>Local</u>	<u>Foreigner</u>	<u>Local</u>	<u>Foreigner</u>	
As at 31 October 2023					
Directors	1	-	-	-	1
Key senior management	6	-	-	-	6
Administrative	9	-	-	-	9
Finance	5	-	-	-	5
Business and procurement	24	-	-	-	24
Project	16	-	-	-	16
Engineering	8	-	-	-	8
Production ⁽¹⁾	60	50	9	-	119
Quality control	8	-	1	-	9
	137	50	10	-	197
As at LPD					
Directors	1	-	-	-	1
Key senior management	7	-	-	-	7
Administrative	7	-	-	-	7
Finance	5	-	-	-	5
Business and procurement	24	-	-	-	24
Project	11	-	-	-	11
Engineering	8	-	-	-	8
Production ⁽¹⁾	67	50	3	-	120
Quality control	9	-	-	-	9
	139	50	3	-	192

Note:

- ⁽¹⁾ Our Group has 22 and 16 welders approved by DOSH in accordance with the Approved Welding Procedure Specifications as at 31 October 2023 and as at LPD respectively.

6. INFORMATION ON OUR GROUP (Cont'd)

The breakdown of our employees by company as at 31 October 2023 and LPD are as follows:

Company	No. of employees	
	As at 31 October 2023	As at LPD
Kawan Engineering	186	180
Kawan Green	7	6
Magenko Group	4	6
	197	192

As at LPD, all of our foreign employees have valid working permits.

There were no significant changes in the number of employees of our Group as at 31 October 2023 and up to LPD.

None of our employees belong to any labour union and over FYE 2020 to 2023 and up to LPD, there is no labour dispute between our management and our employees. Additionally, over FYE 2020 to 2023 and up to LPD, there has not been any incident of work stoppage that has materially affected our operations.

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7. BUSINESS OVERVIEW

7.1 OUR HISTORY

The history of our Group can be traced back to the incorporation of Kawan Dynamic Engineering Sdn Bhd on 2 May 1996 by our co-founder and Managing Director, Lim Thou Lai, as well as other shareholders, namely Kam Foong Cheng, Wong Heng Kuan, Chan Fook Kheong and Tan Teik Kian, all of whom subsequently disposed their entire shareholdings and ceased to be shareholders on 12 March 2003, 15 July 2002, 18 October 2018 and 5 December 2018 respectively. Kawan Dynamic Engineering Sdn Bhd subsequently changed its name to Kawan Engineering Sdn Bhd on 10 July 2009.

We commenced business operations in 1996 from our rented factory in Pengkalan 2, Ipoh with the fabrication of non-pressure vessels and tanks. In the same year, we were registered with DOSH as a competent firm for the fabrication and repair of pressure vessels which enabled us to expand our industrial process equipment offerings and capability to include the fabrication and repair of pressure vessels.

As our business continued to expand, we acquired a vacant land measuring 90,499 sq ft in Kawasan Perusahaan IGB in Ipoh in 2004 to construct larger factory space and office building (i.e. Factory 1) to cater for increased orders of pressure vessels and non-pressure vessels and tanks. The construction of Factory 1 was completed in 2006 with a total built-up area of 60,007 sq ft. Subsequently, we relocated our operations to Factory 1 and we ceased the rental of the said factory in Pengkalan 2, Ipoh.

With our experience in the fabrication of process equipment, our service offerings expanded to include process plants fabrication and integration, when we secured one of our earliest turnkey process plant projects in 2006 for a biodiesel and phytonutrient plant in Malaysia. Following that and over the years, we continuously grew our service offering for process plants and focuses within the specialty of food processing, oleochemical and chemical processing, oil and gas, waste recovery and power plant.

In 2008, we were registered with the ASME, a non-profit membership organisation based in the USA that develops codes and standards pertaining to mechanical engineering which are globally recognised, and became an authorised user of the ASME U stamp. With that, our Group is certified to use the ASME U stamp for pressure vessels and heat exchangers with design pressure of between 15 PSIG to 3,000 PSIG manufactured by our Group. The ASME U stamp indicates that the quality of our pressure vessels and heat exchangers are in compliance with internationally recognised standards and the ASME U stamp is required by our customers for pressure vessels and heat exchangers that will be delivered inside and outside Malaysia.

Within the same year, we also obtained ISO 9001:2005 quality management systems for the design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment.

Further, we were registered with DOSH as a competent firm for the fabrication and repair of steam boilers which enabled us to expand our range of industrial process equipment to include the fabrication and repair of steam boilers.

In line with our continued expansion of our industrial process capabilities, in 2008, we began to design and manufacture boilers and heaters.

7. BUSINESS OVERVIEW (Cont'd)

In 2009, we acquired a vacant land measuring 91,999 sq ft, also in Kawasan Perusahaan IGB in Ipoh to construct another factory (including a small office space) to expand our fabrication area and to provide us with more storage space to house semi-finished and finished products (i.e. Factory 2). The construction of Factory 2 was completed in 2012 with a total built-up area of 63,825 sq ft.

In 2010, we were registered with The National Board of Boiler & Pressure Vessel Inspectors, an association based in the USA that oversees adherence to laws, rules, and regulations relating to boilers and pressure vessels and became an authorised user of the National Board mark (NB mark) for our pressure vessels manufactured in accordance with ASME U stamp. The NB mark allows items manufactured in accordance with the respective ASME stamps to be registered with The National Board of Boiler & Pressure Vessel Inspectors which is required by our customers for products that will be exported to USA and Canada.

In 2011, we became an authorised user of the ASME S stamp and ASME H stamp for power boilers and heating boilers respectively. The ASME S stamp and ASME H stamp respectively indicates that the quality of our power boilers and heating boilers are in compliance with internationally recognised standards, and the ASME S and H stamps are required by our customers for power boilers and heating boilers that will be delivered inside and outside Malaysia.

In 2017, we also became an authorised user of the NB mark from The National Board of Boiler & Pressure Vessel Inspectors for our boilers manufactured in accordance with ASME S and H stamps for customers in USA and Canada.

In 2020, we became an authorised user of the R stamp from The National Board of Boiler & Pressure Vessel Inspectors for repair and alteration of boilers and pressure vessels carried out by our Group, and indicates that the quality of our repair and alteration of boilers and pressure vessels comply with internationally recognised standards. In the same year, we began offering our design and fabrication of industrial process equipment services for renewable energy and co-generation plants, for which we carry out the fabrication works in all our factories. As the working principles behind the engineering of industrial process equipment across various industries are similar, such as boilers and heat exchangers, throughout the years of experience in the fabrication of various industrial process equipment, our Group acquired the knowledge/know-how on fabricating industrial process equipment for power and co-generation plants.

In November 2021, we entered into a shares transfer and sales agreement to acquire Magenko Group, which is an IPP, with the intention to venture into the power generation and sale of electricity business. Please refer to Section 6.5 for further details of shares transfer and sales agreement. Pending the completion of the acquisition, we took over certain functions of operations of Magenko Group in November 2021 by assigning an operating manager to supervise the operations of Magenko Ipoh, being the operations of the landfill biogas power plant (i.e. Bercham Plant) including its expenses, repair and maintenance, which allowed us to better assess the condition of the operations before fully taking over upon the completion of the acquisition on 1 August 2022, and the consolidation of financial statements with Magenko Group took place after the completion of the acquisition. Through this acquisition, we began our power generation and sale of electricity business with an installed capacity of 1.2MW and a net export capacity of 1MW through Bercham Plant located in Ipoh (i.e. Bercham Landfill). Further details are as set out in Section 7.2.1.2.

7. BUSINESS OVERVIEW (Cont'd)

In 2022, we acquired another factory in Kawasan Perusahaan IGB in Ipoh (i.e. Factory 3) with a total build-up area of 42,560 sq ft, on a land measuring 130,265 sq ft in which Factory 3 is presently used as factory and storage. Moving forward, as one of our future business expansion plans, part of the existing land in Factory 3 which is currently unused will be used to construct a new 2MW biomass power plant as disclosed in Section 7.16.2. In the same year, we began offering our design, fabrication, installation and commissioning of renewable energy and co-generation plants services through Kawan Engineering.

Furthermore, in April 2022, our Group incorporated Kawan Green to manage our design, fabrication, installation and commissioning of renewable energy and co-generation plants business. Since then, our design, fabrication, installation and commissioning of renewable energy and co-generation plants services were offered through Kawan Green. In November 2022, Kawan Green obtained the MyHIJAU Mark from Malaysian Green Technology and Climate Change Corporation which certifies us to use the MyHIJAU Mark for our design, fabrication, installation and commissioning of renewable energy and co-generation plants business. The MyHIJAU Mark indicates that our renewable energy and co-generation plants are in compliance with global environmental standards recognised by the Malaysian Green Technology and Climate Change Corporation mainly reduction in the greenhouse gas emissions which enables Kawan Green to enjoy a 3 years income tax exemption of 70% on statutory income derived therefrom from the issuance of the first invoice. As at LPD, Kawan Green has not issued any invoice for design, fabrication, installation and commissioning of renewable energy and co-generation plants.

Moreover, through Kawan Engineering, we were recognised as a local manufacturer or assembler (LMA) under the Sustainable Energy Development Authority (SEDA) for the fabrication and assembly of boilers in biomass plants in 2022. With this recognition, customers that use our boilers in their biomass plants to generate electricity for sale are eligible for an additional bonus rate of RM0.05/kWh on top of their basic tariff.

In 2023, we became an authorised user of the ASME U2 stamp, which is akin to the ASME U stamp, for pressure vessels and heat exchangers with higher design pressure between 3,001 PSIG and 10,000 PSIG. In the same year, we obtained ISO 14001:2015 environmental management systems and ISO 45001:2018 occupational health and safety management systems for the design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment.

7.1.1 Key achievements / Milestones

Our key achievements / milestones are as follows:

Year	Key achievements / Milestones
1996	<ul style="list-style-type: none"> Commenced business operations with the fabrication of non-pressure vessels and tanks Registered with DOSH as a competent firm for the fabrication and repair of pressure vessels and thus, began fabrication and repair of pressure vessels offering
2004	<ul style="list-style-type: none"> Acquired a vacant land in Kawasan Perusahaan IGB in Ipoh for the construction of Factory 1
2006	<ul style="list-style-type: none"> Completion of construction for Factory 1 Secured one of our earliest turnkey process plant projects for a biodiesel and phytonutrient plant in Malaysia

7. BUSINESS OVERVIEW (Cont'd)

Year	Key achievements / Milestones
2008	<ul style="list-style-type: none"> • Became an authorised user of ASME U stamp for pressure vessels and heat exchangers with design pressure of between 15 PSIG to 3,000 PSIG manufactured by our Group • Obtained ISO 9001:2005 quality management systems for the design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment • Registered with DOSH as a competent firm for the fabrication and repair of steam boilers and thus, began our fabrication and repair of steam boilers offering • Began our design and manufacture of boilers and heaters offering
2009	<ul style="list-style-type: none"> • Acquired a vacant land for the construction of Factory 2
2010	<ul style="list-style-type: none"> • Became an authorised user of the NB mark for our pressure vessels manufactured in accordance with ASME U stamp
2011	<ul style="list-style-type: none"> • Became an authorised user of the ASME S stamp and ASME H stamp for power boilers and heating boilers, respectively
2012	<ul style="list-style-type: none"> • Completion of construction of Factory 2
2017	<ul style="list-style-type: none"> • Became an authorised user of the NB mark for our boilers manufactured in accordance with ASME S and H stamps
2020	<ul style="list-style-type: none"> • Became an authorised user of the R stamp from The National Board of Boiler & Pressure Vessel Inspectors for repair and alteration of boilers and pressure vessels • Began offering our design and fabrication of industrial process equipment services for renewable energy and co-generation plants
2022	<ul style="list-style-type: none"> • Began our power generation and sale of electricity business through the acquisition of Magenko Group, with an installed capacity of 1.2MW and a net export capacity of 1MW through Bercham Plant located in Bercham Landfill • Acquired Factory 3 in Kawasan Perusahaan IGB in Ipoh • Began offering our design, fabrication, installation and commissioning of renewable energy and co-generation plants services • Obtained the MyHIJAU Mark from Malaysian Green Technology and Climate Change Corporation for our design, fabrication, installation and commissioning of renewable energy and co-generation plants business • Recognised as an LMA under SEDA for the fabrication and assembly of boilers in biomass plants
2023	<ul style="list-style-type: none"> • Became an authorised user of the ASME U2 stamp for pressure vessels and heat exchangers with design pressure between 3,001 PSIG and 10,000 PSIG • Obtained ISO 14001:2015 environmental management systems for the design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment • Obtained ISO 45001:2018 occupational health and safety management systems for the design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment

7. BUSINESS OVERVIEW (Cont'd)

7.2 DESCRIPTION OF OUR BUSINESS**7.2.1 Business activities**

We are an engineering solutions provider, principally involved in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants ("**design, fabrication, installation and/or commissioning solutions**"). As an engineering solutions provider, our solutions encompass our Group's technical capability to analyse our customer's need and proactively propose suitable design solutions which are customised to meet our customers' engineering requirements. In addition to proposing design solutions, our Group's solutions also include the capability to provide in-house fabrication, installation and/or commissioning of the industrial process equipment, process plants as well as renewable energy and co-generation plants. Our business activities are further elaborated in Section 7.2.1.1. Apart from our principal business activities disclosed, we are also involved in power generation and sale of electricity through the acquisition of Magenko Group on 1 August 2022. Further details are as set out in Section 7.1.

The details of each of our business activities are described in the following sections:

7.2.1.1 Design, fabrication, installation and/or commissioning solutions**(a) Design and fabrication of industrial process equipment**

We design and fabricate industrial process equipment that are used to facilitate and/or support industrial production and processing (e.g. food processing, oleochemical and chemical processing, oil and gas, waste recovery and utilities) as well as power plant (e.g. power generation and co-generation). The industrial process equipment that we design and fabricate comprise heat exchangers, pressure vessels as well as boilers and heaters. Please refer to Section 7.2.2 for further details of our product offerings. Our industrial process equipment is fabricated and sold as standalone equipment to our customers for installation into their production and processing operations.

We design and fabricate customised industrial process equipment based on our customer's specifications and requirements. Our design process involves understanding our customer's industrial process requirements and budget, followed by designing and proposing suitable industrial process equipment design to our customers which comprise detailed engineering drawings and technical descriptions, which are carried out by our engineers. We carry out in-house fabrication of industrial process equipment according to our engineering drawings and technical descriptions. The fabrication of heat exchangers, pressure vessels as well as boilers and heaters are carried out at our factories in Kawasan Perusahaan IGB in Ipoh. We deliver the finished product to our customers and our customers will carry out the installation. The duration required for design and fabrication of industrial process equipment typically takes approximately 3 months to 6 months.

Our industrial process equipment can be used across various industries for similar applications or processes. For example, heat exchangers are used to transfer heat from one medium to another. The heat exchangers which we offer can be used for various industrial applications that require heat transfer such as oil and gas refining, oleochemical and chemicals processing, waste recovery, food manufacturing and fermentation, power generation, incineration as well as for heat, ventilation and air conditioning ("**HVAC**") system.

7. BUSINESS OVERVIEW (Cont'd)

We are involved in the design of the oleochemical process plant as well as the integration of the industrial process equipment which are fabricated by our Group and auxiliary equipment sourced from third party manufacturers, together with piping and control system to form the oleochemical process plant. Each of the industrial process equipment in the oleochemical process plant plays a pivotal role in ensuring that all the processes required for the inter-esterification of fatty acid and glycerol can be executed, and that the final products meet our customer's desired requirements.

We design customised process plants based on our customer's specifications and requirements. Our design process involves understanding our customer's industrial process requirements, followed by designing and proposing suitable process plant designs to our customers which comprise detailed engineering drawings and technical descriptions, which are carried out by our engineers. We carry out in-house fabrication of the individual industrial process equipment and subsequently integrating the multiple equipment to form the process plant, according to our engineering drawings and technical descriptions.

For process plants that comprise auxiliary equipment (e.g. dryers, filters, multiple-effect evaporators, scrubbers, motors, chillers, separators, vacuum pumps, plate heat exchangers and sifters), we will source the equipment from third party manufacturers as we do not fabricate these equipment in-house, and integrate these equipment with the equipment we manufacture to form the process plants. These third party manufacturers may be our panel of suppliers or suppliers appointed by our customers. For process plants, we carry out installation and commissioning for our customers. The duration required for design, fabrication, installation and commissioning of process plants typically takes approximately 12 months to 18 months.

Our customers for industrial process plants comprise EPCC contractors and industrial end-users, who are involved in food processing (e.g. food emulsifier production as well as edible oil and palm phytonutrient extraction), oleochemical and chemical processing (e.g. palm biodiesel, biolubricants, fatty acids and industrial esters) and waste recovery.

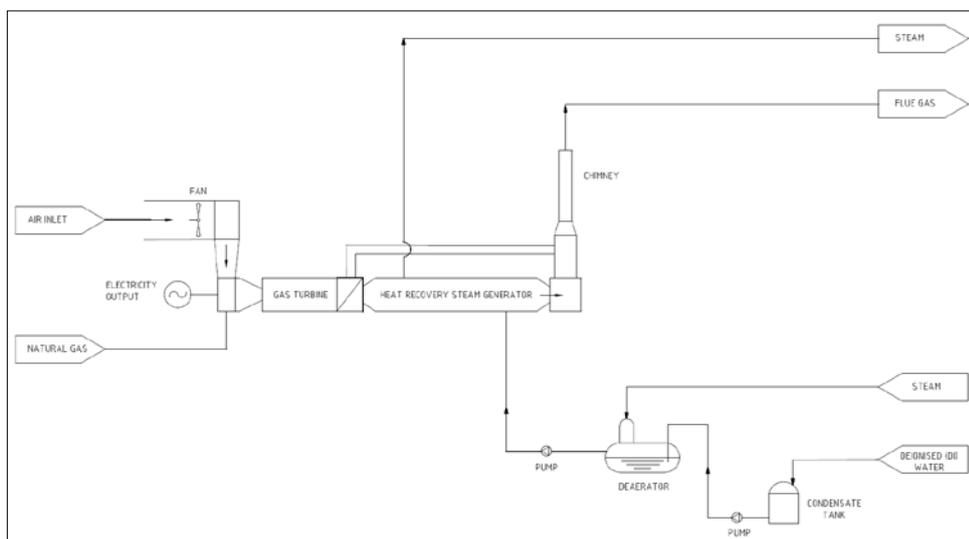
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7. BUSINESS OVERVIEW (Cont'd)

(c) Design, fabrication, installation and commissioning of renewable energy and co-generation plants

We also design, fabricate, install and commission renewable energy and co-generation plants. This comprises the integration of multiple industrial process equipment to form a renewable energy or co-generation plant. Renewable energy plants generate electricity using renewable resources such as thermal energy (i.e. heat), biogas and biomass, while co-generation plants use fuel such as natural gas to generate electricity and thermal energy. Please refer to Section 7.2.2 for further details of our renewable energy and co-generation plant offerings.

For illustration purposes, the following diagram is an example of a co-generation plant in which this co-generation plant generates electricity using natural gas and captures exhaust heat from the gas turbine to generate thermal output (i.e. steam and hot water) which can be used for heating.



The main industrial process equipment which make up the co-generation plant are gas turbine; heat recovery steam generator and chimney, which are boilers; deaerator, which is a pressure vessel; and condensate tank. The boilers, pressure vessel and condensate tank are fabricated by our Group while the gas turbine is sourced from third party manufacturer. The co-generation plant also comprises auxiliary equipment, in which the main auxiliary equipment are fan and pumps. The fan and pumps are sourced from third party manufacturers.

We are involved in the design of the co-generation plant, and the integration of the industrial process equipment which are fabricated by our Group and sourced from third party manufacturer as well as auxiliary equipment sourced from third party manufacturers, together with piping and control system to form the co-generation plant. Each of the industrial process equipment in the co-generation plant plays a pivotal role in ensuring that all the processes required for co-generation can be executed properly, and that the performance of the co-generation plant meets our customer's desired requirements.

7. BUSINESS OVERVIEW (Cont'd)

We design customised renewable energy and co-generation plants based on our customer's specifications and requirements. Our design process involves understanding our customer's renewable energy and co-generation requirements, followed by designing and proposing suitable renewable energy and co-generation plants design to our customers which comprise detailed engineering drawings and technical descriptions, which are carried out by our engineers. We carry out in-house fabrication of the individual industrial process equipment and subsequently integrating the multiple equipment to form the renewable energy and co-generation plant, according to our engineering drawings and technical descriptions.

For renewable energy and co-generation plants that comprise turbines and auxiliary equipment (e.g. smokeless incinerators, dryers, filters, biogas reactors, scrubbers, gasifiers, motors, chillers, separators and plate heat exchangers), we will source the equipment from third party manufacturers as we do not fabricate these equipment in-house, and integrate these equipment with the equipment we manufacture to form the renewable energy and co-generation plants. These third party manufacturers may be our panel of suppliers or suppliers appointed by our customers. We also carry out installation and commissioning for renewable energy and co-generation plants for our customers. The duration required for design, fabrication, installation and commissioning of renewable energy and co-generation plants typically takes approximately 12 months to 18 months.

Our customers for renewable energy and co-generation plants comprise EPCC contractors and industrial end-users, who are involved in renewable energy operations and power plant operations (e.g. co-generation and power generation).

We are registered with CIDB as a G7 contractor, details of which are set out in Section 6.7. As a G7 contractor, we are eligible to tender for projects with contract value over RM10 million within our scope of specialisation. For FYE 2020 to 2023, we have undertaken 7 projects with contract values over RM10 million each, which collectively contributed 23.6%, 15.2%, 26.4% and 34.4% of our Group's total revenue, respectively. To the extent of the contribution of such projects, our Group is dependent on our G7 certificate to generate revenue for process plants and renewable energy and co-generation plants. However, our Group has been and will still able to secure other customers and projects of other nature without the G7 certification.

In addition to the provision of design, fabrication, installation and/or commissioning solutions, we also provide repair and maintenance services which include the replacement of spare parts and components as well as general upkeep of the industrial process equipment fabricated by our Group as well as by other fabricators. Generally, our repair and maintenance services are provided under warranty to customers who engage us for design, fabrication, installation and/or commissioning solutions. We also provide repair and maintenance services as and when required by our customers on purchase order basis (i.e. after expiration of warranty period or to customers who have not engaged us for design, fabrication, installation and/or commissioning solutions), however this revenue was minimal which represented less than 0.1% of our revenue over FYE 2020 to 2023.

For repair and maintenance services which are covered under warranty, the cost will be borne by our Group. Further details on our warranty are as set out in Section 7.2.6.

7. BUSINESS OVERVIEW (Cont'd)

7.2.1.2 Power generation and sale of electricity

Apart from our principal business activities disclosed above, we are also involved in the operations of power generation through Bercham Plant located at Bercham Landfill. We acquired the business in 2022 through the acquisition of Magenko Group, which Bercham Plant began operations in 2016. Bercham Plant has an installed capacity of 1.2MW and a net export capacity of 1MW, and is operating under the FiT mechanism. Under the FiT mechanism, we are allowed to sell the electricity produced from our plant to the distribution licensee at a predetermined rate of RM0.3880/kWh until 2032. In addition, the total FiT that Magenko Ipoh is entitled to receive in each year during the effective period, as specified in the Feed-In Approval, is limited to the total FiT payable to Magenko Ipoh based on the renewable energy generated up to the declared annual availability of the particular year. Since the commissioning of Bercham Plant in 2016, all the electricity generated have been sold to the distribution licensee.

The Bercham Plant is a turnkey agreement with IYO Alam Sekitar Sdn Bhd ("**IYO**"), entered in 2011 by Magenko Ipoh, to carry out a methane capture and flaring project as well as power generation project (i.e. the development and operation of Bercham Plant), in which Magenko Ipoh is responsible to design, develop, finance, construct, equip, manage, operate and maintain Bercham Plant at Bercham Landfill ("**Turnkey Agreement**").

Through the Turnkey Agreement, Magenko Ipoh holds the Feed-In Approval for the FiT quota from SEDA and is also the licence holder for the generation and supply of electricity issued by EC. The Feed-In Approval is valid for a period of 16 years from the FiT commencement date (i.e. 20 July 2016). As the Feed-In Approval holder, Magenko Ipoh is regulated by the REA 2011. Please refer to Sections 6.7 and 6.10 for further details of the REA 2011 and the compliance status with our Feed-In Approval.

In June 2013, Magenko Ipoh had entered into a REPPA with a distribution licensee pursuant to Section 12(1) of the REA 2011. Pursuant to the Turnkey Agreement, IYO is entitled to 10% of the revenue derived from the sale of power generated by Bercham Plant.

As Bercham Plant is erected on a piece of State land, IYO is responsible for obtaining the TOL from the Perak State Authority for the use of the said land. IYO had obtained a TOL which was valid for a period of 1 year commencing from 1 January 2023 to 31 December 2023. On 7 February 2024, IYO submitted the application for the renewal of the TOL for year 2024. The District and Land Office of Kinta, Ipoh had vide letter dated 7 March 2024 acknowledged receipt of the said application and as at LPD, it is pending the issuance of the renewed TOL. Our Board is of the view that the non-renewal of the TOL is remote as Magenko Ipoh has obtained Feed-In Approval for the FiT quota from SEDA. Magenko Ipoh is also a licence holder for the generation and supply of electricity issued by EC and has also entered into REPPA with a distribution licensee to sell electricity to the distribution licensee up to 2032. In addition, the District and Land Office of Kinta, Ipoh had vide a further letter dated 26 March 2024 informed that (i) the renewal application is still in progress; (ii) no penalty will be imposed for the late submission of the renewal application; and (iii) our Group is allowed to operate the Bercham Plant pending issuance of the renewed TOL.

7. BUSINESS OVERVIEW (Cont'd)

Bercham Plant is a biogas plant that operates by capturing and converting the methane gas released from the decomposition of organic waste in the Bercham Landfill, for the generation of electricity. Underneath the landfill contains organic waste such as municipal solid waste which decomposes in an oxygen-free environment, producing mainly methane gas as a byproduct. The methane gas is collected through a collection system comprising a network of wells drilled into the landfill which is connected to a piping system that channels the captured methane gas into a generator set of the plant. The methane gas will be burned as fuel for the generation of electricity.

As at LPD, the Bercham Plant FiT has a remaining effective period of approximately 8 years. Further details on our future plan to construct a new biomass power plant are as set out in Section 7.16.

7.2.2 Our products and services

(a) Industrial process equipment

The industrial process equipment offered by our Group comprises heat exchangers, pressure vessels as well as boilers and heaters as follows:

Industrial process equipment

(i) Heat exchangers



Description

Heat exchangers are used to transfer heat from one medium to another. These media may be in the form of gas or liquid, or a combination of both. The media may be separated by a solid wall to prevent mixing or may be in direct contact. Heat exchangers are required to provide heating and/or cooling to meet a process requirement.

Heat exchangers are used for industrial applications such as oil and gas refining, oleochemical and chemicals processing, waste recovery, food manufacturing and fermentation, power generation, incineration as well as for HVAC system.

Examples of heat exchangers that our Group offers include shell and tube, finned air cooler and heater, thin film evaporator, gas-to-liquid heat exchanger, liquid-to-liquid heat exchanger, economiser and steam condenser.

(ii) Pressure vessels



A pressure vessel is a closed container or pressurised tanks that are designed to hold gases or liquids at pressures that are substantially higher or lower than the ambient pressure.

Pressure vessels are used for industrial applications such as oleochemical and chemicals processing, food and non-food emulsification, food manufacturing and wax manufacturing.

7. BUSINESS OVERVIEW (Cont'd)

Industrial process equipment

Description

Examples of pressure vessels that our Group offers include reactor, column, deaerator, surge vessel, calorifier, steam separator, ammonia vessel, fermenter and sanitary tank.

(iii) Boilers and heaters



Boilers are used to produce hot water for the purpose of domestic or commercial heating and hot water supply; or to produce steam to power turbines for power generation and various other industrial heating applications. Heaters are used to supply heat to the surrounding liquid to carry out industrial processes.

Boilers and heaters are used in industrial applications for heat generation to produce hot water, steam and thermal oil.

Examples of boilers and heaters that our Group offers include heat recovery boiler, high pressure boiler, clean steam generator, thermal oil heater, high efficiency condensing steam / hot water boiler and electrical boiler.

(b) Process plants

Our offerings on process plants focuses within the area of food processing, oleochemical and chemical processing and waste recovery. Some examples are as follows:

Process plants

Description

(i) Food processing



Food processing is the transformation of agricultural products into edible food products through physical, chemical and/or biological processes. Examples of food processing methods are addition of food additives (e.g. food emulsification) and extraction (e.g. edible oil and phytonutrient extraction).

Examples of food processing plants that our Group offers include food emulsifier production, edible oil and palm phytonutrient plant, continuous / batch reaction, deglycerination, deodorisation, bleaching, neutralisation and short-path distillation.

7. BUSINESS OVERVIEW (Cont'd)

Process plants

- (ii) Oleochemical and chemical processing



Description

Oleochemical production is the process of converting oils and fats into chemical compounds called oleochemicals which can be used as raw materials in many industries. Oleochemical production is part of the downstream segment of the edible oils and fats industry (e.g. oil palm industry). Chemical processing comprises reactions between various chemicals and catalysts to produce various industrial products.

Examples of oleochemical and chemical plants that our Group offers include biolubricant, distilled biodiesel, specialty chemicals, animal feeds, calcium soap, palm kernel cake and bio-ethanol.

- (iii) Waste recovery



Waste recovery is the process of converting industrial and agricultural solid, liquid and gas wastes into energy or usable other products by reclaiming particular components or materials from the wastes through mechanical or biological processes.

Examples of waste recovery plants that our Group offers exhaust, chimney, dryer, multiple-effect evaporator, biogas reactor and scrubber, spent oil and solvent recovery.

(c) Renewable energy and co-generation plants

Our offerings on renewable energy and co-generation plants are as follows:

Renewable energy and co-generation plants

- (i) Co-generation and tri-generation



Description

Co-generation power plant uses one source of primary fuel (e.g. natural gas or biomass) to generate electricity and thermal energy in the form of steam, which is used for applications such as space, oil and water heating. Tri-generation power plant uses one source of primary fuel to generate electricity, thermal energy and cool air simultaneously. Cool air is used for applications such as refrigeration and air conditioning.

7. BUSINESS OVERVIEW (Cont'd)

Renewable energy and co-generation plants

(ii) Biomass



Description

Biomass produces electrical energy by burning organic waste such as wood to create heat which turns water into high pressure steam. The high-pressure steam spins the turbines to generate mechanical energy which then activates the generator to create electrical energy.

(iii) Combined cycle



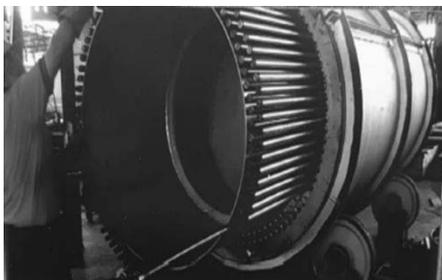
Combined cycle plant produces electrical energy using natural gas and steam. Natural gas is burned to create heat. Heat spins the gas turbines to generate mechanical energy which then activates the generator to create electrical energy. The waste heat released from the gas turbines is captured to generate steam which is used to generate more electrical energy.

(iv) Biogas / landfill



Biogas / landfill power plants use methane gas produced by decomposed organic waste and/or wastewater as combustion fuel to spin the turbines to generate mechanical energy which then activates the generator to create electrical energy.

(v) Waste incineration



Waste incineration power plant produces electrical energy by burning municipal waste or industrial waste to create heat which turns water into high pressure steam. The high-pressure steam spins the turbines to generate mechanical energy which then activates the generator to create electrical energy.

7. BUSINESS OVERVIEW (Cont'd)

Renewable energy and co-generation plants

(vi) Organic rankine cycle



Description

Organic rankine cycle produces electrical energy by using renewable thermal energy such as solar energy or waste heat to turn thermal oil into vapour. The vapour spins the turbines to generate mechanical energy which then activates the generator to create electrical energy.

7.2.4 Our business model

Our Group's business model, by business activities, is as illustrated below:

	Our principal activities	Other business activity
	Design, fabrication, installation and/or commissioning solutions	Power generation and sale of electricity
Our engineering solutions	<p>Industrial process equipment:</p> <ul style="list-style-type: none"> • Heat exchangers • Pressure vessels • Boilers and heaters <p>Process plants:</p> <ul style="list-style-type: none"> • Food processing • Oleochemical and chemical processing • Waste recovery <p>Renewable energy and co-generation plants:</p> <ul style="list-style-type: none"> • Co-generation and tri-generation • Biomass • Combined cycle • Biogas / landfill • Waste incineration • Organic rankine cycle 	<ul style="list-style-type: none"> • Sale of electricity to the distribution licensee
Our product application	<p>Examples of applicable industries:</p> <ul style="list-style-type: none"> • Food processing • Oleochemical and chemical processing • Oil and gas • Waste recovery • Power plant 	<ul style="list-style-type: none"> • Not applicable

7. BUSINESS OVERVIEW (Cont'd)**7.2.5 Our operational facilities**

Our business operations are based in Malaysia at the following locations:

Facilities	Location	Land area (sq ft)	Built-up area	Function
Factory 1	No. 18, Lebu Perusahaan Klebang 1, Kawasan Perusahaan IGB, 31200 Ipoh, Perak	90,499	60,007	Headquarter, factory and storage
Factory 2	Lot 181630, Lebu Perusahaan Klebang 11, Kawasan Perusahaan IGB, 31200 Ipoh, Perak	91,999	63,825	Factory and storage
Factory 3	No. 25, Lebu Perusahaan Klebang 1, Kawasan Perusahaan IGB, 31200 Ipoh, Perak	130,265	42,560	Factory and storage

Facilities	Location	Land area (sq ft)	Installed capacity (MW)	Function
Bercham Plant	Lot 41293, Batu 8, Jalan Bercham, Tanjung Rambutan, 31250 Bercham, Perak	2,955,232	1.2	Power generation

7.2.6 Warranty

Our Group provides a standard warranty period of 12 months to our customers for our industrial process equipment, process plants, and renewable energy and co-generation plants. For industrial process equipment, save for consumables and wear and tear parts (e.g. gaskets, mechanical seals and bearings) which are not covered under our warranty, the warranty provided to customers encompasses workmanship and material defect.

Process plants and renewable energy and co-generation plants comprise the integration of multiple industrial process equipment to form a set of processes. Save for consumables and wear and tear parts which are not covered under our warranty, the standard warranty for process plants and renewable energy and co-generation plants covers the rectification and/or replacement of faulty parts of the industrial process equipment that make up the process plants and renewable energy and co-generation plants, due to workmanship and material defect.

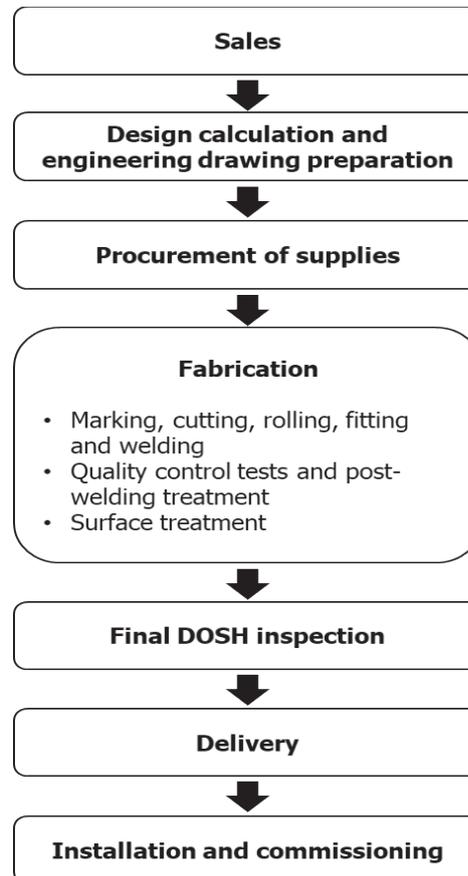
During the warranty period, we will rectify and/or replace faulty parts of industrial process equipment, including the industrial process equipment which make up the process plants and renewable energy and co-generation plants, at our cost.

In FYE 2020 to 2023, we incurred warranty claims from our customers amounting to RM4,040, Nil, RM12,239 and RM83,477 respectively.

7. BUSINESS OVERVIEW (Cont'd)

7.3 BUSINESS PROCESSES

The process flow for our Group's business operations is depicted below. As our process plants and renewable energy and co-generation plants comprise the integration of multiple industrial process equipment, the process flow set out below applies to all our engineering solutions, i.e. for our industrial process equipment, process plants, and renewable energy and co-generation plants as well.



(a) Sales

Upon the receipt of enquiry from customer, we will attend to the enquiry to understand the customer's specifications and requirements. We will send a quotation to the customer based on the type of product requested, product requirement, and specification provided. Prior to accepting our quotation, the customer may also request to perform an audit on our operational processes including our licensing and certifications, fabrication facilities and expertise to assess our capability to meet their quality standards. Upon accepting our quotation, the customer will issue a purchase order to our Group. Following which, we will issue an order confirmation to our customer.

7. BUSINESS OVERVIEW (Cont'd)

Typically, we will issue the sales invoice to our customer by project milestone basis. The number of project milestones as well as terms of payment differ from project to project, which is negotiated with our customer prior to the issuance of the order confirmation. Typically, the general project milestones comprise order confirmation, design calculation and engineering drawing confirmation, completion of fabrication and testing of industrial process equipment, and delivery of industrial process equipment to our customer's project site. Additional project milestones may be included as and when requested by our customer. We will issue a sales invoice to our customer upon meeting each milestone. In cases where a downpayment is negotiated with our customers, we will collect a downpayment for the purchase order through the issuance of the first sales invoice upon order confirmation.

(b) Design calculation and engineering drawing preparation

Upon consultation with our customers and understanding their product requirements, we will carry out the design calculations and prepare the engineering drawings for pressure vessels, heat exchangers as well as boilers and heaters according to our customer's specifications and in compliance with engineering codes such as ASME codes and DOSH requirements. We will work closely with our customers to identify in detail their requirements and technical specifications when designing the industrial process equipment, process plants, and renewable energy and co-generation plants. The design for boilers may be carried out by our Group or third party boiler design company upon our customer's discretion. There are also circumstances where customers will request for our Group to fabricate the industrial process equipment according to their design calculations and/or engineering drawings.

In addition, we will also prepare an inspection test plan which describes the type of quality control inspections and tests that must be completed before, during and after fabrication to ensure that all quality and safety requirements are met.

To ensure compliance with DOSH's requirements, our design calculations and engineering drawings for heat exchangers, pressure vessels as well as boilers and heaters will be submitted to DOSH for approval. For certain waste recovery equipment such as exhausts and chimneys, we will also submit our design calculations and engineering drawings to the DOE for approval to ensure compliance with the Environmental Quality (Clean Air) Regulations 2014.

Upon request by our customer, we also submit our design calculations and engineering drawings to ASME authorised inspectors for design inspection and approval.

(c) Procurement of supplies

We will identify the raw materials required to carry out fabrication works and source the raw materials based on our customer's product requirements and specifications. We then inspect the incoming raw materials to ensure that there are no defects on the raw materials and it complies with the required specifications as stated in the purchase orders. The raw materials inspection may be carried out in-house or by an ASME authorised inspector upon request by our customer. The raw materials are also required to undergo inspection by DOSH.

7. BUSINESS OVERVIEW (Cont'd)

We will source the following equipment from third party manufacturers:

- (i) For process plants, auxiliary equipment such as dryers, filters, multiple-effect evaporators, scrubbers, motors, chillers, separators, vacuum pumps, plate heat exchangers and sifters; and
- (ii) For renewable energy and co-generation plants, turbines and auxiliary equipment such as smokeless incinerators, dryers, filters, biogas reactors, scrubbers, gasifiers, motors, chillers, separators and plate heat exchangers.

These third party manufacturers may be our panel of suppliers or suppliers appointed by our customers. We inspect the equipment received to ensure that the equipment complies with our requirement and is functioning in accordance with the required specification.

(d) Fabrication

(i) Marking, cutting, rolling, fitting and welding

The raw materials will be marked for cutting, rolling, fitting, welding and machining based on the engineering drawings. We will carry out inspection on the markings to ensure that the markings are indicated as per the engineering drawings. If there are discrepancy between the markings and our engineering drawings, the markings will be revised according to the required specifications.

Then, the raw materials will undergo cutting, rolling and machining to shape the metal segments and pieces that form parts of the industrial process equipment. We will inspect the metal segments and pieces to ensure that they fulfil the specifications as per the engineering drawings before we assemble, fit and weld the metal segments and pieces together to form the industrial process equipment.

We will carry out visual inspections and dimensional checks of the industrial process equipment during this stage to ensure that the dimensions of the industrial process equipment are as per the engineering drawings.

We outsource some machining works such as drilling of baffle plate and machining of tube sheet as these machining works are out of our scope of capabilities or due to the shortage of skilled labour.

(ii) Quality control tests and post-welding treatment

Following the welding process, we will inspect the welded areas of the industrial process equipment through visual inspections and NDTs to ensure that the welded areas do not contain any flaws. As and when required, we will engage authorised inspectors to carry out NDTs comprising dye penetrant test, radiography test, ultrasonic test, magnetic particle test, PMI test and hardness test. Please refer to Section 7.13 for further details of our NDTs.

Following the welding inspection, as and when required, the industrial process equipment will undergo post-welding treatment such as heat treatment and stress relief treatment to relieve the residual stresses in the welded areas that were induced during the fabrication process.

7. BUSINESS OVERVIEW (Cont'd)

As and when required by our customers, the industrial process equipment may be inspected by authorised inspectors appointed by our customer. Upon satisfactory inspections, further testing such as hydrostatic test will be carried out in-house to ensure that there are no leakages in the industrial process equipment, which will be witnessed by DOSH personnel as well as, if required, authorised inspectors and/or our customer.

(iii) Surface treatment

Upon the completion of final quality control inspections and post-welding treatment, the industrial process equipment will undergo the last stage of the fabrication process which is surface treatment. The surface treatment that we carry out in-house are abrasive blasting, spray painting, power brushing, acid pickling, markings, and buffing. As and when required, we will outsource surface treatment works such as hot dipped galvanising, polymer lining or ceramic coating to third party surface treatment service providers.

(e) Final DOSH inspection

After fabrication, the industrial process equipment will undergo final DOSH inspection in accordance with the inspection test plan to ensure compliance with the design calculations and engineering drawings.

(f) Delivery

Following the completion of fabrication works, a certificate of shop inspection and release order will be issued to certify that the industrial process equipment complies with ASME codes as well as the specifications of the engineering plans. Upon request, we will arrange for delivery of the industrial process equipment to our customer's project site. The transportation costs are borne by our customers. Such costs are included in the quotation issued to our customers, and are recorded as part of our cost of sales as we make the necessary arrangements thereafter. Our customers may also opt to arrange for their own transportation for the delivery of the industrial process equipment to their project sites. A tentative delivery date or an agreed delivery date for the industrial process equipment is stated in the order confirmation.

In cases where liquidated and ascertained damages ("**LAD**") terms are negotiated with our customers, the LAD charges will apply based on an agreed delivery date. In such cases, our customers may claim for LAD from our Group in the event of delays on project milestones due to unanticipated internal delays from our Group. LAD terms are included in the purchase order as and when required by our customers. In FYE 2022 and 2023, we incurred LAD charges for late delivery of RM0.1 million from 3 customers and RM0.02 million from 1 customer, respectively. We did not incur any LAD charges for FYE 2020 and 2021.

(g) Installation and commissioning

For process plants and renewable energy and co-generation plants, we will carry out installation and commissioning works for our customers whose sites are in Malaysia. For these customers, we will assemble and install the individual industrial process equipment (i.e. industrial process equipment fabricated in-house and sourced from third party manufacturers) and integrate with piping and control system to form the complete plant. The assembly, installation and integration works will be carried out at our customer's project site.

7. BUSINESS OVERVIEW (Cont'd)

Customers whose sites are located overseas will make their own arrangements for the assembly, installation and integration to form the complete plant, and as such, will not require us to carry out these works for them. However, as and when required by our customer, we will appoint our supervisor to be present at our customer's overseas site to supervise the commissioning of the plants.

Upon commissioning, we will ensure that the plant is functioning according to the required specification before handover to our customer.

The duration required for design and fabrication of industrial process equipment typically takes approximately 3 months to 6 months; whereas the duration required for design, fabrication, installation and commissioning of process plants and renewable energy and co-generation plants typically takes approximately 12 months to 18 months.

7.4 PRINCIPAL BUSINESS SEGMENTS AND MARKETS

For FYE 2020 to 2023, our Group's total revenue is mainly derived from the design, fabrication, installation and/or commissioning solutions segment. Our power generation and sale of electricity segment began contributing to our Group's revenue in FYE 2022, but the contribution remain minimal at 0.2% of our Group's total revenue in FYE 2023.

The breakdown of our Group's revenue by principal business activities for FYE 2020 to 2023 is as follows:

Revenue by business segment	Audited								
	FYE 2020		FYE 2021		FYE 2022		FYE 2023		
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Design, fabrication, installation and/or commissioning solutions									
- Industrial process equipment	30,041	61.5	32,183	50.3	54,344	39.0	48,439	49.2	
- Process plants	18,782	38.5	31,858	49.7	43,388	31.2	27,708	28.2	
- Renewable energy and co-generation plants	-	-	-	-	41,411	29.8	22,050	22.4	
Sub-total	48,823	100.0	64,041	100.0	139,143	100.0	98,197	99.8	
Other⁽¹⁾	-	-	-	-	41	<0.1	182	0.2	
Total	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0	

Note:

⁽¹⁾ Other comprised the sale of electricity revenue from the power generation following the acquisition of Magenko Group in August 2022. Hence, revenue for this business segment was not applicable for the FYE 2020 and 2021.

7. BUSINESS OVERVIEW (Cont'd)

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

Revenue by geographical market ⁽¹⁾	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	42,022	86.1	60,548	94.5	122,594	88.1	80,597	81.9
Overseas								
- Indonesia	1,350	2.8	1,411	2.2	8,533	6.1	1,426	1.5
- Singapore	1,509	3.1	1,447	2.3	7,299	5.2	1,037	1.1
- Japan	3,266	6.7	617	1.0	352	0.3	34	<0.1
- USA	-	-	-	-	39	<0.1	13,312	13.5
- Others ⁽²⁾	676	1.3	18	<0.1	367	0.3	1,973	2.0
	6,801	13.9	3,493	5.5	16,590	11.9	17,782	18.1
Total	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0

Notes:

- (1) Revenue by the geographical market is based on the place of domicile of our customers. The design and fabrication of our projects will be performed in Malaysia. However, we will purchase the equipment from overseas if we are unable to design and fabricate it. The installation and commissioning works of our projects will be carried out at our customer's project site in Malaysia or overseas.
- (2) Others comprise mainly New Zealand, South Africa and Germany.

7.5 SALES AND MARKETING

We actively engage in the following sales and marketing strategies:

(a) Direct approach

We secure new customers through direct approach with potential customers that operate within the industries that our Group currently serves such as food processing, oleochemical and chemical processing, oil and gas, waste recovery, power plant and utilities. Our sales and marketing team also follows up closely with our existing customers to identify opportunities to secure more sales.

(b) Digital marketing

We market our products and services through social media platforms such as LinkedIn and Facebook. We also market our product and services through email marketing where we send newsletters to our customers and subscribers. Through these digital marketing efforts, we are able to present to our customers the latest products and technologies. Our sales and marketing team also follows up closely with existing customers as well as subscribers to identify opportunities to secure more sales.

7. BUSINESS OVERVIEW (Cont'd)**(c) Trade fairs, exhibitions, industry networking events and associations**

We participate in trade fairs and exhibitions where we are able to introduce our fabrication expertise, capabilities and products to industry players within the manufacturing and engineering-related industries. We also participate in networking events which allow us to meet industry players within the manufacturing and engineering-related industries. Through our participation in trade fairs, exhibitions and networking events, we are able to identify potential new customers, promote our market presence, maintain business relationships with our existing customers as well as gain industry insights and keep abreast with new technologies in the industry.

Due to the movement restrictions imposed during the COVID-19 pandemic, we did not participate in any physical trade fairs and exhibitions in FYE 2020 and 2021. Our participation in trade fairs, exhibitions and industry networking events are as shown below:

<u>Year</u>	<u>Events</u>	<u>Organiser</u>	<u>Location</u>
September 2019	POWERGEN Asia	Clarion Events Pte Ltd	Malaysia International Trade and Exhibition Centre (MITEC), Kuala Lumpur
August 2022	5 th International Sustainable Energy Summit 2022	SEDA	Kuala Lumpur Convention Centre

In addition, we are a member of FMM as well as a member of HTRI consortium. FMM is a private organisation based in Malaysia for manufacturers and industrial service companies. FMM provides its members with various benefits including business and networking opportunities as well as industry advice and information. HTRI is a company based in Texas, USA and is principally involved in the provision of process heat transfer technology software and services, as well as research in process heat transfer. Being a member of the FMM allows us to broaden our exposure to industry players within the manufacturing and engineering-related industries and keep abreast with the latest industry trends and market demands, whereas being a member of the HTRI consortium enables us to leverage on their technology and technical knowledge on process heat transfer technology.

(d) Corporate website

We have established our corporate website at <http://www.kawan-renergy.com.my>, as a medium for introducing our Group and our products and services to our potential customers. We understand that the internet is an important advertising medium as the prevalence of the internet as a source of information will potentially enhance our market reach and exposure globally.

7. BUSINESS OVERVIEW (Cont'd)

7.6 TECHNOLOGY USED

Our Group uses the following technologies in our operations:

(a) Engineering software

Our Group utilises various software to design our industrial process equipment and process plants such as software for drawings and design such as mechanical calculations, thermal calculations and stress analysis. The software which we use are known as GstarCAD, Autodesk Plant 3D, Autodesk Inventor, HTRI and PV Elite. GstarCAD is used to carry out 2-dimensional drawings of industrial process equipment and process plants. Autodesk Plant 3D and Autodesk Inventor are used to carry out 3-dimensional drawings of industrial process equipment and process plants. HTRI is used to carry out design, rating and/or simulation of heat exchangers whereas PV Elite is used to carry out mechanical calculations, thermal calculations and stress analysis for pressure vessels and heat exchangers. These engineering software enables our engineers to design detailed equipment, parts and components according to our customer's specifications.

(b) Welding technology

Welding is a fabrication process of joining two pieces of metals by fusing to produce a single piece of metal, with or without the use of filler material. The two pieces of metal are joined by the application of intense heat or pressure or both to melt the edges of the metals so that they are able to fuse to form a permanent joint. Our Group uses arc welding such as shielded metal arc welding, submerged arc welding, plasma arc welding and orbital welding, as well as laser welding, in our fabrication works.

In arc welding, an electric arc is created between an electrode and the base material to melt metal at the welding point. The welding point is sometimes protected by inert gas, semi-inert gas or flux (i.e. a mixture of minerals and other chemicals) which protects the welded area from contamination due to oxygen and other atmospheric gases. Filler materials which are metals are sometimes used to fill the small gaps at the welding point. Further details on shielded metal arc welding, submerged arc welding, plasma arc welding and orbital welding are as follows:

- (a) Shielded metal arc welding is a welding method that joins metals together using an electrode with a layer of flux coating. When the electrode comes into contact with the metals at the welding point, the layer of flux coating on the electrode breaks down and forms a layer of protective gas.
- (b) In submerged arc welding, the welding point of the metals to be welded together are covered in a layer of powdered flux which protects the welded area during welding.
- (c) Plasma arc welding is a welding method that uses a plasma torch to form plasma arc to join metals at the welding point. In plasma arc welding, electrode is automatically fed into the nozzle of the plasma torch which is separated from the shielding gas envelope, to generate concentrated plasma arc to form high quality welds.

7. BUSINESS OVERVIEW (Cont'd)

- (d) Orbital welding is a type of automated welding technology use in connecting pipes or tubes. In orbital welding, electrode will be loaded into automated welding machine to form welding arc, whereby the welding arc will rotate around the welding point of the static metal (i.e. pipes and tube).

Laser welding is a fusion joining process that joins metals using the heat obtained from impinging a concentrated beam of laser onto the welding area.

7.7 INTERRUPTIONS TO BUSINESS

Save for the temporary disruptions to our operations arising from the COVID-19 pandemic as detailed below, our Group had not experienced any other interruptions in our operations which had a significant effect on our operations for the past 12 months preceding LPD.

Impact of COVID-19 on the operations of our Group

Pursuant to the outbreak of the COVID-19 pandemic in 2020, the Government had implemented different forms of MCO since 18 March 2020 to contain the spread of the virus. During this period, our Group was required to comply with the changes in SOP outlined by MITI throughout the period.

In FYE 2020, we faced some disruptions in the receipt of supplies for tubes as well as auxiliary parts and equipment (i.e. plate heat exchanger, belt conveyor, filter plate, vacuum pump, flange, stainless steel pipe and tubesheet) that are sourced from our suppliers in China and Korea due the country's COVID-19 restrictions which resulted in a delay in the shipment to our factory by approximately 1 month. We had informed our customer of the delay in delivery schedule and in view of the COVID-19 situation, our customers did not initiate any penalty claims against our Group arising from the delay. Saved as disclosed above, we did not face any material shortages or delay in the receipt of supplies and delivery schedule during the COVID-19 pandemic.

Further, there was no material adverse impact on our sales during the COVID-19 pandemic as our sales activities have been able to continue through online meetings.

There was no material impact on our sales, delivery, and receipt of supplies upon the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

Impact on our business, cash flows, liquidity, financial position and financial performance

The delay in delivery schedule experienced in FYE 2020 as mentioned above had resulted in a delayed recognition of revenue in FYE 2020 which was subsequently recognised in FYE 2021. Save for the foregoing, there was no material impact to our business, cash flows, liquidity, financial position and financial performance in FYE 2020. Further, there was no material impact to our business, cash flows, liquidity, financial position and financial performance in FYE 2021 and FYE 2022 arising from the COVID-19 pandemic. Our business cash flows, liquidity, financial position and financial performance was also not impacted by the enforcement of the "Transition to Endemic" phase beginning 1 April 2022.

7. BUSINESS OVERVIEW (Cont'd)

Strategy and steps taken to address the impact of COVID-19

In response to the COVID-19 pandemic, our Group has established a standard safety protocol that outlines several infection control measures based on the guidelines and SOP issued by MITI from time to time to protect employees and customers against COVID-19 infection. Since March 2020 and up to LPD, there have been no actions taken or penalties issued by the relevant authorities against our Group for breach of any laws relating to COVID-19 restrictions and/or SOPs.

7.8 SEASONALITY AND CYCLICALITY

Generally, there are no significant seasonality or cyclical patterns in our business as the demand for our services is not subject to any seasonal or cyclical fluctuations.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.9 MAJOR CUSTOMERS

Our top 5 major customers for FYE 2020 to 2023 are as follows:

No.	Major customer	Revenue		Products / Solutions provided	Length of relationship ⁽¹⁾
		RM'000	%		Years
FYE 2020					
1.	Jadi Imaging Technologies Sdn Bhd	10,521	21.6	Process plant – Chemical plant, raw water treatment plant and waste water treatment plant	2
2.	Murum Hydro Power Generation Sdn Bhd	3,437	7.0	Industrial process equipment – Heat exchanger	1
3.	Kobelco E&M Co., Ltd (formerly known as Shinko Engineering & Maintenance Co., Ltd)	3,266	6.7	Industrial process equipment – Heat exchanger	1
4.	Oiltek Sdn Berhad	3,035	6.2	Industrial process equipment – Pressure vessel and heat exchanger	8
5.	Elantas Malaysia Sdn Bhd	2,400	4.9	Process plant – Chemical plant	Less than 1
	Sub-total	22,659	46.4		
	Total	48,823	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Major customer	Revenue		Products / Solutions provided	Length of
		RM'000	%		relationship⁽¹⁾
Years					
FYE 2021					
1.	Oleon Port Klang Sdn Bhd (formerly known as Unioleon Sdn Bhd)	6,154	9.6	Process plant – Food emulsifier plant	1
2.	Oiltek Sdn Berhad	5,204	8.1	Industrial process equipment – Pressure vessel and heat exchanger	9
3.	Vast Evolve Sdn Bhd	4,442	6.9	Process plant – Chemical plant	1
4.	Munzing Malaysia Sdn Bhd	3,631	5.7	Process plant – Chemical plant	1
5.	Periforce Sdn Bhd	3,032	4.7	Industrial process equipment – Pressure vessel	10
Sub-total		22,463	35.0		
Total		64,041	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Major customer	Revenue		Products / Solutions provided	Length of relationship⁽¹⁾
		RM'000	%		Years
FYE 2022					
1.	Ramatex Textiles Industrial Sdn Bhd	36,028	25.9	Co-generation power plant	Less than 1
2.	Munzing Malaysia Sdn Bhd	26,956	19.4	Process plant – Chemical plant; Co-generation power plant	2
3.	PT Sari Dumai Oleo	6,236	4.5	Industrial process equipment – Pressure vessel	1
4.	Oiltek Sdn Berhad	5,990	4.3	Industrial process equipment – Pressure vessel and heat exchanger	10
5.	Sulzer Singapore Pte Ltd	4,793	3.4	Industrial process equipment – Pressure vessel and heat exchanger	6
Sub-total		80,003	57.5		
Total		139,184	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Major customer	Revenue		Products / Solutions provided	Length of relationship⁽¹⁾
		RM'000	%		Years
FYE 2023					
1.	Ramatex Textiles Industrial Sdn Bhd	15,989	16.3	Co-generation power plant	1
2.	Oiltek Sdn Berhad	14,151	14.4	Industrial process equipment – Pressure vessel and heat exchanger	11
3.	Oleon Group ⁽²⁾	13,681	13.9	Industrial process equipment – Pressure vessel	3
4.	Munzing Malaysia Sdn Bhd	11,521	11.7	Process plant – Chemical plant; Co-generation power plant	3
5.	Eyvap Sabun Malaysia Sdn Bhd	4,332	4.4	Industrial process equipment – Pressure vessel and heat exchanger; Process Plant – Chemical plant	4
	Sub-total	59,674	60.7		
	Total	98,379	100.0		

Notes:

- (1) Length of relationship as at the respective FYE.
- (2) Oleon Group comprises Oleon Americas, Inc. and Oleon Port Klang Sdn Bhd (formerly known as Unioleon Sdn Bhd), which are subsidiaries of Oleon NV, a company based in Belgium. Oleon Americas, Inc. is a company based in the USA.

7. BUSINESS OVERVIEW (Cont'd)

For FYE 2020 to 2023, our top 5 major customers contributed 46.4%, 35.0%, 57.5% and 60.7% to our Group's total revenue, respectively. Due to the nature of our business, we are not dependent on our major customers as our design, fabrication, installation and/or commissioning solutions are project-based. Further, we do not have any long-term agreements or arrangements with our customers as our Group's sales are based on purchase orders whereby our customers purchase our products / services on a project-to-project basis or on an as-needed basis. The recognition of revenue is also dependent on the project milestones as revenue is recognised by the stages of project completion and billing. Hence, our major customers may vary from year to year.

We believe that our Group's sustainability and ability to secure new projects and customer base are adequately supported by our competitive strengths as well as sales and marketing strategies. Our competitive strengths comprise our established history of 28 years in the industrial process equipment industry; technical capabilities to customise engineering solutions for our customers; ability to offer engineering solutions for a wide range of industries, primarily comprising food, chemical, oil and gas, waste recovery, energy and utilities; ability to meet internationally recognised standards of quality; as well as a technically strong and experienced team. Coupled with these strengths, we employ sales and marketing strategies comprising direct approach with potential customers; digital marketing through social media platforms and email marketing; participation in trade fairs, exhibitions, industry networking events and associations; as well as establishing our corporate website to introduce our products and services to enhance our market reach and exposure. With our competitive strengths as well as sales and marketing strategies, we provide potential customers with confidence and awareness on our capabilities and offerings, and thus, enabling us to secure new projects and increase our customer base to sustain and expand our business. Please refer to Sections 7.5 and 7.15 for further details on our sales and marketing strategies as well as competitive strengths respectively.

7.10 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES

The table below sets out our purchases for FYE 2020 to 2023:

Purchases	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Auxiliary parts and equipment ⁽¹⁾	11,659	34.1	15,607	34.7	24,873	23.6	19,834	34.0
Subcontractor and outsourced services ⁽²⁾	10,611	31.1	11,479	25.6	18,715	17.7	17,109	29.3
Steel plates	6,632	19.4	10,850	24.2	14,088	13.3	9,189	15.8
Steel tubes	2,765	8.1	2,509	5.6	7,995	7.6	5,252	9.0
Turbines	-	-	-	-	29,102	27.6	615	1.1
Consumables, fittings and accessories ⁽³⁾	1,360	4.0	2,758	6.1	4,066	3.9	3,781	6.5
Handling, freight, forwarding and transportation	1,135	3.3	1,721	3.8	6,632	6.3	2,534	4.3
Other ⁽⁴⁾	-	-	-	-	4	<0.1	2	<0.1
Total	34,162	100.0	44,924	100.0	105,475	100.0	58,316	100.0

7. BUSINESS OVERVIEW (Cont'd)

Notes:

- (1) Comprise auxiliary parts such as pumps, valves, pipes and fittings (e.g. flanges), control, instruments, electrical cables, belt conveyor, filter plate, tubesheet and agitators, as well as auxiliary equipment such as smokeless incinerators, dryers, filters, multiple-effect evaporators, biogas reactors, scrubbers, gasifiers, motors, chillers, separators, vacuum pumps, plate heat exchangers and sifters.
- (2) Comprise mainly labour supply at our customer's site for installation and commissioning works.
- (3) Consumables, fittings and accessories comprise mainly welding wire and welding electrodes.
- (4) Comprises lubricant oil for Bercham Plant.

Auxiliary parts and equipment, subcontractor and outsourced services as well as steel plates are our Group's primary purchases and they collectively accounted for 84.6%, 84.5%, 54.6% and 79.1% of our total purchases for the respective FYE 2020 to 2023. These supplies are readily available, and our auxiliary parts and equipment, subcontractor and outsourced services as well as steel plates are sourced from local and overseas suppliers. Save for the disruptions in the receipt of supplies during the COVID-19 pandemic as disclosed in Section 7.7, we did not experience any shortages or major disruptions in the sourcing of auxiliary parts and equipment, subcontractor and outsourced services as well as steel plates from our suppliers in FYE 2020 to 2023. We also did not experience any shortages or major disruptions in the sourcing of other raw materials in FYE 2020 to 2023.

The prices of our steel plates and steel tubes are subject to price fluctuations as a result of global demand and supply conditions, as steel is a global commodity. Further details on the impact of price fluctuations on our cost of sales are set out in Section 12.2.2(b). Nevertheless, we are generally able to pass on the increase in cost of steel plates and steel tubes to our customers via the increase in the prices of our industrial process equipment, process plants as well as renewable energy and co-generation plants in a timely manner to reduce the adverse impact on our financial performance. The prices which we quote to our customers take into consideration the prevailing market prices for steel plates and steel tubes which are quoted by our suppliers. Upon the acceptance of the quotation by our customer, we will place purchase orders for the steel plates and steel tubes required for our customer's order based on the quoted prevailing market prices. Hence, the increase in prices of steel plates and steel tubes are generally passed on to our customers in a timely manner.

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7. BUSINESS OVERVIEW *(Cont'd)*

7.11 MAJOR SUPPLIERS

Our top 5 major suppliers for FYE 2020 to 2023 are as follows:

No.	Major supplier	Purchase value		Products / Services sourced	Length of relationship ⁽¹⁾ Years
		RM'000	%		
FYE 2020					
1.	Kentzu Steel Sdn Bhd	2,809	8.2	Steel plates	13
2.	Leon Fuat Metal Sdn Bhd (formerly known as Leon Fuat Hardware (Klang) Sdn Bhd)	2,178	6.4	Steel plates	12
3.	Ener Tech Solutions Sdn Bhd	1,368	4.0	Auxiliary parts and equipment; Subcontractor and outsourced services	8
4.	Asea Metal Co.	1,317	3.9	Steel tubes	1
5.	Wong Shoon Huat	1,300	3.8	Subcontractor and outsourced services	8
Sub-total		8,972	26.3		
Total		34,162	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Major supplier	Purchase value		Products / Services sourced	Length of relationship ⁽¹⁾ Years
		RM'000	%		
FYE 2021					
1.	Leon Fuat Metal Sdn Bhd (formerly known as Leon Fuat Hardware (Klang) Sdn Bhd)	3,712	8.3	Steel plates	13
2.	Ekato Ruhr-Und Mischtechnik GmbH	1,902	4.2	Auxiliary parts and equipment	1
3.	Shoon Huat Technology Enterprise ⁽²⁾	1,753	3.9	Subcontractor and outsourced services	9
4.	Kentzu Steel Sdn Bhd	1,704	3.8	Steel plates	14
5.	Ann Joo Metal Sdn Bhd	1,377	3.1	Steel plates	15
	Sub-total	10,448	23.3		
	Total	44,924	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Major supplier	Purchase value		Products / Services sourced	Length of relationship ⁽¹⁾ Years
		RM'000	%		
FYE 2022					
1.	Gimmill Private Limited	26,115	24.8	Turbines	Less than 1
2.	Leon Fuat Metal Sdn Bhd (formerly known as Leon Fuat Hardware (Klang) Sdn Bhd)	6,661	6.3	Steel plates	14
3.	Pantech Corporation Sdn Bhd	3,995	3.8	Auxiliary parts and equipment	15
4.	Zhejiang Daling Special Steel Co., Ltd	3,308	3.1	Steel tubes; Auxiliary parts and equipment	1
5.	SD Advance Engineering Sdn Bhd	2,870	2.7	Turbines	Less than 1
	Sub-total	42,949	40.7		
	Total	105,475	100.0		

7. BUSINESS OVERVIEW (Cont'd)

No.	Major supplier	Purchase value		Products / Services sourced	Length of relationship ⁽¹⁾ Years
		RM'000	%		
FYE 2023					
1.	Pantech Corporation Sdn Bhd	3,583	6.1	Auxiliary parts and equipment	16
2.	Shoon Huat Technology Enterprise ⁽²⁾	3,170	5.4	Subcontractor and outsourced services	11
3.	Leon Fuat Metal Sdn Bhd (formerly known as Leon Fuat Hardware (Klang) Sdn Bhd)	3,067	5.3	Steel plates	15
4.	Zhejiang Daling Special Steel Co., Ltd	2,884	4.9	Steel tubes; Auxiliary parts and equipment	2
5.	Kentzu Steel Sdn Bhd	2,678	4.6	Steel plates	16
	Sub-total	15,382	26.4		
	Total	58,316	100.0		

Notes:

- (1) Length of relationship as at the respective FYE.
- (2) Comprises purchases from Wong Shoon Huat and Shoon Huat Technology Enterprise. Wong Shoon Huat is the sole proprietor of Shoon Huat Technology Enterprise. Our Group first sourced for subcontractor and outsourced services (i.e. labour supply at our customer's site for installation and commissioning works) from Wong Shoon Huat, in 2012. In October 2020, Shoon Huat Technology Enterprise, a sole proprietorship, was established and we began transacting with Shoon Huat Technology Enterprise since October 2021. Prior to transacting with Shoon Huat Technology Enterprise in October 2021, our Group was transacting with Wong Shoon Huat for FYE 2021.

7. BUSINESS OVERVIEW (Cont'd)

For FYE 2020 to 2023, our top 5 major suppliers contributed 26.3%, 23.3%, 40.7% and 26.4% of our Group's total purchases respectively. Our purchases from our top 5 major suppliers in FYE 2020 to 2023 comprise, amongst others, auxiliary parts and equipment, subcontractor and outsourced services, steel plates, steel tubes as well as turbines.

While we do not enter into any long-term contracts with our major suppliers, we have not experienced any material supply disruptions or delays from our major suppliers in FYE 2020 to 2023. Our supplies are sourced from local and overseas suppliers, selected based on pricing, production capacities, ability to meet our quality requirements and ability to deliver in a timely manner. We are not dependent on any of our major suppliers as we are able source similar supplies from alternative suppliers.

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7. BUSINESS OVERVIEW (Cont'd)

7.12 OPERATING CAPACITY AND UTILISATION

Our fabrication works are carried out at our factory with a total built-up area of 166,247 sq ft, where the fabrication and inspection of industrial process equipment, process plants, and renewable energy and co-generation plants are undertaken prior to the delivery to our customer's project site for installation and commissioning.

The nature of our business is project based and the duration required to complete the fabrication of our industrial process equipment, process plants, and renewable energy and co-generation plants varies depending on the size, technical specifications, and complexity of the product. Our industrial process equipment takes approximately 3 months to 6 months from fabrication delivery to our customer's project site, whereas our process plants and renewable energy and co-generation plants take approximately 12 months to 18 months from fabrication to delivery for installation and commissioning at our customer's project site. In addition, the number of industrial process equipment that we can fabricate at a given point in time is limited by the availability of floor area and the size of the industrial process equipment being fabricated.

Therefore, we are not able to ascertain or estimate our annual production capacity and the utilisation rate of our factory given that the conventional measurement of capacity may not be relevant to our operations. However, based on our track record in FYE 2020 to 2023, we have delivered 367, 433, 480 and 634 industrial process equipment respectively.

7.13 QUALITY CONTROL PROCEDURES AND CERTIFICATIONS

We place strong emphasis on the safety and quality of all our industrial process equipment, process plants, and renewable energy and co-generation plants. We are committed to ensure that our quality management system is in accordance with internationally recognised standards. We have adopted a stringent internal quality management assurance policy to ensure that the industrial process equipment we fabricate adhere to both international and our Group's standards.

In order to ensure that the quality and safety of our products and services are upheld, quality control procedures are undertaken during the design calculation and engineering drawing preparation stage, as well as fabrication stage as detailed below:

(a) Quality control during the design calculation and engineering drawing preparation stage

Our industrial process equipment and process plants are designed in accordance with the engineering codes such as ASME codes and the National Board Inspection Code of The National Board of Boiler & Pressure Vessel Inspectors. Our design calculations and engineering drawings for pressure vessels, heat exchangers, boilers and heaters are submitted to DOSH for approval prior to carrying out fabrication works. For certain waste recovery plants such as exhausts and chimneys, we submit our design calculations and engineering drawings to the DOE for approval in accordance with the Environmental Quality (Clean Air) Regulations 2014. Upon our customer's request, we may also submit our design calculations and engineering drawings to ASME authorised inspectors, for design inspection and approval prior to carrying out fabrication works.

7. BUSINESS OVERVIEW (Cont'd)

(b) Quality control tests during fabrication stage

We carry out quality control tests during fabrication stage in-house, as well as engage authorised inspectors to carry out the quality control tests. The quality control tests comprise visual inspections, hydrostatic test and/or NDTs.

Hydrostatic test is used to identify defects in pressure vessels using water. In a hydrostatic test, the pressure vessel is completely filled with water and the pressure inside the pressure vessel is increased. Water will leak at the presence of defects and thus, indicating the location of the defects. We carry our hydrostatic test in-house which is witnessed by DOSH personnel as well as, if required, authorised inspectors and/or our customer. Hydrostatic test is mandatory for industrial process equipment sold to local end-user customers, as required by DOSH.

NDTs are carried out as and when required and are applicable for heat exchangers, pressure vessels as well as boilers and heaters. We will engage authorised inspectors to carry out NDTs. Further details on our NDTs are as follows:

NDTs	Description
Dye penetrant test	Dye penetrant test is used to identify surface defects such as cracks and fractures in an equipment. Liquid dye is applied to the test area. In the presence of surface defects, the liquid dye will flow into surface defects and thus, indicating the location of the defects.
Radiography test	Radiography test is used to identify defects in the internal structure of an equipment by transmitting radiation such as x-rays or gamma rays on the equipment and capturing the equipment's radiation absorption pattern on a film. The radiation absorption pattern is then interpreted for presence and location of the defects.
Ultrasonic test	Ultrasonic test is used to identify defects in an equipment by transmitting high frequency sound waves into the equipment. In the presence of defects, the transmission of sound waves will be disrupted and deflected. The signals from the deflected sound waves are interpreted to determine the location of the defects.
Magnetic particle test	Magnetic particle test is used to identify surface and subsurface defects in an equipment. Fine magnetic particles, such as ferrous iron filings, are applied to the test area which will accumulate around the surface or subsurface defects, indicating the presence and location of surface or subsurface defects.
PMI test	PMI test is used to analyse and determine the material of an equipment to ensure that the materials used for the fabrication of the equipment comply with quality and safety requirements. PMI test uses radiation (i.e. x-ray fluorescence) or electrical energy (i.e. optical emission spectrometry) to detect the key elements of the equipment's materials.

7. BUSINESS OVERVIEW (Cont'd)

NDTs	Description
Hardness test	Hardness test is used to determine the resistance of an equipment's material to indentation. In a hardness test, an indenter (i.e. an object of specified mass) is pressed on the test area with a certain force which creates an indentation. The depth or size of the indentation is measured to determine the hardness of the equipment's material.

Our Group's commitment towards product quality and safety is further attested by our compliance with local and international quality standards, and we were awarded the certifications of compliance as follows:

Standard	Certification body	Country of certification body	Date first awarded	Current validity period	Scope of certification
Fabrication and repair of pressure vessels	DOSH	Malaysia	15 June 1996	14 March 2024 – 13 March 2027	Registered as a competent firm for the fabrication and repair of pressure vessels
ASME U Stamp Certification Mark	ASME	USA	1 April 2008	1 April 2023 – 23 February 2026	Certificate of Authorisation for fulfilling the requirements of the ASME Boiler and Pressure Vessel Code for the manufacturing of pressure vessels
ISO 9001:2015 Quality Management System	QMS Certification	Brazil	1 August 2008	11 July 2023 – 10 July 2026	Fulfilling the requirement for quality management system for design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment
Fabrication and repair of steam boilers	DOSH	Malaysia	4 September 2008	2 September 2022 – 1 September 2025	Registered as a competent firm for the fabrication and repair of steam boilers
ASME H Stamp Certification Mark	ASME	USA	4 May 2011	1 April 2023 – 23 February 2026	Certificate of Authorisation for fulfilling the requirements of the ASME Boiler and Pressure Vessel Code for the commissioning of heating boilers (except cast iron and cast aluminium)

7. BUSINESS OVERVIEW (Cont'd)

Standard	Certification body	Country of certification body	Date first awarded	Current validity period	Scope of certification
ASME S Stamp Certification Mark	ASME	USA	4 May 2011	1 April 2023 – 23 February 2026	Certificate of Authorisation for fulfilling the requirements of the ASME Boiler and Pressure Vessel Code for the manufacturing and assembly of power boilers
R Symbol	The National Board of Boiler & Pressure Vessel Inspectors	USA	14 January 2020	17 February 2023 – 1 April 2026	Authorisation to use the R Symbol in accordance with the provisions of the National Board Inspection Code and NB-415, Accreditation of "R" Repair Organisations
NB Mark	The National Board of Boiler & Pressure Vessel Inspectors	USA	19 January 2010 ⁽¹⁾ / 1 March 2017 ⁽²⁾	Since 19 January 2010 ⁽¹⁾⁽³⁾ / 1 March 2017 ⁽²⁾⁽³⁾	Authorisation to apply the NB mark and register boilers, pressure vessels or other pressure retaining items with the National Board, in which the scope of authorisation is limited to items manufactured in accordance with ASME H, S, U
ASME U2 Stamp Certification Mark	ASME	USA	23 February 2023	23 February 2023 – 23 February 2026	Certificate of Authorisation for fulfilling the requirements of the ASME Boiler and Pressure Vessel Code for the manufacturing of Class 1 and Class 2 pressure vessels
ISO 14001:2015 Environmental Management Systems	QMS Certification	Brazil	12 July 2023	12 July 2023 – 11 July 2026	Fulfilling the requirement for environmental management systems for design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment

7. BUSINESS OVERVIEW (Cont'd)

Standard	Certification body	Country of certification body	Date first awarded	Current validity period	Scope of certification
ISO 45001:2018 Occupational Health and Safety Management Systems	QMS Certification	Brazil	12 July 2023	12 July 2023 – 11 July 2026	Fulfilling the requirement for occupational health and safety management systems for design, manufacturing and on-site commissioning of pressure vessel, heat exchange system, water and waste treatment and process equipment

Notes:

- (1) Date first awarded for NB Mark pertaining to the scope of authorisation that is limited to items manufactured in accordance with ASME U.
- (2) Date first awarded for NB Mark pertaining to the scope of authorisation that is limited to items manufactured in accordance with ASME H and S.
- (3) The validity period will remain in effect as long as our Group holds a valid Certificate of Authorisation issued by ASME.

7.14 RESEARCH AND DEVELOPMENT

We do not carry out any research and development activities as it is not applicable to the nature of our business.

7.15 COMPETITIVE STRENGTHS

7.15.1 We have an established history and proven track record with 28 years of experience in the industrial process equipment industry

We have an established history of 28 years in the industrial process equipment industry with a proven track record in the provision of design, fabrication, installation and/or commissioning solutions. Over the years, we grew our capabilities from the fabrication of non-pressure vessels and tanks to various industrial process equipment comprising heat exchangers, pressure vessels as well as boilers and heaters. We also offer process plants within the specialty of food processing, oleochemical and chemical processing, waste recovery and power plant. Since the commencement of our business, we have completed numerous industrial process equipment and process plants projects as well as renewable energy and co-generation for various industries.

Our vast experience in offering a wide range of industrial process equipment and process plants, as well as renewable energy and co-generation plants over the years have enabled us to gain in-depth knowledge and understanding on our customer's industrial process needs and requirements across different industries. Armed with in-depth technical knowledge, engineering solution and fabrication capabilities, track record and industry reputation, we have been able to continuously grow our business and secure new customers.

7. BUSINESS OVERVIEW (Cont'd)

7.15.2 We have the technical capabilities to customise engineering solutions for our customers

We have the technical capabilities to provide design, fabrication, installation and/or commissioning solutions to our customers to meet their specifications and requirements. Through our track record and experience in the provision of design, fabrication, installation and/or commissioning solutions, we are able to understand our customer's industrial process requirements and propose suitable process plants for our customers. Our customer's industrial process equipment, process plant and renewable energy and co-generation plants differ in terms of design, layouts, processes, application and materials required. Hence, our design, fabrication, installation and/or commissioning solutions are customised to meet our customer's industrial process needs. Consequently, our technical capabilities and knowledge in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants and renewable energy and co-generation plants have continued to be enhanced over the years as we continue to secure customers from various industries.

We believe that through our technical capabilities as well as our ability to provide end-to-end solutions to our customers from design to fabrication as well as installation and commissioning, we are well-positioned to capture business opportunities arising from the demand for industrial process equipment and process plants from a wide range of industries, as well as renewable energy and co-generation plants.

7.15.3 We are able to offer engineering solutions for a wide range of industries, primarily comprising food, chemical, oil and gas, waste recovery, energy and utilities

Our engineering solutions comprises the offerings of industrial process equipment, process plants and renewable energy and co-generation plants. We are able to offer engineering solutions for a wide range of industries such as food processing (e.g. food emulsifier production as well as edible oil and palm phytonutrient extraction), oleochemical and chemical processing (e.g. palm biodiesel, biolubricants, fatty acids and industrial esters), oil and gas (e.g. oil and gas refinery), waste recovery, power plant (e.g. co-generation and power generation) and utilities.

Our capability in offering engineering solutions for a wide range of industries is driven by the technical expertise and experience gained over the years. With that, we are able to expand our product offerings and thus, increasing our market reach and capture more business opportunities across a wide range of industries.

7.15.4 The quality of our products is attested by our ability to meet internationally recognised standards

Our ability to consistently fabricate quality industrial process equipment, process plants and renewable energy and co-generation plants is critical in building confidence in our customers to create customer satisfaction, maximise customer loyalty and minimise reputational risks. As such, to ensure that we are able to deliver products that meet the expectation of our customers, we have put in place quality control procedures, as well as an established quality management system that comply with international standards, as disclosed in Section 7.13.

7. BUSINESS OVERVIEW (Cont'd)

Our industrial process equipment, process plants and renewable energy and co-generation plants are fabricated according to the requirements of internationally recognised standards such as the ASME U, U2, H and S Stamp Certification Marks, R Symbol, NB Mark as well as ISO 9001:2015, ISO 14001:2015 and ISO 45001:2018, as attested by the respective certifications awarded to our Group. Through our compliance with internationally recognised standards, we are able to provide confidence to customers on the quality of our products and expand our market reach globally which enables us to secure more customers. Please refer to Section 7.13 for further details on our quality certifications.

In addition, prior to securing orders from new customers, we are often required to undergo stringent qualification processes set out by our customers in which these customers will perform qualification audits on our Group to assess our ability to meet their requirements on product quality, fabrication facilities and fabrication processes. Our Group's ability to meet the qualification criteria of our customers demonstrates our customer's confidence towards the quality of our products in meeting internationally recognised standards.

7.15.5 We have a technically strong and experienced team with substantial industry experience

Our Group is led by an experienced and technically skilled key management team that has accumulated years of experience in their respective field and key expertise. They also have industry experience and/or in-depth knowledge of our business operations.

Our Managing Director, Lim Thou Lai, has 32 years of experience in the engineering industry. His technical and industry knowledge is instrumental in steering the overall strategic direction and business development of our Group. He is supported by the following Executive Directors and key senior management:

Name	Designation	Estimated years of relevant working experience
Chong Hon Choong	Executive Director and Head of Department (Project)	23
Heng Siew Aun	Executive Director and General Manager	15
Doris Tan Chuen Chuen	Chief Financial Officer	26
Sharizan Bin Abd. Bahrin	Head of Department (Engineering)	21
Syahirul Hafiz Bin Safuan Wong	Head of Department (Quality Control)	7
Chuah Theam Choon	Head of Department (Production)	29

Our Executive Directors and key senior management have in-depth knowledge and capabilities as a result of years of experience in their respective fields. Please refer to Sections 5.1.2 and 5.3.3 for the profiles of our Executive Directors and key senior management. Further, each of our key senior management takes an active, hands-on role in spearheading their respective departments to support the growth of our Group. As a result, there is a transfer of skills and knowledge to employees at all levels in our organisational structure. Their hands-on involvement in our Group demonstrates their strong commitment to our growth as we continue to expand our business.

7. BUSINESS OVERVIEW (Cont'd)

7.16 BUSINESS STRATEGIES AND FUTURE PLANS**7.16.1 We intend to improve the output of Bercham Plant**

Bercham Plant has an installed capacity of 1.2MW and a net export capacity of 1MW, and is operating under the FIT mechanism. As such, we are licenced to sell up to 24MWh of electricity per day (i.e. 1MW multiplied by 24 hours). Under the FIT mechanism, we are allowed to sell the electricity produced from our plant to the distribution licensee at a predetermined rate of RM0.3880/kWh until 2032. In addition, the total FIT that Magenko Ipoh is entitled to receive in each year during the effective period, as specified in the Feed-In Approval, is limited to the total FIT payable to Magenko Ipoh based on the renewable energy generated up to the declared annual availability of the particular year. As at LPD, our electricity generated for sale is approximately 1.5MWh per day which is 6.3% of our maximum allowable electricity sales of 24MWh per day, due to blockages in the gas piping caused by polymers present in the landfill in which methane gas is extracted as feedstock for the Bercham Plant. Premised on this, the estimated revenue that can be generated from power generation at Bercham Plant is approximately RM0.2 million per year (i.e. 1.5MWh per day multiplied by RM0.3880/kWh and 365 days). For FYE 2022, our revenue from our power generation and sale of electricity business is approximately RM0.04 million, being 2 months of revenue recognised since our acquisition of Magenko Group in August 2022. For FYE 2023, our revenue from our power generation and sale of electricity business is approximately RM0.2 million.

To improve the production output of the Bercham Plant as well as to increase the revenue from our power generation and sale of electricity business, we will use agricultural waste (used in anaerobic digestion system) as additional feedstock on top of landfill gas, in accordance with our Feed-in-Approval, pursuant to our consultation with SEDA. As at LPD, we are in the midst of conducting a feasibility study of the new system and material. Our feasibility study entails carrying out design calculations to determine the feasibility of the new system required (i.e. anaerobic digestion system) to be installed for the additional feedstock as well as conducting prototype testing by constructing a pilot testing plant for the new system at Bercham Landfill. Thereafter, we will purchase and install an anaerobic digestion system, which will be connected, and will supply gas directly, to Bercham Plant.

In order to utilise agricultural waste as feedstock, we are required to install an anaerobic digestion system, which will convert the agricultural waste into biogas for generation of electricity. The main components of the anaerobic digestion system to be installed include anaerobic digester, biogas scrubber and biogas demister. The anaerobic digestion system will be connected via pipelines to supply biogas directly into the gas generator set of Bercham Plant. In the anaerobic digester, the agricultural waste is decomposed by microorganisms in an oxygen-free environment, producing a mixture of biogas which comprises primarily methane gas.

The biogas will be channelled to the biogas scrubber to undergo purification for the removal of impurities. Upon purification, the clean biogas will be directed to the biogas demister to eliminate water vapour formed in the anaerobic digester. Following which, the clean biogas will be fed into the gas generator set which is a system where the clean biogas is used to generate electricity.

7. BUSINESS OVERVIEW (Cont'd)

The amount of gas produced by the anaerobic digestion system is expected to be able to generate up to 24MWh of electricity per day. With the combination of landfill gas and gas produced from the anaerobic digestion system, we expect to be able to generate approximately 24MWh of electricity per day which is expected to improve the revenue of our power generation and sale of electricity business to approximately RM3.4 million (i.e. 24MWh multiplied by RM0.3880/kWh and 365 days) per year from the estimated RM0.2 million a year. As we are licenced to sell up to 24MWh of electricity per day, we do not intend to generate above 24MWh of electricity per day.

We expect to commence the installation of the anaerobic digestion system within 15 months upon our Listing:

Timeframe from Listing (T)	Details
T + 3 months	Completed feasibility study and finalised system design
T + 4 months	Fulfilment of deposit payment
T + 9 months	Delivery of anaerobic digestion system
T + 15 months	Installation, testing and commissioning

The total estimated cost for the installation of the anaerobic digestion system is RM2.5 million based on quotation from the supplier, which will be fully funded from our Public Issue proceeds.

7.16.2 We intend to construct a new 2MW biomass power plant to grow our power generation and sale of electricity business segment

We intend to construct a new 2MW biomass power plant to grow our power generation and sale of electricity business segment and diversify our income base to include more recurring income. We will leverage on our Group's expertise in design, fabrication, installation and commissioning of renewable energy and co-generation plants, to construct the new biomass power plant in-house. To provide our design, fabrication, installation and commissioning of renewable energy and co-generation plants offerings to our customers, we are required to understand our customer's renewable energy and co-generation requirements as well as design and propose suitable renewable energy and co-generation plants design to our customers. As a result, we have obtained the necessary technical capabilities, know-how and experience in the design, fabrication, installation and commissioning of renewable energy and co-generation plants, which will enable us to develop and operate our own biomass power plant. Please refer to Section 7.2.1.1(c) for further details on our technical capabilities in the design, fabrication, installation and commissioning of renewable energy and co-generation plants. We plan to use biomass (such as EFB, wood chips or bamboo chips) which will be sourced from local suppliers as the fuel for the new biomass power plant. We intend to sell the electricity generated from the new biomass power plant to the distribution licensee.

The new biomass power plant will adopt a biomass boiler steam turbine system for the generation of electricity, which main components are: combustion chamber, boiler, steam turbine and generator set. The biomass will be burned to generate heat, which is then used to heat water in the boiler. The heat will turn the water into high-pressure steam, which then turns the steam turbines to generate mechanical energy. The mechanical energy will activate the generator set to produce electricity.

7. BUSINESS OVERVIEW (Cont'd)

We intend to construct the new biomass power plant on our existing land in Factory 3, where we have excess, unused space of approximately 40,000 sq ft and connection to the grid situated next to the factory. We expect to complete the construction of the new 2MW biomass power plant within 18 months from the date of SEDA's approval on the proposed quota.

As at LPD, we are in the midst of preparing for a bid application to SEDA for 2MW of quota, whereby the bid application is expected to open in second quarter of 2024.

The e-bidding process is as follows:

- (a) Registration of our Group profile in the e-FiT online system prior to the bid window;
- (b) Application of quota for 2MW based on the basic reference tariff as set out by SEDA for the year 2024;
- (c) Upon submission of the application, our Group will pay a processing fee of RM1,000 and application fee of RM10/kW to SEDA;
- (d) Pursuant to the closing of the bid window, SEDA will evaluate the applications received. The announcement of successful application is expected to take place in first quarter of 2025, whereby the FiT quota will be released and successful applicants will be issued a Feed-In Approval certificate;
- (e) The successful applicant will enter into a REPPA with the distribution licensee for the supply of electricity to the distribution licensee for a period of 21 years from commissioning, and will be paid the approved electricity tariff by the distribution licensee based on the supply; and
- (f) Successful applicants are given 3 years from the date of issuance of Feed-In Approval certificate to complete the installation and commissioning of the biomass power plant.

We are not required to apply for any licenses to bid for the quota from SEDA. In the event of successful bidding, the following will take place:

Timeframe	Details
Within 1 month of successful bid	<ul style="list-style-type: none"> • Application and receipt of Feed-In Approval from SEDA; • Finalisation of system design and project schedule; • Application and receipt of licence for generation and supply of electricity from EC; • Signing of REPPA for the sale of electricity; and • Application and receipt of permission from the DOE for the construction of the new 2MW biomass power plant
Within 6 months of successful bid	Commence construction
Within 18 months of successful bid	Completion and commissioning

In the event of an unsuccessful bid, we intend to participate in subsequent bidding exercises over 18 months from our Listing. In the event that we are unable to secure the quota within 18 months from our Listing, we may consider extending the timeframe or reallocating the proceeds for other purposes, and in such an event, we will seek our shareholders' approval, if required under the Listing Requirements, for such variation. Through the new biomass power plant, we expect to generate and sell up to 48MWh of electricity per day (i.e. 2MW multiplied by 24 hours).

7. BUSINESS OVERVIEW (Cont'd)

The total estimated cost for the construction of the new biomass power plants is approximately RM15.0 million which was derived based on the quotation by contractors as well as internal management estimates. We intend to allocate RM5.0 million for the construction of the new 2MW biomass power plant from our Public Issue proceeds, with the remaining RM10.0 million from bank borrowings and/or internally generated funds. Please refer to Section 4.9.1 for further details.

7.16.3 We intend to upgrade some of our production processes by purchasing additional machinery

We intend to upgrade some of our production processes by purchasing additional machinery at Factory 1 and Factory 3 to improve our production efficiency.

We intend to purchase the following machinery for Factory 1 and Factory 3.

Machinery	Description	Number of unit(s)	Estimated cost (RM'000)
Fibre laser cutting machine	Fibre laser cutting machine uses a focused, high-powered laser beam for precision cutting of materials such as metal	1	320
Adjustable rotator	Adjustable rotator uses a rotating platform to semi-automate the rotation of tanks during welding and fitting processes	2	78
Total:		3	398

In addition, installation costs amounting to RM0.1 million will be incurred for the installation of the machines.

We intend to install the fibre laser cutting machine at Factory 1. As at LPD, we are using plasma cutting machines to carry out the cutting of plates for our industrial process equipment during fabrication which creates stains, dusts and markings on the plates in the process. Consequently, the plates will be required to undergo cleaning and grinding for the removal of the stains, dusts and markings, which requires additional manpower. The fibre laser cutting machine will enable us to carry out the cutting of plates without creating stains, dusts and markings, thus allowing us to eliminate the need to utilise additional manpower to clean the plates pursuant to cutting. This, in turn, enhances our operating efficiencies as shorter time is used to complete the cutting works and less labour is utilised. The fibre laser cutting machine will also enable us to achieve higher precision cutting on steel plates of various thickness. This enables us to more consistently meet our customer's product specifications with lower fabrication defects as well as reduce wastage of raw materials.

We intend to install 2 adjustable rotators at Factory 3. The adjustable rotators will enable us to semi-automate the rotation of tanks during welding and fitting processes. The adjustable rotators allow ease of access to different sides of the tanks without the need to reposition the object or the fabricator and thus, enabling us to reduce the time taken to complete the fabrication process, hence improving our operating efficiency.

We intend to purchase the abovementioned additional machinery within 12 months upon our Listing. The total estimated cost for the purchase of additional machinery including installation is RM0.5 million which was derived based on quotations by suppliers. It will be entirely funded from our Public Issue proceeds.

8. IMR REPORT

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T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 12 April 2024

The Board of Directors

Kawan Renergy Berhad

18, Lebuhr Perusahaan Klebang 1
IGB Industrial Park
31200 Ipoh
Perak

Dear Sirs / Madams,

Independent Market Research Report on the Industrial Process Equipment Industry and Biogas Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“**SMITH ZANDER**”) for inclusion in the Prospectus in conjunction with the listing of Kawan Renergy Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

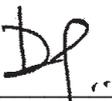
The objective of this IMR Report is to provide an independent view of the industries in which Kawan Renergy Berhad and its subsidiaries (“**Kawan Group**”) operate and to offer a clear understanding of the industry dynamics. As Kawan Group is an engineering solutions provider, principally involved in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants, and is also involved in power generation and sale of electricity, the scope of work for this IMR Report will thus address the following areas:

- (i) The industrial process equipment industry in Malaysia;
- (ii) Key industry drivers, risks and challenges of the industrial process equipment industry in Malaysia;
- (iii) Competitive landscape of the industrial process equipment industry in Malaysia; and
- (iv) The biogas industry in Malaysia.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies mentioned in this report.

For and on behalf of SMITH ZANDER:



DENNIS TAN
MANAGING PARTNER

8. IMR REPORT (Cont'd)

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The research for this IMR Report was completed on 4 April 2024.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

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1 THE INDUSTRIAL PROCESS EQUIPMENT INDUSTRY IN MALAYSIA

Overview

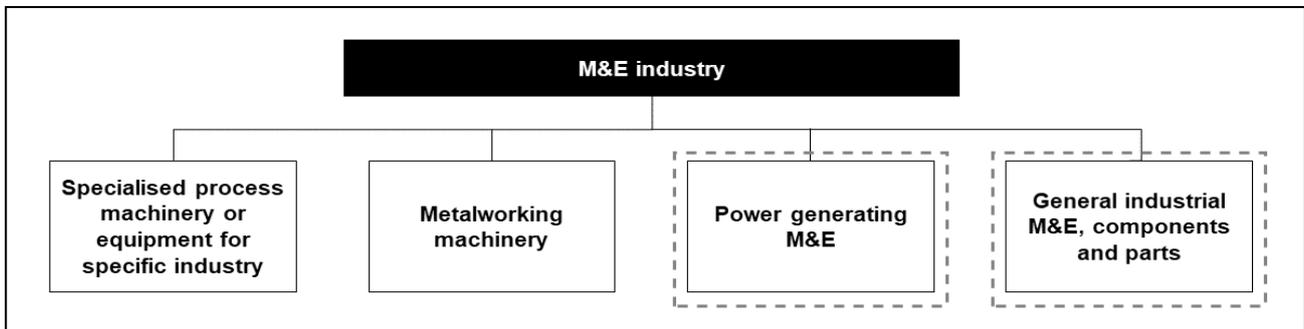
Industrial process equipment is an equipment used in an industrial facility or plant, designed to perform a specific process or a series of processes. Industrial process equipment is widely used in process industries such as oleochemicals, power generation, oil and gas, food and beverage manufacturing, petrochemicals, pulp and paper, pharmaceuticals and mining.

Industrial process equipment can be broadly divided into two categories, namely fixed equipment and rotating equipment. Fixed equipment refers to equipment that is non-moving or static. Examples of fixed equipment include boilers, heaters, heat exchangers, pressure vessels, storage tanks and valves. On the other hand, rotating equipment refers to equipment that applies kinetic energy to move fluids, gases and other process materials when performing a specific process. Examples of rotating equipment include industrial centrifuges, compressors, engines, gearboxes and turbines. As Kawan Group designs and fabricates boilers, heaters, heat exchangers and pressure vessels as standalone equipment or as part of the design, fabrication, installation and commissioning of process plants as well as renewable energy and co-generation plants, this IMR Report will primarily focus on these four categories of industrial process equipment, as follows:

- (a) Boiler – is a closed vessel which utilises heat from an energy source either renewable (e.g. biomass) or non-renewable (e.g. coal, natural gas or oil) to generate steam or vapor from water or other liquid for use in various processes (e.g. to drive turbines for power generation). Examples of boilers include steam boilers, water tube boilers and fire tube boilers.
- (b) Heater – is an equipment used to convert energy from a fuel or other sources into heat energy for an industrial process. Examples of heaters include duct heaters, electric heaters, immersion heaters and thermal oil heaters.
- (c) Heat exchanger – is a device which facilitates the process of transferring heat from one fluid (i.e. liquid or gas) to another fluid (i.e. liquid or gas). Heat exchangers are typically used in both cooling and heating processes. Examples of heat exchangers include air-cooled heat exchangers, plate heat exchangers and shell and tube heat exchangers.
- (d) Pressure vessel – is an enclosed vessel designed to hold liquids or gases at a pressure substantially greater or lesser than the ambient pressure. Examples of pressure vessels include air receivers and deaerators.

The types of industrial process equipment fabricated by Kawan Group fall under two major sub-sectors of the machinery and equipment (“**M&E**”) industry, namely power generating M&E (i.e. which mainly comprises boilers, condensers, electric generating sets, turbines and engines) and general industrial M&E, components and parts (i.e. which covers products such as cold room equipment, compressors, conveyor systems, filtering equipment, heat exchangers, pressure vessels, pumps and valves).

Segmentation of the M&E industry



Note:

- [- - -] denotes the segment in which Kawan Group's products are categorised under.

Sources: Malaysian Investment Development Authority (“**MIDA**”), SMITH ZANDER

Industrial process equipment can be manufactured and sold to customers in two ways, which are either by selling the equipment as standalone products to customers or by the provision of design, fabrication, installation and commissioning services of industrial facilities where multiple integrated equipment are sold to customers.

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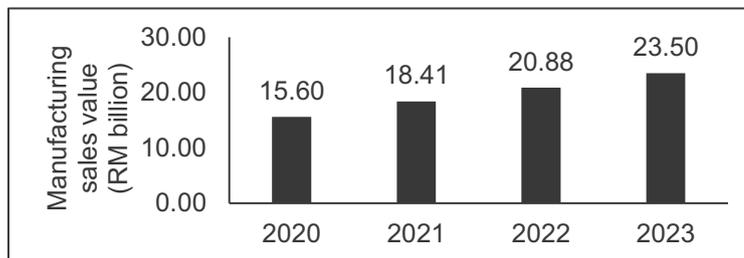
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Industry Performance, Size and Growth

The industrial process equipment industry in Malaysia is represented by the manufacturing sales value of tanks, reservoirs and containers of metal, steam generators, other general-purpose machinery, and other metal products, machinery and equipment in Malaysia, as this is the closest reliable industry categorisation available. The industrial process equipment industry in Malaysia increased from RM15.60 billion in 2020 to RM23.50 billion in 2023 at a compound annual growth rate (“CAGR”) of 14.63%.

Moving forward, the growth of the industrial process equipment industry in Malaysia is expected to continue to be driven by the key industry drivers shown in **Chapter 2 – Key Industry Drivers, Risks and Challenges of the Industrial Process Equipment Industry in Malaysia** of this IMR Report.

Industrial process equipment industry size (Malaysia), 2020 – 2023



Note:

- This data may include metal products, machinery and equipment (e.g. engines and turbines, lifting and handling equipment, agricultural and forestry machinery, weapons and ammunition, metal industrial frameworks etc), other than the industrial process equipment that Kawan Group fabricates as the data breakdown specifically for Kawan Group’s industrial process equipment is not publicly available.

Sources: Department of Statistics Malaysia (“DOSM”), SMITH ZANDER

2 KEY INDUSTRY DRIVERS, RISKS AND CHALLENGES OF THE INDUSTRIAL PROCESS EQUIPMENT INDUSTRY IN MALAYSIA

Key Industry Drivers

- ▶ **The demand for industrial process equipment is driven by the growth of process industries that utilise such equipment**

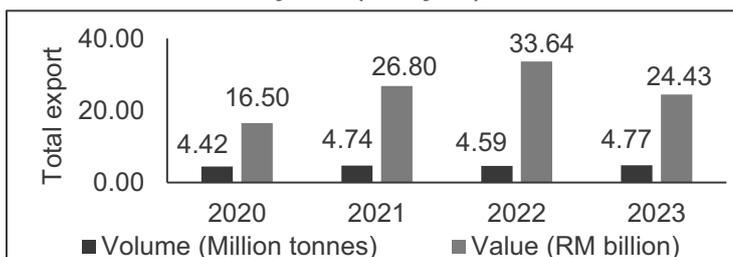
The demand for industrial process equipment is driven by the growth of process industries that utilise such equipment such as oleochemicals, power generation, oil and gas, food and beverage manufacturing, petrochemicals, pulp and paper, pharmaceuticals and mining. As the oleochemical, power generation, oil and gas as well as food and beverage manufacturing industries are key industries that Kawan Group supports, the growth of these industries is elaborated below:

- **Oleochemical industry**

Oleochemicals are chemicals derived from natural fats and oils such as palm oil and coconut oil that can be used as raw materials or as supplemental materials in a broad range of industries such as the food packaging, pharmaceuticals and personal care industries, as well as used as a substitute for petrochemicals. Oleochemicals are produced through different processes such as, amongst others, splitting, fractional distillation, hydrogenation and flaking using various industrial process equipment including distillation columns, heat exchangers and reactors. As such, the growth in the oleochemical industry drives the demand for industrial process equipment.

The oleochemical industry in Malaysia, measured by the total export value of palm-based oleochemicals in Malaysia, increased from RM16.50 billion in 2020 to RM33.64 billion in 2022 at a CAGR of 42.79%. However, in 2023, the total export value of palm-based oleochemicals in Malaysia declined by 27.38% from RM33.64 billion in 2022 to RM24.43 billion in 2023 due to lower palm oil prices.

Oleochemical industry size (Malaysia), 2020 – 2023



Source: DOSM

8. IMR REPORT (Cont'd)

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In terms of total export volume, total export volume of palm-based oleochemicals in Malaysia increased by 7.24% from 4.42 million tonnes in 2020 to 4.74 million tonnes in 2021. Subsequently, total export volume declined by 3.16% from 4.74 million tonnes in 2021 to 4.59 million tonnes in 2022 which may be due to lower export demand for palm-based oleochemicals amid higher prices of palm-based oleochemicals. Despite the decrease in export volume in 2022, the total export value of palm-based oleochemicals in Malaysia increased with a year-on-year (“YOY”) growth of 25.52% in 2022 due to higher export prices of palm-based oleochemicals resulting from higher palm oil prices. Further, in 2023, despite experiencing a decline in total export value of palm-based oleochemicals, the total export volume of palm-based oleochemicals recovered and grew by 3.92% from 4.59 million tonnes in 2022 to 4.77 million tonnes in 2023.

Moving forward, the oleochemical industry in Malaysia is expected to grow in view of increasing export volume, this will in turn pose increasing demand for industrial process equipment to support the production of oleochemicals.

• **Power generation industry**

Power generation refers to the process of generating electric power from sources of primary energy, such as oil, coal, natural gas and renewable sources such as hydropower, solar and wind. The power generation industry adopts various industrial process equipment for the process of generating electric power in various types of power plants. For instance, a coal-fired power plant is equipped with various industrial process equipment such as boilers, steam turbines and generators to facilitate the power generation process. A boiler is used as a chamber to burn coal to create heat energy for the conversion of water into steam. Subsequently, the steam travels through a steam turbine creating mechanical energy to power a generator for electricity production. As such, the growth in the power generation industry drives the demand for industrial process equipment.

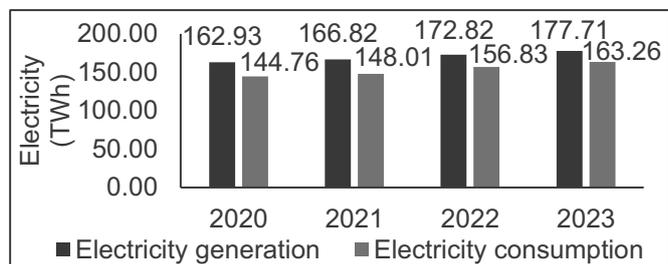
The power generation industry in Malaysia, represented by electricity generation in Malaysia increased from 162.93 terawatt-hours (“TWh”) in 2020 to 177.71 TWh in 2023 at a CAGR of 2.94%.

The power generation industry in Malaysia grows in tandem with the country’s electricity consumption, whereby electricity consumption in Malaysia increased from 144.76 TWh in 2020 to 163.26 TWh in 2023 at a CAGR of 4.09%.

Moving forward, electricity consumption in Malaysia is expected to continue increasing with

on-going growth in the Malaysian economy with an expected gross domestic product (“GDP”) growth rate of between 4.00% and 5.00% projected by Bank Negara Malaysia for 2024, which will drive growth in household consumption and industrial development. This will in turn lead to an increase in demand for power generation which will subsequently drive the growth of the industrial process equipment industry in Malaysia.

Electricity generation and consumption (Malaysia), 2020 – 2023



Source: DOSM

• **Oil and gas industry**

Oil and gas are non-renewable fossil fuels which are important sources of primary energy. Oil and gas can be used for, amongst others, electricity generation by power plants, provide fuel for transportation, and used as raw material to be processed into petrochemicals such as olefins including ethylene and propylene (i.e. used in the production of plastics, etc) and aromatics including benzene and xylene (i.e used in the production of paint solvents and cleaning agents, etc). The oil and gas industry is segmented into three stages, namely upstream (i.e. exploration and production), midstream (i.e. processing, storage and transportation of oil and gas) and downstream (i.e. refining, distribution and retail of finished products).

Industrial process equipment are used in all three stages of the oil and gas industry for the different functions and processes in the respective stages. Examples of industrial process equipment used in the oil and gas industry include valves (i.e. generally used for controlling the flow of oil during the upstream stage and used during the process of transporting oil and gas during the midstream stage), heat exchangers (i.e. commonly used within cracking units during the process of splitting oil from water and can be used in all three stages of

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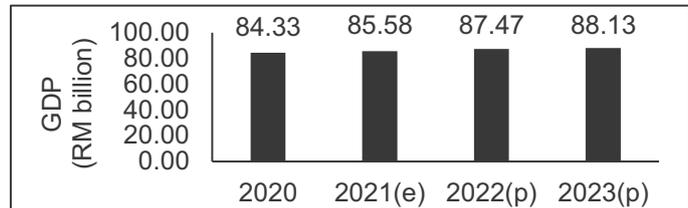
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the oil and gas industry) and boilers (i.e. used to generate steam for purposes such as steam stripping and vacuum distillation).

The oil and gas industry in Malaysia, measured by the GDP of crude oil, condensate and natural gas in Malaysia, increased from RM84.33 billion in 2020 to RM88.13 billion in 2023 at a CAGR of 1.48%.

Based on latest publicly available information from MIDA, 18 investment projects in oil and gas in 2022 with a total value of RM23.90 billion were approved. These investment projects are expected to drive the growth of the oil and gas industry in Malaysia which will in turn lead to an increase in demand for industrial process equipment in Malaysia.

Oil and gas industry size (Malaysia), 2020 – 2023(p)



Notes:

(e) – Estimate.

(p) – Preliminary.

- Latest available data as of 4 April 2024.

Sources: DOSM, SMITH ZANDER

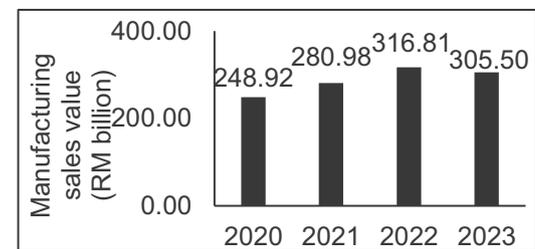
• Food and beverage manufacturing industry

The food and beverage manufacturing industry comprises companies involved in the production of food and beverage products, generally from raw agricultural ingredients to food and beverage products ready for intermediate or final consumption. The food and beverage manufacturing industry utilises industrial process equipment for various manufacturing processes such as evaporation, food peeling/skinning, pasteurisation and sterilisation. Examples of industrial process equipment that are used for the manufacturing of food and beverage products include heat exchangers (e.g. evaporators and plate heat exchangers), pressure vessels (e.g. for flash steam peeling of the outer skin of raw fruits or vegetables) and steam boilers (e.g. for heating, sterilising and pasteurising food and beverages).

The food and beverage manufacturing industry in Malaysia, measured by the manufacturing sales value of food products and beverages in Malaysia, increased from RM248.92 billion in 2020 to RM316.81 billion in 2022 at a CAGR of 12.82%.

Subsequently, the food and beverage manufacturing industry declined by 3.57% YOY to RM305.50 billion in 2023 in view of a lower economic growth in Malaysia with an overall GDP growth rate of 3.68%¹ in 2023 as compared to a 8.65%¹ growth in 2022, thus lowering the demand for food and beverage products. Nonetheless, the food and beverage manufacturing industry is expected to grow as the Malaysian economy continues to grow moving forward.

Food and beverage manufacturing industry size (Malaysia), 2020 – 2023



Sources: DOSM, SMITH ZANDER

The growth in the food and beverage manufacturing industry drives the demand for industrial process equipment. Malaysia is an upper-middle income developing country with a growing economy and increasing wealth, where the gross national income (“GNI”) per capita in Malaysia increased from RM42,838.00 in 2020 to RM52,955.00 in 2023 at a CAGR of 7.32%.

The increasing GNI per capita indicates a more affluent population with greater propensity to spend and better standards of living, creating demand for basic necessities especially food. Thus, the food and beverage manufacturing industry is driven by an increase in consumer spending contributed from increasing disposable income of the Malaysian population.

► Growth in foreign direct investment (“FDI”) drives the growth of the industrial process equipment industry

FDI inflows represent the value of inwards direct investment made by foreign investors. FDI inflows create stable and long-lasting relationships between economies of different countries, and the resilience of FDI inflows in a developing country is critical to allow the transfer of technology, foster healthy competition in the domestic market

¹ Sources: DOSM, SMITH ZANDER.

8. IMR REPORT (Cont'd)

SMITH ZANDER

and encourage human capital development². With increasing FDI inflows in Malaysia, this will drive the growth of the Malaysian economy including industries such as power generation, oil and gas as well as manufacturing industries which will also benefit the industrial process equipment industry.

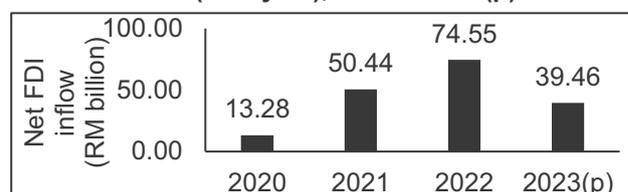
Net FDI inflow in Malaysia grew from RM13.28 billion in 2020 to RM74.55 billion in 2022 at a CAGR of 136.93%.

However, in 2023, the net FDI inflow in Malaysia declined by 47.07% YOY to RM39.46 billion which may be due to factors such as the political ambiguity before the six-state elections in August 2023, strengthening of the US dollar which lowered FDI inflows as well as high interest rates environment globally.

Despite recording a lower net FDI inflow in 2023 as compared to 2022, with Malaysia being an attractive

investment destination for business growth and global expansion, FDI inflows in Malaysia is expected to recover and grow moving forward which would lead to subsequent increase in the establishment of new firms and facilities in various industries including power generation, oil and gas, and manufacturing. As more firms and facilities are set up in Malaysia, industrial process equipment will be required to support the operations of the new firms which will further drive the demand for industrial process equipment.

Net FDI inflow (Malaysia), 2020 – 2023(p)



Note:

(p) – Preliminary.

Source: DOSM

Key Industry Risks and Challenges

► **Exposure to global steel price fluctuations**

Steel is a key raw material used in the manufacturing of industrial process equipment, and the price of steel in Malaysia is driven by global steel prices. Steel is susceptible to price fluctuations as a result of demand and supply conditions of steel in the global market as well as prices of raw materials for the production of steel such as iron ore.

As Kawan Group uses hot rolled steel plates as one of its key raw materials, global steel prices will be represented by global hot rolled steel plate prices. In 2020, the global hot rolled steel plate price declined from USD637.00 (RM2,676.42)³ per tonne in the first quarter (“Q1”) of 2020 to USD585.33 (RM2,459.32) per tonne in the second quarter (“Q2”) of 2020. A decline in the global hot rolled steel plate price in Q2 2020 was due to the impact of the novel coronavirus disease 2019 (COVID-19) pandemic that led to a temporary shutdown of many business operations which in turn caused lower demand for steel products. Nonetheless, starting from Q2 2020 up until Q2 2022, global hot rolled steel plate prices increased substantially quarter-by-quarter. Global hot rolled steel plate prices increased from USD585.33 (RM2,459.32) per tonne in Q2 2020 to USD1,602.00 (RM7,049.60)⁴ per tonne in Q2 2022. This increase was due to a shortage in supply and global supply chain disruptions.

Thereafter, the price of global hot rolled steel plates decreased from USD1,602.00 (RM7,049.60) per tonne in Q2 2022 to USD1,148.33 (RM5,053.23) per tonne in fourth quarter (“Q4”) of 2022. This decrease in the global price of hot rolled steel plates in the second half of 2022 may be due to slowing demand for steel caused by factors including increased risk of global recession in view of inflation and rising interest rates.

Subsequently, the price of global hot rolled steel plates increased slightly to USD1,158.00 (RM5,286.62)⁵ per tonne in Q1 2023 and then further decreased to USD1,072.67 (RM4,897.06) per tonne in the third quarter (“Q3”) of 2023. The decrease in price of global hot rolled steel plates in Q2 and Q3 2023 may be due to lower demand for steel products.

² Source: MIDA.

³ Exchange rate from USD to RM in 2020 was converted based on average annual exchange rates in 2020 extracted from published information from Bank Negara Malaysia at USD1 = RM4.2016.

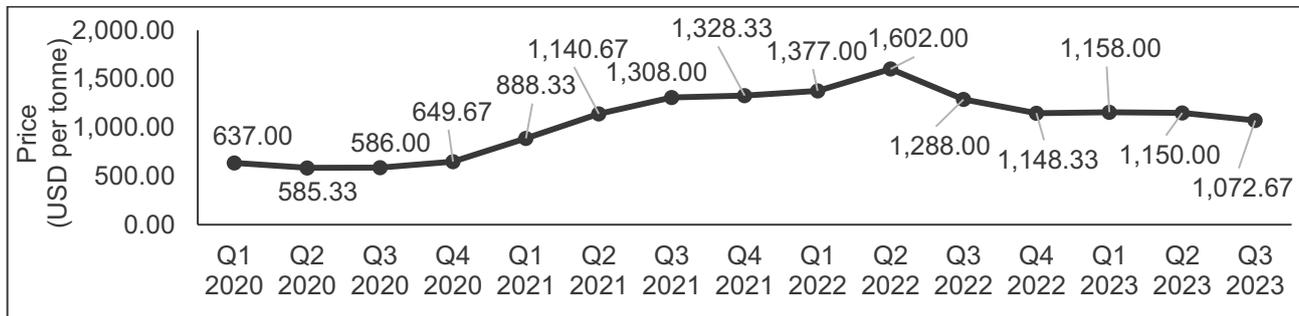
⁴ Exchange rate from USD to RM in 2022 was converted based on average annual exchange rates in 2022 extracted from published information from Bank Negara Malaysia at USD1 = RM4.4005.

⁵ Exchange rate from USD to RM in 2023 was converted based on average annual exchange rates in 2023 extracted from published information from Bank Negara Malaysia at USD1 = RM4.5653.

8. IMR REPORT (Cont'd)

SMITH ZANDER

Hot rolled steel plate prices (Global), Q1 2020 – Q3 2023



Sources: MEPS International Ltd, SMITH ZANDER

Any unfavourable changes in the condition of any of the abovementioned factors may cause the price of steel to increase materially, which may lead to a rise in cost of production for industrial process equipment. If manufacturers of industrial process equipment are unable to pass on the material cost to their customers, they may have to bear the increasing costs, which could materially impact their financial performance.

► **Reliance on sufficient skilled personnel**

The manufacturing of industrial process equipment is characterised by its complexity and technical nature which require deep understanding of engineering principles and manufacturing processes. As such, the industrial process equipment manufacturing industry is dependent on having sufficient skilled and experienced personnel such as design engineers as well as skilled welders to remain competitive in the market. Experienced and knowledgeable design engineers are required to design detailed engineering drawings and technical descriptions of industrial process equipment based on customer’s specifications, requirements and budget as well as to ensure the industrial process equipment designed can perform efficiently and effectively. Further, skilled welders play a vital role in carrying out the welding of industrial process equipment and ensuring the consistent quality of products and manufacturing productivity.

Failure to hire and/or retain skilled personnel with suitable capabilities may adversely affect the industry players’ abilities to ensure consistent quality of products and manufacturing productivity. This would subsequently adversely affect the industry players’ abilities to fulfil customer orders, secure new customers and/or to sustain revenue growth, which could lead to adverse impact on their business and financial performance.

3 COMPETITIVE LANDSCAPE OF THE INDUSTRIAL PROCESS EQUIPMENT INDUSTRY IN MALAYSIA

Overview

The industrial process equipment industry in Malaysia is competitive and fragmented due to the large number of industry players including public listed companies, large private companies as well as small to medium enterprises. Industry players may design and/or fabricate industrial process equipment as standalone products to be sold to customers or as part of the provision of design, fabrication, installation and commissioning services of industrial facilities where multiple integrated equipment are sold to customers.

Further, industry players who manufacture certain types of industrial process equipment such as boilers and pressure vessels in Malaysia are subject to stringent regulations and safety standards, whereby such industry players must be registered as a competent firm with the Department of Occupational Safety and Health (“DOSH”), granting them the approval to manufacture steam boilers, unfired pressure vessels, unfired pressure vessels (seamless pipe) and/or fired pressure vessels, in Malaysia. As at 4 April 2024, based on publicly available information, there were approximately 101 companies in Malaysia registered as competent firms and granted approval by DOSH to manufacture steam boilers, unfired pressure vessels, unfired pressure vessels (seamless pipe) and/or fired pressure vessels, with their approvals being in effect as of that date.

8. IMR REPORT (Cont'd)**SMITH ZANDER****Key Industry Players**

As Kawan Group designs and fabricates industrial process equipment namely boilers, heaters, heat exchangers and pressure vessels, the basis for selection of the key industry players in the industrial process equipment industry in Malaysia is as follows:

- Companies who are registered with DOSH as competent firms to manufacture steam boilers, fired pressure vessels and/or unfired pressure vessels;
- Companies who are involved in the manufacturing of at least one of the product types that Kawan Group manufactures (i.e. heat exchangers, pressure vessels, boilers and/or heaters);
- Companies recording revenue of at least RM30.00 million in their latest available financial year; and
- Companies with manufacturing facilities located in Peninsular Malaysia.

The list of key industry players in the industrial process equipment industry in Malaysia is as follows:

Company name	Business activities	Latest available financial year	Revenue ⁽¹⁾ (RM million)	Gross profit (RM million)	Gross profit margin (%)	Profit after tax (RM million)	Profit after tax margin (%)
Wasco Process Engineering Sdn. Bhd. (formerly known as Jutasama Sdn. Bhd. and is a subsidiary of Wasco Berhad ⁽²⁾)	Design, fabrication, installation and commissioning of special tanks, pressure vessels, piping and specialised processing equipment	31 December 2022	482.37	95.10	19.72	39.08	8.10
Dynaciate Engineering Sdn. Bhd.	Provision of fabrication of pressure vessels, reel, skid and tankage, pipe spooling, customised engineering steel fabrication, steel structural, engineering and construction, facilities management, industrial piping system and plant service maintenance services	30 June 2023	281.68	27.41	9.73	6.48	2.30
Seremban Engineering Berhad ⁽²⁾	Fabrication of process equipment, steel structures, civil engineering and provision of maintenance service and shutdown works	30 June 2023	274.82	12.24	4.45	4.62	1.68
Boilermech Sdn. Bhd. (a subsidiary of BM GreenTech Berhad ⁽²⁾)	Manufacturing, repairing and servicing of boilers	31 March 2023	242.10	30.15	12.45	7.73	3.19

8. IMR REPORT (Cont'd)**SMITH ZANDER**

Company name	Business activities	Latest available financial year	Revenue ⁽¹⁾ (RM million)	Gross profit (RM million)	Gross profit margin (%)	Profit after tax (RM million)	Profit after tax margin (%)
Kawan Group ⁽³⁾	Design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants, and involved in power generation and sale of electricity	31 October 2023	98.38	24.00	24.40	13.30	13.52
Amalgamated Metal Corporation (M) Sdn. Bhd. (a subsidiary of APB Resources Berhad ⁽²⁾)	Manufacturing of process equipment for petroleum, power, chemical, edible oil and other process industries	30 September 2022	75.05	19.93	26.56	8.50	11.33
Yuen Fee (Wan Soon) Engineering Sdn. Bhd.	Making welded steel pipes, silos, pressure vessels, air receivers and machine structures as well as provision of bending and cutting services	30 June 2023	68.99	24.91	36.11	9.03	13.09
A.K.K. Engineering Sdn. Bhd.	Provision of engineering, procurement and construction ("EPC") services, plant construction, fabrication of structure steel and pressure vessels, storage tank EPC, piping works, blasting and painting works, equipment installation, civil engineering, plant refurbishment and maintenance, and insulation works	31 December 2021	54.64	3.48	6.37	0.18	0.33
Ngeam Engineering Works Sdn. Bhd.	Provision of engineering and equipment for fertiliser plant and feedmill plant, engineering fabrication services for equipment like pressure vessels, factory automation machines, furnaces, rotary drums, filter vessels and precise steel structures, factory automation solution and waste management	31 December 2022	33.18	13.65	41.14	4.55	13.71

Notes:

- The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that

8. IMR REPORT (Cont'd)**SMITH ZANDER**

have no online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players is exhaustive.

- (1) Revenue of industry players may include revenue derived from other business activities (i.e. business activities other than manufacturing of industrial process equipment) and/or revenue derived from countries outside Malaysia, as segmental revenue for the manufacturing of industrial process equipment is not publicly available.
- (2) Listed on the Main Market of Bursa Malaysia Securities Berhad.
- (3) The financial figures for Kawan Group are presented on a group basis and include financials from the power generation and sale of electricity business segment. The revenue for power generation and sale of electricity in FYE 31 October 2023 is minimal, at RM0.18 million.

Sources: Kawan Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

Industry/Market Share

In 2023, the industrial process equipment industry size in Malaysia was recorded at RM23.50 billion. For the financial year end 31 October 2023, Kawan Group's revenue derived from the provision of design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants was recorded at RM98.20 million, and thereby Kawan Group captured a market share of 0.42% in the industrial process equipment industry in Malaysia.

4 THE BIOGAS INDUSTRY IN MALAYSIA**Overview**

Renewable energy is generated from natural sources such as sunlight, wind, rain, biomass and geothermal heat which are naturally replenished. The rapid depletion of fossil fuels and its impact on the environment have driven nations globally, including Malaysia, to take up initiatives to develop renewable energy resources which are widely available, untapped and have zero to minimal amount of carbon dioxide emissions. There are various forms of renewable energy which include, but are not limited to, solar, small hydropower, biogas and biomass.

Energy generation in Malaysia relies on a varied mix of renewable and non-renewable energy resources. Non-renewable resources for electricity generation in Malaysia is primarily natural gas and coal. Meanwhile, renewable energy for electricity generation in Malaysia typically comprises solar, hydropower, biogas and biomass. Power producers in Malaysia operate different types of power plants and power generation facilities to convert fuels and energy resources into electricity for distribution to residential, commercial, industrial and other consumers nationwide via the National Grid in Peninsular Malaysia and the respective state grids in Sabah and Sarawak.

In the Eighth Malaysia Plan (2001-2005), the Government of Malaysia ("**Government**") announced the extension of the fuel diversification policy by including renewable energy as the fifth fuel to supplement supply from conventional energy sources, namely oil, gas, hydro and coal. Further, the Government has launched several schemes and programmes to drive the development and contribution of renewable energy in the nation's power generation mix. These schemes and programmes include the Feed-in-Tariff ("**FiT**") system, Large Scale Solar (LSS) scheme, Net Energy Metering (NEM) scheme and Self-consumption (SELCO) scheme. Additionally, Malaysia targets to increase the share of renewable energy in the national installed capacity mix to 31%, 40% and 70% by 2025, 2040 and 2050 respectively.

Moreover, under the National Energy Transition Roadmap, ten flagship catalyst projects and initiatives based on six energy transition levers namely energy efficiency, renewable energy, hydrogen, bioenergy, green mobility, as well as carbon capture, utilisation and storage have been outlined. The flagship catalyst projects and initiatives will have several modalities to showcase the different level of technology and solutions needed to tackle energy transition. One of the implementation modalities include a co-firing initiative at the existing 2,100-megawatt ("**MW**") Tanjung Bin Power Plant by burning biomass together with coal. Biomass sources include Empty Fruit Bunch (EFB) pellets, wood chips, wood pellets, bamboo pellets, coconut husk and rice husk. A pilot-phase of co-firing will begin in 2024 with a view to scale up the biomass co-firing capacity to a minimum of 15.00% by 2027.

As Kawan Group is involved in the operations of power generation through its landfill biogas power plant, this section will focus on the biogas segment of the renewable energy industry in Malaysia.

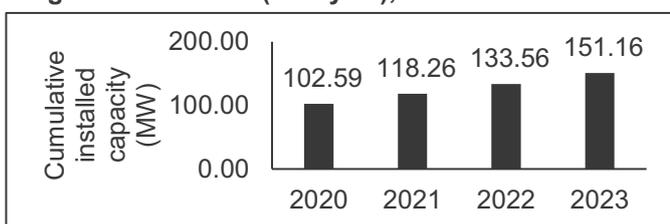
8. IMR REPORT (Cont'd)

SMITH ZANDER

Biogas is primarily made up of methane, carbon dioxide and may contain nitrogen and trace elements of hydrogen sulphide, which are produced by the decomposition of agricultural waste, manure, sewage sludge, municipal solid waste and other biodegradable waste under specific conditions. The gas is then funnelled into a combustion engine where it is combusted to produce heat and mechanical force which are then used to power an electric generator for electricity production.

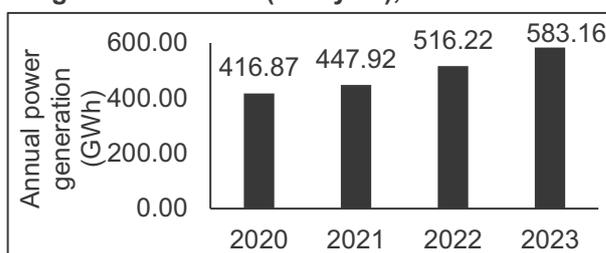
The biogas industry in Malaysia is illustrated through the cumulative installed capacity of commissioned biogas installations under the FiT mechanism and the annual power generation of commissioned biogas installations under the FiT mechanism. The cumulative installed capacity of commissioned biogas installations in Malaysia grew from 102.59 MW in 2020 to 151.16 MW in 2023 at a CAGR of 13.79%. In terms of supply, the annual power generation of commissioned biogas installations in Malaysia grew from 416.87 gigawatt-hours (“GWh”) in 2020 to 583.16 GWh in 2023 at a CAGR of 11.84%.

Cumulative installed capacity of commissioned biogas installations (Malaysia), 2020 – 2023



Sources: Sustainable Energy Development Authority (“SEDA”) Malaysia, SMITH ZANDER

Annual power generation of commissioned biogas installations (Malaysia), 2020 – 2023



Sources: SEDA Malaysia, SMITH ZANDER

The growth of the biogas industry in Malaysia will continue to be driven by the future growth in the economy as electricity is an integral infrastructural element for economic growth and a main input for commercial and production activities. Electricity underpins a wide range of products and services that improve the quality of life, increases productivity and promotes entrepreneurial activity. Continued economic development of a country as well as population growth generally lead to increased power consumption.

To support the growth of the renewable energy industry in Malaysia, including the biogas industry, under the Budget 2020, the Government announced the extension of green technology tax incentives until 2023 in which the incentives include:

- Green Investment Tax Allowance (“GITA”): Extension of Investment Tax Allowance of 100.00% on capital expenditure for eligible green activities for a duration of 3 years. The allowance can be set-off against up to 70.00% of statutory income.
- Green Income Tax Exemption (“GITE”): Extension of income tax exemption of 70.00% of statutory income for eligible green services activities for 3 years of assessment; as well as new tax incentive for solar leasing activities with income tax exemption of 70.00% of statutory income for up to 10 years of assessment to be given to solar leasing companies certified by SEDA.

Meanwhile under the Budget 2022, the purchase of eligible green assets and green services were proposed to be expanded to include Rainwater Harvesting System projects. Subsequently, under the Budget 2023, the Government will study and enhance the GITA and GITE packages.

Further, under the Budget 2024, the green technology tax incentives for GITA project (business purposes), GITA asset (own consumption) and GITE solar leasing are proposed to be reviewed and effective for applications received by MIDA or qualifying capital expenditure as verified by the Malaysian Green Technology and Climate Change Corporation for purchase of green technology assets from 1 January 2024 to 31 December 2026. Among the green technology tax incentives, the incentive period for biogas related qualifying activities under GITA project is proposed to be 5 years, with a GITA of 100.00%, and 70.00% of statutory income to be set-off.

The Government’s efforts to promote renewable energy aim at ensuring energy security for the country as Malaysia strives to achieve the status of high-income economy. This will lead to a lower dependency on fossil fuels while increasing the nation’s power generation capacity. This move towards ensuring that Malaysia’s energy future is green, sustainable and diverse will bode well for the renewable energy industry in Malaysia.

9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON THE FUTURE PERFORMANCE OF OUR GROUP AND INVESTMENT CONSIDERATIONS SET OUT BELOW ALONG WITH OTHER INFORMATION CONTAINED HEREIN IN THIS PROSPECTUS BEFORE YOU MAKE YOUR INVESTMENT DECISION. IF YOU ARE IN ANY DOUBT AS TO THE INFORMATION CONTAINED IN THIS SECTION, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISERS.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS**9.1.1 Our Group is dependent on our Managing Director, Executive Directors and key senior management**

The success of our Group is dependent on the experience, industry knowledge and technical expertise of our Managing Director, Executive Directors and key senior management. The growth and future success of our Group, in particular, will continue to be dependent on the continuous contribution from our Managing Director, Lim Thou Lai, for his technical expertise and leadership in setting the strategic direction and driving the business development of our Group. Please refer to Section 5.1.2 for the profile of our Managing Director.

Our Executive Directors, Chong Hon Choong and Heng Siew Aun, are also actively involved in our operations and are supported by our key senior management, comprising individuals who each have significant relevant experience in the engineering industry as well as within their respective field of expertise. Further details on the experience of our Executive Directors and key senior management are as set out in Sections 5.1.2 and 5.3.3.

As such, the loss of our Managing Director and/or any of our Executive Directors and key senior management simultaneously or within a short time may create unfavourable or material impact on our Group's operations and the future growth of our business if we are unable to replace them in a timely manner. This may ultimately affect our business operations, financial performance and prospects.

9.1.2 The project-based nature of our Group's business may result in the fluctuation of our Group's performance

We are principally involved in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants. Our Group's sales are derived based on purchase orders whereby our customers will purchase our products on a project-to-project basis or on an as-needed basis. We do not enter into any long-term contracts with our customers due to the nature of our business and the prevailing customer practices where the demand for our products is subject to our customers' needs as and when required.

The project-based nature of our Group's business may result in the fluctuation of our Group's sales and result in uncertainties over our overall financial performance. In addition, there is no assurance that we are able to sustain our existing order book in the future or that purchase orders that have been made by our customers can be fulfilled due to cancellation by our customers or our Group's shortage of resources. Please refer to Section 12.12 for further details on our order book. While our Group continuously seeks to maintain and strengthen existing business relationships and establish relationships with new customers to expand our customer base, any adverse economic conditions, or slowdowns in the manufacturing or engineering-related industries, may negatively impact our sales, which will subsequently result in a decline in our financial performance.

9. RISK FACTORS (Cont'd)

9.1.3 We may not be able to successfully implement our business strategies

We plan to grow our Group's business by expanding and enhancing our business operations, through our business strategies and future plans as follows:

- (a) improving the output of Bercham Plant;
- (b) constructing a new 2MW biomass power plant; and
- (c) upgrading some of our production processes to improve our operating efficiency.

In order to successfully implement these future plans and business strategies, we are required to install an anaerobic digestion system, which will convert the agricultural waste into biogas for generation of electricity; a new 2MW biomass power plant; and additional machinery. Please refer to Section 7.16 for further details.

The execution of our business strategies is subject to additional operating and capital expenditure. Such additional expenditure will increase our Group's operating cost including overhead costs, which may adversely affect our profitability if we are unable to generate sufficient revenue following the implementation of our business strategies. Furthermore, the implementation of our business strategies may be influenced by factors beyond our control, such as changes in general market conditions, the Government policies, economic conditions as well as political environment in Malaysia, which may affect the commercial viability of our business strategies.

Hence, there can be no assurance that the implementation of our business strategies will yield expected results. We are also not able to guarantee that we will be successful in executing our business strategies, nor can we assure that we will be able to anticipate all the business, operational and industry risks arising from our business strategies. For example, there is no assurance that we will be successful in achieving the desired output and revenue for our power generation and sale of electricity business with our upgraded Bercham Plant and investment in new 2MW biomass power plant. Such failure may lead to adverse effect on our business operations and financial performance.

9.1.4 We are exposed to warranty claims and product liability claims by our customers

The industrial process equipment, process plant, and renewable energy and co-generation plants provided by our Group must conform to our customers' specifications and perform according to our customers' requirements. We generally provide a standard warranty period of 12 months from delivery to our customers for our industrial process equipment, process plants as well as renewable energy and co-generation plants. Save for consumables and wear and tear parts (e.g. gaskets, mechanical seals and bearings) which are not covered under our warranty, the warranty provided to customers encompasses workmanship and material defect.

During this period, we will rectify and/or replace faulty or damaged parts at our cost. If we are required to rectify defects during the warranty period, which will result in substantial costs being borne by us, the margin from the particular project will be reduced. In FYE 2020 to 2023, we incurred RM4,040, Nil, RM12,239 and RM83,477 respectively in product rectification during our customers' warranty periods.

9. RISK FACTORS (Cont'd)

We may also be subject to product liability claims from our customers for the losses or damages suffered as a result of product defects. As insurance coverage for product liability is not available in the market, we are not insured for losses, claims and liabilities arising from or in connection with product defects. As such, the cost to reimburse the losses or to rectify the damages incurred will be borne by our Group which may adversely affect our financial performance and position. In FYE 2020 to 2023, our Group has not received any product liability claims by our customers.

9.1.5 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities which include, amongst others, fire, burglary, public liability, group personal accident, hospitalisation and surgical insurance policies. However, we are unable to guarantee that the insurance coverage will be adequate in all circumstances to cover the losses, damages or liabilities which we may incur, in the event that any of the abovementioned incidences take place or that we will be able to successfully claim our losses under our current insurance policies on a timely basis, or at all.

To the extent that any such risks are uninsured, not covered under our insurance policies, or where the insurance protection is not sufficient to cover such risks, we would have to bear such losses and consequently our business operations and financial performance may be adversely affected.

9.1.6 Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire and environmental factors (including natural disasters and outbreak of diseases)

We rely on a diverse range of machinery and equipment to fabricate our industrial process equipment. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. Our business is also subject to disruptions due to fire, which may cause damage or destruction to all or part of our manufacturing facilities as well as our machinery and equipment. Further, we may also be affected by the occurrence of unexpected power failure which may affect our fabrication activities as we will not be able to operate our machinery and equipment.

Environmental factors such as natural disasters (e.g. floods or storms) may also lead to interruptions to the operations at our factories and/or damages to our machinery and equipment and affect our ability to meet the agreed upon delivery schedule to our customers.

Our business operations may also be affected by the outbreak of diseases such as the COVID-19 pandemic. Details on the interruptions to our business operations arising from the COVID-19 pandemic are as set out in Section 7.7. Any implementation or tightening of movement restriction arising from the outbreak of diseases which results in the suspension of operations and/or reduction of workforce may affect our business operations. Further, any delays in our delivery schedules and procurement activities may adversely impact our ability to fulfil orders in a timely manner, and subsequently affecting our revenue recognition.

In the event that we are required to halt our operations due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time. Further, we may also need to incur additional expenses if our machinery and equipment sustain unanticipated failures or damages and need to be repaired or replaced.

9. RISK FACTORS (Cont'd)

During FYE 2020 to 2023 and up to LPD, we have not experienced any major interruptions to our business operations caused by unexpected machinery and equipment failures, fire and environmental factors that have adversely affected our business operations and/or financial performance. If we encounter such events, our business operations and/or financial performance may be adversely affected.

9.2 RISKS RELATING TO OUR INDUSTRY**9.2.1 Our industry is reliant on certain licences, permits and approvals, as well as quality and safety accreditations**

We have obtained several licences and permits from various governmental authorities and quality and safety accreditations from internationally recognised bodies (ASME, DOSH, National Board of Boiler & Pressure Vessel Inspectors and ISO). Details of our licenses, permits, approvals, and quality and safety accreditations are set out in Sections 6.7 and 7.13. Some of these licences, permits, approvals, and quality and safety accreditations are subject to periodic inspections, renewals, changes and/or fulfilment of certain conditions imposed by the relevant authorities, particularly DOSH with respect to the fabrication and repair of pressure vessels and steam boilers. We are registered with CIDB as a G7 contractor, details of which are set out in Section 6.7. As a G7 contractor, we are eligible to tender for projects with contract value over RM10 million within our scope of specialisation. For FYE 2020 to 2023, we have undertaken 7 projects with contract values over RM10 million each, which collectively contributed 23.6%, 15.2%, 26.4% and 34.4% of our Group's total revenue, respectively. To the extent of the contribution of such projects, our Group is dependent on our G7 certificate.

If we are unable to renew any of our licences, permits and approvals, as well as quality and safety accreditations or comply with the regulations or conditions of such licenses, permits, approvals and accreditations, they may be suspended or revoked and this will negatively affect our business operations. Please refer to Section 6.7 for further details on the conditions imposed by the relevant authorities. Further, in the event that there are new laws introduced, changes to existing legislations or other future regulatory developments, there is no assurance that such events will not have a material adverse effect on our business.

Further, the manufacturing licences of our Factory 2 and Factory 3 in Ipoh stipulate that 80% of the workforce of Kawan Engineering has to be Malaysian citizens by 31 December 2024. As at LPD, although we are working towards complying with the conditions whereby Kawan Engineering's total percentage of full-time Malaysian citizens is 72.2%, our Group has not complied with such condition. If our Group is unable to comply with such condition by 31 December 2024 and a further extension of time is not granted by the relevant authorities, our manufacturing licences may be suspended or revoked and this will negatively affect our business operations.

9.2.2 We rely on the availability of skilled workers for our fabrication activities

We rely on skilled workers such as foremen, machinists, welders and fitters to carry out our fabrication activities. As at LPD, we have 118 workers involved in our fabrication activities. This group consists of Chuah Theam Choon, our Head of Department (Production) and 117 workers from the Production department, which collectively represents 61.5% of our total workforce. Among the 118 workers, 81 are skilled workers comprising 7 foremen, 18 machinists, 16 welders and 40 fitters, representing 68.6%.

9. RISK FACTORS (Cont'd)

Our ability to retain and to attract competent and skilled workers is crucial for our continued success, future business growth and expansion. Any loss of our skilled workers and our inability to find suitable replacements in a timely manner and at competitive salary rates may cause disruptions to our deliverables which may consequently affect our revenue recognition. Any delays to our delivery schedules may lead to dissatisfaction from our customers and may impact our ability to secure future business opportunities from these customers. Additionally, we may lose our competitive edge if we are unable to recruit sufficient skilled workers to support our business growth and thus, causing us to forgo potential business opportunities, which may affect the financial performance and prospects of our Group.

9.2.3 We are exposed to fluctuations in raw material prices

Our Group's primary purchases are auxiliary parts and equipment, subcontractor and outsourced services as well as steel plates which constitute between 54.6% and 84.6% of our total purchases during FYE 2020 to 2023 as set out in Section 7.10.

The prices of certain raw materials such as steel plates and steel tubes are subject to price fluctuations as a result of, amongst others, global demand and supply conditions, as well as global and regional economic conditions (e.g. the COVID-19 pandemic and uncertainties arising from the sanctions on Russia). As such, any material increase in the prices of the abovementioned raw materials may result in substantial increase in our cost of sales, and in turn, affecting our financial performance should we fail to pass the increase in cost to our customers.

In FYE 2021, the increase in steel prices, which moved in tandem with global steel prices, resulted in the increase in our raw materials costs and subsequently our cost of sales. Please refer to Section 12.2.2(b) for further details on the price fluctuations of our raw materials. Notwithstanding this, we did not experience any material adverse impact on our financial performance in FYE 2021 as we were able to pass the increase in costs to our customers in a timely manner. Save for the aforementioned, we have not encountered any substantial increase in raw materials prices in FYE 2020 to 2023. Moving forward, if we are unable to pass on any increase in raw material cost to our customers, our financial performance may be adversely affected.

9.2.4 We face competition from other industry players and new market entrants

The industrial process equipment industry in Malaysia is competitive and fragmented due to the large number of industry players including public listed companies, large private companies as well as small to medium enterprises. As at 4 April 2024, there were approximately 101 companies in Malaysia registered as competent firms and granted approval by DOSH to manufacture steam boilers, unfired pressure vessels, unfired pressure vessels (seamless pipe) and/or fired pressure vessels. Industry players may design and/or fabricate industrial process equipment as standalone equipment or part of their design, fabrication, installation and commissioning of process plants. Our Group competes with these players in terms of, amongst others, pricing, quality of industrial process equipment, fabrication capabilities and timeliness of delivery.

We face competition from existing and new industrial process equipment manufacturers similar to our Group (i.e. manufacturers of heat exchangers, pressure vessels as well as boilers and heaters). For more information on the industry players that are deemed closest competitors to our Group, please refer to Section 8.

9. RISK FACTORS (Cont'd)

9.2.5 Our Group is subject to the risks relating to the economic, political and/or legal environment in the markets in which we serve

Our Group principally operates in Malaysia. Our business, prospects, financial condition and results of operations may be affected by any adverse developments or uncertainties in political, legal, regulatory or economic conditions that are beyond our control in Malaysia as well as other countries where we market our products and services. These risks include unfavourable changes in political conditions, economic conditions, interest rates, government policies and regulations, import and export restrictions, duties and tariffs, civil unrest, methods of taxation, inflation and foreign exchange controls.

Any adverse economic, political, legal and/or social developments such as changes in government policies and widespread and/or prolonged economic slowdowns in the markets we operate may cause a decline in the demand for our Group's products and services, which may have a material adverse effect on our business operations 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 or continue to be developed upon or subsequent to our Listing.

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 upon or subsequent to our Listing.

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 occur:

- (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 ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

9. RISK FACTORS (Cont'd)

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

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 as they will continue to hold majority of our Shares after our IPO

Our Promoters will collectively hold approximately 73.7% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring simple majority of 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 Group Internal Restructuring and as disclosed below, there were 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 FYE 2020 to 2023 and up to LPD.

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 November 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Lim Thou Lai and Tan Kim Hong	Kawan Engineering	Lim Thou Lai	<ul style="list-style-type: none"> Lim Thou Lai is our Group's Promoter, substantial shareholder and Managing Director Tan Kim Hong is the spouse of Lim Thou Lai 	Purchase of 1 unit of condominium located at B-5-3A, Jalan Chin Hwa, Damaipuri Kondominium, 30250 Ipoh, Perak by Kawan Engineering from Lim Thou Lai and Tan Kim Hong ⁽¹⁾	-	-	650	(2)1.7	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 November 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Tan Kim Hong	Kawan Engineering	Lim Thou Lai	<ul style="list-style-type: none"> Lim Thou Lai is our Group's Promoter, substantial shareholder and Managing Director Tan Kim Hong is the spouse of Lim Thou Lai 	Purchase of 1 unit of condominium located at C-10-09, Upper East @ Tiger Lane, Condominium Kelab Golf, Jalan Kelab Golf, 30350 Ipoh, Perak by Kawan Engineering from Tan Kim Hong ⁽³⁾	-	-	730	⁽²⁾ 1.9	-	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 November 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Engecrol Moditech (Asia Pacific) Sdn Bhd ("Engecrol Moditech")	Kawan Engineering	Lim Thou Lai	<ul style="list-style-type: none"> Lim Thou Lai is our Group's Promoter, substantial shareholder and Managing Director Lim Thou Lai was a director and shareholder of Engecrol Moditech⁽⁴⁾ 	Sale of steam condenser and waste heat recovery power generation to Engecrol Moditech	-	-	-	-	4,153	⁽⁵⁾ 2.9	379	⁽⁵⁾ 0.4	⁽⁴⁾ N/A	⁽⁴⁾ N/A
				Purchase of power generation equipment from Engecrol Moditech	57	⁽⁷⁾ 0.1	4	⁽⁷⁾ <0.1	494	⁽⁷⁾ 0.4	771	⁽⁷⁾ 1.0	⁽⁴⁾ N/A	⁽⁴⁾ N/A
				(This transaction is recurrent in nature and will subsist after our Listing)										

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 November 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Semut Technology Sdn Bhd (formerly known as Kawan Technology Sdn Bhd) (" Semut Technology ")	Kawan Engineering	Lim Thou Lai	<ul style="list-style-type: none"> Lim Thou Lai is our Group's Promoter, substantial shareholder and Managing Director Lim Thou Yan and Lim Thou Kiong, siblings of Lim Thou Lai, are the directors and shareholders of Semut Technology 	<p>Sale of fabrication products including heat exchanger and pressure vessels to Semut Technology</p> <p>(This transaction is recurrent in nature and will subsist after our Listing)</p>	102	(⁵)0.2	156	(⁵)0.2	1,225	(⁵)0.8	89	(⁵)0.1	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 November 2023 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
ADV Systems Sdn Bhd ("ADV Systems") ⁽⁸⁾	Kawan Engineering	Lim Thou Lai	<ul style="list-style-type: none"> Lim Thou Lai is our Group's Promoter, substantial shareholder and Managing Director Lim Thou Lai and his spouse, Tan Kim Hong, are also directors and shareholders of ADV Systems 	Provision of engineering services by ADV Systems	75	(7)0.2	286	(7)0.5	-	-	-	-	-	-
Periforce Asia Sdn Bhd ("Periforce Asia") ⁽⁹⁾	Kawan Engineering	Lim Thou Lai	<ul style="list-style-type: none"> Lim Thou Lai is our Group's Promoter, substantial shareholder and Managing Director 	Provision of engineering services by Periforce Asia	-	-	27	(7)0.1	41	(7)<0.1	-	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value										
					FYE 2020		FYE 2021		FYE 2022		FYE 2023		1 November 2023 up to LPD		
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
			<ul style="list-style-type: none"> Lim Thou Lai is also a director and shareholder of Periforce Asia 												
Lim Thou Lai	Kawan	Lim Thou Lai	<ul style="list-style-type: none"> Lim Thou Lai is our Group's Promoter, substantial shareholder and Managing Director 	Provision of advances to Kawan for working capital purposes ⁽¹⁰⁾	-	-	-	-	-	-	550	⁽²⁾ <0.1	550	⁽²⁾ <0.1	

Notes:

- (1) The purchase of 1 unit of condominium located at B-5-3A, Jalan Chin Hwa, Damaipuri Kondominium, 30250 Ipoh, Perak by Kawan Engineering was not at arm's length basis as it was purchased at an agreed pricing of RM650,000. Moving forward, our Group will procure valuer's report to ascertain the market value of the property(ies) prior to the acquisition of any such property(ies) from our related party.
- (2) Computed based on our Group's NA as at the end of each of the respective financial years.
- (3) The purchase of 1 unit of condominium located at C-10-09, Upper East @ Tiger Lane, Kondominium Kelab Golf, Jalan Kelab Golf, 30350 Ipoh, Perak by Kawan Engineering was not at arm's length basis as the purchase consideration was based on the cost price of RM730,800 in accordance with the previous sale and purchase agreement entered into between Tan Kim Hong (as purchaser) and Curah Bahagia Sdn Bhd (as vendor) on 22 December 2014. Moving forward, our Group will procure valuer's report to ascertain the market value of the property(ies) prior to the acquisition of any such property(ies) from our related party.

10. RELATED PARTY TRANSACTIONS (Cont'd)

- (4) Lim Thou Lai ceased to be a director and shareholder of Engecrol Moditech on 15 May 2023 and 22 June 2023 respectively. Pursuant thereto and as at LPD, Engecrol Moditech is no longer a related party.
- (5) Computed based on our Group's revenue for each of the respective financial years.
- (6) Not applicable as we did not prepare any financial statements from 1 November 2023 up to LPD.
- (7) Computed based on our Group's cost of sales for each of the respective financial years.
- (8) As at LPD, this company is inactive and is in the process of striking off, which is expected to be completed by second quarter of 2024.
- (9) As at LPD, this company is dormant with no intended activities and is in the process of striking off, which is expected to be completed by second quarter of 2024.
- (10) The advances were made by the related party for the working capital of Kawan. The advances were not given on arm's length basis as they were interest free. Subsequent to LPD, the said advances from the related party have been fully settled on 1 April 2024. Moving forward, our Group will no longer receive any advances from the related party.

Save as disclosed in Notes (1), (3) and (10) above, our Board is of the view that all our Group's related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties. This was determined based on the following:

- (a) sales of our products to Engecrol Moditech and Semut Technology were based on comparable selling price charged to our third party customers; and
- (b) purchase price of our products from Engecrol Moditech as well as the provision of engineering services provided by ADV Systems and Periforce Asia were based on comparable price charged by the aforementioned related parties to their customers.

Our Board also confirms that there are no material related party transactions entered into but not yet effected as at LPD.

10. RELATED PARTY TRANSACTIONS (Cont'd)

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 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.

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 deliberating and 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 deliberating and voting in respect of his direct and/or indirect shareholdings. 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.

10. RELATED PARTY TRANSACTIONS (Cont'd)

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 for FYE 2020 to 2023 and up to LPD.

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10. RELATED PARTY TRANSACTIONS (Cont'd)

10.2.2 Outstanding loans (including guarantees of any kind)

(a) Outstanding loans and/or balances

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

(b) Guarantees

Our Promoter, substantial shareholder and Managing Director, Lim Thou Lai, has provided personal guarantees for the banking and hire purchase facilities extended by Malayan Islamic Berhad, OCBC Bank (Malaysia) Berhad, Affin Bank Berhad and OCBC Al-Amin Bank Berhad ("**Financiers**") to our Group:

Financier	Type of Facilities	Purposes	Outstanding balance as at LPD	Facility limit / amount	Guarantor(s)
			RM'000		
Malayan Islamic Berhad	3 term financing facilities	For working capital purposes and to part finance Factory 3	6,004	8,850	Lim Thou Lai
OCBC Bank (Malaysia) Berhad	2 trade facilities	For purchase of goods, products or materials and importation of machinery or equipment.	6,355	57,000	Lim Thou Lai
		As performance / tender / advance payment / payment guarantee bonds or other guarantees as approved by the bank			
Affin Bank Berhad	7 hire purchase facilities	Purchase of motor vehicles	261	480	Lim Thou Lai

10. RELATED PARTY TRANSACTIONS (Cont'd)

Financier	Type of Facilities	Purposes	Outstanding balance as at LPD RM'000	Facility limit / amount	Guarantor(s)
OCBC Al-Amin Bank Berhad	5 hire purchase facilities	Purchase of machineries and equipment	546	1,218	Lim Thou Lai
			13,166	67,548	

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 received conditional approvals from all the Financiers for the release and/or discharge the above guarantees. The approvals from the Financiers are subject to, amongst others:

- (i) the successful listing of our Group;
- (ii) Lim Thou Lai shall remain in the management team of our Group (imposed by OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad only); and
- (iii) provision of a written confirmation and evidence from Kawan Engineering that all the banks are ranked pari-passu (imposed by OCBC Bank (Malaysia) Berhad and OCBC Al-Amin Bank Berhad only).

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10. RELATED PARTY TRANSACTIONS (Cont'd)

10.2.3 Transactions entered into with M & A Securities

Save as disclosed below, we have not entered into any transactions with M & A Securities who is the Adviser, Sponsor, Placement Agent and Underwriter for our Listing:

- (a) Agreement dated 20 May 2022 between Kawan and M & A Securities for the appointment of M & A Securities as Adviser, Sponsor and Placement Agent for our Listing; and
- (b) Underwriting Agreement dated 3 April 2024 entered into between our Company and M & A Securities for the underwriting of 46,750,000 Issue Shares.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CLIENTS AND SUPPLIERS

As at LPD, none of our Directors and substantial shareholders has any interest, direct or indirect, in:

- (a) other businesses and corporations which are carrying on a similar trade as our Group; and
- (b) the business of our customers and suppliers.

It is our Directors' fiduciary duty to avoid conflict and in order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating 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 Nominating Committee will then first evaluate if such Director's involvement gives 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 Nominating Committee will then:

- (a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;
- (b) after deliberation with our Audit and Risk Management Committee, to 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)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating 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 our Board, be present at our Board meeting to answer 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 Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

11. CONFLICT OF INTEREST (Cont'd)

11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) M & A Securities 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, Placement Agent and Underwriter 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;
- (c) Baker Tilly Monteiro Heng 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; and
- (d) SMITH ZANDER 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 historical financial information throughout FYE 2020 to 2023 has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our Company was incorporated in Malaysia under the Act on 26 October 2022 as a private limited company under the name of Kawan Renergy Sdn Bhd. On 28 July 2023, we converted into a public limited company and adopted our present name.

Kawan and its subsidiaries (other than Magenko Group, which was acquired during FYE 2022) have been under the common control of our Promoters throughout FYE 2020 to 2023 and are regarded as continuing entities. As such, the historical financial information of our Group for FYE 2020 to 2023 is presented based on our Group's audited combined financial statements.

12.1.1 Combined statements of comprehensive income

The following table summarises our combined statements of comprehensive income for FYE 2020 to 2023, which have been extracted from the Accountants' Report as set out in Section 13. 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 12.2 and 13 respectively.

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	48,823	64,041	139,184	98,379
Cost of sales	(41,355)	(53,964)	(117,668)	(74,382)
GP	7,468	10,077	21,516	23,997
Other income	171	737	2,563	2,115
Administrative expenses	(1,983)	(1,932)	(3,408)	(5,734)
Other operating expenses	(181)	(225)	(2,448)	(1,785)
Operating profits	5,475	8,657	18,223	18,593
Finance income	321	364	568	777
Finance costs	(123)	(84)	(222)	(450)
PBT	5,673	8,937	18,569	18,920
Income tax expense	(1,248)	(2,054)	(4,341)	(5,618)
PAT/total comprehensive income	4,425	6,883	14,228	13,302
EBIT ⁽¹⁾	5,475	8,657	18,223	18,593
EBITDA ⁽¹⁾	6,646	9,865	20,031	21,507
GP margin (%) ⁽²⁾	15.3	15.7	15.5	24.4
PBT margin (%) ⁽³⁾	11.6	14.0	13.3	19.2
PAT margin (%) ⁽³⁾	9.1	10.7	10.2	13.5
Effective tax rate (%) ⁽⁴⁾	22.0	23.0	23.4	29.7
EPS (sen) ⁽⁵⁾	0.8	1.3	2.6	2.4

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

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

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
PAT	4,425	6,883	14,228	13,302
Less:				
Interest income	(321)	(364)	(568)	(777)
Add:				
Finance costs	123	84	222	450
Income tax expense	1,248	2,054	4,341	5,618
EBIT	5,475	8,657	18,223	18,593
Add:				
Depreciation	1,171	1,208	1,808	2,914
EBITDA	6,646	9,865	20,031	21,507

- (2) GP margin is calculated based on GP over revenue.
- (3) PBT or PAT margin is calculated based on PBT or PAT over revenue.
- (4) Effective tax rate is calculated based on income tax expense divided by PBT.
- (5) Calculated based on PAT over our enlarged share capital of 550,000,000 Shares after our IPO.

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12. FINANCIAL INFORMATION (Cont'd)**12.1.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 October 2020, 2021, 2022 and 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 12.2 and 13 respectively.

	Audited			
	As at 31 October			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Assets				
Non-current asset				
Property, plant and equipment	7,422	8,982	21,834	22,344
Total non-current asset	7,422	8,982	21,834	22,344
Current assets				
Inventories	2,615	2,311	2,338	2,451
Current tax assets	143	-	-	-
Trade and other receivables	17,481	16,995	43,724	22,805
Contract assets	3,741	6,544	12,567	15,447
Cash and short-term deposits	23,367	29,986	41,331	44,746
Total current assets	47,347	55,836	99,960	85,449
Total assets	54,769	64,818	121,794	107,793
Equity and liabilities				
Equity attributable to owners of the Group				
Share capital / Invested equity	6,500	10,000	10,200	10,200
Merger deficit	-	-	(200)	(200)
Retained earnings	28,522	28,905	35,133	43,435
Total equity	35,022	38,905	45,133	53,435
Non-current liabilities				
Loans and borrowings	34	676	7,267	6,324
Deferred income	-	-	-	67
Deferred tax liabilities	230	276	52	1,103
Total non-current liabilities	264	952	7,319	7,494
Current liabilities				
Loans and borrowings	2,518	2,987	5,514	4,411
Deferred income	-	-	-	8
Current tax liabilities	-	279	2,392	1,023
Trade and other payables	8,681	11,839	46,160	12,524
Contract liabilities	8,284	9,856	15,276	28,898
Total current liabilities	19,483	24,961	69,342	46,864
Total liabilities	19,747	25,913	76,661	54,358
Total equity and liabilities	54,769	64,818	121,794	107,793

12. FINANCIAL INFORMATION (Cont'd)**12.1.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for FYE 2020 to 2023, which has been extracted from the Accountants' Report as set out in Section 13. 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 12.2 and 13 respectively.

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities				
PBT	5,673	8,937	18,569	18,920
Adjustments for:				
Depreciation of property, plant and equipment	1,171	1,208	1,808	2,914
Gain on disposal of property, plant and equipment	(7)	(34)	-	(135)
Gain on lease termination	-	-	-	(1)
Impairment loss on trade receivables	181	168	2,448	-
Bad debt recovered	-	(430)	-	-
Amortisation of government grant income	-	-	-	(3)
Finance costs	123	84	222	450
Finance income	(321)	(364)	(568)	(777)
Property, plant and equipment written off	<0.1	-	<0.1	-
Reversal of impairment losses on trade receivables	-	-	-	(127)
Net unrealised gain on foreign exchange	(69)	(220)	(918)	(1,774)
Bargain purchase on acquisition of subsidiaries	-	-	(1,506)	-
Waiver of debt	-	-	(50)	-
Bad debt written off	-	-	<0.1	350
Operating profit before changes in working capital	6,751	9,349	20,005	19,817
Changes in working capital:				
Inventories	(46)	304	(26)	(113)
Trade and other receivables	(2,573)	748	(27,326)	20,816
Trade and other payables	(1,228)	1,668	25,611	(26,169)
Contract assets	1,571	(2,803)	(6,023)	(2,880)
Contract liabilities	6,509	1,571	5,420	13,622
Net cash generated from operations	10,984	10,837	17,661	25,093
Income tax paid	(1,440)	(1,586)	(2,453)	(5,936)
Interest received	321	364	568	777
Net cash from operating activities	9,865	9,615	15,776	19,934
Cash flow used in investing activities				
Acquisition of subsidiary, net of cash acquired	-	-	590	-
Purchase of property, plant and equipment	(766)	(2,482)	(3,614)	(3,567)

12. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Proceed from disposal of property, plant and equipment	15	62	-	839
Proceeds from government grants related to assets	-	-	-	78
Change in pledged deposits	(47)	(44)	(27)	(4,048)
Net cash used in investing activities	(798)	(2,464)	(3,051)	(6,698)
Cash flow used in financing activities				
Proceeds from the issuance of ordinary shares	-	-	<0.1	-
Interest paid	(123)	(84)	(222)	(450)
Payment of lease liabilities	(537)	(256)	(239)	(554)
Drawdown of bankers' acceptances	10,047	8,630	18,100	8,950
Payment of bankers' acceptances	(11,457)	(8,130)	(16,690)	(10,200)
Drawdown of term loans	-	562	-	-
Repayment of term loans	-	(10)	(203)	(804)
Net changes in amount owing to a director	46	-	40	(17)
Net changes in amount owing to a shareholder	-	(9)	-	550
Dividends paid	(1,000)	(1,500)	(3,000)	(13,000)
Net cash used in financing activities	(3,024)	(797)	(2,214)	(15,525)
Net increase / (decrease) in cash and cash equivalents	6,043	6,354	10,511	(2,289)
Cash and cash equivalents at the beginning of the financial year	15,776	21,888	28,463	39,781
Effect of exchange rate changes on cash and cash equivalent	69	221	807	1,656
Cash and cash equivalents at the end of the financial year⁽¹⁾	21,888	28,463	39,781	39,148

Note:

(1) Cash and cash equivalents comprised of the following:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Short-term deposits	15,308	22,866	27,230	31,162
Less: Pledged deposits	(1,479)	(1,523)	(1,550)	(5,598)
	13,829	21,343	25,680	25,564
Cash and bank balances	8,059	7,120	14,101	13,584
	21,888	28,463	39,781	39,148

12. FINANCIAL INFORMATION (Cont'd)

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

The following discussion and segmental analysis of our combined financial statements for FYE 2020 to 2023 should be read with the Accountants' Report included in Section 13.

12.2.1 Overview of our operations**(a) Principal activities**

We are an engineering solutions provider principally involved in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants ("**design, fabrication, installation and/or commissioning solutions**"). As an engineering solutions provider, our solutions encompass our Group's technical capability to analyse our customer's need and proactively propose suitable design solutions which are customised to meet our customers' engineering requirements. In addition to proposing design solutions, our Group's solutions also include the capability to provide in-house fabrication, installation and/or commissioning of the industrial process equipment, process plants as well as renewable energy and co-generation plants. Our business activities are further elaborated in Section 7.2.1.1.

Our core business activities for design, fabrication, installation and/or commissioning solutions involve the following:

(a) Design and fabrication of industrial process equipment

We design and fabricate industrial process equipment that are used to facilitate and/or support industrial production and processing (e.g. food processing, oleochemical and chemical processing, oil and gas, waste recovery and utilities) as well as power plant operations (e.g. power generation and co-generation). The industrial process equipment that we design and fabricate comprise heat exchangers, pressure vessels as well as boilers and heaters. Our industrial process equipment is fabricated and sold as standalone equipment to our customers for installation into their production and processing operations.

(b) Design, fabrication, installation and commissioning of process plants

We design, fabricate, install and commission process plants that are used to facilitate and/or support industrial production and processing. This comprises the integration of multiple industrial process equipment to form a process plant. Our offering of process plants focuses within the area of food processing, oleochemical and chemical processing, and waste recovery.

(c) Design, fabrication, installation and commissioning of renewable energy and co-generation plants

We design, fabricate, install and commission renewable energy and co-generation plants. This comprises the integration of multiple industrial process equipment to form a renewable energy or co-generation plant. Renewable energy plants generate electricity using renewable resources such as thermal energy (i.e. heat), biogas and biomass, while co-generation plants use fuel such as natural gas to generate electricity and thermal energy.

12. FINANCIAL INFORMATION (Cont'd)

In addition to the provision of design, fabrication, installation and/or commissioning solutions, we also provide repair and maintenance services which include the replacement of spare parts and components as well as general upkeep of the industrial process equipment fabricated by our Group as well as by other fabricators. Our repair and maintenance services are provided as and when required by our customers on a purchase order basis. For repair and maintenance services which are covered under warranty, the cost will be borne by our Group.

Please refer to Section 7 for our Group's detailed business overview.

(b) Revenue

Our revenue comprises revenue from the design, fabrication, installation and/or commissioning solutions segment and sale of electricity from power generation.

Our Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services. Revenue recognition of our Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer).

In accordance with MFRS 15 Revenue from Contracts with Customers Paragraph 17, the Combination of Contracts refers to multiple contracts with the same customer or related parties if it is required to determine whether these contracts entered into at or around the same time should be combined or aggregated. Generally, contracts should be combined if they meet specific criteria, such as:

- (i) They are negotiated as a package with a single commercial objective.
- (ii) The amount to be paid in one contract depends on the performance of the other contract(s).
- (iii) The goods or services promised in the contract (or some goods or services promised in each of the contracts) are a single performance obligation.

If these criteria are met, the contracts should be considered a single performance obligation for accounting purposes.

However, there was no combination of contracts during FYE 2020 to 2023.

For practical expedient, our Group applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if our Group reasonably expects that the effects on the combined financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio. Similar characteristic is referring to when a company or group has a portfolio of contracts or performance obligations that are very similar in nature.

Design, fabrication, installation and/or commissioning solutions segment

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of project costs incurred for work performed to date bear to the estimated total project costs (an input method). Project costs in this context are the expenses associated with a project. They can include labour costs, material costs, equipment costs, subcontractor fees, permits, and any other expenses related to the construction of the plant.

12. FINANCIAL INFORMATION (Cont'd)

Sales are made with credit terms, which is consistent with market practice, therefore, no element of financing is deemed present. Our Group becomes entitled to invoice customers based on achieving a series of performance-related milestones.

Our Group recognises a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when the invoice is issued or the timing for billing is due to the passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers, then the Group recognises a contract liability for the difference.

Sale of electricity from power generation

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method).

(c) Cost of sales

Our cost of sales comprises mainly raw materials costs, subcontractor and outsourced service costs, staff-related costs, consumables, fittings and accessories as well as handling, freight, forwarding and transportation.

(d) Other income

Other income comprises mainly unrealised and realised gain on foreign exchange and bad debts recovered.

(e) Administrative expenses

Administrative expenses comprise mainly staff-related costs, depreciation of property, plant and equipment, and upkeep of property, plant and equipment.

(f) Other operating expenses

Other operating expenses comprise mainly impairment losses on trade receivables.

(g) Finance income

Finance income comprises mainly interest received from short-term deposits.

(h) Finance costs

Finance costs comprise interest on term financing, bankers' acceptances and lease liabilities.

(i) Recent developments

Save for the Group Internal Restructuring, and payment of dividend declared in FYE 2023 of RM5.0 million, there were no other significant events subsequent to our audited combined financial statements for FYE 2023 and there are no other significant events that may have a material effect on our financial position and results for FYE 2023.

12. FINANCIAL INFORMATION (Cont'd)**(j) Exceptional and extraordinary items and audit qualifications**

There were no exceptional or extraordinary items during FYE 2020 to 2023. In addition, the audited financial statements of our subsidiaries for FYE 2020 to 2023 were not subject to any audit qualifications.

(k) Significant factors affecting our business

Section 9 details the risk factors relating to our business and the industry in which we operate in. Some of these risk factors have an impact on our revenue and financial performance. The main factors which affect revenues and profits include but are not limited to the following:

(i) The project-based nature of our Group's business may result in the fluctuation of our Group's performance

We are principally involved in the design, fabrication, installation and/or commissioning of industrial process equipment, process plants as well as renewable energy and co-generation plants. Our Group's sales are derived based on purchase orders whereby our customers will purchase our products on a project-to-project basis or on an as-needed basis. We do not enter into any long-term contracts with our customers due to the nature of our business and the prevailing customer practices where the demand for our products is subject to our customers' needs as and when required.

The project-based nature of our Group's business may result in the fluctuation of our Group's sales and result in uncertainties over our overall financial performance. In addition, there is no assurance that we are able to sustain our existing order book in the future or that purchase orders that have been made by our customers can be fulfilled due to cancellation by our customers or our Group's shortage of resources. Please refer to Section 12.12 for further details on our order book. While our Group continuously seeks to maintain and strengthen existing business relationships and establish relationships with new customers to expand our customer base, any adverse economic conditions, or slowdowns in the manufacturing or engineering-related industries, may negatively impact our sales, which will subsequently result in a decline in our financial performance.

(ii) We are exposed to warranty claims and product liability claims by our customers

The industrial process equipment, process plant, and renewable energy and co-generation plants provided by our Group must conform to our customers' specifications and perform according to our customers' requirements. We generally provide a standard warranty period of 12 months from delivery to our customers for our industrial process equipment, process plants as well as renewable energy and co-generation plants. Save for consumables and wear and tear parts (e.g. gaskets, mechanical seals and bearings) which are not covered under our warranty, the warranty provided to customers encompasses workmanship and material defect.

During this period, we will rectify and/or replace faulty or damaged parts at our cost. If we are required to rectify defects during the warranty period, which will result in substantial costs being borne by us, the margin from the particular project will be reduced. In FYE 2020 to 2023, we incurred RM4,040, Nil, RM12,239 and RM83,477, respectively in product rectification during our customers' warranty periods.

12. FINANCIAL INFORMATION (Cont'd)

We may also be subject to product liability claims from our customers for the losses or damages suffered as a result of product defects. As insurance coverage for product liability is not available in the market, we are not insured for losses, claims and liabilities arising from or in connection with product defects. As such, the cost to reimburse the losses or to rectify the damages incurred will be borne by our Group which may adversely affect our financial performance and position. In FYE 2020 to 2023, our Group has not received any product liability claims by our customers.

(iii) Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire and environmental factors (including natural disasters and outbreak of diseases)

We rely on a diverse range of machinery and equipment to fabricate our industrial process equipment. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. Our business is also subject to disruptions due to fire, which may cause damage or destruction to all or part of our manufacturing facilities as well as our machinery and equipment. Further, we may also be affected by the occurrence of unexpected power failure which may affect our fabrication activities as we will not be able to operate our machinery and equipment.

Environmental factors such as natural disasters (e.g. floods or storms) may also lead to interruptions to the operations at our factories and/or damages to our machinery and equipment and affect our ability to meet the agreed upon delivery schedule to our customers.

Our business operations may also be affected by the outbreak of diseases such as the COVID-19 pandemic. Details on the interruptions to our business operations arising from the COVID-19 pandemic are as set out in Section 7.7. Any implementation or tightening of movement restriction arising from the outbreak of diseases which results in the suspension of operations and/or reduction of workforce may affect our business operations. Further, any delays in our delivery schedules and procurement activities may adversely impact our ability to fulfil orders in a timely manner, and subsequently affecting our revenue recognition.

In the event that we are required to halt our operations due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time. Further, we may also need to incur additional expenses if our machinery and equipment sustain unanticipated failures or damages and need to be repaired or replaced.

During FYE 2020 to 2023 and up to LPD, we have not experienced any major interruptions to our business operations caused by unexpected machinery and equipment failures, fire and environmental factors that have adversely affected our business operations and/or financial performance. If we encounter such events, our business operations and/or financial performance may be adversely affected.

12. FINANCIAL INFORMATION (Cont'd)**12.2.2 Review of our results of operations****(a) Revenue****Analysis of revenue by business segment**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, fabrication, installation and/or commissioning solutions								
- Industrial process equipment	30,041	61.5	32,183	50.3	54,344	39.0	48,439	49.2
- Process plants	18,782	38.5	31,858	49.7	43,388	31.2	27,708	28.2
- Renewable energy and co-generation plants	-	-	-	-	41,411	29.8	22,050	22.4
Sub-total ⁽¹⁾	48,823	100.0	64,041	100.0	139,143	100.0	98,197	99.8
Other⁽²⁾	-	-	-	-	41	<0.1	182	0.2
	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0

Notes:

- (1) The number of job orders provided by our Group had contributed to the revenue was during FYE 2020, FYE 2021, FYE 2022 and FYE 2023 are 402, 491, 528 and 497, respectively. For avoidance of doubt, if our design, fabrication, installation and/or commissioning solutions are provided to the same job order over the past 4 FYEs, it is counted as 1 job order for each financial year.
- (2) Comprised sale of electricity revenue from the power generation following the acquisition of Magenکو Group in August 2022. The landfill gas power plant began operations in 2016. The landfill gas power plant captures and converts the methane gas released from the decomposition of organic waste in the landfill, for the generation of electricity. The landfill gas power plant has an installed capacity of 1.2MW and a net export capacity of 1MW, and is operating under the FiT mechanism. Under the FiT mechanism, we are allowed to sell the electricity produced from our plant to the distribution licensee at a predetermined rate of RM0.3880/kWh until 2032. In addition, the total FiT that Magenکو Ipoh is entitled to receive in each year during the effective period, as specified in the Feed-In Approval, is limited to the total FiT payable to Magenکو Ipoh based on the renewable energy generated up to the declared annual availability of the particular year. Since the acquisition of Magenکو Group in 2022, all electricity generated from Bercham Plant have been sold to the distribution licensee.

12. FINANCIAL INFORMATION (Cont'd)**Analysis of revenue by industry⁽¹⁾**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Oleochemical and chemical ⁽²⁾	34,020	69.7	40,415	63.1	75,393	54.2	61,763	62.8
Power	3,844	7.9	3,824	6.0	48,015	34.5	20,417	20.8
Utilities	6,564	13.4	12,822	20.0	10,794	7.8	9,020	9.1
Oil and gas	1,810	3.7	1,254	2.0	4,077	2.9	1,455	1.5
Others ⁽³⁾	2,585	5.3	5,726	8.9	905	0.6	5,724	5.8
	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0

Notes:

- (1) Revenue categorised by product application industry.
- (2) Includes waste recovery industry.
- (3) Others comprise mainly food processing and glove industries.

Analysis of revenue by geographical market⁽¹⁾

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	42,022	86.1	60,548	94.5	122,594	88.1	80,597	81.9
Overseas								
- Indonesia	1,350	2.8	1,411	2.2	8,533	6.1	1,426	1.5
- Singapore	1,509	3.1	1,447	2.3	7,299	5.2	1,037	1.1
- Japan	3,266	6.7	617	1.0	352	0.3	34	<0.1
- USA	-	-	-	-	39	<0.1	13,312	13.5
- Others ⁽²⁾	676	1.3	18	<0.1	367	0.3	1,973	2.0
	6,801	13.9	3,493	5.5	16,590	11.9	17,782	18.1
Total revenue	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0

Notes:

- (1) Revenue by the geographical market is based on the place of domicile of our customers. The design and fabrication of our projects will be performed in Malaysia. However, we will purchase the equipment from overseas if we are unable to design and fabricate it. The installation and commissioning works of our projects will be carried out at our customer's project site in Malaysia or overseas.
- (2) Others comprise mainly New Zealand, South Africa and Germany.

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2020 and FYE 2021**

Our revenue for FYE 2021 and FYE 2020 was derived solely from the design, fabrication, installation and/or commissioning solutions segment, mainly contributed by the oleochemical and chemical industry as well as utilities industry. These industries collectively contributed RM53.2 million or 83.1% of our total revenue for FYE 2021 (FYE 2020: RM40.6 million or 83.1% of our total revenue). There were 491 job orders during FYE 2021 (FYE 2020: 402 job orders).

The local market was our main revenue contributor, which recorded RM60.5 million or 94.5% of our total revenue for FYE 2021 (FYE 2020: RM42.0 million or 86.1%).

Design, fabrication, installation and/or commissioning solutions

Our revenue from the design, fabrication, installation and/or commissioning solutions segment increased by RM15.2 million or 31.1% to RM64.0 million for FYE 2021 (FYE 2020: RM48.8 million), mainly attributable to the following:

- (i) higher revenue from the design, fabrication, installation and commissioning of process plants, which increased by RM13.1 million or 69.7% to RM31.9 million for FYE 2021 (FYE 2020: RM18.8 million), mainly due to the following projects:
 - (aa) increase in revenue from projects for the oleochemical and chemical industry of RM6.4 million, which was mainly contributed by:
 - (a) higher progress from food emulsifier plant, chemical plant and waste oil recovery plant projects from our existing local customers, which collectively contributed to the growth in revenue of RM12.9 million for FYE 2021; and
 - (b) new waste oil recovery plant, short path distillation plant and storage tank farm projects secured from our local customers during FYE 2021, which collectively contributed to the growth in revenue of RM4.3 million.

The above increases were narrowed by lower revenue from Jadi Imaging Technologies Sdn Bhd, which declined by RM10.3 million for FYE 2021 as their chemical plant, raw water treatment plant and waste water treatment plant projects were completed during FYE 2020;

- (bb) a new compounding plant project for the glove industry secured from a local customer, which contributed RM2.2 million of our revenue for FYE 2021;
- (cc) increase in revenue from sugar refinery plant and biogas purification projects for the food industry from our existing customer, Periforce Sdn Bhd, which recorded increased revenue of RM1.2 million; and
- (dd) a new EFB dryer plant project for the power industry secured from an Indonesian customer for its Indonesia operations, which contributed RM0.9 million to our revenue for FYE 2021.

12. FINANCIAL INFORMATION (Cont'd)

- (ii) higher revenue for the design and fabrication of industrial process equipment which increased by RM2.1 million or 7.0% to RM32.1 million for FYE 2021 (FYE 2020: RM30.0 million) primarily due to more job orders during FYE 2021, which increased from 270 job orders in FYE 2020 to 326 job orders in FYE 2021 as well as higher value projects secured. Revenue from projects for the utilities industry increased by RM5.3 million for FYE 2021 largely contributed by pressure vessel, boiler and heater projects secured from 9 local customers and a Singaporean customer, which collectively contributed incremental revenue of RM5.2 million.

The above increase was partially offset by decrease in revenue from projects for the power industry by RM2.1 million. Within this power industry, we recorded a decrease in revenue of RM3.3 million from a heat exchanger project secured from Murum Hydro Power Generation Sdn Bhd, a local customer. Such decrease was partially offset by a new heat exchanger project secured from a local customer, which contributed to RM1.4 million revenue.

There was no revenue from the design, fabrication, installation and commissioning solutions for renewable energy and co-generation plants for FYE 2020 and 2021.

Comparison between FYE 2021 and FYE 2022

Our revenue further improved by RM75.2 million or 117.5% to RM139.2 million for FYE 2022 (FYE 2021: RM64.0 million), mainly contributed by the design, fabrication, installation and/or commissioning solutions for industrial process equipment, process plants and renewable energy and co-generation plants. There were 528 job orders during FYE 2022 (FYE 2021: 491 job orders).

The design, fabrication, installation and/or commissioning solutions segment continued to be our largest revenue contributor, which recorded RM139.1 million or 99.9% of our total revenue for FYE 2022 (FYE 2021: RM64.0 million or 100.0%).

The local market remains the primary revenue contributor for FYE 2022, which recorded RM122.6 million or 88.1% of our total revenue (FYE 2021: RM60.5 million or 94.5%), which was determined based on the place of domicile of our customers.

Design, fabrication, installation and/or commissioning solutions

Our revenue from the design, fabrication, installation and/or commissioning solutions segment continued to grow by RM75.1 million or 117.5% to RM139.2 million for FYE 2022 (FYE 2021: RM64.0 million). The said increase was attributable to the following:

- (i) higher revenue from the design, fabrication, installation and commissioning of renewable energy and co-generation plants of RM41.4 million (FYE 2021: Nil) from a new co-generation power plant project for the power industry secured from Ramatex Textiles Industrial Sdn Bhd and a new co-generation power plant project for the oleochemical and chemical industry secured from Munzing Malaysia Sdn Bhd.

12. FINANCIAL INFORMATION (Cont'd)

- (ii) higher revenue for the design and fabrication of industrial process equipment which increased by RM22.2 million or 69.2% to RM54.3 million for FYE 2022 (FYE 2021: RM32.1 million) primarily due to more job orders during FYE 2022, which increased from 326 job orders in FYE 2021 to 343 job orders in FYE 2022 as well as higher value projects secured, predominantly due to the following:
- (aa) increase in revenue from projects for the oleochemical and chemical industry of RM16.3 million, mainly contributed by pressure vessel and heat exchanger projects secured from 2 Indonesian customers, a Singaporean customer and 3 existing local customers, which collectively contributed to incremental revenue of RM17.0 million for FYE 2022;
 - (bb) increase in revenue from projects for the power industry of RM5.8 million, mainly contributed by heat exchanger projects secured from 3 local customers, which collectively contributed to incremental revenue of RM6.8 million for FYE 2022; and
 - (cc) increase in revenue from projects for the oil and gas industry of RM2.8 million, mainly contributed by pressure vessel projects secured from 2 local customers, which collectively contributed to incremental revenue of RM2.8 million for FYE 2022.

The abovementioned increases were partially offset by the decrease in revenue of RM2.1 million related to the pressure vessel projects for the food industry from Periforce Sdn Bhd due to no further work being performed as our Group are currently engaged in a litigation case with Periforce Sdn Bhd.

- (iii) higher revenue for the design, fabrication, installation and commissioning of process plants which increased by RM11.5 million or 36.1% to RM43.4 million for FYE 2022 (FYE 2021: RM31.9 million), mainly due to higher percentage of completion for an ongoing chemical plant project for the oleochemical and chemical industry from Munzing Malaysia Sdn Bhd which recorded incremental revenue of RM18.0 million. Such increase was partially offset by the following:
- (aa) zero revenue in FYE 2022 from a chemical plant project for the oleochemical and chemical industry from Vast Evolve Sdn Bhd, a local customer, which was completed during FYE 2021 (FYE 2021: RM4.4 million); and
 - (bb) RM2.1 million decrease in revenue from an ongoing compounding system project for the glove industry secured from a local customer in line with its progress.

Comparison between FYE 2022 and FYE 2023

Our revenue decreased by RM40.8 million or 29.3% to RM98.4 million for FYE 2023 (FYE 2022: RM139.2 million), and was mainly contributed by the design, fabrication, installation and/or commissioning solutions for industrial process equipment, process plants and renewable energy and co-generation plants. There were 497 job orders during FYE 2023 (FYE 2022: 528 job orders).

This design, fabrication, installation and/or commissioning solutions segment continued to be our largest revenue contributor, which recorded RM98.2 million or 99.8% of our total revenue for FYE 2023 (FYE 2022: RM139.1 million or 99.9% of our total revenue).

12. FINANCIAL INFORMATION (Cont'd)

The local market was our main revenue contributor for FYE 2023, which recorded RM80.6 million or 81.9% of our total revenue (FYE 2022: RM122.6 million or 88.1%), which was determined based on the place of domicile of our customers.

Design, fabrication, installation and/or commissioning solutions

Our revenue from the design, fabrication, installation and/or commissioning solutions segment decreased by RM40.9 million or 29.4% to RM98.2 million for FYE 2023 (FYE 2022: RM139.1 million), mainly attributable to the following:

- (i) lower revenue for the design, fabrication, installation and commissioning of renewable energy and co-generation plants, which decreased by RM19.3 million or 46.6% to RM22.1 million for FYE 2023 (FYE 2022: RM41.4 million), mainly due to the decrease in revenue from a co-generation power plant project for Ramatex Textiles Industrial Sdn Bhd by RM20.0 million in line with progress milestones.
- (ii) lower revenue for the design, fabrication, installation and commissioning of process plants, which decreased by RM15.7 million or 36.2% to RM27.7 million for FYE 2023 (FYE 2022: RM43.4 million), mainly due to the net effects of the following:
 - (aa) decrease in revenue from projects for the oleochemical and chemical industry of RM16.3 million, primarily from:
 - (a) decrease in revenue by RM16.1 million from an ongoing chemical plant project from Munzing Malaysia Sdn Bhd, as it involved mainly testing and commissioning works during FYE 2023. These stages of progress have lower revenue allocated as compared to the stage of procurement of raw materials during FYE 2022;
 - (b) decrease in revenue by RM4.0 million from a ongoing food emulsifier plant project from a local customer as the project was completed during the second half of FYE 2022. However, there were some variation orders for this project during FYE 2023 resulting in revenue recorded of RM0.2 million;
 - (c) decrease in revenue by RM1.9 million from an ongoing waste oil recovery plant project from a local customer as the fabrication works were completed during the second half of FYE 2022;
 - (d) decrease in revenue by RM1.5 million from a project for modification for short path distillation plant, from a local customer. This is an ongoing project where we charge based on works performed, and there were fewer modification works undertaken during FYE 2023; and
 - (e) no further revenue from a storage tank farm project from a local customer which was completed during the second half of FYE 2022 (FYE 2022: RM1.3 million).

Such decreases were partially offset by a new calcium soap plant project from Oiltek Sdn Bhd ("**Oiltek**"), which recorded increased revenue of RM6.9 million.

12. FINANCIAL INFORMATION (Cont'd)

(bb) decrease in revenue from projects for the power industry of RM3.3 million mainly due to the completion of the biogas purification plant, reactor and utility plant as well as the heat exchanger for power plant projects from 3 local customers during the second half of FYE 2022 (FYE 2022: RM3.5 million).

Such decreases were partially offset by the increase in revenue from projects for other industries of RM4.4 million mainly due to 2 new esterification plant and sugar refinery plant projects for the food industry secured from 2 local customers, which collectively contributed RM4.3 million of our revenue for FYE 2023.

(iii) lower revenue for the design and fabrication of industrial process equipment, which decreased by RM5.9 million or 10.9% to RM48.4 million for FYE 2023 (FYE 2022: RM54.3 million), despite more job orders during FYE 2023, which increased from 343 job orders in FYE 2022 to 377 job orders in FYE 2023 as lower value projects were secured. The lower revenue was mainly due to the following:

(aa) decrease in revenue from projects for the power industry of RM4.4 million, mainly contributed by heat exchanger, boiler and heater projects from 2 local customers, which collectively decreased by RM4.8 million in line with progress;

(bb) decrease in revenue from projects for the oil and gas industry of RM2.4 million, mainly contributed by pressure vessel projects from 2 local customers, which collectively decreased by RM2.2 million in line with progress milestones; and

(cc) decrease in revenue from projects for the utility industry of RM1.6 million, mainly contributed by pressure vessel, boiler and heater projects from 3 local customers, which collectively decreased by RM1.3 million in line with progress milestones.

Such decreases were partially offset by the increase in revenue from projects for the oleochemical and chemical industry of RM2.1 million, mainly contributed by pressure vessel projects secured from a USA customer, which contributed to incremental revenue of RM13.1 million of our revenue for FYE 2023, and partially offset by pressure vessel and heat exchanger projects secured from 2 Indonesian customers and a Singaporean customer, which collectively decreased by RM10.8 million in line with progress milestones.

Others

Following the acquisition of Magenko Group in August 2022, our Group recorded revenue of RM0.2 million in FYE 2023 for 12 months (FYE 2022: RM0.04 million for 3 months) from the sale of electricity from power generation.

12. FINANCIAL INFORMATION (Cont'd)**(b) Cost of sales, GP and GP margin****Analysis of cost of sales by cost component**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Raw materials	21,009	50.8	29,269	54.2	76,036	64.6	34,779	46.8
Consumables, fittings and accessories ⁽¹⁾	1,360	3.3	2,758	5.1	4,066	3.5	3,781	5.1
Subcontractor and outsourced services	10,611	25.7	11,479	21.3	18,715	15.9	17,109	23.0
Depreciation of property, plant and equipment and right-of-use assets	869	2.1	882	1.6	1,348	1.1	2,424	3.3
Handling, freight, forwarding and transportation	1,135	2.7	1,721	3.2	6,632	5.6	2,534	3.4
Staff-related	4,354	10.5	5,261	9.8	7,169	6.1	9,303	12.5
Others ⁽²⁾	2,017	4.9	2,594	4.8	3,702	3.2	4,452	5.9
	41,355	100.0	53,964	100.0	117,668	100.0	74,382	100.0

Notes:

- (1) Consumables, fittings and accessories comprise mainly welding wire and welding electrodes.
- (2) Others comprise mainly travelling, diesel, fuel, petrol, parking and toll, product testing fees, short-term leases mainly for accommodation for foreign workers, tools and machinery, utilities, upkeep of tools and machinery and license fees.

Analysis of cost of sales by business segment

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, fabrication, installation and/or commissioning solutions								
- Industrial process equipment	23,977	58.0	27,147	50.3	43,777	37.2	36,855	49.6
- Process plants	17,378	42.0	26,817	49.7	34,952	29.7	22,298	30.0
- Renewable energy and co-generation plants	-	-	-	-	38,576	32.8	13,935	18.7
	41,355	100.0	53,964	100.0	117,305	99.7	73,088	98.3
Other⁽¹⁾	-	-	-	-	363	0.3	1,294	1.7
	41,355	100.0	53,964	100.0	117,668	100.0	74,382	100.0

Note:

- (1) Other comprises sale of electricity from the power generation following the acquisition of Magenko Group in August 2022. Hence, cost of sales for this business segment was not applicable for FYE 2020 and 2021.

12. FINANCIAL INFORMATION (Cont'd)**Analysis of GP and GP margin by business segment**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	GP	GP margin						
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design, fabrication, installation and/or commissioning solutions								
- Industrial process equipment	6,064	20.2	5,036	15.6	10,567	19.4	11,584	23.9
- Process plants	1,404	7.5	5,041	15.8	8,436	19.4	5,410	19.5
- Renewable energy and co-generation plants	-	-	-	-	2,835	6.8	8,115	36.8
	7,468	15.3	10,077	15.7	21,838	15.7	25,109	25.6
Other⁽¹⁾	-	-	-	-	(322)	(785.4)	(1,112)	(611.0)
	7,468	15.3	10,077	15.7	21,516	15.5	23,997	24.4

Note:

- (1) Other comprises sale of electricity from the power generation following the acquisition of Magenko Group in August 2022. Hence, GP and GP margin for this business segment was not applicable for FYE 2020 and 2021.

Our raw materials costs, subcontractor costs and outsourced services fees, consumables, fittings and accessories as well as handling, freight, forwarding and transportation are variable costs which will fluctuate in tandem with our revenue.

Comparison between FYE 2020 and FYE 2021**Analysis by cost component**

Our cost of sales increased by RM12.6 million or 30.4% to RM54.0 million for FYE 2021 (FYE 2020: RM41.4 million), mainly attributable to the following:

- (i) increase in raw materials costs by RM8.3 million or 39.5% to RM29.3 million for FYE 2021 (FYE 2020: RM21.0 million), mainly due to the increase in global steel prices due to strong demand for steel products coupled with a shortage in raw materials such as iron ore and scrap metal;
- (ii) increase in cost of consumables, fittings and accessories by RM1.4 million or 100.0% to RM2.8 million for FYE 2021 (FYE 2020: RM1.4 million), mainly due to the resumption of our factory operations following the relaxation of MCO;
- (iii) increase in cost of handling, freight, forwarding and transportation by RM0.6 million or 54.5% to RM1.7 million for FYE 2021 (FYE 2020: RM1.1 million), primarily resulting from more deliveries following the relaxation of MCO as well as the increase in freight charges;
- (iv) increase in subcontractor costs and outsourced services fees by RM0.9 million or 8.5% to RM11.5 million for FYE 2021 (FYE 2020: RM10.6 million) to support our business growth; and

12. FINANCIAL INFORMATION (Cont'd)

- (v) increase in staff-related costs by RM0.9 million or 20.5% to RM5.3 million for FYE 2021 (FYE 2020: RM4.4 million), mainly due to annual salary increment and increase in average monthly employee headcount to 97 for FYE 2021 (FYE 2020: 82). Additionally, higher wages and overtime costs were incurred for FYE 2021 due to labour shortage during the COVID-19 pandemic.

Analysis by business segment

Our cost of sales increased by RM12.6 million or 30.4% to RM54.0 million for FYE 2021 (FYE 2020: RM41.4 million), and our GP increased by RM2.6 million or 34.7% to RM10.1 million for FYE 2021 (FYE 2020: RM7.5 million), which grew in tandem with our revenue growth rate of 31.1%. As a result, we recorded a GP margin of 15.3% for FYE 2020 and 15.7% for FYE 2021, which were relatively stable.

Our cost of sales from the design, fabrication, installation and commissioning of process plants increased by RM9.4 million or 54.0% to RM26.8 million for FYE 2021 (FYE 2020: RM17.4 million), which rate is lower than our revenue growth of 69.7%. The said increase was mainly attributable by the following 3 ongoing projects and 1 new project for the oleochemical and chemical industry from our local customers, which collectively recorded incremental cost of sales of RM12.7 million, in line with the progress of these projects during FYE 2021:

- (i) an ongoing food emulsifier plant project from Unioleon Sdn Bhd;
- (ii) an ongoing waste oil recovery plant project from Vast Evolve Sdn Bhd;
- (iii) an ongoing chemical plant project from Munzing Malaysia Sdn Bhd; and
- (iv) a new waste oil recovery plant project secured from a local customer.

Our GP for the design, fabrication, installation and commissioning of process plants increased by RM3.7 million or 264.3% to RM5.1 million for FYE 2021 (FYE 2020: RM1.4 million). We recorded an improved GP margin increase from 7.5% for FYE 2020 to 15.8% for FYE 2021. This was because our depreciation of property plant and equipment, contract wages, and staff-related costs increased at rates lower than the revenue growth rate as they are relatively fixed in nature. Additionally, 2 niche projects for a waste oil recovery plant and food emulsifier plant yielded better margins.

Our cost of sales for the design and fabrication of industrial process equipment increased by RM3.2 million or 13.3% to RM27.2 million for FYE 2021 (FYE 2020: RM24.0 million), mainly attributable by pressure vessel and heat exchanger projects for the oleochemical and chemical industry from 2 local customers, including Oiltek.

Despite our revenue for the design and fabrication of industrial process equipment having increased during FYE 2021, our GP decreased by RM1.1 million or 18.0% to RM5.0 million for FYE 2021 (FYE 2020: RM6.1 million), and the GP margin declined to 15.6% for FYE 2021 (FYE 2020: 20.2%). The lower GP margin for this business activity in FYE 2021 was mainly attributable to higher staff-related costs for FYE 2021, mainly due to increase in headcount, higher wages and overtime costs incurred for FYE 2021 due to labour shortage during the COVID-19 pandemic.

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2021 and FYE 2022*****Analysis by cost component***

Our cost of sales increased by RM63.7 million or 118.0% to RM117.7 million for FYE 2022 (FYE 2021: RM54.0 million), mainly attributable to the following:

- (i) increase in raw materials costs by RM46.7 million or 159.4% to RM76.0 million for FYE 2022 (FYE 2021: RM29.3 million), mainly for the supply of 3 units of gas turbines for the design, fabrication, installation and commissioning of a new co-generation power plant project for the power industry secured from Ramatex Textiles Industrial Sdn Bhd, and a new co-generation power plant project for the oleochemical and chemical industry secured from Munzing Malaysia Sdn Bhd during FYE 2022;
- (ii) increase in subcontractor costs and outsourced services fees by RM7.2 million or 62.6% to RM18.7 million for FYE 2022 (FYE 2021: RM11.5 million), mainly due to the design, fabrication, installation and commissioning of the above 2 new co-generation power plant projects carried out during FYE 2022, which subcontractor costs were lower during the initial stages in FYE 2021;
- (iii) increase in handling, freight, forwarding and transportation by RM4.9 million or 288.2% to RM6.6 million for FYE 2022 (FYE 2021: RM1.7 million) to support our increase in business activities. Additionally, such increase was also mainly due to sales and services tax of RM2.8 million paid to customs during FYE 2022 for the purchase of 2 units of gas turbines for the co-generation power plant project with Ramatex Textiles Industrial Sdn Bhd;
- (iv) increase in consumables, fittings and accessories by RM1.3 million or 46.4% to RM4.1 million for FYE 2022 (FYE 2021: RM2.8 million) in tandem with our business growth; and
- (v) the staff-related costs increased by RM1.9 million or 35.8% to RM7.2 million for FYE 2022 (FYE 2021: RM5.3 million), mainly due to annual salary increment and increase in average monthly employee headcount to 121 employee (FYE 2021: 97).

Analysis by business segment

Our cost of sales increased by RM63.7 million or 118.0% to RM117.7 million for FYE 2022 (FYE 2021: RM54.0 million) in tandem with our revenue growth rate of 117.5%. Our overall GP margin decreased from 15.7% for FYE 2021 to 15.5% for FYE 2022 mainly due to contribution from sale of electricity from power generation, which recorded a gross loss of RM0.3 million and a gross loss margin of 785.4% for FYE 2022. In contrast, our GP margin of 15.7% for design, fabrication, installation and/or commissioning solutions segment was consistent for FYE 2021 and FYE 2022.

During FYE 2022, we secured projects for the design, fabrication, installation and commissioning of renewable energy and co-generation plants, which recorded a total cost of sales of RM38.6 million for FYE 2022 (FYE 2021: Nil) from a new co-generation power plant project for the power industry from Ramatex Textiles Industrial Sdn Bhd, and a new co-generation power plant project for the oleochemical and chemical industry from Munzing Malaysia Sdn Bhd. We recorded a GP margin of 6.8% for this business activity during FYE 2022 (FYE 2021: Nil). The GP margin is lower than our overall GP margin of 15.5%. This was mainly attributable to high raw material costs being purchase of turbines for these projects which we do not have the capacity to fabricate, representing 85.0% of our total cost of sales for this business activity.

12. FINANCIAL INFORMATION (Cont'd)

Cost of sales for the design and fabrication of industrial process equipment increased by RM16.6 million or 61.0% to RM43.8 million for FYE 2022 (FYE 2021: RM27.2 million), at a rate lower than our revenue growth for this business activity of 69.2%. Thus, our GP margin improved from 15.6% for FYE 2021 to 19.4% for FYE 2022. The improvement in our GP margin for this activity was because our depreciation of property, plant and equipment and staff-related costs are relatively fixed in nature, and therefore increased at rates lower than our revenue growth.

Cost of sales for the design, fabrication, installation and commissioning of process plant increased by RM8.2 million or 30.6% to RM35.0 million for FYE 2022 (FYE 2021: RM26.8 million), at a rate lower than our revenue growth rate of 36.1%. Thus, our GP margin improved from 15.8% for FYE 2021 to 19.4% for FYE 2022. The improvement in our GP margin for this activity was mainly attributable to 2 niche projects, being a chemical plant project and a food emulsifier plant project which yielded better GP margin.

Our sale of electricity from power generation recorded a gross loss of RM0.3 million and a gross loss margin of 785.4% for FYE 2022, as we had newly acquired the business in August 2022, and are in the process of enhancing the output of the Bercham Plant. As such, revenue for FYE 2022 was insufficient to cover the cost of sales, which mostly comprised fixed costs relating to upkeep of plant and machinery and depreciation of property, plant and equipment.

Comparison between FYE 2022 and FYE 2023***Analysis by cost component***

Our cost of sales decreased by RM43.3 million or 36.8% to RM74.4 million for FYE 2023 (FYE 2022: RM117.7 million), mainly attributable to the following:

- (i) decrease in raw materials costs by RM41.2 million or 54.2% to RM34.8 million for FYE 2023 (FYE 2022: RM76.0 million), mainly due to the following:
 - (aa) less raw materials required for a co-generation power plant project for the power industry secured from Ramatex Textiles Industrial Sdn Bhd, in line with progress milestones, compared to the earlier procurement stage where the cost of turbines were recognised;
 - (bb) less raw materials required for a chemical plant project for the oleochemical and chemical industry from Munzing Malaysia Sdn Bhd, as the project was at its final stage;
 - (cc) completion of a pressure vessel project for the oleochemical and chemical industry from PT Sari Dumai Oleo, an Indonesian customer, in the second half of FYE 2022;
 - (dd) deferment by end customer of a pressure vessel project for the oleochemical and chemical industry from Sulzer Singapore Pte Ltd, a Singaporean customer, resulting in less material costs incurred; and
 - (ee) less raw materials required for a heat exchanger project for the power industry from a local customer, in line with progress.

12. FINANCIAL INFORMATION (Cont'd)

- (ii) decrease in cost of handling, freight, forwarding and transportation by RM4.1 million or 62.1% to RM2.5 million for FYE 2023 (FYE 2022: RM6.6 million), mainly due to the following:
- (aa) higher cost of handling, freight, forwarding and transportation for FYE 2022 was also mainly due to sales and services tax of RM2.8 million paid to customs during FYE 2022 for the purchase of 2 units of gas turbines for the co-generation power plant project with Ramatex Textiles Industrial Sdn Bhd;
 - (bb) less cost of handling, freight, forwarding and transportation required for a chemical plant project for the oleochemical and chemical industry from Munzing Malaysia Sdn Bhd, as the project was at its final stage; and
 - (cc) completion of a storage tank farm project for the oleochemical and chemical industry from a local customer during the second half of FYE 2022.
- (iii) decrease in subcontractor costs and outsourced services fees by RM1.6 million or 8.6% to RM17.1 million for FYE 2023 (FYE 2022: RM18.7 million), mainly due to the following:
- (aa) less contract wages required for a chemical plant project for the oleochemical and chemical industry from Munzing Malaysia Sdn Bhd, as the project was at its final stage;
 - (bb) completion of a food emulsifier plant project for the oleochemical and chemical industry from Unioleon Sdn Bhd during the second half of FYE 2022;
 - (cc) completion of a storage tank farm project for the oleochemical and chemical industry from a local customer during the second half of FYE 2022; and
 - (dd) completion of fabrication work of a waste oil recovery plant for the oleochemical and chemical industry from a local customer during second half of FYE 2022.

Such decreases were partially offset by higher contract wages required for a co-generation power plant project for the power industry secured from Ramatex Textiles Industrial Sdn Bhd, as the project was at the stage of installation and commissioning which required higher contract wages, as compared to procurement of raw materials stage and pressure vessel projects for the oleochemical and chemical industry secured from a USA customer in FYE 2023.

The above decreases were partially offset by:

- (i) increase in staff-related costs by RM2.1 million or 29.2% to RM9.3 million for FYE 2023 (FYE 2022: RM7.2 million), mainly attributable to the increase in annual salary increment and increase in average monthly employee headcount to 161 for FYE 2023 (FYE 2022: 121); and
- (ii) higher overtime costs were incurred for FYE 2023 mainly attributable to overtime increase in average monthly production and foreign worker headcount to 108 for FYE 2023 (FYE 2022: 72).

12. FINANCIAL INFORMATION (Cont'd)***Analysis by business segment***

Our cost of sales decreased by RM43.3 million or 36.8% to RM74.4 million for FYE 2023 (FYE 2022: RM117.7 million), at a rate higher than the 29.3% decrease in revenue for FYE 2023. This was primarily caused by the lower raw materials costs and the cost of handling, freight, forwarding and transportation, which decreased at rates higher than the rate of decrease in revenue, as explained above. Consequently, our overall GP margin improved from 15.5% for FYE 2022 to 24.4% for FYE 2023.

Cost of sales for the design and fabrication of industrial process equipment decreased by RM6.9 million or 15.8% to RM36.9 million for FYE 2023 (FYE 2022: RM43.8 million), at a rate that was higher than our decrease in revenue of 10.9%. Thus, our GP margin improved from 19.4% for FYE 2022 to 23.9% for FYE 2023. The lower GP margin for FYE 2022 for this activity was mainly attributable to the 2 projects, being (i) a pressure vessel project for the oleochemical and chemical industry from Sulzer Singapore Pte Ltd, an Singaporean customer; and (ii) a heat exchanger project for the power industry from a local customer. Both projects yielded a lower GP margin.

Cost of sales for the design, fabrication, installation and commissioning of process plant decreased by RM12.7 million or 36.3% to RM22.3 million for FYE 2023 (FYE 2022: RM35.0 million), which decreased in tandem with the decrease in revenue of 36.2%. Thus, our GP margin of 19.4% for FYE 2022 and 19.5% for FYE 2023 were fairly consistent. The marginal improvement in our GP margin for this activity was mainly attributable to 3 niche projects, i.e. a chemical plant project, a calcium soap plant project and an esterification plant project, which yielded better GP margin. Lower GP margin projects contributed mainly by 4 projects in FYE 2023 narrowed the improvement in GP margin. Among these are a food emulsifier plant project and a chemical plant project which yielded lower GP margin primarily due to higher contract wages incurred during FYE 2023, as well as a short path distillation plant project and a chemical plant project which yielded lower GP margin mainly due to these projects being at their initial stage of work.

Cost of sales for the design, fabrication, installation and commissioning of renewable energy and co-generation plants decreased by RM24.7 million or 64.0% to RM13.9 million for FYE 2023 (FYE 2022: RM38.6 million), at a rate higher than our decrease in revenue of 46.6%. Thus, our GP margin increased from 6.8% for FYE 2022 to 36.8% for FYE 2023. The higher GP margin was mainly attributable to the project being focused more on the installation and commissioning in FYE 2023 which yield a better margin as compared to procurement of raw materials in FYE 2022 which yield a lower margin.

Our sale of electricity from power generation recorded a gross loss of RM1.1 million for FYE 2023 (FYE 2022: RM0.3 million) and a gross loss margin of 611.0% for FYE 2023 (FYE 2022: 785.4%). This was attributed to the recent acquisition of the business in August 2022 and ongoing efforts to enhance the output of the Bercham Plant. Consequently, revenue for both FYE 2022 and FYE 2023 was insufficient to cover the cost of sales, primarily consisting of fixed costs related to the upkeep of plant and machinery, staff-related costs and depreciation of property, plant and equipment.

12. FINANCIAL INFORMATION (Cont'd)**(c) Other income**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts recovered ⁽¹⁾	-	-	430	58.3	-	-	-	-
Gain on disposal of property, plant and equipment	7	4.1	34	4.6	-	-	135	6.4
Realised gain on foreign exchange	45	26.3	-	-	22	0.9	-	-
Reversal of impairment losses on trade receivables	-	-	-	-	-	-	127	6.0
Unrealised gain on foreign exchange	69	40.4	220	29.9	918	35.8	1,774	83.9
Bargain purchase on acquisition of subsidiaries	-	-	-	-	1,506	58.8	-	-
Others ⁽²⁾	50	29.2	53	7.2	117	4.5	79	3.7
	171	100.0	737	100.0	2,563	100.0	2,115	100.0

Notes:

- (1) Being an amount due from a customer written off prior to FYE 2020, and recovered upon obtaining the court judgement favourable to our Group during FYE 2021.
- (2) Comprises mainly income from sales of scrap as well as waiver of amounts owing to the former directors of Magenko Group upon our acquisition of Magenko Group during FYE 2022.

Comparison between FYE 2020 and FYE 2021

Our other income of RM0.7 million for FYE 2021 was mainly attributable to the recovery of bad debt amounting to RM0.4 million from a customer upon obtaining a court judgement in favour of our Group during FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our other income of RM2.6 million for FYE 2022 were mainly attributable to the following:

- (i) gain on bargain purchase of RM1.5 million (being the difference between the purchase consideration of RM50,000 and the NA position of Magenko Group as at 1 August 2022 of RM1.5 million) arising from the acquisition of Magenko Group, which was completed in August 2022; and
- (ii) unrealised gain on foreign exchange of RM0.9 million for FYE 2022 (FYE 2021: RM0.2 million) in relation to our foreign currency bank balances and trade receivables, which are mainly denominated in USD and SGD. As at the end of FYE 2022, RM has weakened against USD and SGD compared to FYE 2021 (As at 31 October 2022: USD1: RM4.7285 and SGD1: RM3.3493; As at 31 October 2021: USD1: RM4.1440 and SGD1: RM3.0824).

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2022 and FYE 2023**

Our other income decreased by RM0.5 million or 19.2% to RM2.1 million for FYE 2023 (FYE 2022: RM2.6 million), mainly attributable to the one-off gain on bargain purchase of RM1.5 million (being the difference between the purchase consideration of RM50,000 and the NA position of Magenko Group as at 1 August 2022 of RM1.5 million) arising from the acquisition of Magenko Group, which was completed in August 2022.

Such decrease was partially offset by the increase in unrealised gain on foreign exchange of RM0.9 million to RM1.8 million for FYE 2023 (FYE 2022: RM 0.9 million). The gain resulted from higher foreign currency bank balances, mainly denominated in USD.

(d) Administrative expenses

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation of property, plant and equipment	302	15.2	326	16.9	460	13.5	490	8.5
Insurance and road tax	88	4.5	124	6.4	138	4.0	215	3.8
Office supplies	56	2.8	65	3.4	108	3.2	86	1.5
Professional fee	72	3.6	58	3.0	127	3.7	624	10.9
Staff-related costs	970	48.9	922	47.7	1,312	38.5	1,921	33.5
Tax-related fee	35	1.8	47	2.4	88	2.6	82	1.4
Upkeep of property, plant and equipment	209	10.6	148	7.7	231	6.8	282	4.9
Utilities	74	3.7	64	3.3	76	2.2	103	1.8
Listing expenses	-	-	-	-	362	10.6	1,262	22.0
Others ⁽¹⁾	177	8.9	178	9.2	506	14.9	669	11.7
	1,983	100.0	1,932	100.0	3,408	100.0	5,734	100.0

Note:

- (1) Others mainly comprise of advertisement costs, bank charges, cleaning services, entertainment expenses, quit rent and assessment, levy expenses, tax compound arising from the underestimation of tax for FYE 2022, application fee for the Power System Study which were required for the tender submission of 2MW plant to erect at Factory 3 and temporary occupation license for use of land of Bercham Plant.

Comparison between FYE 2020 and FYE 2021

Our administrative expenses for FYE 2020 were relatively consistent compared to FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM1.5 million or 78.9% to RM3.4 million for FYE 2022 (FYE 2021: RM1.9 million), mainly attributable to the following:

- (i) increase in staff-related cost of RM0.4 million to RM1.3 million (FYE 2021: RM0.9 million), mainly due to the annual salary increment and increase in average monthly employee headcount to 16 staff for FYE 2022 (FYE 2021: 8);
- (ii) listing expenses of RM0.4 million (FYE 2021: Nil);

12. FINANCIAL INFORMATION (Cont'd)

- (iii) increase in depreciation of property, plant and equipment and right-of-use assets of RM0.2 million to RM0.5 million (FYE 2021: RM0.3 million), mainly due to additional motor vehicles purchased during FYE 2022 and full-year depreciation for motor vehicles purchased in FYE 2021; and
- (iv) increase in other administrative expenses of RM0.3 million to RM0.5 million for FYE 2022 (FYE 2021: RM0.2 million), mainly due to:
 - (aa) higher bank charges incurred for the more foreign currency bank guarantees issued in favour of an overseas customer as project-related bonds;
 - (bb) higher entertainment expenses due to the resumption of business travel as travelling restriction were relaxed;
 - (cc) net running costs of Mangeko Group from November 2021 to January 2022 borne by our Group as per the agreed terms for the acquisition of Magenko Group; and
 - (dd) stamp duties paid for the purchase of 2 units of condominium in FYE 2021.

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM2.3 million or 67.6% to RM5.7 million for FYE 2023 (FYE 2022: RM3.4 million), mainly attributable to the following:

- (i) increase in listing expenses of RM0.9 million to RM1.3 million for FYE 2023 (FYE 2022: RM0.4 million) being mainly professional fees;
- (ii) increase in staff-related cost of RM0.6 million to RM1.9 million for FYE 2023 (FYE 2022: RM1.3 million), mainly due to annual salary increment and increase in average employee headcount to 20 for FYE 2023 (FYE 2022: 16); and
- (iii) increase in professional fees of RM0.5 million to RM0.6 million for FYE 2023 (FYE 2022: RM0.1 million), mainly due to legal fee incurred for banking facilities granted in last quarter of FYE 2022.

(e) Other operating expenses

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts written off ⁽¹⁾	-	-	-	-	-	-	350	19.6
Impairment losses on trade receivables ⁽²⁾	181	100.0	168	74.7	2,448	100.0	-	-
Realised loss on foreign exchange	-	-	57	25.3	-	-	1,435	80.4
	181	100.0	225	100.0	2,448	100.0	1,785	100.0

Notes:

- (1) Bad debts written off were due to uncollectible outstanding trade debts that had no reasonable expectation of recovery.

12. FINANCIAL INFORMATION (Cont'd)

- (2) Comprises specific impairment loss on individual trade receivables and general impairment loss on trade receivables after excluding those individual trade receivables, which are assessed separately. The specific impairment losses on individual trade receivables were mainly due to (i) customers going into liquidation (particularly for FYE 2022, which amounted to RM2.4 million); (ii) deferred payments from the main contractors resulting from the disputes between the main contractors and the end-customers; (iii) long outstanding debts which are not collectible.

Comparison between FYE 2020 and FYE 2021

Our other operating expenses for FYE 2020 and FYE 2021 were not material.

Comparison between FYE 2021 and FYE 2022

Our other operating expenses increased by RM2.2 million to RM2.4 million for FYE 2022 (FYE 2021: RM0.2 million), mainly attributable to the increase in impairment losses on trade receivables of RM2.2 million to RM2.4 million for FYE 2022 (FYE 2021: RM0.2 million). Such impairment was mainly due to a customer going into liquidation during FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our other operating expenses decreased by RM0.6 million to RM1.8 million for FYE 2023 (FYE 2022: RM2.4 million), mainly attributable to impairment losses on trade receivables of RM2.4 million for FYE 2022, as a customer went into liquidation during FYE 2022.

Such decrease was partially offset by realised loss on foreign exchange of RM1.4 million (FYE 2022: realised gain on foreign exchange of RM0.02 million) largely in relation to our foreign currency trade payables, which were mainly denominated in USD, resulting from the weakening of RM against USD on the dates of payment made.

(f) Finance income

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	321	100.0	364	100.0	568	100.0	777	100.0

Our interest income over FYE 2020 to 2023 mainly consists of interests received from short-term deposits. The year-on-year increases were due to higher placement of such deposits.

(g) Finance costs

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interests on:								
Bankers' acceptances	91	74.0	64	76.2	111	50.0	92	20.5
Lease liabilities	32	26.0	7	8.3	22	9.9	83	18.4
Term financing	-	-	13	15.5	89	40.1	275	61.1
	123	100.0	84	100.0	222	100.0	450	100.0

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2020 and FYE 2021**

Our finance costs decreased by RM0.02 million or 20.0% to RM0.08 million for FYE 2021 (FYE 2020: RM0.1 million), mainly attributable to the following:

- (i) decrease in bankers' acceptance interests by RM0.03 million to RM0.06 million for FYE 2021 (FYE 2020: RM0.09 million), mainly due to lower utilisation of bankers' acceptance during FYE 2021 as compared to FYE 2020; and
- (ii) decrease in lease liabilities interests of RM0.02 million to RM0.01 million for FYE 2021 (FYE 2020: RM0.03 million), mainly due to the full settlement of a hire purchase for the purchase of plant and machinery during FYE 2021, which was partially offset by the additional drawdown of hire purchase facilities during FYE 2021 for the purchase of motor vehicles.

The abovementioned decreases were partially offset by the increase in term financing interest of RM0.01 million for FYE 2021 (FYE 2020: Nil), mainly due to a special relief term financing drawdown during FYE 2021 to finance our working capital.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM0.1 million to RM0.2 million for FYE 2022 (FYE 2021: RM0.08 million), mainly attributable to the following:

- (i) increase in bankers' acceptance interests of RM0.05 million to RM0.11 million for FYE 2022 (FYE 2021: RM0.06 million), mainly due to higher utilisation of bankers' acceptance during FYE 2022 as compared to FYE 2021; and
- (ii) increase in term financing interests of RM0.08 million to RM0.09 million for FYE 2022 (FYE 2021: RM0.01 million), mainly due to the drawdown of new term financing for the purchase of Factory 3.

Comparison between FYE 2022 and FYE 2023

Our finance costs increased by RM0.2 million to RM0.4 million for FYE 2023 (FYE 2022: RM0.2 million), mainly attributable to the increase in term financing interests of RM0.2 million to RM0.3 million for FYE 2023 (FYE 2022: RM0.1 million), reflecting the full period impact on term financing interests for FYE 2023 resulting from the additional drawdown on term financing during the last quarter of FYE 2022 for the purchase of Factory 3.

(h) PBT and PBT margin

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
PBT	5,673	8,937	18,569	18,920
PBT margin (%)	11.6	14.0	13.3	19.2

Comparison between FYE 2020 and FYE 2021

We recorded an increase in PBT of RM3.2 million or 56.1% for FYE 2021. Our PBT margin improved from 11.6% for FYE 2020 to 14.0% for FYE 2021. The improvement was mainly due to higher GP and GP margins, as explained in Section 12.2.2(b), and higher other income resulting from bad debts recovered during FYE 2021, as explained in Section 12.2.2(c).

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2021 and FYE 2022**

We recorded an increase in PBT of RM9.7 million or 109.0% for FYE 2022, mainly due to higher GP for FYE 2022 as explained in Section 12.2.2(b), which was partially offset by the increase in administrative expenses for FYE 2022, as explained in Section 12.2.2(d). However, our PBT margin decreased from 14.0% for FYE 2021 to 13.3% for FYE 2022, mainly due to a lower GP margin recorded for FYE 2022, as explained in Section 12.2.2(b) and higher administrative expenses for FYE 2022, as explained in Section 12.2.2(d).

Comparison between FYE 2022 and FYE 2023

We recorded an increase in PBT of RM0.3 million or 1.6% for FYE 2023, mainly due to cost of sales decreased at a rate higher than the decrease in revenue for FYE 2023 as explained in Section 12.2.2(b). Additionally, there were lower other expenses incurred in FYE 2023 as there were no impairment losses on trade receivables incurred during the year. However, this was partially offset by higher administrative expenses mainly from listing expenses and staff related costs during FYE 2023 and lower other income resulting from the gain on bargain purchase, relating to the acquisition of Magenko group in FYE 2022.

(i) Tax expenses

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Tax expenses	1,248	2,054	4,341	5,618
Effective tax rate (%)	22.0	23.0	23.4	29.7
Statutory tax rate (%)	24.0	24.0	24.0	24.0

Tax expenses comprise the current financial year's income tax payable, deferred tax and any under or overprovision of tax expenses in the previous financial year.

Comparison between FYE 2020 and FYE 2021

Our tax expenses increased by RM0.9 million or 75.0% to RM2.1 million for FYE 2021 (FYE 2020: RM1.2 million), mainly due to higher PBT recorded for FYE 2021.

Our effective tax rate of 22.0% for FYE 2020 was lower than the statutory tax rate, mainly attributable to the overprovision of deferred tax expenses for property, plant and equipment in prior financial years of RM0.2 million.

Our effective tax rate of 23.0% for FYE 2021 was lower than the statutory tax rate, mainly attributable to the income not subject to tax of RM0.7 million, which comprised primarily unrealised gain on foreign exchange of RM0.2 million and bad debt recovered of RM0.4 million during FYE 2021. The said bad debt recovered subsequently was adjusted as taxable income in FYE 2022 for tax reporting purposes.

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM2.2 million or 104.8% to RM4.3 million for FYE 2022 (FYE 2021: RM2.1 million), mainly due to higher PBT recorded for FYE 2022, as explained above.

12. FINANCIAL INFORMATION (Cont'd)

Our effective tax rate of 23.4% for FYE 2022 was lower than the statutory tax rate, mainly attributable to the net effects of the following:

- (i) certain income not subject to tax of RM2.5 million, which comprise primarily unrealised gain on foreign exchange of RM0.9 million and gain on bargain purchase of RM1.5 million from the acquisition Magenko Group during FYE 2022; and
- (ii) offset by underprovision of income tax in the prior financial year of RM0.2 million.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM1.3 million or 30.2% to RM5.6 million for FYE 2023 (FYE 2022: RM4.3 million), mainly attributable to higher PBT recorded for FYE 2023, as explained above.

Our effective tax rate of 29.7% for FYE 2023 was higher than the statutory tax rate, mainly attributable to the following:

- (i) non-deductible expenses of RM3.6 million mainly being depreciation charges for non-qualifying property, plant and equipment of RM0.4 million, bad debts written off of RM0.4 million, listing expenses of RM1.3 million, legal fees of RM0.5 million, tax compound arising from the underestimation of tax for FYE 2022 of RM0.1 million and entertainment expenses of RM0.1 million. Additionally, RM0.5 million of staff related expenses incurred by Kawan Green were non-deductible as it was still dormant; and
- (ii) as no deferred tax assets were provided in respect of our loss-making subsidiaries' unused tax losses during FYE 2023, i.e., Kawan Green and Magenko Group, because it was uncertain whether any future taxable profit will be available for utilising these deferred tax assets by the respective subsidiaries.

12.2.3 Review of financial position**(a) Assets**

	Audited			
	As at 31 October			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current asset				
Property, plant and equipment	7,422	8,982	21,834	22,344
Total non-current asset	7,422	8,982	21,834	22,344
Current assets				
Inventories	2,615	2,311	2,338	2,451
Current tax assets	143	-	-	-
Trade and other receivables	17,481	16,995	43,724	22,805
Contract assets	3,741	6,544	12,567	15,447
Cash and short-term deposits	23,367	29,986	41,331	44,746
Total current assets	47,347	55,836	99,960	85,449
Total assets	54,769	64,818	121,794	107,793

12. FINANCIAL INFORMATION (Cont'd)**Comparison between 31 October 2020 and 31 October 2021**

The increase in non-current assets of RM1.6 million was mainly attributable to the increase in property, plant and equipment of RM1.6 million, primarily due to the purchase of property, plant and equipment of RM2.8 million, being mainly building of RM1.4 million largely in relation to 2 units of condominium located in Ipoh, plant and machinery of RM0.7 million and motor vehicles of RM0.5 million, which was partially offset by depreciation of RM1.2 million.

The increase in current assets of RM8.5 million was mainly attributable to the following:

- (i) increase in cash and short-term deposits of RM6.6 million, mainly due to the internally generated funds from our business growth; and
- (ii) increase in contract assets of RM2.8 million, mainly for work performed ahead of billing milestones.

The above increases were partially offset by the following:

- (i) decrease in trade and other receivables of RM0.5 million, mainly attributable to:
 - (aa) decrease in other receivables of RM0.3 million primarily due to the reimbursement of preliminary project costs from a customer during FYE 2021; and
 - (bb) decrease in prepayments of RM0.2 million being less downpayment paid for foreign purchases; and
- (ii) decrease in inventories of RM0.3 million mainly being the raw materials used for our projects during FYE 2021.

Comparison between 31 October 2021 and 31 October 2022

The increase in non-current assets of RM12.9 million was mainly attributable to the following increases in property, plant and equipment:

- (i) purchases of RM11.8 million mainly comprising:
 - (a) building of RM5.6 million largely in relation to Factory 3, plant and machinery of RM2.2 million, motor vehicles of RM0.5 million, furniture and fittings of RM0.5 million, office equipment of RM0.1 million; and
 - (b) right-of-use assets of RM2.8 million largely in relation to a leasehold land of RM2.7 million for Factory 3;
- (ii) additional plant and machinery of RM2.9 million from the acquisition of Magenko Group; and
- (iii) partially offset by depreciation of RM1.8 million.

12. FINANCIAL INFORMATION (Cont'd)

The increase in current assets of RM44.1 million was mainly attributable to the following:

- (i) increase in trade and other receivables of RM26.7 million, mainly due to:
 - (aa) increase in net trade receivables of RM24.2 million as higher billings were issued to customers in the last quarter of FYE 2022 as compared to FYE 2021; and
 - (bb) increase in prepayments of RM2.3 million being higher downpayment paid for foreign purchases in anticipation of future projects;
- (ii) increase in cash and short-term deposits of RM11.3 million contributed by our business growth; and
- (iii) increase in contract assets of RM6.1 million, for work performed ahead of billing milestones.

Comparison between 31 October 2022 and 31 October 2023

The increase in non-current assets of RM0.5 million was mainly attributable to the increase in property, plant and equipment of RM0.5 million. This increase was primarily due to the additional costs incurred for property, plant and equipment of RM4.2 million, comprising mainly building costs of RM0.8 million for renovation on buildings, plant and machinery of RM1.6 million, motor vehicles of RM0.9 million, furniture and fittings of RM0.1 million and computer and software of RM0.6 million. However, this increase was partially offset by depreciation of RM2.9 million and the disposal of a condominium located in Ipoh and 2 units of motor vehicles, totalling RM0.7 million.

The decrease in current assets of RM14.6 million was mainly attributable to the following:

- (i) decrease in trade and other receivables of RM20.9 million, mainly due to the net effects of the following:
 - (aa) decrease in trade receivables of RM19.3 million, mainly due to full payment received from Ramatex Textiles Industrial Sdn Bhd for the purchase of 2 units of gas turbines for a co-generation power plant project for the power industry;
 - (bb) decrease in prepayments of RM2.1 million mainly due to lower downpayment paid for foreign purchases, and stamp duty for the sale and purchase agreement in relation to the purchase of Factory 3 in last quarter of FYE 2022 charged out as expenses upon receiving invoice in FYE 2023; and
 - (cc) increase in other receivables of RM0.6 million, mainly due to outstanding proceeds from disposal of a unit of condominium located in Ipoh.

The above decreases were partially offset by the following:

- (i) increase in contract assets of RM2.8 million, mainly for work performed ahead of billing milestones; and
- (ii) increase in cash and short-term deposits of RM3.4 million, mainly due to funds generated from our business operations.

12. FINANCIAL INFORMATION (Cont'd)**(b) Liabilities**

	Audited			
	As at 31 October			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Loans and borrowings	34	676	7,267	6,324
Deferred income	-	-	-	67
Deferred tax liabilities	230	276	52	1,103
Total non-current liabilities	264	952	7,319	7,494
Current liabilities				
Loans and borrowings	2,518	2,987	5,514	4,411
Deferred income	-	-	-	8
Current tax liabilities	-	279	2,392	1,023
Trade and other payables	8,681	11,839	46,160	12,524
Contract liabilities	8,284	9,856	15,276	28,898
Total current liabilities	19,483	24,961	69,342	46,864
Total liabilities	19,747	25,913	76,661	54,358

Comparison between 31 October 2020 and 31 October 2021

Our total liabilities increased by RM6.2 million or 31.5% to RM25.9 million as at 31 October 2021 (31 October 2020: RM19.7 million), mainly attributable to the following:

- (i) increase in trade and other payables of RM3.2 million, mainly due to:
 - (aa) increase in trade payables of RM2.1 million for higher purchases made in the last quarter of FYE 2021 as compared to FYE 2020;
 - (bb) increase in dividend payables of RM1.5 million arising from the interim dividend of RM3.0 million for FYE 2021 which was subsequently paid on 27 January 2022; and
 - (cc) partially offset by the decrease in retention sum of RM0.3 million which was released based on the agreed payment terms upon the fulfilment of remaining contractual obligation, and decrease in the accruals of RM0.2 million mainly in relation to bonuses which were paid;
- (ii) increase in contract liabilities of RM1.6 million, being billing milestones achieved ahead of actual work performed; and
- (iii) increase in loans and borrowings of RM1.1 million, mainly due to:
 - (aa) higher drawdown of bankers' acceptances for payments to the suppliers as at 31 October 2021 as compared to 31 October 2020;
 - (bb) drawdown of new term financing for working capital purposes; and
 - (cc) additional 6 units of motor vehicles acquired under hire purchase during FYE 2021.

12. FINANCIAL INFORMATION (Cont'd)**Comparison between 31 October 2021 and 31 October 2022**

Our total liabilities increased by RM50.8 million or 196.1% to RM76.7 million as at 31 October 2022 (31 October 2021: RM25.9 million), mainly attributable to the following:

- (i) increase in trade and other payables of RM34.3 million, mainly due to:
 - (aa) increase in trade payables of RM28.8 million as higher purchases were made in the last quarter of FYE 2022 as compared to FYE 2021, mainly in relation to the purchase of 2 units of turbines in last quarter of FYE 2022 for a co-generation power plant project for power industry secured from Ramatex Textiles Industrial Sdn Bhd;
 - (bb) increase in interim dividend payables of RM5.0 million arising from interim dividend declared of RM8.0 million for FYE 2022 which was subsequently paid on 18 January 2023; and
 - (cc) increase in accruals of RM0.5 million mainly being bonuses for FYE 2022 and increase in the accrual of contract wages.
- (ii) increase in loan and borrowings of RM9.1 million, mainly due to:
 - (aa) higher drawdown of bankers' acceptances for payments to the suppliers as at 31 October 2022 as compared to 31 October 2021;
 - (bb) drawdown of new term financing to purchase Factory 3; and
 - (cc) additional 5 units of plant and machinery acquired under hire purchase during FYE 2022;
- (iii) increase in contract liabilities of RM5.4 million, being billing milestones achieved ahead of actual work performed; and
- (iv) increase in current tax liabilities of RM2.1 million, mainly resulting from higher profits recorded for FYE 2022.

Comparison between 31 October 2022 and 31 October 2023

Our total liabilities decreased by RM22.3 million or 29.1% to RM54.4 million as at 31 October 2023 (31 October 2022: RM76.7 million), mainly attributable to the following:

- (i) decrease in trade and other payables of RM33.6 million, mainly due to the net effects of the following:
 - (aa) decrease in trade payables of RM26.2 million, mainly due to full payment made to a supplier for the purchase of 2 units of gas turbines for a co-generation power plant project for power industry secured from Ramatex Textiles Industrial Sdn Bhd; and
 - (bb) decrease in interim dividend payables of RM8.0 million which were fully paid during FYE 2023;
- (ii) decrease in loans and borrowings of RM2.1 million, mainly due to net payment of bankers' acceptances, repayment of term financing and payments of lease liabilities during FYE 2023; and

12. FINANCIAL INFORMATION (Cont'd)

- (iii) decrease in current tax liabilities of RM1.4 million, mainly due to final tax assessment for FYE 2022 being paid upon finalisation during FYE 2023.

The above decreases were partially offset by the increase in contract liabilities of RM13.6 million, being billing milestones achieved ahead of actual work performed.

12.2.4 Review of cash flows

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	9,865	9,615	15,776	19,934
Net cash used in investing activities	(798)	(2,464)	(3,051)	(6,698)
Net cash used in financing activities	(3,024)	(797)	(2,214)	(15,525)
Net increase / (decrease) in cash and cash equivalents	6,043	6,354	10,511	(2,289)
Cash and cash equivalents at the beginning of the financial year	15,776	21,888	28,463	39,781
Effect of exchange rate changes on cash and cash equivalent	69	221	807	1,656
Cash and cash equivalents at the end of the financial year	21,888	28,463	39,781	39,148

FYE 2020**Net cash for operating activities**

For FYE 2020, our Group recorded operating cash flow before working capital changes of RM6.8 million and net operating cash inflows of RM9.9 million after adjusting for the following working capital changes:

- (a) decrease in contract assets of RM1.6 million, being work performed pending billing milestones;
- (b) increase in contract liabilities of RM6.5 million, being billing milestones achieved ahead of actual work performed; and
- (c) interest received of RM0.3 million, mainly from short-term deposits.

The above were partially offset by the following:

- (a) increase in trade and other receivables of RM2.6 million, mainly attributable to:
 - (i) increase in trade receivables of RM1.7 million mainly due to slower collection from customers during the COVID-19 pandemic;
 - (ii) increase in prepayment of RM0.4 million mainly due to higher downpayment for foreign purchase in anticipation of future projects; and
 - (iii) increase in other receivables of RM0.4 million mainly due to preliminary project costs incurred during FYE 2020 which were subsequently reimbursed by a customer during FYE 2021;

12. FINANCIAL INFORMATION (Cont'd)

- (b) decrease in trade and other payables of RM1.2 million, mainly due to the decrease in trade payables of RM0.8 million being lower purchases in the last quarter of FYE 2020 as compared to FYE 2019; and
- (c) income tax paid of RM1.4 million.

Net cash for investing activities

For FYE 2020, our Group recorded a net cash outflow of RM0.8 million from investing activities, mainly attributable to the cash payment for additional property, plant and equipment of RM0.8 million during FYE 2020, which comprised mainly plant and machinery of RM0.5 million, motor vehicles of RM0.1 million and computers and software of RM0.1 million.

Net cash for financing activities

For FYE 2020, our Group recorded a net cash outflow of RM3.0 million from financing activities, mainly attributable to the following:

- (a) drawdowns of bankers' acceptances of RM10.0 million for payments to the suppliers;
- (b) payments of bankers' acceptances of RM11.5 million;
- (c) interests paid for loans and borrowings of RM0.1 million;
- (d) payments of lease liabilities of RM0.5 million for hire purchase of motor vehicles and plant and machinery and leasing of project accommodation in Klang for workers; and
- (e) dividend paid to shareholders of RM1.0 million.

FYE 2021

Net cash for operating activities

For FYE 2021, our Group recorded operating cash flow before working capital changes of RM9.3 million and net operating cash inflows of RM9.6 million, after adjusting for the following cash inflows:

- (a) increase in trade and other payables of RM1.7 million, mainly due to:
 - (i) the increase in trade payables of RM2.1 million as higher purchases were made in the last quarter of FYE 2021 as compared to FYE 2020; and
 - (ii) partially offset by the decrease in retention sum of RM0.3 million resulted from the retention sum released based on the agreed payment terms upon the fulfilment of remaining contractual obligation, and decrease in accruals of RM0.2 million, in relation to bonuses which were paid;
- (b) increase in contract liabilities of RM1.6 million, being billing milestones achieved ahead of actual work performed;

12. FINANCIAL INFORMATION (Cont'd)

- (c) decrease in trade and other receivables of RM0.7 million, mainly due to:
 - (i) bad debts recovered of RM0.4 million from a customer upon obtaining court judgement in favour of our Group during FYE 2021, which was partially set off by impairment losses on trade receivables of RM0.2 million;
 - (ii) decrease in other receivables of RM0.3 million primarily due to the reimbursement of preliminary project costs from a customer during FYE 2021; and
 - (iii) decrease in prepayments of RM0.2 million being less downpayments for foreign purchase;
- (d) decrease in inventories of RM0.3 million, mainly being raw materials used for our projects during FYE 2021; and
- (e) interest received of RM0.4 million, mainly from short-term deposits.

The above cash inflows were partially offset by the following:

- (a) increase in contract assets of RM2.8 million, being work performed pending billing milestones; and
- (b) income tax paid of RM1.6 million.

Net cash for investing activities

For FYE 2021, our Group recorded a net cash outflow of RM2.5 million from investing activities, mainly attributable to purchases of additional property, plant and equipment of RM2.5 million during FYE 2021, which comprised mainly buildings of RM1.4 million largely in relation to 2 units of condominiums located in Ipoh, plant and machinery of RM0.7 million, motor vehicles of RM0.2 million and furniture and fittings of RM0.1 million.

Net cash for financing activities

For FYE 2021, our Group recorded a net cash outflow of RM0.8 million from financing activities, mainly attributable to the following:

- (a) drawdowns of bankers' acceptances of RM8.6 million for payments to the suppliers;
- (b) payments of bankers' acceptances of RM8.1 million;
- (c) interests paid for loans and borrowings of RM0.1 million;
- (d) payments of lease liabilities of RM0.3 million for hire purchase of motor vehicles and plant and machinery, and leasing of project accommodation in Klang for workers;
- (e) dividend paid to shareholders of RM1.5 million; and
- (f) drawdown of special relief term financing of RM0.6 million for working capital purposes.

12. FINANCIAL INFORMATION (Cont'd)**FYE 2022****Net cash for operating activities**

For FYE 2022, our Group recorded operating cash flow before working capital changes of RM20.0 million and net operating cash inflows of RM15.8 million, after adjusting for the following cash inflows:

- (a) increase in trade and other payables of RM25.6 million, mainly due to:
 - (i) increase in trade payables of RM28.8 million as more purchases were made in the last quarter of FYE 2022 as compared to FYE 2021, which were partially offset by the unrealised loss on foreign exchange for trade payables of RM1.7 million;
 - (ii) increase in accrual of RM0.5 million mainly for bonus for FYE 2022 and increase in accrual of contract wages; and
 - (iii) partially offset by trade and other payables of RM2.0 million arising from the acquisition of Magenko Group;
- (b) increase in contract liabilities of RM5.4 million for billing milestones achieved ahead of actual work performed; and
- (c) interest received of RM0.6 million, mainly from short-term deposits.

The above cash inflows were partially offset by the following:

- (a) increase in trade and other receivables of RM27.3 million, mainly due to:
 - (i) increase in trade receivables of RM26.6 million as higher billings were issued to customers in the last quarter of FYE 2022 in line with our business growth, as compared to FYE 2021, which partially offset by the unrealised gain on foreign exchange for trade receivables of RM1.8 million; and
 - (ii) increase in prepayments of RM2.3 million being higher downpayments for foreign purchases in anticipation of future projects;
- (b) increase in contract assets of RM6.1 million for work performed pending billing milestones; and
- (c) income tax paid of RM2.5 million.

Net cash for investing activities

For FYE 2022, our Group recorded a net cash outflow of RM3.1 million from investing activities, mainly attributable to the cash payment for additional property, plant and equipment of RM3.6 million during FYE 2022, which comprised mainly buildings of RM1.5 million, largely in relation to Factory 3, plant and machinery of RM1.0 million, motor vehicles of RM0.5 million, furniture and fittings of RM0.5 million and office equipment of RM0.1 million.

Such increase was partially offset by the net cash inflow of RM0.6 million from the acquisition of Magenko Group.

12. FINANCIAL INFORMATION (Cont'd)**Net cash for financing activities**

For FYE 2022, our Group recorded a net cash outflow of RM2.2 million from financing activities, mainly attributable to the following:

- (a) drawdown of bankers' acceptances of RM18.1 million for payments to the suppliers;
- (b) payments of bankers' acceptances of RM16.7 million;
- (c) interests paid for loans and borrowings of RM0.2 million;
- (d) payments of lease liabilities of RM0.2 million for hire purchase of motor vehicles and plant and machinery, leasing of a project accomodation in Klang for workers and leasing of offices located in Ipoh;
- (e) dividend paid to shareholders of RM3.0 million; and
- (f) repayments of term financing of RM0.2 million.

FYE 2023**Net cash for operating activities**

For FYE 2023, our Group recorded operating cash flow before working capital changes of RM19.8 million and net operating cash inflows of RM19.9 million after adjusting for the following cash inflows:

- (a) decrease in trade and other receivables of RM20.8 million, mainly due to full payment received from Ramatex Textiles Industrial Sdn Bhd for the purchase of 2 units of gas turbines for a co-generation power plant project for the power industry;
- (b) increase in contract liabilities of RM13.6 million, being billings issued to customers upon agreed billing milestones; and
- (c) interest received of RM0.7 million, mainly from short-term deposits.

The above cash inflows were partially offset by the following:

- (a) decrease in trade and other payables of RM26.2 million, mainly due to full payment made to a supplier for the purchase of 2 units of gas turbines for a co-generation power plant project for power industry secured from Ramatex Textiles Industrial Sdn Bhd;
- (b) increase in contract assets of RM2.9 million, being billings issued according to milestones but ahead of work performed; and
- (c) income tax paid of RM5.9 million.

12. FINANCIAL INFORMATION (Cont'd)**Net cash for investing activities**

For FYE 2023, our Group recorded a net cash outflow of RM6.7 million from investing activities, mainly attributable to cash payment for additional property, plant and equipment of RM3.6 million during FYE 2023, which comprised mainly building costs of RM0.8 million for renovation on buildings, plant and machinery of RM1.6 million, motor vehicles of RM0.3 million, furniture and fittings of RM0.1 million and computer and software of RM0.6 million. In addition, more deposits were pledged of RM4.0 million for the banking facilities granted in the last quarter of FYE 2023. Such decreases were partially offset by the proceeds from the disposal of property, plant and equipment of RM0.8 million, comprising a condominium located in Ipoh and 3 units of motor vehicles.

Net cash for financing activities

For FYE 2023, our Group recorded a net cash outflow of RM15.5 million from financing activities, mainly attributable to the following:

- (i) drawdowns of bankers' acceptances of RM9.0 million for payments to suppliers;
- (ii) payments of bankers' acceptances of RM10.2 million;
- (iii) interests paid for loans and borrowings of RM0.5 million;
- (iv) payments of lease liabilities of RM0.6 million for hire purchase of motor vehicles and plant and machinery, leasing of a project's accommodation located in Klang and Ipoh for workers and leasing of offices located in Ipoh;
- (v) dividend paid to shareholders of RM13.0 million;
- (vi) repayments of term financing of RM0.8 million; and
- (vii) advances from a shareholder of RM0.6 million for listing expenses incurred by Kawan Renergy Sdn Bhd. The amount was fully repaid on 1 April 2024.

12.3 LIQUIDITY AND CAPITAL RESOURCES**12.3.1 Working capital**

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise term financing, bank overdrafts, trade facilities and lease liabilities.

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, taking into consideration the following:

- (a) our cash and cash equivalent of approximately RM34.0 million as at LPD;
- (b) our expected future cash flows from operations;

12. FINANCIAL INFORMATION (Cont'd)

- (c) our total banking facilities as at LPD of RM65.9 million (excluding finance leases), of which RM13.7 million have been utilised; and
- (d) our pro forma gearing level of 0.1 times, based on our pro forma statements of financial position as at 31 October 2023 after the Group Internal Restructuring, Public Issue and utilisation of proceeds.

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

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12. FINANCIAL INFORMATION (Cont'd)**12.4 BORROWINGS**

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings (excluding lease liabilities arising from right-of-use assets of RM0.1 million) as at 31 October 2023 stood at RM10.6 million, details of which are set out below:

	Purpose	Security	Tenure of the facility	Interest rate	As at 31 October 2023
				%	RM'000
Interest bearing short-term borrowings, payable within 1 year:					
Term financing	For working capital purposes	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Lim Thou Lai; and (ii) Government guarantee provided by Syarikat Jaminan Pembiayaan Perniagaan Berhad (" SJPP ").	5 years	3.5%	112
Term financing	For purchase of Factory 3	(i) Legal charge over our leasehold land and buildings; and (ii) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Lim Thou Lai.	8 years	4.3%	716
Bankers' acceptances	For working capital purposes	(i) Legal charge over our leasehold land and building; (ii) Legal charge over fixed deposits together with all interest; and (iii) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Lim Thou Lai.	87 to 90 days	4.5% to 4.6%	2,950
Hire purchases	To finance motor vehicles and plant and machinery	(i) Legal charge over the motor vehicles and plant and machinery.	3 to 5 years	2.2% to 3.6%	581
					4,359

12. FINANCIAL INFORMATION (Cont'd)

	<u>Purpose</u>	<u>Security</u>	<u>Tenure of the facility</u>	<u>Interest rate</u> %	<u>As at 31 October 2023</u> <u>RM'000</u>
Interest bearing long-term borrowings, payable after 1 year:					
Term financing	For working capital purposes	(i) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Lim Thou Lai; and (ii) Government guarantee provided by SJPP.	5 years	3.5%	228
Term financing	For purchase of Factory 3	(i) Legal charge over our leasehold land and buildings; and (ii) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Lim Thou Lai.	8 years	4.3%	5,289
Hire purchases	To finance motor vehicles and plant and machinery	(i) Legal charge over the motor vehicles and plant and machinery.	3 to 5 years	2.2% to 2.6%	763
Total borrowings					6,280
					10,639
Gearing (times)					
After Group Internal Restructuring but before Public Issue and utilisation of proceeds ⁽¹⁾					0.2
After Group Internal Restructuring and utilisation of proceeds ⁽²⁾					<0.1

Notes:

- (1) Computed based on our pro forma total equity of RM43.4 million and pro forma borrowings (including lease liabilities) of RM10.7 million in the pro forma statements of financial position after the Group Internal Restructuring, but before Public Issue and utilisation of proceeds.
- (2) Computed based on our pro forma total equity of RM73.8 million and pro forma borrowings (including lease liabilities) of RM4.7 million in the pro forma statements of financial position after the Group Internal Restructuring, Public Issue and utilisation of proceeds which includes the repayment of bank borrowings of RM6.0 million.

12. FINANCIAL INFORMATION (Cont'd)

Separately, we have also recognised the following lease liabilities on the right-of-use assets, which are denominated in RM:

	Purpose	Tenure	As at 31 October 2023 RM'000
Lease liabilities payable within 1 year	Rental of project accommodation in Ipoh for workers as well as offices and workers' accomodation in Ipoh	Initial lease of 12, 14 and 24 months with an option to renew for another 12 months	52
Lease liabilities payable after 1 year	Rental of project accommodation in Ipoh for workers and offices and workers' accomodation in Ipoh	Initial lease of 12, 14 and 24 months with an option to renew for another 12 months	44
			96

We also rely on bank guarantees for performance bonds. Such bank guarantees are used for all aspects of the project lifecycle from the start of the project up to completion. Our total bank guarantees as at 31 October 2023 stood at RM1.9 million, details as set out below. All our bank guarantees are secured, interest-bearing and denominated in RM.

	Purpose	Security	Tenure	Interest rate % per month	As at 31 October 2023 RM'000
Bank guarantees	As advance payment bond, performance bond, warranty bond and payment guarantee bond favouring awarders and utility approved by the bank in relation to the contract.	(i) Legal charge over our leasehold land and building; (ii) Legal charge over fixed deposits together with all interest; and (iii) Personal guarantee by our Promoter, substantial shareholder and Managing Director, Lim Thou Lai.	2 to 25 months	0.1%, subject to a minimum sum of RM100	1,932

12. FINANCIAL INFORMATION (Cont'd)

The liabilities in respect of the bank guarantees will only crystallise and become payable following a call by our customers. During FYE 2020 to 2023, we did not experience any call on the bonds issued to our customers.

As at LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2020 to 2023 and up to LPD.

As at LPD, our Group is not 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. During FYE 2020 to 2023, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

In conjunction with our Listing, we have applied to the financiers to release and/or discharge all the personal guarantees extended by our Promoter, substantial shareholder and Managing Director, Lim Thou Lai to our financiers in respect of our banking facilities. We have obtained conditional release and/or discharge of the said personal guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. The release and/or discharge is subject to, amongst others, the successful completion of our Listing. Until such release and/or discharge are obtained from the respective financiers, our Promoter, substantial shareholder and Managing Director, Lim Thou Lai, will continue to guarantee the banking facilities extended to our Group.

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12. FINANCIAL INFORMATION (Cont'd)

12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

As at LPD, save as disclosed in Section 12.4 above, we do not have nor utilise any other financial instruments. We finance our operations mainly through cash generated from our operations, credit extended by our suppliers and external sources of funds which mainly comprise borrowings. The principal usages of these bank borrowings are for working capital as well as the purchase of property, plant and equipment.

Save for our hire purchase and special relief term financing which carry fixed interest rate, other borrowings bear variable interest rates based on the bank's base lending rate plus or minus a rate, which varies depending on the different types of bank facilities.

12.6 MATERIAL CAPITAL COMMITMENTS

As at LPD, save for the proposed capital expenditure as set out in Section 4.9.1 which have been approved by our Board but not contracted for, we do not have any other material capital commitments.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

(a) Material litigation

Save as disclosed below, we are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. There is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our financial position or results as at LPD.

(i) Kawan Engineering v Nyew Kam Cheng and Tan Mee Yuan ("Defendants")

On 15 May 2023, Kawan Engineering initiated a claim against the Defendants for the amount of RM2,326,676.05 being the outstanding sum owed by Periforce Sdn Bhd for the supply of cranes and installation services provided by Kawan Engineering to Periforce Sdn Bhd in 2020 ("**Transaction**"). Tan Mee Yuan is the director and both the Defendants are the shareholders of Periforce Sdn Bhd. The Defendants had provided joint and several guarantees to Kawan Engineering for purposes of the said Transaction. Subsequently, Periforce Sdn Bhd had failed, neglected and refused to pay the amount owing or any part thereof despite multiple demands made by Kawan Engineering. Thereafter, as a winding up petition was filed against Periforce Sdn Bhd in March 2022, Kawan Engineering initiated the claim against the Defendants as the guarantors and principal debtors to recover the amount owing. On 11 July 2023, the solicitors acting for Kawan Engineering filed an ex-parte application to obtain an order for substituted service subsequent to the failed attempt to serve the writ and statement of claim on the Defendants via acknowledgment of receipt (AR) registered post. The application for substituted service was allowed by the Ipoh High Court on 24 July 2023. The Defendants subsequently entered appearance on 25 August 2023. On 5 October 2023, the Defendants filed an application to transfer the case from Ipoh High Court to Shah Alam High Court, which was allowed by the Ipoh High Court on 6 November 2023. Kawan Engineering then filed an application for summary judgment on 18 December 2023 and the Defendants filed an application for discovery of documents on 19 December 2023. The hearing was held on 11 March 2024 and the Shah Alam High Court has fixed 30 May 2024 to deliver its decision.

12. FINANCIAL INFORMATION (Cont'd)**(ii) Potential claim by MSIG Insurance (Malaysia) Bhd ("MSIG")**

On 7 March 2024, Crawford & Adjusters (Malaysia) Sdn Bhd, representing MSIG (the insurers of Pacific Oils & Fats Industries Sdn Bhd ("**Pac Oils**"), Southern Corner Sdn Bhd ("**Southern Corner**") and relevant subcontractors, collectively "**Insured**"), issued a letter to Kawan Engineering in respect of a subrogation recovery claim ("**Recovery Letter**"). Based on the Recovery Letter, it was alleged that the loss and damage suffered by the Insured arising from a fire incident on 6 and 7 January 2023 was due to the welding defects by Kawan Engineering as the manufacturer to design, fabricate and supply a vacuum economizer and as a result, MSIG has, upon subrogation of the Insured's rights, suffered a total loss of RM3,142,529.08 which include the Insured's claim of RM3,032,075.34 as well as the adjusters' fees and forensic investigators' fees amounting to RM102,071.52 and RM8,382.22 respectively.

For the avoidance of doubt, the vacuum economizer was sold and supplied to Oiltek by Kawan Engineering which was subsequently sold to Pac Oils as part of an edible oil refinery plant. Pac Oils had engaged Southern Corner to install the said equipment. The vacuum economizer was manufactured with design approval, and it was hydrostatic tested as per ASME code by DOSH. To date, the similar equipment has been sold, and is still being sold, to Oiltek in many of their other projects locally and outside Malaysia, all of which have been operating safely.

It was noted that the fire incident occurred during the commissioning of the said plant by Oiltek, causing damage to part of the plant. There was no privity of contract and/or communication whatsoever between Kawan Engineering and Pac Oils or Southern Corner regarding the installation of the said equipment. In this regard, Kawan Engineering's contractual obligation and warranty for the equipment is toward Oiltek only, for workmanship and material.

Notwithstanding the above and following the fire incident, Oiltek had approached Kawan Engineering to supply a replacement unit of the said vacuum economizer. As a gesture of goodwill as well as to foster our long standing relationship with Oiltek, Kawan Engineering supplied a replacement unit at a discounted price.

Based on the above and in response to the Recovery Letter by Crawford, on 25 March 2024, the solicitors acting for Kawan Engineering have issued a letter of reply denying and resisting the above mentioned claim on the basis, inter alia, that there is no legal ground for Kawan Engineering to be liable for the fire incident and damages arising therefrom as the said equipment was installed and commissioned by a third party, and Kawan Engineering is not a party to any agreements or arrangements between Oiltek and its customers or their subcontractors such as Pac Oils and Southern Corner.

Notably, no documents in substantiation of its claims have been enclosed in the Recovery Letter.

As at LPD, no legal proceedings have been initiated against our Group in respect of the Recovery Letter and/or any uninsured losses suffered by the Insured. Premised on the foregoing, our Board is of the view that the said claim will not have any material adverse impact to our Group's business operations and financial performance.

12. FINANCIAL INFORMATION (Cont'd)**(b) Contingent liabilities**

As at LPD, saved for the bank guarantees as disclosed in Section 12.4, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our financial position.

12.8 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2020 to 2023 are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover (days) ⁽¹⁾	111	89	73	112
Trade payables turnover (days) ⁽²⁾	71	56	77	148
Current ratio (times) ⁽³⁾	2.4	2.2	1.4	1.8
Gearing ratio (times) ⁽⁴⁾	0.1	0.1	0.3	0.2

Notes:

- (1) Computed based on the average trade receivables and net of allowances for impairment loss as at the financial year end over revenue for the respective financial years, multiplied by 365/366 days for each financial year.
- (2) Computed based on the average trade payables as at the financial year end over cost of sales (excluded depreciation of property, plant and equipment and right-of-use assets, staff-related costs and other cost of sales) for the respective financial years, multiplied by 365/366 days for each financial year.
- (3) Computed based on current assets over current liabilities as at the end of each financial year.
- (4) Computed based on total interest-bearing borrowings (excluding lease liabilities for right-of-use assets) over total equity as at the end of each financial year.

12.8.1 Trade receivables turnover

Our average trade receivables' turnover period for FYE 2020 to FYE 2023 is stated as below:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	14,045	15,565	15,613	39,828
Closing trade receivables	15,565	15,613	39,828	20,470
Average trade receivables	14,805	15,589	27,721	30,149
Revenue	48,823	64,041	139,184	98,379
Trade receivables turnover period (days)	111	89	73	112

Our trade receivables comprise amounts receivable for the design, fabrication, installation and/or commissioning solutions segment and power generation and sale of electricity segment. Our Group's normal credit term to customers ranged from 7 to 120 days from the date of our invoice.

12. FINANCIAL INFORMATION (Cont'd)

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

Our trade receivables turnover period for FYE 2020 to 2023 are within our normal credit term period.

Our trade receivables turnover period decreased from 111 days for FYE 2020 to 89 days for FYE 2021, mainly attributable to the improvement in collections from customers during FYE 2021 as compared to FYE 2020 where there were slow payments from certain customers in due to the COVID-19 pandemic.

Our trade receivables turnover period for the decreased from 89 days for FYE 2021 to 73 days for FYE 2022, mainly attributable to improved collections from customers during FYE 2022 as a result of our Group enhancing our debt monitoring processes and tightening credit terms granted to our customers.

Our trade receivables turnover period increased from 73 days for FYE 2022 to 112 days for FYE 2023, mainly attributable to the higher outstanding balances brought forward from FYE 2022, primarily from Ramatex Textiles Industrial Sdn Bhd for the purchase of 2 units of gas turbines for a co-generation power plant project for the power industry, which was fully received during FYE 2023. For avoidance of doubt, the higher trade receivables turnover period was not due to slower collections from our customers.

The ageing analysis of our trade receivables as at 31 October 2023 is as follows:

	Trade receivables as at 31 October 2023		Collection from 1 November 2023 to LPD	Balance trade receivables as at LPD
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Neither past due nor impaired	3,353	16.4	1,495	1,858
Past due but not impaired:				
- less than 30 days	13,525	66.0	11,106	2,419
- 31 to 60 days	605	3.0	568	37
- over 60 days	2,987	14.6	1,783	1,204
	17,117	83.6	13,457	3,660
	20,470	100.0	14,952	5,518

As at LPD, RM15.0 million or 73.2% of our trade receivables as at 31 October 2023 have been collected. The remaining balances of RM5.5 million have yet to be collected as at LPD, comprise mainly the following:

- RM3.8 million will be settled upon customer's acceptance of the completed works; and
- The remaining balances are mainly in the progress of entering into settlement arrangement with our Group.

12. FINANCIAL INFORMATION (Cont'd)

We are of the view that we are able to collect the majority of the outstanding amount. Our customers have generally been paying within the credit period granted. Save as disclosed in Section 12.7, our Group has not encountered any major disputes with our trade receivables.

Our net impairment loss on trade receivables for FYE 2020 to 2023 are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Impairment losses on trade receivables	(1)181	(2)168	(3)2,448	-
Reversal of impairment losses on trade receivables	-	-	-	(4)127

Notes:

- (1) Relates to conflicts between main contractors and the end customers, which affected our Group as a subcontractor to collect the debts, and long outstanding debts which are not collectible.
- (2) Comprise mainly general impairment loss on trade receivables.
- (3) Comprise specific impairment loss resulted from the liquidation of a customer in FYE 2022 of RM2.3 million and general impairment loss on trade receivables.
- (4) Comprise reversal of general impairment loss on trade receivable.

12.8.2 Trade payables turnover

Our average trade payables' turnover period for FYE 2020 to 2023 is as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	7,205	6,104	7,882	36,683
Closing trade payables	6,104	7,882	36,683	10,542
Average trade payables	6,655	6,993	22,283	23,613
Cost of sales ⁽¹⁾	34,115	45,227	105,449	58,203
Average trade payables turnover period (days)	71	56	77	148

Note:

- (1) Excluding depreciation of property, plant and equipment and right-of-use assets, staff-related costs and other cost of sales.

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases ranged from 7 to 90 days. To maintain good relationship with our suppliers, we will pay the suppliers as they fall due. Our trade payables turnover period for FYE 2020 to 2022 were within the normal credit terms granted by our suppliers.

12. FINANCIAL INFORMATION (Cont'd)

Our trade payables turnover period decreased from 71 days for FYE 2020 to 56 days for FYE 2021 as we were no longer subject to the restrictions faced during the MCO in FYE 2020 and were able to expedite our documentation processing period for FYE 2021.

Our trade payable turnover period increased from 56 days for FYE 2021 to 77 days for FYE 2022, mainly attributable to higher purchases in last quarter of FYE 2022, mainly in relation 2 units of gas turbines in the last quarter of FYE 2022 for a co-generation power plant project for power industry secured from Ramatex Textiles Industrial Sdn Bhd.

Our trade payable turnover period increased from 77 days for FYE 2022 to 148 days for FYE 2023, mainly attributable to the higher outstanding balances brought forward from FYE 2022 primarily from a supplier for the purchase of 2 units of gas turbines for a co-generation power plant project for power industry secured from Ramatex Textiles Industrial Sdn Bhd, which was fully settled during FYE 2023. For avoidance of doubt, the higher trade payables turnover period was not due to slower payments to our suppliers/sub-contractors.

The ageing analysis of our trade payables as at 31 October 2023 is as follows:

	Trade payables as at 31 October 2023	Payment from 1 November 2023 to LPD	Balance trade payables as at LPD
	RM'000	RM'000	RM'000
	(a)	(b)	(c) = (a)-(b)
Within credit period	5,436	5,127	309
Exceeding credit period:			
- 1 to 30 days	4,066	4,031	35
- 31 to 60 days	638	604	34
- More than 60 days	402	190	212
	5,106	4,825	281
	10,542	9,952	590

As at LPD, we have outstanding trade payables of RM0.6 million, representing 5.7% of our trade payables as at 31 October 2023. These remaining unsettled balances of RM0.6 million comprise mainly the following:

- (a) RM0.4 million payables from suppliers, which are pending work acceptance documents and/or document clearance; and
- (b) retention sum of RM0.2 million for projects were not due as at LPD.

As at LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us.

12. FINANCIAL INFORMATION (Cont'd)**12.8.3 Inventory turnover**

Our inventories comprise raw materials.

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Opening inventories	2,569	2,615	2,311	2,338
Closing inventories	2,615	2,311	2,338	2,451
Average inventories	2,592	2,463	2,325	2,395

Our inventories consist of commonly used raw materials (mainly metal plates, metal tubes and pipes). We purchase raw materials in line with our project needs. However, we maintain a minimal inventory level for commonly used raw materials that are not specifically allocated for any projects. As such, these inventory balances are not commensurate with our project needs, and we did not record any material changes in our average inventories for FYE 2020 to 2023. The movements in inventory levels for FYE 2020 to FYE 2023 were primarily due to such raw materials being used for our projects or being replenished. Accordingly, we do not analyse inventory turnover based on the above balances against our cost of sales.

12.8.4 Current ratio

Our current ratio throughout FYE 2020 to 2023 is as follows:

	Audited			
	As at 31 October			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Current assets	47,347	55,836	99,960	85,449
Current liabilities	19,483	24,961	69,342	46,864
Net current assets	27,864	30,875	30,618	38,585
Current ratio (times)	2.4	2.2	1.4	1.8

Our current ratio ranges which exceeds 1 time for FYE 2020 to FYE 2023. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our fixed deposits and bank balances, are enough to meet immediate current liabilities.

Our current ratio decreased from 2.2 times as at 31 October 2021 to 1.4 times as at 31 October 2022, mainly attributable to the net effects of the following:

- (a) increase in trade and other receivables of RM26.6 million, mainly due to (i) increase in net trade receivables of RM24.2 million as higher billings were issued to customers in the last quarter of FYE 2022 as compared to FYE 2021; and (ii) increase in prepayments of RM2.3 million being higher downpayment paid for foreign purchases in anticipation of future projects;
- (b) increase in cash and short-term deposits of RM11.3 million contributed by our business growth;
- (c) increase in contract assets of RM6.1 million, for work performed ahead of billing milestones;

12. FINANCIAL INFORMATION (Cont'd)

- (d) increase in trade and other payables of RM34.3 million, mainly due to (i) increase in trade payables of RM28.8 million as higher purchases were made in the last quarter of FYE 2022 as compared to FYE 2021, mainly in relation to the purchase of 2 units of turbines in last quarter of FYE 2022 for a co-generation power plant project for power industry secured from Ramatex Textiles Industrial Sdn Bhd; (ii) increase in interim dividend payables of RM5.0 million arising from interim dividend declared of RM8.0 million for FYE 2022 which was subsequently paid on 18 January 2023; and (iii) increase in accruals of RM0.5 million mainly being bonuses for FYE 2022 and increase in the accrual of contract wages; and
- (e) increase in contract liabilities of RM5.4 million, being billing milestones achieved ahead of actual work performed.

Our current ratio increased from 1.4 times as at 31 October 2022 to 1.8 times for 31 October 2023, mainly attributable to the net effects of the following:

- (a) decrease in trade and other receivables of RM20.9 million, mainly due to (i) decrease in trade receivables of RM19.4 million due to full payment received from a customer for a co-generation power plant project; and (ii) decrease in prepayments of RM2.1 million being less downpayment paid for foreign purchases, and stamp duty for the sale and purchase agreement in relation to the purchase of Factory 3 in last quarter of FYE 2022 charged out as expenses upon receiving invoice in FYE 2023;
- (b) increase in contract assets of RM2.8 million, mainly for work performed ahead of billing milestones;
- (c) increase in cash and short-term deposits of RM3.4 million, mainly due to funds generated from our business operations;
- (d) decrease in trade and other payables of RM33.6 million, mainly due to (i) decrease in trade payables of RM26.2 million, mainly due to full payment made to a supplier for the purchase of 2 units of gas turbines for a co-generation power plant project; and (ii) decrease in interim dividend payables of RM8.0 million which were fully paid during FYE 2023; and
- (e) increase in contract liabilities of RM13.6 million, being billing milestones achieved ahead of actual work performed.

12.8.5 Gearing ratio

Our gearing ratio throughout FYE 2020 to 2023 is as follows:

	Audited			
	As at 31 October			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Total borrowings ⁽¹⁾	2,552	3,663	12,781	10,735
Total equity	35,022	38,905	45,133	53,435
Gearing ratio (times)	0.1	0.1	0.3	0.2

Note:

- (1) Computed based on total interest-bearing borrowings (including lease liabilities for right-of-use assets) over total equity as at the end of each financial year.

12. FINANCIAL INFORMATION (Cont'd)

Our gearing ratio of 0.1 times as at 31 October 2020 and 0.1 times as at 31 October 2021 were fairly consistent.

Our gearing ratio increased from 0.1 times as at 31 October 2021 to 0.3 times as at 31 October 2022, mainly attributable to the increase in loan and borrowings of RM9.1 million, relating to (a) higher drawdown of bankers' acceptances for payments to the suppliers; (b) drawdown of new term financing to purchase Factory 3; and (c) the acquisition of 5 units of plant and machinery acquired under hire purchase.

Our gearing ratio decreased from 0.3 times for FYE 2022 to 0.2 times for FYE 2023, mainly attributable to the increase in our total equity arising from PAT of RM13.3 million for FYE 2023; and decrease in loans and borrowings of RM2.1 million, mainly due to net repayment of bankers' acceptances, repayment of term financing and payments of lease liabilities during FYE 2023.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to COVID-19 pandemic, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during FYE 2020 to 2023. 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 materially affect our operations are set out in Section 9.

12.10 IMPACT OF INFLATION

During FYE 2020 to 2023, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES ON OUR OPERATIONS**(a) Impact of foreign exchange rates**

For FYE 2020 to 2023, our local sales were the largest contributor to our Group's revenue at approximately 86.1%, 94.5%, 88.1% and 81.9% respectively. Our customers are primarily based in Malaysia with the exception for a few foreign customers that are mainly from Indonesia, Singapore, Japan, New Zealand, South Africa and Germany based on their countries of domicile.

12. FINANCIAL INFORMATION (Cont'd)

The breakdown of our revenue and purchases by currencies for FYE 2020 to 2023 are as follows:

	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:								
MYR	42,523	87.1	58,663	91.6	95,615	68.7	63,694	64.7
USD	5,676	11.6	2,744	4.3	37,754	27.1	22,504	22.9
SGD	624	1.3	619	1.0	5,815	4.2	2,565	2.6
EUR	-	-	2,015	3.1	-	-	9,616	9.8
	48,823	100.0	64,041	100.0	139,184	100.0	98,379	100.0

Purchases denominated in :

MYR	28,381	83.1	35,527	79.1	67,779	64.3	44,723	76.7
SGD	84	0.2	396	0.9	456	0.3	960	1.6
USD	5,565	16.3	4,558	10.1	36,778	34.9	11,152	19.1
EUR	132	0.4	3,963	8.8	376	0.4	1,436	2.5
GBP	-	-	480	1.1	86	0.1	45	0.1
CNY	<0.1	<0.1	-	-	-	-	-	-
	34,162	100.0	44,924	100.0	105,475	100.0	58,316	100.0

We are exposed to transactional currency exposure as 11.6%, 4.3%, 27.1% and 22.9% of our total revenue were denominated in USD for FYE 2020, 2021, 2022 and 2023 respectively. In addition, 16.3%, 10.1%, 34.9% and 19.1% of our purchases were denominated in USD for FYE 2020, 2021, 2022 and 2023 respectively.

If the USD significantly appreciates against the RM, we will record a higher revenue and higher cost of goods sold in RM after conversion. Conversely, if the USD significantly depreciates against the RM, we will record a lower revenue and lower cost of goods sold in RM after conversion.

For FYE 2020, 2021, 2022 and 2023, our gains and losses from foreign exchange fluctuations are as follows:

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Realised gain / (loss) on foreign exchange	45	(57)	22	(1,435)
Unrealised gain on foreign exchange	69	220	918	1,774
Net gain	114	163	940	339

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

12. FINANCIAL INFORMATION (Cont'd)

Our Group does not use any financial instruments to hedge our exposure to fluctuation in foreign currency exchange rates. As at LPD, we have not entered into any foreign exchange contracts as we endeavor to naturally hedge our foreign currency payment against our foreign currency receipts. Nonetheless, we are subject to foreign exchange fluctuation risk for any mismatch in the purchases from our foreign suppliers and revenue from our foreign sales. A depreciation of the RM against the foreign currencies will lead to higher costs of sales for our Group, and vice versa with respect to our sales collections. In such an event, our financial performance may be adversely affected due to the reduced GP margin from higher costs of sales or lower revenue collected.

(b) Impact of interest rates

Our exposure to changes in interest rate relates primarily to our borrowings from banks. We do not hedge interest rate risk.

Any reasonably possible change in the interest rates of floating rate term financing at the end of the reporting period does not have material impact on the profit after taxation and other comprehensive income of our Group.

Our Group's financial results for FYE 2020 to FYE 2023 were not materially affected by fluctuations in interest rates. However, should we undertake significant bank borrowings, a major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

(c) Impact of commodity prices

Our Group's primary purchases are auxiliary parts and equipment, subcontractor and outsourced services as well as steel plates which constitute between 54.6% and 84.6% of our total purchases in FYE 2020 to 2023 as set out in Section 7.10:

Purchases	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Auxiliary parts and Equipment ⁽¹⁾	11,659	34.1	15,607	34.7	24,873	23.6	19,834	34.0
Subcontractor and outsourced services ⁽²⁾	10,611	31.1	11,479	25.6	18,715	17.7	17,109	29.3
Steel plates	6,632	19.4	10,850	24.2	14,088	13.3	9,189	15.8
Steel tubes	2,765	8.1	2,509	5.6	7,995	7.6	5,252	9.0
Turbines	-	-	-	-	29,102	27.6	615	1.1
Consumables, fittings and accessories ⁽³⁾	1,360	4.0	2,758	6.1	4,066	3.9	3,781	6.5
Handling, freight, forwarding and transportation	1,135	3.3	1,721	3.8	6,632	6.3	2,534	4.3
Other ⁽⁴⁾	-	-	-	-	4	<0.1	2	<0.1
Total	34,162	100.0	44,924	100.0	105,475	100.0	58,316	100.0

12. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) Comprise auxiliary parts such as pumps, valves, pipes and fittings (e.g. flanges), control, instruments, electrical cables, belt conveyor, filter plate, tubesheet and agitators, as well as auxiliary equipment such as smokeless incinerators, dryers, filters, multiple-effect evaporators, biogas reactors, scrubbers, gasifiers, motors, chillers, separators, vacuum pumps, plate heat exchangers and sifters.
- (2) Comprise mainly labour supply at our customer's site for installation and commissioning works.
- (3) Consumables, fittings and accessories comprise mainly welding wire and welding electrodes.
- (4) Comprises lubricant oil for Bercham Plant.

The prices of certain raw materials such as steel plates and steel tubes are subject to price fluctuations as a result of, amongst others, global demand and supply conditions, as well as global and regional economic conditions. As such, any material increase in the prices of the abovementioned raw materials may result in substantial increase in our cost of sales, and in turn, affecting our financial performance should we fail to pass the increase in cost to our customers.

In FYE 2021, the increase in steel prices, which moved in tandem with global steel prices, resulted in the increase in our raw materials costs and subsequently our cost of sales. Please refer to Section 12.2.2(b) for further details on the price fluctuations of our raw materials. Notwithstanding this, we did not experience any material adverse impact on our financial performance in FYE 2021 as we were able to pass the increase in costs to our customers in a timely manner. Save for the aforementioned, we have not encountered any substantial increase in raw materials prices that have had a material adverse impact on our financial performance in FYE 2020 to 2023. Nonetheless, there is no assurance that such incident will not occur in the future and that we will be able to pass on the increase in cost to our customers in a timely manner, or at all. In such event, our financial performance may be adversely affected.

12.12 ORDER BOOK

As at LPD, we had secured a total unbilled order book amounting to RM72.9 million for the design, fabrication, installation and/or commissioning solutions segment:

	Unbilled order book as at LPD RM'000	Revenue to be recognised in FYE 2024 RM'000	Revenue to be recognised in FYE 2025 RM'000	Revenue to be recognised in FYE 2026 RM'000
Industrial process equipment	37,022	33,368	3,574	80
Process plants	17,256	15,094	2,148	14
Renewable energy and co-generation plants	18,653	3,360	15,293	-
	72,931	51,822	21,015	94

12. FINANCIAL INFORMATION (Cont'd)

As at LPD, our Group is in an early discussion for an industrial process equipment, co-generation power plant and 2 process plant projects, collectively valued at an estimated RM113.0 million. Concurrently, we have tendered for 5 process plants projects, with a cumulative estimated value of RM81.6 million.

12.13 DIRECTORS' DECLARATION ON OUR FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (a) our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the industrial process equipment industry and biogas industry as set out in the IMR Report;
- (b) our liquidity will improve further subsequent to the Public Issue, given the additional funds to be raised for our Group to carry out our business strategies and future plans as stated in Section 7.16; and
- (c) our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.14 TREND INFORMATION

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

- (a) known trends, demands, commitments, events or uncertainties that had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in Sections 7.8, 12.9, 12.10 and 12.11;
- (b) material commitments for capital expenditure disclosed in Section 12.6;
- (c) 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 Sections 7.8 and 9;
- (d) 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 Sections 12.2 and 12.11; and
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9 and 12.11.

Based on the above, our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.15, the outlook of the industrial process equipment industry and biogas industry in Malaysia as set out in the IMR Report in Section 8 and our commitment to implement the business strategies and future plans as set out in Section 7.16.

12. FINANCIAL INFORMATION (Cont'd)

12.15 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of directors deem relevant.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (a) the level of cash and level of indebtedness;
- (b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (c) our expected results of operations and future level of operations;
- (d) our projected levels of capital expenditure and other investment plans; and
- (e) the prior consent from our lenders, if required.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board, and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in a general meeting, may from time to time approve dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realisable value of the Company's assets would thereby be less than its liabilities.

12. FINANCIAL INFORMATION (Cont'd)

For FYE 2020 to 2023 and up to LPD, our Group declared and paid the following dividends:

	Audited				Unaudited
	FYE 2020	FYE 2021	FYE 2022	FYE 2023	1 November
	RM'000	RM'000	RM'000	RM'000	2023 up to LPD
Dividends declared	1,500	3,000	8,000	5,000	10,000
Dividends paid ⁽¹⁾	1,000	1,500	3,000	13,000	10,000

Note:

⁽¹⁾ The balance of dividends declared which were not paid in each respective financial year were subsequently paid in the following financial year. As at LPD, there is no outstanding dividends declared but remained unpaid.

Subsequent to 31 October 2023 and up to the LPD, our Group declared and paid dividend of RM5.0 million in both January and February 2024, in respect of FYE 2024. The dividends above were funded by our internally generated funds. Further to the above, we do not intend to declare and pay any dividends from LPD up to the point of our Listing.

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12. FINANCIAL INFORMATION (Cont'd)**12.16 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness as at 31 March 2024 and after adjusting for the effects of the Group Internal Restructuring and Public Issue including the utilisation of proceeds.

	Unaudited	I	II	III
	As at 31 March 2024	After the Group Internal Restructuring	After I and the Public Issue	After II and the utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Capitalisation				
Share capital	10,200	45,144	78,144	77,144
Total capitalisation	10,200	45,144	78,144	77,144
Indebtedness				
Current				
<i>Secured and guaranteed:</i>				
Term loans	839	839	839	73
Bank acceptances	1,800	1,800	1,800	1,800
<i>Unsecured and guaranteed:</i>				
Lease liabilities	713	713	713	713
Non-current				
<i>Secured and guaranteed:</i>				
Term loans	5,234	5,234	5,234	-
<i>Unsecured and guaranteed:</i>				
Lease liabilities	891	891	891	891
Total indebtedness	9,477	9,477	9,477	3,477
Total capitalisation and indebtedness	19,677	54,621	87,621	80,621
Gearing ratio (times) ⁽¹⁾	0.9	0.2	0.1	0.1

Note:

(1) Calculated based on total indebtedness divided by total capitalisation.

13. ACCOUNTANTS' REPORT



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12 April 2024

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The Board of Directors
Kawan Renergy Berhad
No. 18, Lebuhr Perusahaan 1
IGB Industrial Park
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Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Kawan Renergy Berhad ("Kawan" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Company and its combining entities as defined in Note 2 to the combined financial statements (collectively known as the "Group"), which comprise of the combined statements of financial position as at 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023 of the Group, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 97.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report gives a true and fair view of the combined financial positions of the Group as at 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023 and of its financial performance and its cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

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 Accountants' Responsibilities for the Audit of the Combined Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENENERGY BERHAD
(Incorporated in Malaysia)

Independence and Other Ethical Responsibilities

We are independent of the Group 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.

Responsibilities of the Directors for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the combined financial statements in the Accountants' Report, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the directors are responsible for assessing the Group'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 Group or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a Reporting Accountants' 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 combined financial statements.

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 scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the combined financial statements of the Group, 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 Group's internal control.

13. ACCOUNTANTS' REPORT (Cont'd)



KAWAN REENERGY BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

- 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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Reporting Accountants' report to the related disclosures in the combined financial statements of the Group 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 Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

Other Matters

This report is made solely to the board of directors of the Company and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the listing and quotation of the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other persons for the content of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA & AF 0117)
Chartered Accountants

Paul Tan Hong
No. 03459/11/2025 J
Chartered Accountant

Kuala Lumpur

Date: 12 April 2024

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

STATEMENT BY DIRECTORS

We, **LIM THOU LAI** and **HENG SIEW AUN**, being two of the directors of KAWAN RENERGY BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the combined financial position of the Group as at 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023 and of its financial performance and cash flows for the financial years ended 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023.

Signed on behalf of the Board of Directors accordance with a resolution of the directors:



.....
LIM THOU LAI
Director



.....
HENG SIEW AUN
Director

Kuala Lumpur

Date: 12 APR 2024

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

STATUTORY DECLARATION

I, **LIM THOU LAI**, being the director primarily responsible for the financial management of KAWAN RENERGY BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying combined financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.



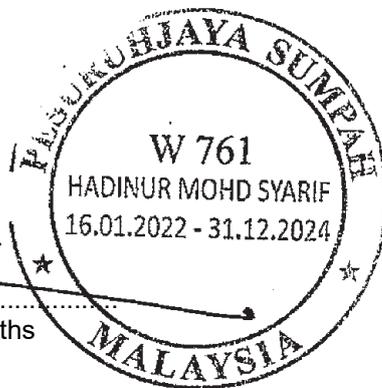
.....
LIM THOU LAI

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on

12 APR 2024

Before me,

.....
Commissioner for Oaths



CHAMBERS TWENTY - FIVE
NO 25, JALAN TUNKU, BUKIT TUNKU
50480 KUALA LUMPUR

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
ASSETS					
Non-current asset					
Property, plant and equipment	5	7,422	8,982	21,834	22,344
Total non-current asset		7,422	8,982	21,834	22,344
Current assets					
Inventories	6	2,615	2,311	2,338	2,451
Current tax assets		143	-	-	-
Trade and other receivables	7	17,481	16,995	43,724	22,805
Contract assets	8	3,741	6,544	12,567	15,447
Cash and short-term deposits	9	23,367	29,986	41,331	44,746
Total current assets		47,347	55,836	99,960	85,449
TOTAL ASSETS		54,769	64,818	121,794	107,793
EQUITY AND LIABILITIES					
Equity attributable to owners of the Group					
Share capital/Invested equity	10	6,500	10,000	10,200	10,200
Merger deficit	11	-	-	(200)	(200)
Retained earnings		28,522	28,905	35,133	43,435
TOTAL EQUITY		35,022	38,905	45,133	53,435
Non-current liabilities					
Loans and borrowings	12	34	676	7,267	6,324
Deferred income	13	-	-	-	67
Deferred tax liabilities	14	230	276	52	1,103
Total non-current liabilities		264	952	7,319	7,494
Current liabilities					
Loans and borrowings	12	2,518	2,987	5,514	4,411
Deferred income	13	-	-	-	8
Current tax liabilities		-	279	2,392	1,023
Trade and other payables	15	8,681	11,839	46,160	12,524
Contract liabilities	8	8,284	9,856	15,276	28,898
Total current liabilities		19,483	24,961	69,342	46,864
TOTAL LIABILITIES		19,747	25,913	76,661	54,358
TOTAL EQUITY AND LIABILITIES		54,769	64,818	121,794	107,793

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**COMBINED STATEMENTS OF COMPREHENSIVE INCOME**

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	16	48,823	64,041	139,184	98,379
Cost of sales		(41,355)	(53,964)	(117,668)	(74,382)
Gross profit		7,468	10,077	21,516	23,997
Other income	17	171	737	2,563	2,115
Administrative expenses		(1,983)	(1,932)	(3,408)	(5,734)
Other operating expenses		(181)	(225)	(2,448)	(1,785)
Operating profit		5,475	8,657	18,223	18,593
Finance income	18	321	364	568	777
Finance costs	19	(123)	(84)	(222)	(450)
Profit before tax	20	5,673	8,937	18,569	18,920
Income tax expense	22	(1,248)	(2,054)	(4,341)	(5,618)
Profit for the financial year, representing total comprehensive income for the financial year		4,425	6,883	14,228	13,302
Earnings per share (RM)					
- Basic and diluted	23	0.68	0.79	1.41	1.30

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)
KAWAN RENERGY BERHAD
 Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	← Attributable to owners of the Group →			Total equity RM
		Share capital RM	Merger deficit RM	Retained earnings RM	
At 1 November 2019		6,500	-	25,597	32,097
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	4,425	4,425
Transaction with owners					
Dividend paid on shares	24	-	-	(1,500)	(1,500)
At 31 October 2020		6,500	-	28,522	35,022
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	6,883	6,883
Transaction with owners					
Issue of ordinary shares	10	3,500	-	(3,500)	-
Dividend paid on shares	24	-	-	(3,000)	(3,000)
At 31 October 2021		10,000	-	28,905	38,905
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	14,228	14,228
Transaction with owners					
Issuance of ordinary shares	10	200	(200)	-	-
Dividend paid on shares	24	-	-	(8,000)	(8,000)
At 31 October 2022		10,200	(200)	35,133	45,133

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

	Note	← Attributable to owners of the Group →			Total equity RM
		Share capital RM	Merger deficit RM	Retained earnings RM	
At 31 October 2022		10,200	(200)	35,133	45,133
Total comprehensive income for the financial year					
Profit for the financial year, representing total comprehensive income for the financial year		-	-	13,302	13,302
Transaction with owners					
Dividend paid on shares	24	-	-	(5,000)	(5,000)
At 31 October 2023		10,200	(200)	43,435	53,435

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash flows from operating activities				
Profit before tax	5,673	8,937	18,569	18,920
Adjustments for:				
Depreciation of property, plant and equipment	1,171	1,208	1,808	2,914
Gain on disposal of property, plant and equipment	(7)	(34)	-	(135)
Gain on lease termination	-	-	-	(1)
Impairment losses on trade receivables	181	168	2,448	-
Bad debt recovered	-	(430)	-	-
Amortisation of government grant income	-	-	-	(3)
Finance cost	123	84	222	450
Finance income	(321)	(364)	(568)	(777)
Property, plant and equipment written off	*	-	*	-
Reversal of impairment losses on trade receivables	-	-	-	(127)
Net unrealised gain on foreign exchange	(69)	(220)	(918)	(1,774)
Bargain purchase on acquisition of subsidiaries	-	-	(1,506)	-
Waiver of debt	-	-	(50)	-
Bad debt written off	-	-	*	350
Operating profit before changes in working capital	6,751	9,349	20,005	19,817
Changes in working capital:				
Inventories	(46)	304	(26)	(113)
Trade and other receivables	(2,573)	748	(27,326)	20,816
Trade and other payables	(1,228)	1,668	25,611	(26,169)
Contract assets	1,571	(2,803)	(6,023)	(2,880)
Contract liabilities	6,509	1,571	5,420	13,622
Net cash generated from operations	10,984	10,837	17,661	25,093
Income tax paid	(1,440)	(1,586)	(2,453)	(5,936)
Interest received	321	364	568	777
Net cash from operating activities	9,865	9,615	15,776	19,934

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash flows from investing activities					
Purchase of property, plant and equipment	(a)	(766)	(2,482)	(3,614)	(3,567)
Acquisition of subsidiary, net of cash acquired		-	-	590	-
Proceeds from disposal of property, plant and equipment		15	62	-	839
Proceeds from government grants related to assets		-	-	-	78
Change in pledged deposits		(47)	(44)	(27)	(4,048)
Net cash used in investing activities		(798)	(2,464)	(3,051)	(6,698)
Cash flows from financing activities					
Proceeds from issuance of ordinary shares	(b)	-	-	*	-
Interest paid		(123)	(84)	(222)	(450)
Payment of lease liabilities		(537)	(256)	(239)	(554)
Drawdown of bankers' acceptances		10,047	8,630	18,100	8,950
Payment of bankers' acceptances		(11,457)	(8,130)	(16,690)	(10,200)
Drawdown of term loans		-	562	-	-
Repayment of term loans		-	(10)	(203)	(804)
Net changes in amount owing to a director		46	-	40	(17)
Net changes in amount owing to a shareholder		-	(9)	-	550
Dividends paid		(1,000)	(1,500)	(3,000)	(13,000)
Net cash used in financing activities		(3,024)	(797)	(2,214)	(15,525)
Net increase/(decrease) in cash and cash equivalents		6,043	6,354	10,511	(2,289)
Cash and cash equivalents at the beginning of the financial year		15,776	21,888	28,463	39,781
Effect of exchange rate changes on cash and cash equivalents		69	221	807	1,656
Cash and cash equivalents at the end of the financial year	9	21,888	28,463	39,781	39,148

* Less than RM1,000

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)**

(a) Purchase of property, plant and equipment:

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Purchase of property, plant and equipment	5	814	2,797	11,764	4,216
Financed by way of lease arrangements		(48)	(315)	(1,350)	(649)
Financed by way of term loan		-	-	(6,800)	-
Cash payments on purchase of property, plant and equipment		766	2,482	3,614	3,567

(b) Reconciliation of changes in liabilities arising from financing activities are as follows:

	1.11.2019 RM'000	Cash flow RM'000	Non-cash Acquisition RM'000	31.10.2020 RM'000
Lease liabilities	751	(537)	48	262
Bankers' acceptances	3,700	(1,410)	-	2,290
Amount owing to a director	(46)	46	-	-
Amount owing to a shareholder	9	-	-	9
	4,414	(1,901)	48	2,561

	1.11.2020 RM'000	Cash flow RM'000	Non-cash Acquisition RM'000	31.10.2021 RM'000
Lease liabilities	262	(256)	315	321
Bankers' acceptances	2,290	500	-	2,790
Term loans	-	552	-	552
Amount owing to a shareholder	9	(9)	-	-
	2,561	787	315	3,663

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

- (b) Reconciliation of changes in liabilities arising from financing activities are as follows:
-
- (continued)

	1.11.2021 RM'000	Cash flow RM'000	← Non-cash →		31.10.2022 RM'000
			Acquisition RM'000	Waiver of debt RM'000	
Lease liabilities Bankers' acceptances	321	(239)	1,350	-	1,432
Term loans	2,790	1,410	-	-	4,200
Amount owing to a director	552	(203)	6,800	-	7,149
	-	40	28	(50)	18
	<u>3,663</u>	<u>1,008</u>	<u>8,178</u>	<u>(50)</u>	<u>12,799</u>

	1.11.2022 RM'000	Cash flow RM'000	← Non-cash →		31.10.2023 RM'000
			Acquisition RM'000	Termination of lease RM'000	
Lease liabilities Bankers' acceptances	1,432	(554)	649	(87)	1,440
Term loans	4,200	(1,250)	-	-	2,950
Amount owing to a director	7,149	(804)	-	-	6,345
Amount owing to a shareholder	18	(17)	-	-	1
	-	550	-	-	550
	<u>12,799</u>	<u>(2,075)</u>	<u>649</u>	<u>(87)</u>	<u>11,286</u>

- (c) Total cash outflows for leases

During the financial year, the Group had total cash outflows for lease of RM993,288 (2022: RM3,283,237; 2021: RM410,083 and 2020: RM705,720).

The accompanying notes form an integral part of these combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

Kawan Renergy Berhad (the "Company") was incorporated on 26 October 2022 as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares on 28 July 2023. The registered office of the Company is located at Unit 30-01, Level 30, Tower A The Vertical Business Suite Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur. The principal place of business of the Company is located at No. 18, Lebuhr Perusahaan 1, Kawasan Perindustrian IGB, 31200 Chemor, Perak.

The principal activity of the Company is investment holding. The details of the combining entities are as follows:

Combining Entities	Principal place of business/ country of incorporation	Principal activities
Kawan Renergy Berhad	Malaysia	Investment holding.
Kawan Engineering Sdn. Bhd.	Malaysia	Design, fabrication, installation and/or commissioning of industrial process equipment and process plants.
Kawan Green Energy Sdn. Bhd.	Malaysia	Design, fabrication, installation and/or commissioning of renewable energy and co-generation plants.
Magenko Renewables (Asia) Sdn. Bhd.	Malaysia	Dormant. Independent power producer ("IPP") involved in power generation and sale of electricity.
Magenko Renewables (Penang) Sdn. Bhd.	Malaysia	Dormant. IPP involved in power generation and sale of electricity.
Magenko Renewables (Ipoh) Sdn. Bhd.	Malaysia	IPP involved in power generation and sale of electricity.

Magenko Renewables (Asia) Sdn. Bhd. was the holding company of Magenko Renewables (Penang) Sdn. Bhd. and Magenko Renewables (Ipoh) Sdn. Bhd. (collectively referred to as "Magenko Group").

13. ACCOUNTANTS' REPORT (Cont'd)

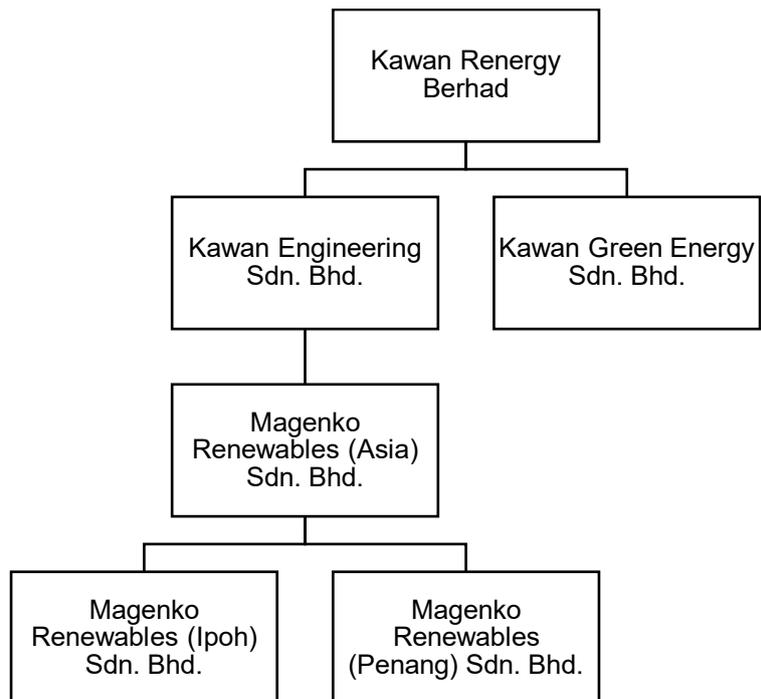
KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

The Initial Public Offering group structure is as illustrated below:



13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

There have been no significant changes in the nature of these principal activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 12 April 2024.

Acquisition of Magenko Group

On 1 August 2022, Kawan Engineering Sdn. Bhd. acquired 100% equity shares of Magenko Renewables (Asia) Sdn. Bhd., representing 50,000 ordinary shares for a total purchase consideration of RM50,000.

(i) Fair value of identifiable assets acquired and liabilities recognised:

	2022 RM'000
Total assets	3,590
Total liabilities	(2,034)
Total identifiable net assets acquired	1,556
Bargain purchase on acquisition of subsidiaries	(1,506)
	<u>50</u>

(ii) Effects of acquisition on cash flows:

	2022 RM'000
Fair value of consideration transferred	50
Less: Cash and cash equivalent of a subsidiary acquired	(640)
Net cash inflow from acquisition	<u>(590)</u>

(iii) Effects of acquisition in statements of comprehensive income

From the date of acquisition, the subsidiary's contributed revenue and loss net of tax are as follows:

	2022 RM'000
Revenue	41
Loss for the financial year	<u>(334)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION**

The combined financial statements of the Group (as defined herein) for the financial years ended ("FYE") 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023 have been prepared pursuant to the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control for each of the financial years.

Combining entities	Audited FYE 31 October			
	2020	2021	2022	2023
Kawan Renergy Berhad	@	@	√, ^	√, ^
Kawan Engineering Sdn. Bhd.	√, ^	√, ^	√, ^	√, ^
Kawan Green Energy Sdn. Bhd.	*	*	√, ^	√, ^
Magenko Renewables (Asia) Sdn. Bhd.	N/A	N/A	#, √	#, √
Magenko Renewables (Ipoh) Sdn. Bhd.	N/A	N/A	#, √	#, √
Magenko Renewables (Penang) Sdn. Bhd.	N/A	N/A	#, √	#, √

√ The combined financial statements of the Group include the financial statements of these combining entities for the respective financial years.

^ The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.

* No financial statements were available as Kawan Green Energy Sdn. Bhd. was incorporated on 15 April 2022.

Magenko Group of Companies was acquired on 1 August 2022, the consolidated financial statements have been prepared based on the audited financial statements which were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.

@ No financial statements were available as Kawan Renergy Berhad was incorporated on 26 October 2022.

N/A Not applicable as the acquisition took place on 1 August 2022.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)**

The audited financial statements of all the combining entities within the Group for the relevant years reported above were not subject to any modifications. The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory ("commonly controlled entities"). Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the commonly controlled entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of commonly controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the combined financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs").

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.2 Changes in accounting policies**

The Group has adopted MFRS 16 *Leases* which is effective for annual periods beginning on after 1 January 2019 and amendment to MFRS 16 *Leases* which is effective for annual periods beginning on or after 5 June 2020 or/and 6 April 2021.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease*.

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its combined statements of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the combined statements of financial position except for short-term and low value asset leases.

The Group has applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 November 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the combined financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the combined financial statements of the Group, except for those as discussed below.

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

KAWAN RENERGY BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Changes in accounting policies (continued)

(i) Classification and measurement

As a lessee, the Group previously classified leases as operating or finance leases based on their assessment of whether the lease transferred significantly all the risks and rewards incidental to ownership of the underlying asset to the Group.

On adoption of MFRS 16, for all their leases other than short-term and low value asset leases, the Group:

- recognised the right-of-use assets and lease liabilities in the combined statements of financial position as at the date of initial application;
- recognised depreciation of right-of-use assets and interest on lease liabilities in profit or loss for the current financial year; and
- separated the total amount of cash paid for leases into principal and interest portions (presented within financing activities) in the combined statements of cash flows for the current financial year.

For leases that were classified as operating lease under MFRS 117

The lease liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at the date of initial application.

The right-of-use assets were adjusted at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments. The Group applied this approach to all leases.

For leases that were classified as finance lease under MFRS 117

The Group recognised the carrying amount of the lease assets and finance lease liabilities under MFRS 117 immediately before transition as the carrying amount of the right-of-use assets and the lease liabilities at the date of initial application. The measurement requirements of MFRS 16 are applied after that date.

(ii) Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of buildings that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as office equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

- (a) The Group has not adopted the following new MFRS and amendments/ improvements to MFRSs that have been issued, but yet to be effective:

<u>New MFRS</u>	Effective for financial periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of MFRSs	1 January 2023 [#]
MFRS 3 Business Combinations	1 January 2023 [#]
MFRS 5 Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7 Financial Instruments: Disclosures	1 January 2023 [#] / 1 January 2024
MFRS 9 Financial Instruments	1 January 2023 [#]
MFRS 10 Consolidated Financial Statements	Deferred
MFRS 15 Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16 Leases	1 January 2024
MFRS 17 Insurance Contracts	1 January 2023
MFRS 101 Presentation of Financial Statements	1 January 2023/ 1 January 2023 [#] / 1 January 2024

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (a) The Group has not adopted the following new MFRS and amendments/ improvements to MFRSs that have been issued, but yet to be effective: (continued)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs (continued)</u>		
MFRS 107	Statements of Cash Flows	1 January 2023#/ 1 January 2024
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 121	The Effects of Changes in Foreign Exchange Rate	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

In another amendments, an entity is required to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****2. BASIS OF PREPARATION (CONTINUED)****2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)**

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 101 Presentation of Financial Statements (continued)

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

In another amendments, it gives entities temporary relief from recognising and disclosing accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's ("OECD") international tax reform; and introduces targeted disclosure requirements to help investors better understand an entity's exposure to income taxes arising from the reform, particularly before legislation implementing the rules is in effect.

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

KAWAN RENERGY BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

- (b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 112 Income Taxes (continued)

Applying the temporary relief, entities neither recognise nor disclose information about deferred tax assets and liabilities related to Pillar Two income taxes. The relief will help to ensure consistency in the financial statements while easing into the implementation of the rules by allowing time for entities to assess how they are affected.

Amendments to MFRS 107 Statement of Cash Flows and MFRS 7 Financial Instruments: Disclosures

Amendments to MFRS 107 and MFRS 7 respond to investors' concerns that some supplier finance arrangements – also referred to as supply chain finance, trade payables finance or reverse factoring arrangements – used by entities are not sufficiently visible, hindering investors' analysis.

The disclosure requirements require entities to disclose information that would enable users of financial statements to assess how supplier finance arrangements affect an entity's operations; including the effects supplier finance arrangements have on an entity's liability, cash flows and exposures to liquidity risk. The new disclosure requirements would also inform users of financial statements on how an entity might be affected if the arrangements were no longer available to it.

Amendments to MFRS 121 The Effects of Changes in Foreign Exchange Rates

Amendments to MFRS 121 respond to stakeholder feedback and concerns about diversity in practice in accounting for a lack of exchangeability between currencies.

Applying the Amendments, entities will be applying a consistent approach in determining if a currency can be exchanged into another currency. These amendments provide guidance on the spot exchange rate to use when a currency is not exchangeable into another currency and the disclosures entities need to provide to enable users of financial statements to understand the impact on the entities' financial performance, financial position and cash flows as a result of a currency being not exchangeable into another currency.

- (c) The initial application of the above applicable new MFRS and amendments/improvements to MFRSs are not expected to have any material impact on the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**2. BASIS OF PREPARATION (CONTINUED)****2.4 Functional and presentation currency**

The combined financial statements of the Group are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, unless otherwise stated.

2.5 Basis of measurement

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the combined financial statements of the Group.

3.1 Basis of combination

The combined financial statements comprise the financial statements of the Company, Kawan Engineering Sdn.Bhd., Kawan Green Energy Sdn.Bhd., Magenko Renewables (Asia) Sdn. Bhd., Magenko Renewables (Penang) Sdn. Bhd. and Magenko Renewables (Ipoh) Sdn. Bhd.. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has rights, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the financial statements from the date of the Group obtains control of the acquirees until the date the Group loss control of the acquirees.

The Group applies the acquisition method of accounting except for those business combinations which were accounted for using merger method of accounting. Three subsidiaries (i.e. Magenko Renewables (Asia) Sdn. Bhd., Magenko Renewables (Penang) Sdn. Bhd. and Magenko Renewables (Ipoh) Sdn. Bhd.) are consolidated using acquisition method of accounting, the rest of the operating entities are accounted for using the merger method of accounting.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of combination (continued)**

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Combining entities acquired which have met the criteria for pooling of interest are accounted for using merger accounting policies. Under the merger method of accounting, the results of combining entities are presented as if the business combination had been affected throughout the current and previous financial years.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between the costs of acquisition over the nominal value of share capital of the combining entities is taken to reorganisation reserve or merger deficit.

(a) Subsidiaries and business combination

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings, and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

For a new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date (the choice of measurement basis is made on an acquisition-by acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.1 Basis of combination (continued)****(a) Subsidiaries and business combination (continued)**

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any gain or loss arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an associate, a joint venture or a financial asset.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.

(b) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.2 Foreign currency transactions****Translation of foreign currency transactions**

Foreign currency transactions are translated to the functional currency of the Group using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.3 Financial instruments

Financial instruments are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)**

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

- **FVOCI**

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

- **FVPL**

Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(a) Subsequent measurement (continued)**

The Group categorises the financial instruments as follows: (continued)

(ii) Financial liabilities (continued)Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liabilities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 *Financial Instruments* and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of *MFRS 15 Revenue from Contracts with Customers*.

(c) Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:

- (i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- (ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.3 Financial instruments (continued)****(d) Derecognition**

A financial asset or a part of it is derecognised when, and only when:

- (i) the contractual rights to receive cash flows from the financial asset expire; or
- (ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.4 Property, plant and equipment****(a) Recognition and measurement**

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Buildings	33
Plant and machinery	7 – 10
Motor vehicles	5
Furniture and fittings	10
Office equipment	5 – 10
Computers and software	2.5 – 5
Renovation	10
Right-of-use assets	2 – 99

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

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.4 Property, plant and equipment (continued)****(d) Derecognition**

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

3.5 Leases**(a) Definition of lease**

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

(b) Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)****(b) Lessee accounting (continued)**Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.5 Leases (continued)****(b) Lessee accounting (continued)**Lease liability (continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "other operating expenses" in the combined statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- raw materials: purchase costs on a first-in first-out basis.
- work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(a).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.8 Cash and cash equivalents**

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash and bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.9 Impairment of assets**(a) Impairment of financial assets and contract assets**

Financial assets measured at amortised cost, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than the credit term.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.9 Impairment of assets (continued)****(a) Impairment of financial assets and contract assets (continued)**

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than the credit term unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.9 Impairment of assets (continued)****(a) Impairment of financial assets and contract assets (continued)**

Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories and contract assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the assets' recoverable amount.

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 non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. 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 CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.9 Impairment of assets (continued)****(b) Impairment of non-financial assets (continued)**

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.10 Share capital/Invested equity

An equity instrument is a contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits**(a) Short-term employee benefits**

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.12 Provisions**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of the money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

3.13 Revenue and other income

The Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group reasonably expects that the effects on the combined financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

The Group measures revenue at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the adjusted market assessment approach.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.13 Revenue and other income (continued)**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expects that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Design, fabrication, installation and/or commissioning solutions

Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. The progress towards complete satisfaction of a performance obligation is determined by the proportion of construction costs incurred for work performed to date bear to the estimated total construction costs (an input method).

Sales are made with credit term, which is consistent with market practice, therefore, no element of financing is deemed present. The Group become entitled to invoice customers based on achieving a series of performance-related milestones.

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognise a contract liability for the difference.

(b) Power generation and sale of electricity

Revenue from a contract to provide services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method).

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.13 Revenue and other income (continued)****(c) Interest income**

Interest income is recognised using the effective interest method.

3.14 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

The benefit derived from a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

3.15 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.16 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been 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)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.16 Income tax (continued)****(b) Deferred tax**

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the combined statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries, branches, associates and interests in joint ventures, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.16 Income tax (continued)****(c) Sales and services tax**

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statements of financial position.

3.17 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.18 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The managing director of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3.19 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****3.19 Fair value measurements (continued)**

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- 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: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group'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 that have the most significant effect on the Group's combined financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's combined financial statements within the next financial year are disclosed as follows:

(a) Construction revenue

The Group recognised construction revenue in profit or loss by using the progress towards complete satisfaction of performance obligation. The stage of completion is determined by the proportion that construction costs incurred for work performed to date bear to the estimated total construction costs.

Significant judgment is required in determining the progress towards complete satisfaction of performance obligation, the extent of construction costs incurred, the estimated total construction revenue and expenses, as well as the recoverability of the construction projects. In making the judgment, the Group evaluates based on past experience and by relying on the work of specialists.

The carrying amounts of the contract assets and contract liabilities are disclosed in Note 8.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

(b) Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit losses for trade receivable and contract assets. The provision rate depends on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group 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, forward-looking estimate and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and forecast of economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of the economic conditions may also not be representative of customer's actual default in the future.

The information about the expected credit losses on the Group's financial assets and contract assets are disclosed in Note 25(b)(i).

13. ACCOUNTANTS' REPORT (Cont'd)
KAWAN REENERGY BERHAD

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
5. PROPERTY, PLANT AND EQUIPMENT

	Note	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers and software RM'000	Right-of-use assets RM'000	Total RM'000
Cost										
At 1 November 2019		1,931	4,665	8,291	1,539	942	212	413	-	17,993
Adoption of MFRS 16		(1,931)	-	-	-	-	-	-	1,931	-
At 1 November 2019		-	4,665	8,291	1,539	942	212	413	1,931	17,993
Additions		-	-	519	116	-	5	126	48	814
Disposals		-	-	-	(42)	-	-	-	-	(42)
Written off		-	-	-	(168)	-	-	-	-	(168)
At 31 October 2020		-	4,665	8,810	1,445	942	217	539	1,979	18,597
Accumulated depreciation										
At 1 November 2019		303	1,333	6,370	1,084	616	148	352	-	10,206
Adoption of MFRS 16		(303)	-	-	-	-	-	-	303	-
At 1 November 2019		-	1,333	6,370	1,084	616	148	352	303	10,206
Depreciation charge for the financial year	20	-	140	635	182	62	12	91	49	1,171
Disposals		-	-	-	(34)	-	-	-	-	(34)
Written off		-	-	-	(168)	-	-	-	-	(168)
At 31 October 2020		-	1,473	7,005	1,064	678	160	443	352	11,175

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold land RM'000	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers and software RM'000	Right-of-use assets RM'000	Total RM'000
Carrying amount									
At 1 November 2019	-	3,332	1,921	455	326	64	61	1,628	7,787
At 31 October 2020	-	3,192	1,805	381	264	57	96	1,627	7,422

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENEGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers and software RM'000	Right-of-use assets RM'000	Total RM'000
Cost									
At 1 November 2020		4,665	8,810	1,445	942	217	539	1,979	18,597
Additions		1,427	732	515	90	12	20	-	2,796
Disposals		-	(35)	(171)	-	-	-	-	(206)
Derecognition		-	-	-	-	-	-	(47)	(47)
At 31 October 2021		6,092	9,507	1,789	1,032	229	559	1,932	21,140
Accumulated depreciation									
At 1 November 2020		1,473	7,005	1,064	678	160	443	352	11,175
Depreciation charge for the financial year	20	150	639	222	69	12	69	47	1,208
Disposals		-	(35)	(143)	-	-	-	-	(178)
Derecognition		-	-	-	-	-	-	(47)	(47)
At 31 October 2021		1,623	7,609	1,143	747	172	512	352	12,158
Carrying amount									
At 1 November 2020		3,192	1,805	381	264	57	96	1,627	7,422
At 31 October 2021		4,469	1,898	646	285	57	47	1,580	8,982

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN REENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers and software RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Cost										
At 1 November 2021		6,092	9,507	1,789	1,032	229	559	-	1,932	21,140
Acquisition of subsidiaries		-	8,880	-	-	11	4	41	253	9,189
Additions		5,609	2,182	455	513	132	41	-	2,832	11,764
Written off		-	-	-	-	-	(3)	-	-	(3)
At 31 October 2022		11,701	20,569	2,244	1,545	372	601	41	5,017	42,090
Accumulated depreciation										
At 1 November 2021		1,623	7,609	1,143	747	172	512	-	352	12,158
Acquisition of subsidiaries		-	6,135	-	-	11	4	2	141	6,293
Depreciation charge for the financial year	20	239	1,004	332	93	19	49	1	71	1,808
Written off		-	-	-	-	-	(3)	-	-	(3)
At 31 October 2022		1,862	14,748	1,475	840	202	562	3	564	20,256
Carrying amount										
At 1 November 2021		4,469	1,898	646	285	57	47	-	1,580	8,982
At 31 October 2022		9,839	5,821	769	705	170	39	38	4,453	21,834

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Note	Buildings RM'000	Plant and machinery RM'000	Motor vehicles RM'000	Furniture and fittings RM'000	Office equipment RM'000	Computers and software RM'000	Renovation RM'000	Right-of-use assets RM'000	Total RM'000
Cost										
At 1 November 2022		11,701	20,569	2,244	1,545	372	601	41	5,017	42,090
Additions		838	1,607	865	126	31	620	-	129	4,216
Disposals		(730)	-	(293)	(2)	-	-	-	-	(1,025)
Termination		-	-	-	-	-	-	-	(132)	(132)
At 31 October 2023		11,809	22,176	2,816	1,669	403	1,221	41	5,014	45,149
Accumulated depreciation										
At 1 November 2022		1,862	14,748	1,475	840	202	562	3	564	20,256
Depreciation charge for the financial year	20	343	1,916	308	103	25	85	4	130	2,914
Disposals		(28)	-	(293)	-	-	-	-	-	(321)
Termination		-	-	-	-	-	-	-	(44)	(44)
At 31 October 2023		2,177	16,664	1,490	943	227	647	7	650	22,805
Carrying amount										
At 1 November 2022		9,839	5,821	769	705	170	39	38	4,453	21,834
At 31 October 2023		9,632	5,512	1,326	726	176	574	34	4,364	22,344

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)****(a) Assets pledged as security**

Leasehold land and buildings with a carrying amount of RM13,177,790 (2022: RM12,724,925; 2021: RM4,677,193 and 2020: RM4,796,039) has been pledged as security to secure term loans of the Group as disclosed in Note 12(b).

Leased assets are pledged as security for the related lease liabilities as disclosed in Note 12(a).

(b) Right-of-use assets

The Group leases buildings for their office space and worker hostel. The leases for office space and worker hostel generally have lease term between two (2) to three (3) years included option to renew and has included the potential future cash flows of exercising the extension options in the lease liabilities.

Information about the leases for which the Group is a lessee are presented below:

	Leasehold land RM'000	Building RM'000	Total RM'000
Carrying amount			
At 1 November 2019	1,628	-	1,628
Additions	-	48	48
Depreciation charge for the financial year	(25)	(24)	(49)
At 31 October 2020	1,603	24	1,627
Depreciation charge for the financial year	(25)	(22)	(47)
At 31 October 2021	1,578	2	1,580
Acquisition of subsidiaries	112	-	112
Additions	2,700	132	2,832
Depreciation charge for the financial year	(45)	(26)	(71)
At 31 October 2022	4,345	108	4,453
Additions	-	129	129
Depreciation charge for the financial year	(78)	(52)	(130)
Termination	-	(88)	(88)
At 31 October 2023	4,267	97	4,364

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****6. INVENTORIES**

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
At lower of cost and net realisable value:				
Raw materials	2,615	2,311	2,338	2,338
Work in progress	-	-	-	113
	2,615	2,311	2,338	2,451

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM34,776,567 (2022: RM76,032,096; 2021: RM29,269,346 and 2020: RM21,009,020).

7. TRADE AND OTHER RECEIVABLES

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Trade					
Trade receivables	(a)	15,746	15,818	42,481	20,621
Less: Impairment losses for trade receivables		(181)	(205)	(2,653)	(151)
		15,565	15,613	39,828	20,470
Non-trade					
Other receivables		456	134	174	767
Deposits		215	181	360	302
Prepayments	(b)	1,245	1,067	3,362	1,266
		1,916	1,382	3,896	2,335
Total trade and other receivables		17,481	16,995	43,724	22,805

(a) Trade receivables

Trade receivables are non-interest bearing and normal credit term offered by the Group ranges from 7 to 120 days (2022, 2021 and 2020: 30 to 120 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. TRADE RECEIVABLES AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables (continued)

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of the movement in the impairment of trade receivables is as follow:

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
At 1 November		-	181	205	2,653
Charge for the financial year					
- Individually assessed	18	181	11	2,327	-
- Collectively assessed		-	157	121	-
Reversal of impairment losses		-	-	-	(127)
Written off		-	(144)	-	(2,375)
At 31 October		<u>181</u>	<u>205</u>	<u>2,653</u>	<u>151</u>

The information about the credit exposures are disclosed in Note 25(b)(i).

(b) Prepayment

Being advance payment for the purchase of raw materials.

8. CONTRACT ASSETS/(LIABILITIES)

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Contract assets relating to construction service contracts	3,741	6,544	12,567	15,447
Contract liabilities relating to construction service contracts	(8,284)	(9,856)	(15,276)	(28,898)

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENEGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(a) Significant changes in contract balances

	← Audited as at 31 October →							
	2020		2021		2022		2023	
	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000						
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	1,617	-	7,799	-	9,414	-	13,825
Increase due to billing issued to customers, but revenue not recognised	-	(8,170)	-	(9,324)	-	(14,834)	-	(27,245)
Increase as as result of changes in the measure of progress	(194)	44	(1)	(47)	(175)	*	(190)	(202)
Increase due to revenue recognised for unbilled goods or services transferred to customers	2,948	-	6,211	-	12,138	-	14,874	-
Transfer from contract assets recognised at the beginning of the period to receivables	(4,325)	-	(3,407)	-	(5,940)	-	(11,804)	-

* Less than RM1,000

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

8. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

(b) Revenue recognised in relation to contract balances

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year	1,617	7,799	9,414	13,825

9. CASH AND SHORT-TERM DEPOSITS

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Cash and bank balances	8,059	7,120	14,101	13,584
Short-term deposits	15,308	22,866	27,230	31,162
	<u>23,367</u>	<u>29,986</u>	<u>41,331</u>	<u>44,746</u>

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise of the following:

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Short-term deposits	15,308	22,866	27,230	31,162
Less: Pledged deposits	(1,479)	(1,523)	(1,550)	(5,598)
	<u>13,829</u>	<u>21,343</u>	<u>25,680</u>	<u>25,564</u>
Cash and bank balances	8,059	7,120	14,101	13,584
	<u>21,888</u>	<u>28,463</u>	<u>39,781</u>	<u>39,148</u>

Included in the deposits placed with licensed banks of the Group RM5,598,338 (2022: RM1,550,148; 2021: RM1,523,487 and 2020: RM1,478,995) is pledged with licensed bank for bank facilities as disclosed in Note 12.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****10. SHARE CAPITAL/INVESTED EQUITY**

	Number of ordinary shares				Amount			
	2020 Unit	2021 Unit	2022 Unit	2023 Unit	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Issued and fully paid-up: (no par value)								
At 1 November	6,500	6,500	10,000	10,200	6,500	6,500	10,000	10,200
Issued during the financial year	-	3,500	200	-	-	3,500	200	-
At 31 October	6,500	10,000	10,200	10,200	6,500	10,000	10,200	10,200

For the purpose of this report, the total number of shares as at 31 October 2023 and 31 October 2022 represent the aggregate number of issued shares of Kawan Engineering Sdn. Bhd., Kawan Green Energy Sdn. Bhd. and Kawan Renergy Berhad.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All ordinary shares rank equally with regard to the Group's residual assets.

On 15 March 2021, the Company increased its number of ordinary shares from 6,500,000 to 10,000,000 by way of bonus issue of seven (7) ordinary shares for every thirteen (13) existing ordinary shares ("Bonus Issue"). The Bonus Issue was issued as fully paid, at NIL consideration by way of capitalisation of the Company's reserves.

On 15 April 2022, the Company issued 200,000 new ordinary shares at a price of RM1 per ordinary share as subscriber share.

The Group did not issue any debentures during the years.

11. MERGER DEFICIT

The merger deficit arose from the differences between the carrying value of the investment and the nominal value of the share of the subsidiary upon consolidation under the merger accounting principles.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**12. LOANS AND BORROWINGS**

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Non-current:					
Lease liabilities	(a)	34	220	935	807
Term loans	(b)	-	456	6,332	5,517
		34	676	7,267	6,324
Current:					
Lease liabilities	(a)	228	101	497	633
Term loans	(b)	-	96	817	828
Bankers' acceptances	(c)	2,290	2,790	4,200	2,950
		2,518	2,987	5,514	4,411
Total loans and borrowings					
Lease liabilities	(a)	262	321	1,432	1,440
Term loans	(b)	-	552	7,149	6,345
Bankers' acceptances	(c)	2,290	2,790	4,200	2,950
		2,552	3,663	12,781	10,735

(a) Lease liabilities

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Minimum lease payments:				
Not later than one year	229	108	555	688
Later than one year and not later than five years	35	243	988	846
	264	351	1,543	1,534
Less: Future finance charges	(2)	(30)	(111)	(94)
Present value of minimum lease payments	262	321	1,432	1,440

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**12. LOANS AND BORROWINGS (CONTINUED)****(a) Lease liabilities (continued)**

Future minimum lease payments together with the present value of net minimum lease payments are as follows: (continued)

	← Audited as at 31 October →			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Present value of minimum lease payments payable:				
Not later than one year	228	101	497	633
Later than one year and not later than five years	34	220	935	807
	262	321	1,432	1,440
Less: Amount due within twelve months	(228)	(101)	(497)	(633)
Amount due after twelve months	34	220	935	807

(b) Term loans

Term loan 1 of the Group of RM339,778 (2022: RM448,076; 2021: RM552,635 and 2020: RMNil) bears interest at 3.50% (2022: 3.50%; 2021: 3.50% and 2020: Nil%) per annum and is repayable by monthly instalments over 60 months commencing from the day of first drawdown and is secured and supported as follows:

- (i) Secure against individual guarantee by a director of the Group; and
- (ii) Secure against government guarantee provided by Syarikat Jaminan Pembiayaan Perniagaan Berhad ("SJPP").

Term loan 2 of the Group of RM6,005,421 (2022: RM6,701,607; 2021 and 2020: RMNil) bears interest at 4.25% (2022: 3.75%; 2021 and 2020: Nil%) per annum and is repayable by monthly instalments over 96 months commencing from the day of first drawdown and is secured and supported as follows:

- (i) Legal charge over leasehold land and buildings of the Group as disclosed in Note 5; and
- (ii) Secure against individual guarantee by a director of the Group.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**12. LOANS AND BORROWINGS (CONTINUED)****(c) Bankers' acceptances**

Bankers' acceptances bear interest from 4.54% to 4.63% (2022: 3.60% to 4.08%; 2021: 3.00% and 2020: 3.15%) per annum and is secured and supported as follows:

- (i) Legal charge over the leasehold land and building of the Group as disclosed in Note 5;
- (ii) Legal charge over fixed deposits together with all interest as disclosed in Note 9; and
- (iii) Joint and several guarantee by a director of the Group.

13. DEFERRED INCOME

	Audited as at 31 October 2023 RM'000
Non-current	
Government grants:	
At 1 November	-
Received during the financial year	78
Released to profit or loss	(3)
Less: Amount to be released within twelve months	(8)
At 31 October	<u>67</u>
Current	
Government grants	<u>8</u>
At 31 October (current and non-current)	<u>75</u>

Government grants relates to assets

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. DEFERRED TAX LIABILITIES

Deferred tax relates to the following:

	As at 1 November 2019 RM'000	Recognised in profit or loss (Note 22) RM'000	As at 31 October 2020 RM'000
Deferred tax liabilities:			
Property, plant and equipment	423	(193)	230
	<u>423</u>	<u>(193)</u>	<u>230</u>
	As at 1 November 2020 RM'000	Recognised in profit or loss (Note 22) RM'000	As at 31 October 2021 RM'000
Deferred tax liabilities:			
Property, plant and equipment	230	46	276
	<u>230</u>	<u>46</u>	<u>276</u>
	As at 1 November 2021 RM'000	Recognised in profit or loss (Note 22) RM'000	As at 31 October 2022 RM'000
Deferred tax liabilities:			
Property, plant and equipment	276	413	689
	<u>276</u>	<u>413</u>	<u>689</u>
Deferred tax assets:			
Impairment loss for trade receivable	-	(637)	(637)
	<u>-</u>	<u>(637)</u>	<u>(637)</u>
	276	(224)	52
	<u>276</u>	<u>(224)</u>	<u>52</u>
	As at 1 November 2022 RM'000	Recognised in profit or loss (Note 22) RM'000	As at 31 October 2023 RM'000
Deferred tax liabilities:			
Property, plant and equipment	689	25	714
Unrealised foreign exchange	-	426	426
	<u>689</u>	<u>451</u>	<u>1,140</u>
Deferred tax assets:			
Impairment loss for trade receivable	(637)	600	(37)
	<u>(637)</u>	<u>600</u>	<u>(37)</u>
	52	1,051	1,103
	<u>52</u>	<u>1,051</u>	<u>1,103</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**14. DEFERRED TAX LIABILITIES (CONTINUED)**Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Audited as at 31 October	
	2022	2023
	RM'000	RM'000
Temporary difference arising from:		
Property, plant and equipment	(3,822)	(2,780)
Unused tax losses	1,342	1,500
Unabsorbed capital allowance	7,800	7,806
	5,320	6,526

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries are subject to requirements under Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendment to Section 44(5F) of Income Tax Act 1967, the time limit on the carried forward unused tax losses has been extended to maximum 10 consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unused tax losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessments 2019 to 2028).

The unused tax losses are available indefinitely for offset against future taxable profits of the Group except for certain unused tax losses which are available for utilisation up to the following financial year:

	Audited as at 31 October	
	2022	2023
	RM'000	RM'000
2028	1,047	1,047
2031	161	161
2032	134	134
2033	-	158
	1,342	1,500

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**15. TRADE AND OTHER PAYABLES**

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Trade					
Trade payables	(a)	5,691	7,804	36,606	10,282
Retention sum		413	78	77	260
		6,104	7,882	36,683	10,542
Non-trade					
Other payables		257	384	407	452
Accruals		811	573	1,052	979
Amount owing to a shareholder	(b)	9	-	-	550
Amount owing to a director	(b)	-	-	18	1
Dividend payables		1,500	3,000	8,000	-
		2,577	3,957	9,477	1,982
Total trade and other payables		8,681	11,839	46,160	12,524

(a) Trade payables

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 7 to 90 days (2022, 2021 and 2020: 7 to 90 days).

(b) Amount owing to a shareholder and a director

Amount owing to a shareholder and a director are unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

For explanations on the Group's liquidity risk management processes, refer to Note 25(b)(ii).

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**16. REVENUE**

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Design, fabrication, installation and/or commissioning solutions	48,823	64,041	139,143	98,197
Power generation and sales of electricity	-	-	41	182
	<u>48,823</u>	<u>64,041</u>	<u>139,184</u>	<u>98,379</u>
Timing of revenue recognition:				
Over time	<u>48,823</u>	<u>64,041</u>	<u>139,184</u>	<u>98,379</u>

17. OTHER INCOME

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Insurance claimed	-	-	-	5
Net realised foreign exchange gain	45	-	22	-
Net unrealised foreign exchange gain	69	220	918	1,774
Reversal of impairment losses on trade receivables	-	-	-	127
Gain on disposal of property, plant and equipment	7	34	-	135
Gain on lease termination	-	-	-	1
Bad debt recovered	-	430	-	-
Rental concession	2	-	-	-
Bargain purchase on acquisition of subsidiaries	-	-	1,506	-
Waiver of debt	-	-	50	-
Amortisation of government grant income	-	-	-	3
Miscellaneous	48	53	67	70
	<u>171</u>	<u>737</u>	<u>2,563</u>	<u>2,115</u>

13. ACCOUNTANTS' REPORT (Cont'd)
KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
18. FINANCE INCOME

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Interest income	321	364	568	777

19. FINANCE COSTS

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Bankers' acceptances	91	64	111	92
Lease liabilities	32	7	22	83
Term loans	-	13	89	275
	123	84	222	450

20. PROFIT BEFORE TAX

Other than disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

	Note	← Audited as at 31 October →			
		2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Auditors' remuneration:					
- Current year		34	34	66	66
Bad debts written off		-	-	*	350
Depreciation of property, plant and equipment	5	1,171	1,208	1,808	2,914
Employee benefits expenses	21	5,246	6,060	8,262	10,911
Impairment losses on trade receivables	7	181	168	2,448	-
Net realised foreign exchange loss		-	57	-	1,435
Incorporation fees		-	-	2	-
Property, plant and equipment written off		*	-	*	-

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**20. PROFIT BEFORE TAX (CONTINUED)**

Other than disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax: (continued)

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Expenses relating to short-term lease:				
- Premises	21	14	147	144
Expenses relating to lease of low value assets:				
- Office equipment	13	10	13	19
Expenses relating to variable lease payment:				
- Office equipment	-	13	36	23
- Motor vehicles	4	-	3	2
- Premises	25	17	-	-
- Tools and machinery	74	95	123	167

* Less than RM1,000

21. EMPLOYEE BENEFITS EXPENSES

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Salaries, bonuses and allowances	4,667	5,306	7,357	9,761
Defined contribution plans	421	552	632	852
Other staff related expenses	158	202	273	298
	5,246	6,060	8,262	10,911
Included in employee benefits expenses are directors' remuneration:				
Fees	-	-	-	12
Salaries, bonuses and allowances	236	221	230	243
Defined contribution plans	26	29	27	30
Other staff related expenses	1	1	1	1
	263	251	258	286

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENEGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Combined statements of comprehensive income				
Current income tax:				
- Current income tax charge	1,446	2,008	4,383	4,717
- Adjustment in respect of prior years	(5)	*	182	(150)
	1,441	2,008	4,565	4,567
Deferred tax (Note 14):				
- Origination of temporary differences	(27)	80	(271)	947
- Adjustment in respect of prior years	(166)	(34)	47	104
	(193)	46	(224)	1,051
Income tax expense recognised in profit or loss	1,248	2,054	4,341	5,618

* Less than RM1,000

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2022, 2021 and 2020: 24%) of the estimated assessable profit for the financial year.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**22. INCOME TAX EXPENSE (CONTINUED)**

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	Audited as at 31 October			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Profit before tax	5,673	8,937	18,569	18,920
Tax at Malaysian statutory income tax rate of 24%	1,362	2,145	4,457	4,541
Adjustments:				
Income not subject to tax	(16)	(156)	(595)	(21)
Non-deductible expenses	73	99	173	855
Deferred tax assets not recognised	-	-	77	289
Adjustment in respect of current income tax of prior years	(5)		182	(150)
Adjustment in respect of deferred tax of prior years	(166)	(34)	47	104
Income tax expense	1,248	2,054	4,341	5,618

* Less than RM1,000

23. EARNINGS PER SHARE**Basic earnings per ordinary share and diluted earnings per ordinary share**

Basic earnings per ordinary share are based on the profit for the financial years attributable to owner of the Group and the weighted average number of ordinary shares outstanding during the financial years.

Diluted earnings per ordinary share are based on the profit for the financial year attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial years plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. EARNINGS PER SHARE (CONTINUED)

Basic earnings per ordinary share and diluted earnings per ordinary share (continued)

The basic and diluted earnings per ordinary share are computed as follow:

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Profit attributable to owners of the Group	4,425	6,883	14,228	13,302
Weighted average number of ordinary shares for basic and diluted earnings per shares [^]	6,500	8,705	10,109	10,200
Basic and diluted earnings per share (RM)	0.68	0.79	1.41	1.30

[^] For the purpose of calculating the earnings per ordinary share for the financial years ended 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023, the weighted average number of ordinary shares is the aggregate share capital of the combining entities constituting the Group.

24. DIVIDENDS

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Recognised during the financial year:				
Dividends on ordinary shares:				
- Single-tier final dividend for the financial year ended 31 October 2020: 23.08 sen per ordinary share, paid on 5 February 2021	1,500	-	-	-
- Single-tier interim dividend for the financial year ended 31 October 2021: 30.00 sen per ordinary share, paid on 27 January 2022	-	3,000	-	-

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**24. DIVIDENDS (CONTINUED)**

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Recognised during the financial year: (continued)				
- Single-tier interim dividend for the financial year ended 31 October 2022: 80.00 sen per ordinary share, paid on 18 January 2023	-	-	8,000	-
- Single-tier interim dividend for the financial year ended 31 October 2023: 50.00 sen per ordinary share, paid on 28 August 2023	-	-	-	5,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000</u>

25. FINANCIAL INSTRUMENTS**(a) Categories of financial instruments**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned at amortised cost:

	Carrying amount RM	Amortised cost RM
At 31 October 2020		
Financial assets		
Trade and other receivables, less prepayments	16,236	16,236
Cash and short-term deposits	23,367	23,367
	<u>39,603</u>	<u>39,603</u>
Financial liabilities		
Loans and borrowings	(2,552)	(2,552)
Trade and other payables	(8,681)	(8,681)
	<u>(11,233)</u>	<u>(11,233)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**25. FINANCIAL INSTRUMENTS (CONTINUED)****(a) Categories of financial instruments (continued)**

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned at amortised cost: (continued)

	Carrying amount RM	Amortised cost RM
At 31 October 2021		
Financial assets		
Trade and other receivables, less prepayments	15,928	15,928
Cash and short-term deposits	29,986	29,986
	<u>45,914</u>	<u>45,914</u>
Financial liabilities		
Loans and borrowings	3,663	3,663
Trade and other payables	11,839	11,839
	<u>15,502</u>	<u>15,502</u>
At 31 October 2022		
Financial assets		
Trade and other receivables, less prepayments	40,362	40,362
Cash and short-term deposits	41,331	41,331
	<u>81,693</u>	<u>81,693</u>
Financial liabilities		
Loans and borrowings	(12,781)	(12,781)
Trade and other payables	(46,160)	(46,160)
	<u>(58,941)</u>	<u>(58,941)</u>
At 31 October 2023		
Financial assets		
Trade and other receivables, less prepayments	21,539	21,539
Cash and short-term deposits	44,746	44,746
	<u>66,285</u>	<u>66,285</u>
Financial liabilities		
Loans and borrowings	(10,735)	(10,735)
Trade and other payables	(12,524)	(12,524)
	<u>(23,259)</u>	<u>(23,259)</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management**

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, foreign currency risk and interest rate risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by their carrying amounts in the combined statements of financial position.

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The Group determine the credit risk concentration of its trade receivables on an ongoing basis. At the end of the reporting period, the Group has a significant concentration of credit risk in the form of three (3) (2022: five (5); 2021: two (2) and 2020: five (5)) trade receivable, representing approximately 45.3% (2022: 82.6%; 2021: 35.1% and 2020: 54.0%) of the Group's trade receivables.

The Group applies the simplified approach to provide for impairment losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the impairment losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix are as follows:

	Contract assets RM'000	Trade receivables						Total RM'000
		Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
At 31 October 2020								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	7%	7%
Gross carrying amount at default	3,741	2,893	3,321	3,176	3,576	164	2,616	15,746
Impairment losses	-	-	-	-	-	-	(181)	(181)
Net balance	3,741	2,893	3,321	3,176	3,576	164	2,435	15,565

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix are as follows:
(continued)

	Contract assets RM'000	Trade receivables						Total RM'000
		Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
At 31 October 2021								
Expected credit loss rate	0%	1%	2%	0%	3%	1%	1%	8%
Gross carrying amount at default	6,544	3,770	3,078	2,238	331	373	6,028	15,818
Impairment losses	-	(48)	(52)	(5)	(11)	(2)	(87)	(205)
Net balance	6,544	3,722	3,026	2,233	320	371	5,941	15,613

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix are as follows:
(continued)

	Contract assets RM'000	Trade receivables						Total RM'000
		Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
At 31 October 2022								
Expected credit loss rate	0%	5%	3%	3%	0%	0%	47%	58%
Gross carrying amount at default	12,567	3,237	1,089	740	29,624	2,595	5,196	42,481
Impairment losses	-	(155)	(37)	(23)	(2)	(5)	(2,431)	(2,653)
Net balance	12,567	3,082	1,052	717	29,622	2,590	2,765	39,828

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix are as follows:
(continued)

	Contract assets RM'000	Trade receivables						Total RM'000
		Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	> 120 days past due RM'000	
At 31 October 2023								
Expected credit loss rate	0%	1%	0%	1%	2%	4%	4%	11%
Gross carrying amount at default	15,447	3,376	13,540	609	322	120	2,654	20,621
Impairment losses	-	(23)	(15)	(4)	(5)	(5)	(99)	(151)
Net balance	15,447	3,353	13,525	605	317	115	2,555	20,470

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(i) Credit risk (continued)****Other receivables and other financial assets**

For other receivables and other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than the credit term in making a contractual payment.

As at the end of the reporting date, the Group considers the other receivables and other financial assets as low credit risk and any loss allowance would be negligible. Refer to Note 3.9(a) for the Group's other accounting policies for impairment of financial assets.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk**

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arise principally from trade and other payables and loans and borrowings.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by facilities. The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group's finance department also ensures that there are sufficient unutilised stand-by facilities, funding and liquid assets available to meet both short-term and long-term funding requirements.

Maturity analysis

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

	Carrying amount RM	Contractual cash flows			Total RM
		On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	
At 31 October 2020					
Trade and other payables	8,681	8,681	-	-	8,681
Lease liabilities	262	229	35	-	264
Bankers' acceptances	2,290	2,290	-	-	2,290
	11,233	11,200	35	-	11,235
At 31 October 2021					
Trade and other payables	11,839	11,839	-	-	11,839
Lease liabilities	321	108	243	-	351
Term loans	552	122	489	10	621
Bankers' acceptances	2,790	2,790	-	-	2,790
	15,502	14,859	732	10	15,601

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(ii) Liquidity risk (continued)**Maturity analysis (continued)

The maturity analysis of the Group's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows: (continued)

	Carrying amount RM	Contractual cash flows			Total RM
		On demand or within 1 year RM	Between 1 and 5 years RM	More than 5 years RM	
At 31 October 2022					
Trade and other payables	46,160	46,160	-	-	46,160
Lease liabilities	1,432	555	988	-	1,543
Term loans	7,149	1,079	4,205	3,004	8,288
Bankers' acceptances	4,200	4,200	-	-	4,200
	58,941	51,994	5,193	3,004	60,191
At 31 October 2023					
Trade and other payables	12,524	12,524	-	-	12,524
Lease liabilities	1,440	688	846	-	1,534
Term loans	6,345	1,079	4,075	2,212	7,366
Bankers' acceptances	2,950	2,950	-	-	2,950
	23,259	17,241	4,921	2,212	24,374

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales, purchases and bank balances that are denominated in a foreign currency).

The Group takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

13. ACCOUNTANTS' REPORT (Cont'd)
KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)
25. FINANCIAL INSTRUMENTS (CONTINUED)
(b) Financial risk management (continued)
(iii) Foreign currency risk (continued)

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
<u>Trade receivables</u>				
United States Dollar ("USD")	2,137	896	29,120	2,369
Singapore Dollar ("SGD")	269	388	1,239	1,888
Euro ("EUR")	-	79	-	-
	2,406	1,363	30,359	4,257
<u>Cash and short-term deposits</u>				
USD	2,500	1,062	4,798	6,579
SGD	310	196	842	1,129
EUR	766	127	145	123
Great British Pound ("GBP")	8	9	8	9
	3,584	1,394	5,793	7,840
<u>Trade payables</u>				
USD	-	213	27,801	86
SGD	-	7	-	-
EUR	-	79	-	-
	-	299	27,801	86

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure mainly relates to USD, SGD, EUR and GBP.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, SGD, EUR and GBP with all other variables held constant on the Group's total equity and profit for the financial years.

	Change in rate	Effect on profit for the financial year/ equity RM'000
31 October 2020		
USD	+5%	176
	-5%	(176)
SGD	+5%	22
	-5%	(22)
EUR	+5%	29
	-5%	(29)
GBP	+5%	*
	-5%	*
<hr/>		
31 October 2021		
USD	+5%	66
	-5%	(66)
SGD	+5%	22
	-5%	(22)
EUR	+5%	5
	-5%	(5)
GBP	+5%	*
	-5%	*
<hr/>		

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (continued)**

(iii) **Foreign currency risk (continued)**

Sensitivity analysis for foreign currency risk (continued)

	Change in rate	Effect on profit for the financial year/ equity RM'000
31 October 2022		
USD	+5%	232
	-5%	(232)
SGD	+5%	79
	-5%	(79)
EUR	+5%	6
	-5%	(6)
GBP	5%	*
	-5%	*
31 October 2023		
USD	+5%	337
	-5%	(337)
SGD	+5%	115
	-5%	(115)
EUR	+5%	5
	-5%	(5)
GBP	5%	*
	-5%	*

* Less than RM1,000

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**25. FINANCIAL INSTRUMENTS (CONTINUED)****(b) Financial risk management (continued)****(iv) Interest rate risk**

Interest rate risk is the risk of fluctuation in fair value or future cash flows of the Group's financial instruments as a result of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their long-term loans and borrowings with floating interest rates.

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant on the Group's total equity and profit for the financial year.

	Carrying amount RM'000	Change in basis points	Effect on profit for the financial year/ equity RM'000
31 October 2021			
Term loans	552	+50	(2)
		-50	2
			<hr/>
31 October 2022			
Term loans	7,149	+50	(27)
		-50	27
			<hr/>
31 October 2023			
Term loans	6,345	+50	(24)
		-50	24
			<hr/>

(c) Fair value measurement

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.

There have been no transfers between Level 1, Level 2 and Level 3 during the financial years.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**
Accountants' Report**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)****25. FINANCIAL INSTRUMENTS (CONTINUED)****(c) Fair value measurement (continued)**

The following table provide the fair value measurement hierarchy of the Group's financial instruments:

	Carrying amount RM	Fair value of financial instruments not carried at fair value			Total RM
		Level 1 RM	Level 2 RM	Level 3 RM	
At 31 October 2021					
Financial liability					
Term loans	456	-	-	604	604
At 31 October 2022					
Financial liability					
Term loans	6,332	-	-	5,376	5,376
At 31 October 2023					
Financial liability					
Term loans	5,517	-	-	4,707	4,707

Level 3 fair valueFair value of financial instruments not carried at fair value

The fair value of term loans is determined using the discounted cash flows method based on discount rates that reflects the issuer's borrowing rate as at the end of the reporting period.

26. RELATED PARTIES**(a) Identification of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**26. RELATED PARTIES (CONTINUED)****(a) Identification of related parties (continued)**

Related parties of the Group include:

- (i) Entity in which a person connected to a director that has substantial financial interests;
- (ii) Entity in which a director that has substantial financial interests;
- (iii) A persons connected to a director;
- (iv) A director;
- (v) Shareholders; and
- (vi) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the combined financial statements are as follows:

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Sale of goods/services				
Entity in which a person connected to a director that has substantial financial interest	102	156	1,225	89
Entity in which a director that has substantial financial interest	-	-	4,153	379
	102	156	5,378	468
Purchase of goods/services				
A director and a person connected to a director that has substantial financial interest	75	286	-	-
Entity in which a director that has substantial financial interest	57	31	535	771
	132	317	535	771

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**26. RELATED PARTIES (CONTINUED)****(b) Significant related party transactions (continued)**

Significant related party transactions other than disclosed elsewhere in the combined financial statements are as follows: (continued)

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Purchase of assets				
A person connected to a director that has substantial financial interest	-	730	-	-
A director and a person connected to a director that has substantial financial interest	-	650	-	-
	-	1,380	-	-
Dividend paid				
Shareholders	1,500	3,000	8,000	5,000
Advances from				
A shareholder	-	-	-	550

(c) Compensation of key management personnel

	← Audited as at 31 October →			
	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Fees	-	-	-	12
Salaries, bonuses and allowance	838	840	915	1,011
Defined contribution plans	99	112	106	124
Other staff related expenses	6	6	6	8
	943	958	1,027	1,155

The estimated value of benefits-in-kind provided to the key management personnel of the Group during the financial year amounted to RM59,304 (2022: RM41,304; 2021: RM31,825 and 2020: RM54,625).

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**27. CAPITAL MANAGEMENT**

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended.

The Group monitors capital using net gearing ratio. The net gearing ratio is calculated as net debts divided by total equity. The net gearing ratio as at 31 October 2020, 31 October 2021, 31 October 2022 and 31 October 2023 are as follows:

		← Audited as at 31 October →			
		2020	2021	2022	2023
		RM'000	RM'000	RM'000	RM'000
	Note				
Loans and borrowings	12	2,552	3,663	12,781	10,735
Less: Cash and short-term deposits	9	(23,367)	(29,986)	(41,331)	(44,746)
Net debts		<u>(20,815)</u>	<u>(26,323)</u>	<u>(28,550)</u>	<u>(34,011)</u>
Total equity		<u>35,022</u>	<u>38,905</u>	<u>45,133</u>	<u>53,435</u>
Net gearing ratio		<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

There were no changes in the Group's approach to capital management during the financial years under review.

The Group is required to maintain a gearing ratio of no more than 3 times to comply with a bank covenant. The Group has not breached the covenant.

28. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

The two reportable operating segments are as follow:

Segments	Product and services
Design, fabrication installation and/or commissioning solution	Design, fabrication, installation and/or commissioning of industrial process equipment and process plants
Power generation and sale of electricity	IPP involved in power generation and sale of electricity

Segment assets and liabilities

Segment assets and liabilities are not included in the internal reports that are reviewed by the directors, hence no disclosures are made on segment assets and liabilities.

	Design, fabrication, installation and/or commissioning solution RM'000	Power generation and sales of electricity RM'000	Total RM'000
31 October 2020			
Revenue:			
Revenue from external customer	48,823	-	48,823
Segment profit	7,468	-	7,468
Other income			171
Unallocated expenses			(2,164)
Finance income			321
Finance costs			(123)
Income tax expense			(1,248)
Profit for the financial year			4,425
Results:			
<i>Included in the measure of segment profit is:</i>			
Employee benefits expense			5,246
Depreciation of property, plant and equipment			1,171

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Design, fabrication, installation and/or commissioning solution RM'000	Power generation and sales of electricity RM'000	Total RM'000
31 October 2021			
Revenue:			
Revenue from external customer	64,041	-	64,041
Segment profit	10,077	-	10,077
Other income			737
Unallocated expenses			(2,157)
Finance income			364
Finance costs			(84)
Income tax expense			(2,054)
Profit for the financial year			6,883
Results:			
<i>Included in the measure of segment profit is:</i>			
Employee benefits expense			6,060
Depreciation of property, plant and equipment			1,208

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD
Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Design, fabrication, installation and/or commissioning solution RM'000	Power generation and sales of electricity RM'000	Total RM'000
31 October 2022			
Revenue:			
Revenue from external customer	139,143	41	139,184
Segment profit	21,838	(322)	21,516
Other income			2,563
Unallocated expenses			(5,856)
Finance income			568
Finance costs			(222)
Income tax expense			(4,341)
Profit for the financial year			14,228
Results:			
<i>Included in the measure of segment profit is:</i>			
Employee benefits expense			8,262
Depreciation of property, plant and equipment			1,808

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHAD

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	Design, fabrication, installation and/or commissioning solution RM'000	Power generation and sales of electricity RM'000	Total RM'000
31 October 2023			
Revenue:			
Revenue from external customer	98,197	182	98,379
Segment profit	25,107	(1,110)	23,997
Other income			2,115
Unallocated expenses			(7,519)
Finance income			777
Finance costs			(450)
Income tax expense			(5,618)
Profit for the financial year			13,302
Results:			
<i>Included in the measure of segment profit is:</i>			
Employee benefits expense			10,911
Depreciation of property, plant and equipment			2,914

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**28. SEGMENT INFORMATION (CONTINUED)**Geographical information

Revenue information based on the geographical location of customers are as follows:

	Revenue RM'000	Non-current assets RM'000
At 31 October 2020		
Malaysia	42,022	7,422
Japan	3,266	-
Indonesia	1,350	-
Singapore	1,509	-
United States	-	-
Others	676	-
	48,823	7,422
31 October 2021		
Malaysia	60,548	8,982
Japan	617	-
Indonesia	1,411	-
Singapore	1,447	-
United States	-	-
Others	18	-
	64,041	8,982
31 October 2022		
Malaysia	122,594	21,834
Japan	352	-
Indonesia	8,533	-
Singapore	7,299	-
United States	39	-
Others	367	-
	139,184	21,834
31 October 2023		
Malaysia	80,597	22,344
Japan	34	-
Indonesia	1,426	-
Singapore	1,037	-
United States	13,312	-
Others	1,973	-
	98,379	22,344

13. ACCOUNTANTS' REPORT (Cont'd)

KAWAN RENERGY BERHADAccountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**28. SEGMENT INFORMATION (CONTINUED)**Information about major customer

For design, fabrication, installation and/or commissioning solution, revenue from four (4) (2022: two (2); 2021: Nil and 2020: one (1)) customers represented approximately RM55,341,041 (2022: RM62,983,903; 2021: RMNil and 2020: RM10,520,879) of the Group's total revenue.

29. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**(a) Claim against Periforce Sdn. Bhd. ("Periforce")**

On 15 May 2023, Kawan Engineering Sdn. Bhd. initiated a claim against Periforce for the amount of RM2,326,676 being the outstanding sum owed by Periforce for the supply of cranes and installation services provided by Kawan Engineering Sdn. Bhd.. Periforce had failed to pay the amount owing or any part thereof despite multiple demands made by Kawan Engineering Sdn. Bhd.. Thereafter, as a winding up petition was filed against Periforce in March 2022, Kawan Engineering Sdn. Bhd. initiated the claim against Periforce as the guarantors and principal debtors to recover the amount owing. The parties are currently in the midst of exchanging affidavits and written submissions. The hearing was held on 11 March 2024 and the court has fixed 30 May 2024 to deliver its decision.

(b) Acquisition of Kawan Engineering Sdn. Bhd.

On 13 July 2023, Kawan Renergy Berhad entered into a conditional share sale agreement with Kawan Engineering Sdn. Bhd.'s vendor to acquire the entire equity interest of Kawan Engineering Sdn. Bhd. for a total purchase consideration of RM45,144,000 which was satisfied by the issuance of 439,999,999 shares in Kawan Renergy Berhad at RM0.1026 per share.

The purchase consideration of RM45,144,000 was arrived at on a willing buyer-willing seller basis based on the net assets of Kawan Engineering Sdn. Bhd. as at 31 October 2022.

13. ACCOUNTANTS' REPORT (Cont'd)**KAWAN RENERGY BERHAD**

Accountants' Report

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)**30. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR****(a) Declaration of dividends**

On 18 January 2024, Kawan Engineering Sdn. Bhd. declared single-tier interim dividend of RM0.50 per ordinary share, amounting to RM5,000,000 in respect of the financial year ended 31 October 2024 and paid on 18 January 2024.

On 2 February 2024, Kawan Engineering Sdn. Bhd. declared single-tier interim dividend of RM0.50 per ordinary share, amounting to RM5,000,000 in respect of the financial year ended 31 October 2024 and paid on 2 February 2024.

(b) Letter of demand from Crawford & Adjusters (Malaysia) Sdn. Bhd. ("Crawford")

On March 7, 2024, Crawford representing MSIG Insurance (Malaysia) Sdn. Bhd. ("MSIG") sent a letter to Kawan Engineering Sdn. Bhd. claiming subrogation for damages resulting from a fire incident on 6 January 2023 and 7 January 2023. They alleged that welding defects in equipment supplied by Kawan Engineering Sdn. Bhd. caused the damage, resulting in a total loss of RM3,142,529, including the insured's claim of RM3,032,075, adjusters' fees, and forensic investigators' fees.

The equipment in question, a vacuum economizer, was sold to Oiltek Sdn. Berhad ("Oiltek") by Kawan Engineering Sdn. Bhd. and installed at Pacific Oils & Fats Industries Sdn. Bhd. ("Pac Oils")'s facility by Southern Corner Sdn. Bhd. ("Southern Corner"). Despite the vacuum economizer was manufactured with design approval and hydrostatic tested as per American Society of Mechanical Engineers code by the Department of Occupational Safety and Health Malaysia, a fire occurred during commissioning, damaging the plant. The similar equipment is still being sold to date, to Oiltek in many of their projects within and outside Malaysia, all of which have been operating safely. Kawan Engineering Sdn. Bhd. obligations were toward Oiltek, not Pac Oils or Southern Corner.

In response, Kawan Engineering Sdn. Bhd. denied liability, asserting that they had no contractual relationship with Pac Oils or Southern Corner regarding the equipment installation. Kawan Engineering Sdn. Bhd. provided a replacement unit to Oiltek after the incident as a gesture of goodwill as well as to foster long standing relationship with Oiltek.

No legal proceedings have been initiated against Kawan Engineering Sdn. Bhd., and the Board of Directors believes the claim will not have any material adverse impact to the Group's business operations and financial performance.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION



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12 April 2024

The Board of Directors
Kawan Renergy Berhad
No. 18, Lebuhr Perusahaan 1
IGB Industrial Park
31200 Ipoh
Perak, Malaysia

Dear Sirs,

KAWAN RENERGY BERHAD (“Kawan” or the “Company”) AND ITS COMBINING ENTITIES

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 OCTOBER 2023 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma combined statements of financial position of Kawan and its combining entities, namely Kawan Engineering Sdn. Bhd., Kawan Green Energy Sdn. Bhd., Magenکو Renewables (Asia) Sdn. Bhd., Magenکو Renewables (Penang) Sdn. Bhd. and Magenکو Renewables (Ipoh) Sdn. Bhd. (the “Group”) for which the directors of Kawan are solely responsible. The pro forma combined statements of financial position consist of the pro forma combined statements of financial position as at 31 October 2023 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Kawan have compiled the pro forma combined statements of financial position are as described in Note 2 to the pro forma combined statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia (“Prospectus Guidelines”) (“Applicable Criteria”).

The pro forma combined statements of financial position of the Group has been compiled by the directors of Kawan, for illustrative purposes only, for inclusion in the prospectus of Kawan (“Prospectus”) in connection with the listing of and quotation for the entire enlarged issued share capital of Kawan on the ACE Market of Bursa Malaysia Securities Berhad comprising the Public Issue and the Offer for Sale (“Listing”), after making certain assumptions and such adjustments to show the effects on the pro forma combined financial position of the Group as at 31 October 2023 adjusted for the listing scheme and utilisation of proceeds as described in Notes 1.2 and 3.2.1 respectively.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)



KAWAN RENENERGY BERHAD AND ITS COMBINING ENTITIES

Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 31 October 2023 Included in a Prospectus

As part of this process, information about Group's pro forma combined statements of financial positions has been extracted by the directors of Kawan from the audited combined financial statements of the Group for the Financial Year Ended ("FYE") 31 October 2023, on which a reporting accountants' report dated 12 April 2024 has been issued.

The audited combined financial statements of Kawan and its combining entities for the FYE 31 October 2023 were reported by us to its members without any modifications.

Directors' Responsibility for the Pro Forma Combined Statements of Financial Position

The directors of Kawan are responsible for compiling the pro forma combined statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma combined statements of financial position has been compiled, in all material respects, by the directors of Kawan based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of Kawan have compiled, in all material respects, the pro forma combined statements of financial position based on the Applicable Criteria.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)



KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 31 October 2023 Included in a Prospectus

Reporting Accountants' Responsibilities (continued)

For the 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 combined 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 combined statements of financial position. In providing this opinion, we do not accept any responsibility for such reports or opinion beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the pro forma combined statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. 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 combined statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Kawan in the compilation of the pro forma combined statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to listing scheme as described in Note 1.2 to the pro forma combined statements of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited combined financial statements of the Group for the FYE 31 October 2023, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 31 October 2023; and
- (b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events and transactions in respect of which the pro forma combined statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma combined statements of financial position.

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

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)



KAWAN RENEGY BERHAD AND ITS COMBINING ENTITIES

Reporting Accountants' Report on the Compilation of the
Pro Forma Combined Statements of Financial Position
as at 31 October 2023 Included in a Prospectus

Opinion

In our opinion:

- (a) the pro forma combined statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma combined statements of financial position, based on the audited combined financial statements of the Group for the FYE 31 October 2023, and in a manner consistent with both the format of the combined financial statements and the accounting policies adopted by the Group in the preparation of its audited combined financial statements for the FYE 31 October 2023; and
- (b) each material adjustment made to the information used in the preparation of the pro forma combined statements of financial position of the Group is appropriate for the purpose of preparing the pro forma combined statements of financial position.

Other Matters

This report has been prepared for inclusion in the Prospectus of Kawan in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or 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.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Baker Tilly Monteiro Heng".

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

A handwritten signature in black ink, appearing to read "Paul Tan Hong".

Paul Tan Hong
No. 03459/11/2025 J
Chartered Accountant

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma combined statements of financial position of Kawan Renergy Berhad ("Kawan" or the "Company") and its combining entities, namely Kawan Engineering Sdn. Bhd. ("Kawan Engineering"), Kawan Green Energy Sdn. Bhd., Magenکو Renewables (Asia) Sdn. Bhd., Magenکو Renewables (Penang) Sdn. Bhd. and Magenکو Renewables (Ipoh) Sdn. Bhd. (hereinafter collectively referred to as the "Group") has been compiled by the directors of Kawan, for illustrative purposes only, for inclusion in the prospectus of Kawan in connection with the listing of and quotation for the entire enlarged issued share capital of RM78,144,001 comprising 550,000,000 ordinary shares in Kawan ("Shares(s)") on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities")("Listing").

1.1 Kawan is undertaking a listing of and quotation for its entire enlarged issued share capital of RM78,144,001 comprising 550,000,000 new ordinary shares in Kawan ("Shares") on the ACE Market of Bursa Securities. The Listing comprises the following:

1.2 Listing Scheme

1.2.1 Group Internal Restructuring

a) Acquisition of Kawan Engineering Group ("Acquisition")

On 13 July 2023, the Company had entered into a conditional share sale and purchase agreement to acquire the entire issued share capital of Kawan Engineering comprising 10,000,000 ordinary shares for a purchase consideration of RM45,144,000, which was fully satisfied through the issuance of 439,999,999 new Shares at RM0.10 each to the vendor of Kawan Engineering.

The purchase consideration for the Acquisition of Kawan Engineering Group of RM45,144,000 was arrived based on a "willing-buyer willing-seller" basis, after taking into consideration the audited net assets ("NA") of Kawan Engineering Group as at 31 October 2022. Kawan Engineering became the Company's wholly owned subsidiary upon completion of the acquisition.

The acquisition was completed on 6 March 2024.

b) Dividend in specie

Upon after the Acquisition, and immediately after its completion, Kawan Engineering Sdn. Bhd. proposes to declare a dividend-in-specie comprising the entire equity interest it hold in Kawan Green Energy Sdn. Bhd., which amounts to RM568,077, being the audited net liabilities of Kawan Green Energy Sdn. Bhd. as at 31 October 2022.

The declaration of dividends do not have an impact on the pro forma combined statements of financial position.

The dividend in specie was completed on 15 March 2024.



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

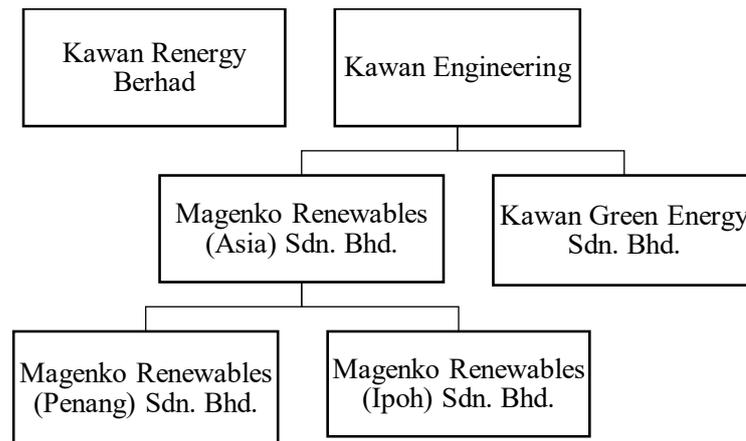
KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

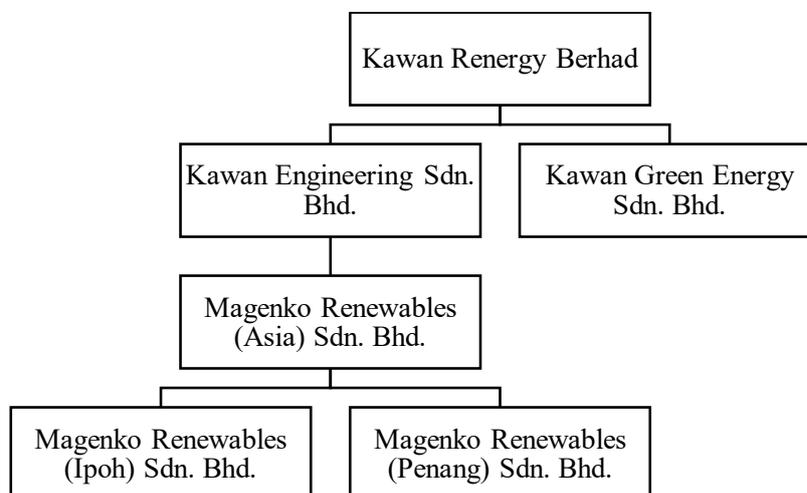
1.2.1 Group Internal Restructuring (continued)

The Group structure before and after the Group Internal Restructuring is illustrated below:

Before the Group Internal Restructuring



After the Group Internal Restructuring



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

1.2.2 Public Issue

The Public Issue of 110,000,000 new Shares, representing 20.0% of the enlarged issued share capital, at an issue price of RM0.30 per new Share will be allocated and allotted in the following manner:

- (i) 27,500,000 new Shares to be issued under the Public Issue ("Issue Share(s)"), representing approximately 5.0% of enlarged share capital, will be offered to the Malaysian Public by way of balloting, of which at least 50.0% will be set aside for Bumiputera public investors;
- (ii) 19,250,000 Issue Shares, representing approximately 3.5% of enlarged share capital, will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group; and
- (iii) 63,250,000 Issue Shares, representing approximately 11.5% of enlarged share capital will be made available for private placement to the selected investors. approved by the Ministry of International Trade and Industry.

(Collectively hereinafter referred as "Public Issue").

1.2.3 Offer for Sale

A total of 34,500,000 existing shares to be offered under Offer for Sale, representing 6.3% of enlarged share capital, are offered by Kawan to selected investors by way of private placement at RM0.30.

1.3 Listing

Upon completion of the initial public offering, Kawan's entire enlarged issued share capital of approximately RM78,144,001 comprising 550,000,000 Shares will be listed on the ACE Market of Bursa Securities.



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION

- 2.1 The pro forma combined statements of financial position have been prepared to illustrate the pro forma combined financial position of the Group as at 31 October 2023, adjusted for the Listing Scheme and utilisation of proceeds as described in Notes 1.2 and 3.2.1, respectively.
- 2.2 The pro forma combined statements of financial position have been prepared based on audited combined financial statements of the Group for the financial year ended ("FYE") 31 October 2023.
- 2.3 The audited combined financial statements of the Group for FYE 31 October 2023 were reported by the auditors to their respective members without any modifications.
- 2.4 The pro forma combined statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.
- 2.5 The pro forma combined statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statements of financial position based on the audited combined financial statements of the Group for FYE 31 October 2023, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.6 The pro forma combined statements of financial position of the Group have been prepared in a manner consistent with both the format of the audited combined financial statements and accounting policies adopted by the Group in the preparation of its audited combined financial statements for FYE 31 October 2023 and the adoption of the following new accounting policies, which had been adopted by the Group as the group's accounting policies.

Merger accounting

The subsidiary is accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entities and is accounted for as follows:

- the assets and liabilities of the acquired entities are recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entities immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve or merger deficit.



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP**

- 3.1 The pro forma combined statements of financial position of the Group as set out below, for which the directors of Kawan are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited combined statements of financial position of the Group as at 31 October 2023, had the Listing Scheme as described in Note 1.2 and the utilisation of proceeds as described in Note 3.2.1 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Combined Statement of Financial Position as at 31 October 2023 RM'000	Pro Forma I			Pro Forma II	Pro Forma III
		After subsequent event RM'000	After the Group Internal Restructuring RM'000	After I and the Public Issue RM'000	After II and the Utilisation of Proceeds RM'000	After II and the Utilisation of Proceeds RM'000
ASSETS						
Non-current asset						
Property, plant and equipment	22,344	22,344	22,344	22,344	22,344	
Total non-current asset	22,344	22,344	22,344	22,344	22,344	
Current assets						
Inventories	2,451	2,451	2,451	2,451	2,451	
Trade and other receivables	22,805	22,805	22,805	22,805	22,805	
Contract assets	15,447	15,447	15,447	15,447	15,447	
Cash and short-term deposits	44,746	34,746	34,746	67,746	59,106	
Total current assets	85,449	75,449	75,449	108,449	99,809	
TOTAL ASSETS	107,793	97,793	97,793	130,793	122,153	
EQUITY AND LIABILITIES						
Equity attributable to owners of the Group						
Invested equity/ Share capital	10,200	10,200	45,144	78,144	77,144	
Merger deficit	(200)	(200)	(35,144)	(35,144)	(35,144)	
Retained earnings	43,435	33,435	33,435	33,435	31,795	
TOTAL EQUITY	53,435	43,435	43,435	76,435	73,795	

Pro Forma Combined Statements of Financial Position

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.1 (Continued)

	Audited Combined Statement of Financial Position as at 31 October 2023 RM'000	Pro Forma I Pro Forma II Pro Forma III			
		After subsequent event RM'000	After the Group Internal Restructuring RM'000	After I and the Public Issue RM'000	After II and the Utilisation of Proceeds RM'000
Non-current liabilities					
Loans and borrowings	6,324	6,324	6,324	6,324	807
Deferred income	67	67	67	67	67
Deferred tax liabilities	1,103	1,103	1,103	1,103	1,103
Total non-current liabilities	7,494	7,494	7,494	7,494	1,977
Current liabilities					
Loans and borrowings	4,411	4,411	4,411	4,411	3,928
Deferred income	8	8	8	8	8
Current tax liabilities	1,023	1,023	1,023	1,023	1,023
Trade and other payables	12,524	12,524	12,524	12,524	12,524
Contract liabilities	28,898	28,898	28,898	28,898	28,898
Total current liabilities	46,864	46,864	46,864	46,864	46,381
TOTAL LIABILITIES	54,358	54,358	54,358	54,358	48,358
TOTAL EQUITY AND LIABILITIES	107,793	97,793	97,793	130,793	122,153



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.1 (Continued)

	Audited Combined Statement of Financial Position as at 31 October 2023 RM'000	After subsequent event RM'000	Pro Forma I	Pro Forma II	Pro Forma III
			After the Group Internal Restructuring RM'000	After I and the Public Issue RM'000	After II and the Utilisation of Proceeds RM'000
Number of ordinary shares assumed to be in issue ('000)	10,200 *	10,200 *	440,000	550,000	550,000

NA^ (RM'000)	53,435	43,435	43,435	76,435	73,795
NA per ordinary share (RM)	5.24	4.26	0.10	0.14	0.13

^ attributable to owners of the Group

* represent the aggregate number of issued shares of Kawan Engineering, Kawan Green Energy Sdn. Bhd. and Kawan Renergy Berhad.



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 Notes to the pro forma combined statements of financial position are as follows:

3.2.1 The proceeds from the Public Issue would be utilised in the following manner:

Details of utilisation	RM'000	%	Time frame for utilisation from the date of listing
Not reflected in pro forma combined statements of financial position			
Working capital	15,000	45.46	Within 24 months
Investment into a new 2MW power plant ⁽¹⁾	5,000	15.15	Within 36 months
Improvement of Bercham Plant output ⁽¹⁾	2,500	7.58	Within 15 months
Purchase of additional machinery ⁽¹⁾	500	1.52	Within 12 months
Reflected in pro forma combined statements of financial position			
Repayment of loans and borrowings	6,000	18.18	Within 3 months
Estimated listing expenses	4,000	12.12	Within 1 month
Gross proceeds	33,000	100.00	

⁽¹⁾ As at latest practicable date, the Group has yet to enter into any agreement or issue any purchase order in relation to the proceeds earmarked for investment into a new 2MW power plant, improvement of Bercham Plant output and purchase of additional machinery. Accordingly, the utilisation of proceeds earmarked for the abovementioned purposes are not reflected in the pro forma combined statements of financial position.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.2 The audited combined statements of financial position of the Group as at 31 October 2023 had been adjusted for the following significant transactions prior to the group internal restructuring:

Declaration of dividends

On 18 January 2024, Kawan Engineering declared single-tier interim dividend of RM0.50 per ordinary share, amounting to RM5,000,000 in respect of the FYE 31 October 2024 and paid on 18 January 2024.

On 2 February 2024, Kawan Engineering declared single-tier interim dividend of RM0.50 per ordinary share, amounting to RM5,000,000 in respect of the FYE 31 October 2024 and paid on 2 February 2024.

The declaration of dividends has the following impact on the audited combined statements of financial position of the Group as at 31 October 2023:

	(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	(10,000)	-
Retained earnings	-	(10,000)
	(10,000)	(10,000)



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 The pro forma combined statements of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporates the effects of the Group Internal Restructuring as described in Note 1.2.1 on the audited combined statement of financial position of the Group as at 31 October 2023.

The merger reserve arising from the Acquisition is as follows:

	RM'000
Purchase consideration	45,144
Less: Share capital of the Kawan Engineering	(10,000)
Merger deficit	<u>35,144</u>

The Acquisition had the following impact on the pro forma combined statements of financial position of the Group as at 31 October 2023:

	Increase/(Decrease)	
	Effects on	Effects on
	Total Assets	Total Liabilities/
	RM'000	Equity
	RM'000	RM'000
Share capital	-	34,944
Merger deficit	-	(34,944)
	<u>-</u>	<u>-</u>



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(b) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I, the Public Issue and the Offer of Sales as described in Notes 1.2.2 and 1.2.3, respectively.

The Public Issue and the Offer of Sales will have the following impact on the pro forma combined statements of financial position of the Group as at 31 October 2023:

	Increase	
	Effects on Total Assets RM'000	Effects on Equity RM'000
Cash and short-term deposits	33,000	-
Share capital	-	33,000
	33,000	33,000

(c) Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM33.00 million after netting off RM4.00 million of estimated listing expenses. The remaining proceeds expected from the Public Issue of RM29.00 million will be used in the manner as described in Note 3.2.1.

The proceeds arising from the Public Issue earmarked for working capital, investment into a new 2MW power plant, improvement of Bercham Plant output and purchase of additional machinery of RM23.00 million will be included in the Cash and Short-Term Deposits Account.

As at 31 October 2023, out of the RM4.00 million listing expenses, RM1.36 million has been incurred and charged to the Retained Earnings Account. The remaining estimated listing expense to be incurred of RM1.64 million will be charged to Retained Earnings Account and RM1.00 million will be recognised in Share Capital Account as these are directly attributable expenses relating to the new issuance of Shares.



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENENERGY BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(c) Pro Forma III (continued)

The utilisation of proceeds will have the following impact on the pro forma combined statements of financial position of the Group as at 31 October 2023:

	(Decrease)	
	Effects on Total Assets RM'000	Effects on Total Liabilities/ Equity RM'000
Cash and short-term deposits	(8,640)	-
Loans and borrowings		
- Current liabilities	-	(483)
- Non-current liabilities	-	(5,517)
Share capital	-	(1,000)
Retained earnings	-	(1,640)
	(8,640)	(8,640)



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES****3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000
Audited combined statements of financial position of the Group as at 31 October 2023	10,200	(200)	43,435
Arising from declaration of dividends	-	-	(10,000)
After subsequent event	10,200	(200)	33,435
Arising from the Group Internal Restructuring	34,944	(34,944)	-
Per Pro Forma I	45,144	(35,144)	33,435
Arising from the Public Issue	33,000	-	-
Per Pro Forma II	78,144	(35,144)	33,435
Arising from the Utilisation of Proceeds	(1,000)	-	(1,640)
Per Pro Forma III	77,144	(35,144)	31,795



14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.5 Movements in cash and short-term deposits are as follows:

	RM'000
Audited combined statement of financial position of the Group as at 31 October 2023	44,746
Arising from declaration of dividends	(10,000)
After subsequent event	34,746
Arising from Group Internal Restructuring	-
Per Pro Forma I	34,746
Arising from the Public Issue	33,000
Per Pro Forma II	67,746
Arising from the Utilisation of Proceeds	(8,640)
Per Pro Forma III *	59,106

* Included in the cash and short-term deposits is an amount of RM15.0 million, RM5.00 million, RM2.50 million and RM0.50 million arising from the Public Issue earmarked for working capital, investment into a new 2MW power plant, improvement of Bercham Plant output and for purchase of additional machinery purposes, respectively.

14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)

KAWAN RENERGY BERHAD AND ITS COMBINING ENTITIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Kawan Renergy Berhad in accordance with a resolution dated **12 APR 2024**



.....
Lim Thou Lai
Director



.....
Heng Siew Aun
Director



15. STATUTORY AND OTHER INFORMATION

15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.3,
- (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 subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the new Shares issued for the shares subscription and Acquisition as disclosed in Section 6.2(a) and to be issued for the Public Issue as disclosed in Section 4.3.1, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1, 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.

15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below.

15.2.1 Kawan Engineering

Kawan Engineering's share capital as at LPD is RM10,000,000 comprising 10,000,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
2 May 1996	4	RM4 / Subscribers' shares	4
2 May 1996	19,996	RM19,996 / Cash	20,000
28 June 1996	220,000	RM220,000 / Cash	240,000
1 February 1999	160,000	RM160,000 / Cash	400,000
20 February 2006	1,000,000	RM1,000,000 / Cash	1,400,000
28 October 2008	1,100,000	RM1,100,000 / Otherwise than cash	2,500,000
18 August 2015	2,400,000	RM2,400,000 / Otherwise than cash	4,900,000

15. STATUTORY AND OTHER INFORMATION (Cont'd)

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital
9 May 2017	1,600,000	RM1,600,000 / Cash	6,500,000
15 March 2021	3,500,000	RM3,500,000 / Otherwise than cash	10,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Kawan Engineering. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.2 Kawan Green

Kawan Green's share capital as at LPD is RM200,000 comprising 200,000 ordinary shares. The share capital since incorporation is as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
15 April 2022	200,000	RM200,000 / Cash	200,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Kawan Green. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.3 Magenko Asia

Magenko Asia's share capital as at LPD is RM50,000 comprising 50,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
10 March 2011	2	RM2 / Cash	2
31 May 2011	49,998	RM49,998 / Cash	50,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Magenko Asia. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (Cont'd)**15.2.4 Magenko Ipoh**

Magenko Ipoh's share capital as at LPD is RM100,000 comprising 100,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
10 March 2011	2	RM2 / Cash	2
31 May 2011	49,998	RM49,998 / Cash	50,000
2 December 2011	50,000	RM50,000 / Cash	100,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Magenko Ipoh. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15.2.5 Magenko Penang

Magenko Penang's share capital as at LPD is RM100,000 comprising 100,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration / Type of issue	Cumulative share capital RM
10 March 2011	2	RM2 / Cash	2
31 May 2011	49,998	RM49,998 / Cash	50,000
2 December 2011	50,000	RM50,000 / Cash	100,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Magenko Penang. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

15.3 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 here or the context otherwise requires.

15.3.1 Changes in share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

Clause 8 – Variation of Rights

(1) Variation of rights

If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not our Company is being wound up, be varied:

- (a) with the consent in writing of the holders holding not less than 75.0% of the total voting rights of the holders of that class of shares; or
- (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

Clause 12 – Issue of Securities

(1) Allotment of shares or grant of rights

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:

- (a) issue and allot shares in our Company; and
- (b) grant rights to subscribe for shares or options over unissued shares in our Company.

(3) Issue of new shares or securities to Members

- (a) Subject to the Act, the Listing Requirements and any direction to the contrary that may be given by our Company in General Meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from our Company of General Meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled.
- (b) The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those shares or securities in such manner as they think most beneficial to our Company.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

- (c) The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Constitution.

(4) General mandate for issue of securities

Subject to Rule 6.07 of the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, our Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding 12 months, exceeds 10.0% of the total number of issued shares (excluding treasury shares) of our Company except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue.

Clause 46 – Alteration of capital

(3) Purchase of own shares

Our Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

15.3.2 Borrowing and voting power of the Directors

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contract in which they are interested in are as follows:

Clause 95 – Power of Directors

Borrowings

- (1) borrow money;

Mortgage

- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;

Issue debentures

- (3) issue debentures and other securities whether outright or as security; and/or

Lend or advance money

- (4) (a) lend and advance money or give credit to any person or company;
(b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

- (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 97 – Power of Attorney*Power of attorney*

- (1) The Directors may from time to time by power of attorney appoint any corporation, firm, or person or body of persons, whether nominated directly or indirectly by the Directors, to be the attorney or attorneys of our Company for the purposes and with the powers, authorities, and discretions (not exceeding those vested in or exercisable by the Directors under this Constitution) and for a period and subject to any conditions as the Directors may think fit.
- (2) Any powers of attorney granted under Clause 97(1) may contain provisions for the protection and convenience of persons dealing with the attorney as the Directors think fit and may also authorise the attorney to delegate all or any of the powers, authorities, and discretions vested in the attorney.

Clause 105 – Directors' Interest in Contracts*Directors' interest in contracts*

- (a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.
- (b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with our Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.

Clause 107 – Passing of resolution by the Directors*(1) Passing of resolution by more than one Director*

The Directors may pass a resolution without a Board Meeting, if a majority of the Directors entitled to vote and sign on the resolution signed the resolution, signifying their agreement to the resolution set out in the document.

Clause 118 – Voting at Board Meetings*(1) Directors' decision*

Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.

(2) Casting of vote

Each Director is entitled to cast 1 vote on each matter for determination.

15. STATUTORY AND OTHER INFORMATION (Cont'd)

15.3.3 Remuneration of Directors

The provisions in our Constitution dealing with remuneration of Directors are as follows:

Clause 93 – Remuneration of Directors*(1) Non-executive Directors' remuneration*

Our Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.

(2) Fee

Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.

(3) Fees for non-executive Directors

If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.

(4) Expenses

The following expenses shall be determined by the Directors:

- (a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of our Company or in connection with the business of our Company; and
- (b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.

(5) Executive Directors' remuneration

Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.

15. STATUTORY AND OTHER INFORMATION (*Cont'd*)

15.3.4 Transfer of Securities

The provisions in our Constitution dealing with transfer of shares as follows:

Clause 14 – Transfer of Securities

Transfer of securities

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the 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, our Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Clause 17 – Transfer of Shares or Debentures

(1) Instrument of transfer

Subject to this Constitution and other written laws, any Shareholder or debenture holder may transfer all or any of his shares or debentures by instrument of transfer as prescribed under the Act.

(2) Execution of instrument of transfer

The instrument of transfer must be executed by or on behalf of the transferor and the transferee.

(3) Effect the transfer of shares or debentures

The transferor shall remain as the holder of such shares or debentures until the transfer is registered and the name of the transferee is entered in the Register of Members or register of debenture holders in respect of the shares or debentures respectively.

15.4 GENERAL INFORMATION

- (a) Save for the dividends paid to our shareholders in FYE 2020 to 2023 and up to LPD and remuneration of our Directors and key senior management as disclosed in Sections 12.15, 5.2.4 and 5.3.5 respectively, 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) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have 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 of our Shares are set out in Section 16.

15. STATUTORY AND OTHER INFORMATION *(Cont'd)*

- (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.

15.5 CONSENTS

- (a) The written consents of our 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 issue of this Prospectus and have not subsequently been withdrawn;
- (b) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (c) The written consent of our 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 issue of this Prospectus and have not been subsequently withdrawn.

15.6 DOCUMENTS 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 6 months from the date of this Prospectus:

- (a) Constitution;
- (b) Audited financial statements of Kawan from the date of incorporation up to 31 October 2022 and FYE 2023;
- (c) Audited financial statements of Kawan Engineering, Kawan Green, Magenko Asia, Magenko Ipoh and Magenko Penang for FYE 2020 to 2023, where applicable;
- (d) Accountants' Report as set out in Section 13;
- (e) Reporting Accountants' Report relating to our pro forma combined financial information as set out in Section 14;
- (f) IMR Report as set out in Section 8;
- (g) Material contracts as set out in Section 6.5;
- (h) Relevant documents for the material litigation referred in Section 12.7; and
- (i) Letters of consent as set out in Section 15.5.

15. STATUTORY AND OTHER INFORMATION *(Cont'd)*

15.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholder 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.

M & A Securities 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.

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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 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., 29 April 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 14 May 2024

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

Late applications will not be accepted.

16.2 METHODS OF APPLICATIONS

16.2.1 Retail Offering

Application 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 and category of investors	Application Method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	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. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.2.2 Placement

Types of Application

Applications by selected investors

Applications by Bumiputera investors approved by MITI

Selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

Application Method

The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

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 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** 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 Malaysian Public

You can only apply for our IPO Shares if you fulfill 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 for our IPO Shares; or

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (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; or
 - (ii) Electronic Share Application; or
 - (iii) Internet Share Application.

16.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions on the said documents and where relevant, in this Prospectus.

16.4 APPLICATION BY WAY OF APPLICATION FORMS

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 RM0.30 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 763**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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
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 14 May 2024 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 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 APPLICATIONS

Only Malaysian individuals may apply for our IPO 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.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO 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, CGS 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.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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 below.

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 Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO 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.

The basis of allocation of 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 market day after the balloting date.

16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Pursuant to the Listing Requirements we are required to have a minimum of 25.0% 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 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 Directors, employees and persons who have contributed to the success of our Group, subject to the clawback and reallocation as set out in Section 4.3.4, any of the abovementioned Issue Shares not applied 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 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 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 ordinary/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 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 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 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 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 IPO 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 Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO 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 Central Depositories Act and Depository Rules.
- (d) In accordance with Section 29 of the Central Depositories Act, 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. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

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 Telephone at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tjih.online>, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **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 set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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