

P R O S P E C T U S

SALIRAN GROUP **SALIRAN GROUP BERHAD**

(Registration No. 202001022591 (1378911-A))
(Incorporated in Malaysia under the Companies Act 2016)

INITIAL PUBLIC OFFERING (“IPO”) IN CONJUNCTION WITH THE LISTING OF SALIRAN GROUP BERHAD (“SALIRAN” OR “COMPANY”) ON THE ACE MARKET OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) COMPRISING:

- (I) **PUBLIC ISSUE OF 80,400,000 NEW ORDINARY SHARES IN SALIRAN (“SHARES”) IN THE FOLLOWING MANNER:**
- (I) 19,145,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE MALAYSIAN PUBLIC;
 - (II) 7,658,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS AND EMPLOYEES OF SALIRAN AND ITS SUBSIDIARIES (“GROUP”);
 - (III) 47,862,500 NEW SHARES AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INVESTMENT, TRADE AND INDUSTRY (“MITI”); AND
 - (IV) 5,734,500 NEW SHARES AVAILABLE BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS;
- AND
- (II) **OFFER FOR SALE OF 38,290,000 EXISTING SHARES BY WAY OF PRIVATE PLACEMENT TO SELECTED INVESTORS,**

AT AN ISSUE/OFFER PRICE OF RM0.27 PER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Sponsor, Underwriter and Placement Agent



MALACCA SECURITIES SDN BHD

(Registration No. 197301002760 (16121-H))
(A Participating Organisation of Bursa Malaysia Securities Berhad)

NO SECURITIES WILL BE ALLOTTED OR ISSUED BASED ON THIS PROSPECTUS AFTER 6 MONTHS FROM THE DATE OF THIS PROSPECTUS.

BURSA SECURITIES HAS APPROVED THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED ISSUED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES. THIS PROSPECTUS HAS BEEN REGISTERED BY BURSA SECURITIES. THE APPROVAL FOR THE ADMISSION OF OUR COMPANY TO THE OFFICIAL LIST OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR OUR ENTIRE ENLARGED SHARE CAPITAL ON THE ACE MARKET OF BURSA SECURITIES, AND THE REGISTRATION OF THIS PROSPECTUS SHOULD NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS OUR IPO OR ASSUMES RESPONSIBILITY FOR THE CORRECTNESS OF ANY STATEMENT MADE, OPINION EXPRESSED OR REPORT CONTAINED IN THIS PROSPECTUS. BURSA SECURITIES HAS NOT, IN ANY WAY, CONSIDERED THE MERITS OF THE SECURITIES BEING OFFERED FOR INVESTMENT.

BURSA SECURITIES IS NOT LIABLE FOR ANY NON-DISCLOSURE ON THE PART OF OUR COMPANY AND TAKES NO RESPONSIBILITY FOR THE CONTENTS OF THIS 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.

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, PLEASE SEE “RISK FACTORS” COMMENCING ON PAGE 161.

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

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

THIS PROSPECTUS IS DATED 19 FEBRUARY 2025

PROSPECTUS | SALIRAN GROUP BERHAD

SALIRAN GROUP BERHAD

(Registration No. 202001022591 (1378911-A)) (Incorporated in Malaysia under the Companies Act 2016)

No. 14 & 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor
Tel No. : +603 5879 1328 Website : <https://www.saliran.com.my/> Email : info@saliran.com.my

All defined terms used in this Prospectus are defined under "Definitions" commencing on page x, "Glossary of Technical Terms" commencing on page xvi and "Presentation of Financial and Other Information" commencing on page viii.

RESPONSIBILITY STATEMENTS

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 contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

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

STATEMENTS OF DISCLAIMER

Approval has been obtained from Bursa Securities on 7 November 2024 for our Listing (as defined herein). Our admission to the Official List of ACE Market of Bursa Securities is not to be taken as an indication of the merits of our IPO, our Company or our Shares.

Bursa Securities is not liable for any non-disclosure on the part of our Company and takes no responsibility for the contents of this Prospectus, makes no representations 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.

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.

OTHER STATEMENTS

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

Our Shares are offered to the public on the premise of full and accurate disclosure of all material information concerning our IPO, for which any person set out in Section 236 of the CMSA, is responsible. 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 application securities or equivalent legislation or with 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. This Prospectus is prepared and published solely for our IPO in Malaysia under the laws of Malaysia. Our Shares are issued in Malaysia solely based on the contents of this Prospectus. Our Directors, Promoters, Selling Shareholder, Principal Adviser, Sponsor, Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Directors, Promoters, Selling Shareholder, Principal Adviser, Sponsor, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

It shall be your sole responsibility, if you are or may be subjected to the laws of any countries or jurisdictions other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our IPO would result in the contravention of any laws of such countries or jurisdictions. Neither we nor our Principal Adviser nor any other advisers in relation to our IPO shall accept responsibility or liability in the event that any application made by you shall become illegal, unenforceable, voidable or void in any such country or jurisdiction. Further, it shall be your sole responsibility to ensure that your application for our IPO would be in compliance with the terms of our IPO as stated in our Prospectus and would not be in contravention of any laws of countries or jurisdictions other than Malaysia to which you may be subjected to. 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 acceptances as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements. This Prospectus may not be used for the purpose of and does not constitute an offer to sell or an invitation to buy our Shares in any jurisdiction in any circumstances in which such an offer or invitation is not authorised or is unlawful. This Prospectus shall also not be used to make an offer of or invitation to buy our Shares to any person to whom it is unlawful to do so. Our Company, Promoters, Selling Shareholder and Principal Adviser require you to inform yourselves of and to observe such restrictions.

ELECTRONIC PROSPECTUS

This Prospectus can also be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of this Electronic Prospectus and this Prospectus registered by 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) is subject to the risk of problems occurring during 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 or Participating Securities Firms (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions or Participating Securities Firms. If you are in doubt as to the validity or integrity of an Electronic Prospectus, you should immediately request from us, our Principal Adviser or the Issuing House, a paper/printed copy of this Prospectus. In the event of any discrepancies arising between the contents of the Electronic Prospectus and the contents of the paper/printed copy of this Prospectus for any reason whatsoever, the contents of the paper/printed copy of this Prospectus, which is identical to the copy of the Prospectus registered by Bursa Securities, shall prevail.

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

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

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

- (i) The Internet Participating Financial Institutions or Participating Securities Firms are liable in respect of the integrity of the contents of the Electronic Prospectus, i.e. to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions or Participating Securities Firms which may be viewed via your web browser or other relevant software. Internet Participating Financial Institutions or Participating Securities Firms shall not be responsible for the integrity of the contents of the Electronic Prospectus which has been obtained from the web server of the Internet Participating Financial Institutions or Participating Securities Firms and subsequently communicated or disseminated in any manner to you or other parties; and
- (ii) 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 the Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions or Participating Securities Firms shall not be liable (whether in tort or contract or otherwise) for any loss, damage or cost that 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 the Electronic Prospectus which may arise in connection with or as a result of any fault with web browsers or other relevant software, any fault 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 or Participating Securities Firms, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The following events are intended to take place on the following tentative dates:

Event	Date
Opening of the application for our IPO	19 February 2025
Closing of the application for our IPO	28 February 2025
Balloting of Applications	4 March 2025
Allotment of IPO Shares to successful applicants	11 March 2025
Listing on the ACE Market	13 March 2025

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

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to the “**Company**” and “**Saliran**” in this Prospectus are to Saliran Group Berhad, while references to the “**Group**” are to our Company and our subsidiaries taken as a whole. References to “**we**”, “**us**”, “**our**” and “**ourselves**” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “**Management**” are to our Executive Directors and Key Senior Management as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Management.

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

In this Prospectus, references to the “Government” are to the Government of Malaysia, and references to “RM” and “sen” are to the lawful currency of Malaysia. The word “approximately” used in this Prospectus is to indicate that a number is not an exact one, but that number have been rounded off to the nearest hundredth, thousand or million or 2 decimal places, where applicable and hence may not be exact. Any discrepancies in the tables included in this Prospectus between the amounts listed and the total thereof are due to rounding.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any statute and legislation in this Prospectus shall be a reference to the statute or legislation of Malaysia and includes any statutory modification, amendment or re-enactment thereof, unless otherwise indicated.

This Prospectus includes statistical data provided by us and various third parties and cites third party projections regarding growth and performance of the market and industry in which our Group operates or are exposed to. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus. Where no source is stated, it can be assumed that the information originates from us or is extracted from the IMR Report prepared by Smith Zander which is included in Section 8 of this Prospectus. In compiling its data for the review, Smith Zander had relied on its research methodologies, industry sources, published materials, its own private databases and direct contacts within the industry.

In particular, certain information in this Prospectus is extracted or derived from the IMR Report (as defined herein). We believe that the statistical data and projections cited in this Prospectus are useful in helping you understand the major trends in the industry in which we operate.

If there are any discrepancies or inconsistencies between the English and Malay versions of this document, the English version shall prevail. The information on our website, or any website directly and indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus contains forward-looking statements. All statements other than statements of historical facts included in this Prospectus, including, without limitation, those regarding our financial position, business strategies, plans and objectives of our Group 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 Group'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 the words "expect", "believe", "plan", "intend", "estimate", "anticipate", "aim", "forecast", "may", "will", "would", and "could" or similar expressions and include all statements that are not historical facts. Such forward-looking statements include, without limitation, statements relating to:

- (i) our future overall business development and operations;
- (ii) our future financial performance and financing plans including earnings, cash flow and liquidity;
- (iii) potential growth opportunities;
- (iv) our business strategies, trends and competitive position and the effect of such competition;
- (v) the plans and objectives of our Company for future operations;
- (vi) the general industry environment, including the demand and supply for our products;
- (vii) our ability to pay dividends; and
- (viii) the regulatory environment and the effects of future regulation.

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

- (a) the general economic, business, social, political and investment environment in Malaysia and globally;
- (b) government policy, legislation and regulation; and
- (c) the COVID-19 pandemic and possible similar future outbreak(s).

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 9 of this Prospectus on "Risk Factors" and Section 12.2 of this Prospectus on "Management's Discussion and Analysis of Results of Operations and Financial Condition". 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 matter disclosed in this Prospectus arising from the date of registration of this Prospectus but before the date of allotment of our IPO Shares, we shall further issue a supplemental or replacement prospectus, as the case may be, in accordance with the provisions of Rules 3.12D and 3.12E of the Listing Requirements, Section 238(1) of the CMSA and Paragraph 1.02, Chapter 1 of Part II (Division 6 on Supplementary and Replacement Prospectus) of the Prospectus Guidelines of the SC.

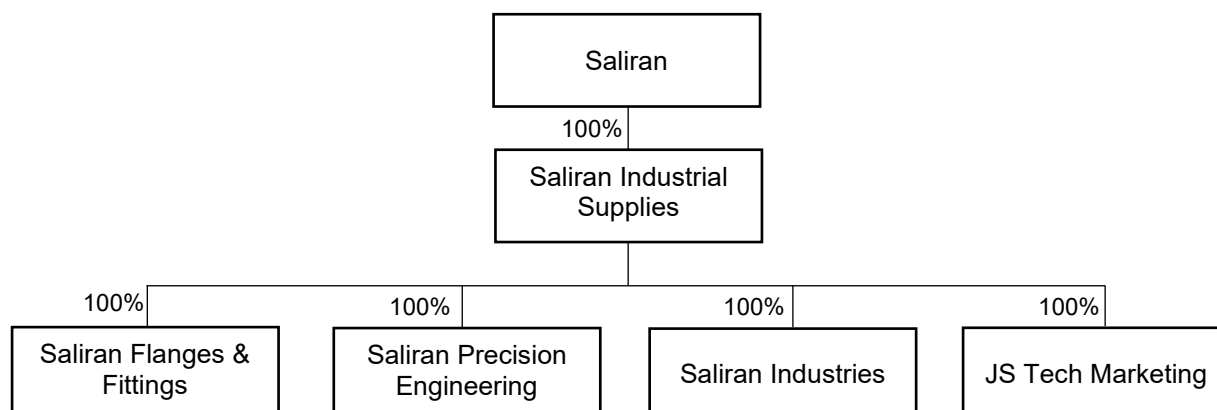
DEFINITIONS

The following definitions shall apply throughout this Prospectus unless the term is defined otherwise or the context otherwise requires:

Companies within our Group

JS Tech Marketing	:	JS Tech Marketing Sdn Bhd (Registration No. 202301004259 (1498178-T)), a wholly-owned subsidiary of Saliran Industrial Supplies
Saliran Flanges & Fittings	:	Saliran Flanges & Fittings Sdn Bhd (Registration No. 201401025907 (1101997-A)), a wholly-owned subsidiary of Saliran Industrial Supplies
Saliran or Company	:	Saliran Group Berhad (Registration No. 202001022591 (1378911-A))
Saliran Industries	:	Saliran Industries Sdn Bhd (Registration No. 202201040443 (1486140-A)), a wholly-owned subsidiary of Saliran Industrial Supplies
Saliran Industrial Supplies	:	Saliran Industrial Supplies Sdn Bhd (Registration No. 201101008001 (936140-T)), a wholly-owned subsidiary of Saliran
Saliran Group or Group	:	Saliran and its subsidiaries, collectively
Saliran Precision Engineering	:	Saliran Precision Engineering Sdn Bhd (Registration No. 201401036166 (1112303-V)), a wholly-owned subsidiary of Saliran Industrial Supplies

A diagrammatic illustration of our Group structure is as follows:



General

ACE Market	:	ACE Market of Bursa Securities
Acquisition of Saliran Industrial Supplies	:	Acquisition by Saliran of the entire equity interest of Saliran Industrial Supplies from the Vendors for a purchase consideration of RM30,249,750.00, which was satisfied via the issuance of 302,497,500 Saliran Shares to Maju Alliance, an investment holding company owned by the Vendors. The Acquisition of Saliran Industrial Supplies was completed on 14 November 2024
Act	:	Companies Act 2016 as amended from time to time and any re-enactment thereof

DEFINITIONS *(cont'd)*

ADA	: Authorised Depository Agent, a person appointed by Bursa Depository under the Rules
Application	: Application for our IPO Shares by way of Application Form, Electronic Share Application and/or Internet Share Application
Application Form(s)	: Printed application form(s) for the application of our IPO Shares accompanying this Prospectus
ATM(s)	: Automated teller machine(s)
Authorised Financial Institution(s)	: Authorised financial institution(s) participating in the Internet Share Application in respect of the payments for the IPO Shares
Board	: Board of Directors of Saliran Group Berhad
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (Registration No. 198701006854 (165570-W))
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
CA 1965	: Companies Act 1965
CAGR	: Compounded annual growth rate
CCC	: Certificate of Completion and Compliance
CCM	: Companies Commission of Malaysia
CDS	: Central Depository System
CDS Account	: An account established by Bursa Depository for a depositor for the recording of securities and for dealing in such securities by the depositor
CMSA	: Capital Markets and Services Act 2007
COS	: Cost of sales
Constitution	: Constitution of Saliran
COVID-19	: Novel coronavirus disease 2019, an infectious respiratory disease which first broke out in 2019
Dennis Liaw	: Liaw Choon Wei, the Promoter, major shareholder and Managing Director of our Company
Depositor	: A holder of the CDS Account
Director(s)	: Member(s) of our Board and within the meaning given in Section 2(1) of the CMSA
DOSH	: Department of Occupational Safety and Health
EBIT	: Earnings before interest and tax
EBITDA	: Earnings before interest, taxation, depreciation and amortisation

DEFINITIONS *(cont'd)*

Electronic Prospectus	:	Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or an electronic storage medium
Electronic Share Application	:	Application for our IPO Shares through a Participating Financial Institution's ATM
Eligible Persons	:	Eligible Director and employees of our Group
EPS	:	Earnings per Share
FPE	:	Financial period ended 31 August, as the case may be
Financial Years/Period Under Review	:	FYE 2021, FYE 2022, FYE 2023 and FPE 2024
FYE	:	Financial year ended/ending 31 December, as the case may be
Government	:	Government of Malaysia
GP	:	Gross profit
GST	:	Malaysian Goods and Services Tax
IMR or Smith Zander	:	Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V))
IMR Report	:	Independent Market Research Report titled "Independent Market Research Report on the Pipes, Fittings and Flanges as well as Steel Products Industry in Malaysia and Indonesia" prepared by Smith Zander
Internet Participating Financial Institution(s) or Participating Securities Firm(s)	:	Participating financial institution(s) or participating securities firm(s) for the Internet Share Application, as listed in Section 15 of this Prospectus
Internet Share Application	:	Application for IPO Shares through an online share application service provided by the Internet Participating Financial Institutions or Participating Securities Firms
IPO	:	Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	:	Issue / Offer Price of RM0.27 per Share under our Public Issue and Offer for Sale
IPO Share(s)	:	Collectively, the Issue Share(s) and the Offer Share(s)
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))
Key Senior Management	:	Key senior management as set out in Section 5.3 of this Prospectus

DEFINITIONS *(cont'd)*

Listing	:	Admission of Saliran to the Official List of Bursa Securities and the listing and quotation of our entire enlarged issued share capital comprising RM51,960,250 comprising 382,900,000 Shares on the ACE Market
Listing Requirements	:	ACE Market Listing Requirements of Bursa Securities, as amended from time to time
LPD	:	20 January 2025, being the latest practicable date prior to the issuance of this Prospectus
MAICSA	:	Malaysian Institute of Chartered Secretaries and Administrators
Maju Alliance	:	Maju Alliance Sdn Bhd (Registration No. 202401018317 (1564166-K)), the Promoter, Specified Shareholder and major shareholder of our Company
Malacca Securities or Principal Adviser or Sponsor or Underwriter or Placement Agent	:	Malacca Securities Sdn Bhd (Registration No. 197301002760 (16121-H))
Malaysian Public	:	Citizens of Malaysia and companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia but excludes Directors of our Group, our substantial shareholders and persons connected with them
Market Day	:	Any day on which Bursa Securities is open for trading of securities
MCCG	:	Malaysian Code on Corporate Governance issued by the SC
MCO	:	Movement control order under the Prevention and Control of Infectious Diseases Act 1988 and the Police Act 1967
MFRS	:	Malaysian Financial Reporting Standards
MITI	:	Ministry of Investment, Trade and Industry
NA	:	Net assets
NBV	:	Net book value
Offer for Sale	:	Offer for sale by the Selling Shareholder of 38,290,000 Offer Shares at the IPO Price
Offer Share(s)	:	The existing Shares to be offered by the Selling Shareholder pursuant to the Offer for Sale
Official List	:	A list specifying all securities which have been admitted for listing on Bursa Securities and not removed
Participating Financial Institutions	:	Participating financial institutions for the Electronic Share Application as listed in Section 15 of this Prospectus
Participating Securities Firms	:	Participating securities firms for the Internet Share Application as listed in Section 15 of this Prospectus
PAT	:	Profit after taxation

DEFINITIONS *(cont'd)*

PBT	:	Profit before taxation
PE Multiple	:	Price-to-earnings multiple
Pink Form Allocations	:	Allocation of 7,658,000 Issue Shares for subscription by the Eligible Persons
Promoters	:	Collectively, Maju Alliance, Dennis Liaw and William Chan
Prospectus	:	This Prospectus dated 19 February 2025 in relation to our IPO
Prospectus Guidelines	:	Prospectus Guidelines issued by the SC
Public Issue	:	Public issue of 80,400,000 Issue Shares at the IPO Price
R&D	:	Research and development
Rules	:	Rules of Bursa Depository as issued under the SICDA and any appendices thereto
Saliran Shares or Shares	:	Ordinary shares in Saliran
SC	:	Securities Commission Malaysia
Selling Shareholder	:	Maju Alliance
SICDA	:	Securities Industry (Central Depositories) Act 1991
SKUs	:	Stock keeping units
Specified Shareholder	:	Maju Alliance
SST	:	Sales and service tax
Underwriting Agreement	:	Underwriting agreement dated 21 January 2025 entered into between our Company and the Underwriter pursuant to our IPO
Vendors	:	Collectively, Dennis Liaw, William Chan and Lim Bak Teik
William Chan	:	Chan Koon Wai, the Promoter, major shareholder and Executive Director of our Company

PROPERTIES OWNED AND RENTED BY THE GROUP:

Investment Property 1	:	A 3-storey detached factory located at No. 36, Jalan P10/21, Taman Industri Selaman, Bangi, 43650 Bandar Baru Bangi, Selangor. Further details on Investment Property 1 are set out in Section 7.22.1(iii) of this Prospectus
Investment Property 2	:	A 3-storey intermediate terraced shop office located at No. 75, Jalan Puteri 5/7, Bandar Puteri, 47100 Puchong, Selangor. Further details on Investment Property 2 are set out in Section 7.22.1(iv) of this Prospectus

DEFINITIONS *(cont'd)*

Ipoh Office	: The first floor of a double-storey shoplot located at No. 5A, Jalan Mas 2, Taman Mas, 30100 Ipoh, Perak. Further details on Ipoh Office are set out on Section 7.22.2(iv) of this Prospectus
Manufacturing Site 1	: A 1-storey factory located at No. 7, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor. Further details on Manufacturing Site 1 are set out on Section 7.22.2(ii) of this Prospectus
Manufacturing Site 2	: A 1-storey factory located at No. 21, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor. Further details on Manufacturing Site 2 are set out on Section 7.22.2(iii) of this Prospectus
Puchong Premise 1	: A double-storey semi-detached factory located at No. 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor. Further details on Puchong Premise 1 are set out on Section 7.22.1(i) of this Prospectus
Puchong Premise 2	: A double-storey semi-detached factory located at No. 14, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor. Further details on Puchong Premise 2 are set out on Section 7.22.2(i) of this Prospectus
Puchong Premise 3	: A 1-storey detached factory annexed with a 3-storey building located at No. 42, Jalan TPP 5, Taman Perindustrian Putra, 47130 Puchong, Selangor. Further details on Puchong Premise 3 are set out on Section 7.22.1(ii) of this Prospectus

Currencies, units and others

RM and sen	: Ringgit Malaysia and sen, respectively
MYR	: Malaysian Ringgit
SGD	: Singapore Dollar
USD	: United States Dollar
EUR	: Euro
RMB	: Ren Min Bi or Chinese Yuan
JPY	: Japanese Yen
GBP	: Great Britain Pound
%	: Per centum
MT	: Metric tonnes
sq ft	: Square feet

GLOSSARY OF TECHNICAL TERMS

This glossary contains 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 meanings or usage of these terms.

Carbon steel	: A type of steel composed primarily of iron and carbon with high tensile strength and is commonly used as a material in manufacturing and construction. Carbon steel has a low chromium content, and hence is more prone to rust and corrosion as compared to stainless steel
Computer numerical control ("CNC") precision machining	: A process of creating highly accurate and precise parts or components by cutting out and/or shaping raw materials using CNC machines
Elemental composition	: An elemental analysis to determine the identity, type and amount of chemical elements present in a specific compound
EPCC	: Refers to engineering, procurement, construction and commissioning, whereby EPCC companies are contractors involved in all activities from engineering, procurement, construction to commissioning and handover of a project to the project owner
EPCI	: Refers to engineering, procurement, construction and installation, whereby EPCI companies are contractors involved in all activities from engineering, procurement, construction to installation and handover of a project to the project owner
Mill test certificate	: A quality assurance document used in the metal industry to verify the chemical and physical properties of a material
Milling	: A machining process that uses a rotating cutter to remove material from a workpiece to shape it into the desired shape and dimension
Pipes, fittings and flanges	: A group of industrial products that can be assembled to form industrial piping systems to be used for the transfer of fluid and gaseous substances in industrial processing, refining and manufacturing
Retrofitting	: A process where modification works are carried out to upgrade and/or modify an existing building or infrastructure
Stainless steel	: A type of steel with high chromium content that provides resistance to rust and corrosion
Steel beams	: A structural steel product that is made to support heavy loads across large spans in buildings and infrastructure
Turning	: A machining process in which a workpiece is rotated along an axis against a cutting tool to remove materials from the workpiece's surface

1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name (Gender)	Designation	Nationality	Address
Dato' Low Suet Moi (F)	Independent Non-Executive Chairperson	Malaysian	38, Jalan Tempua 5 Bandar Puchong Jaya 47100 Puchong Selangor
Liaw Choon Wei (M)	Managing Director	Malaysian	25, Jalan Tropicana Heights 2/9 Tropicana Heights 43000 Kajang Selangor
Chan Koon Wai (M)	Executive Director	Malaysian	123, Jalan Seri Binjai 8 Taman Seri Binjai 70100 Seremban Negeri Sembilan
Datuk Khoo Teck Kee (M)	Independent Non-Executive Director	Malaysian	No. 10, Jalan Setia Perdana U13/29G, Bandar Setia Alam 40170 Shah Alam Selangor
Kok Tai Meng (M)	Independent Non-Executive Director	Malaysian	D-17-09 Mutiarra Oriental Kondo Jalan BM 1/8 Taman Bukit Mayang Emas 47301 Petaling Jaya Selangor
Ooi Gin Hui (F)	Independent Non-Executive Director	Malaysian	22, Jalan Durian 3 Taman Cheras 56100 Kuala Lumpur

Notes:

M refers to male
F refers to female

AUDIT AND RISK MANAGEMENT COMMITTEE

Name	Designation	Directorship
Kok Tai Meng	Chairman	Independent Non-Executive Director
Datuk Khoo Teck Kee	Member	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Ooi Gin Hui	Chairman	Independent Non-Executive Director
Datuk Khoo Teck Kee	Member	Independent Non-Executive Director
Kok Tai Meng	Member	Independent Non-Executive Director

1. CORPORATE DIRECTORY (cont'd)

NOMINATING COMMITTEE

Name	Designation	Directorship
Datuk Khoo Teck Kee	Chairman	Independent Non-Executive Director
Kok Tai Meng	Member	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director

COMPANY SECRETARIES : Chua Siew Chuan (MAICSA 0777689)
CCM Practicing Certificate No. 201908002648
(Chartered Secretary, Fellow of Malaysian Institute of Chartered Secretaries and Administrators)

Yeow Sze Min (MAICSA 7065735)
CCM Practicing Certificate No. 201908003120
(Chartered Secretary, Fellow Member of the Malaysian Institute of Chartered Secretaries & Administrators)

Lim Lih Chau (LS0010105)
CCM Practicing Certificate No. 201908001454
(Licenced Secretary)

Securities Services (Holdings) Sdn Bhd
(Registration No. 197701005827 (36869-T))
Level 7, Menara Milenium
Jalan Damanlela
Pusat Bandar Damansara
Damansara Heights
50490 Kuala Lumpur

Tel No. : +603 2084 9000
Fax No. : +603 2094 9940

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

Tel No. : +603 2084 9000
Fax No. : +603 2094 9940

PRINCIPAL PLACE OF BUSINESS : No. 14 & 16, Jalan Industri PBP 5
Taman Perindustrian Pusat Bandar Puchong
47100 Puchong
Selangor

Tel No. : +603 5879 1328
Website : <https://www.saliran.com.my/>
Email : info@saliran.com.my

PRINCIPAL ADVISER, SPONSOR, UNDERWRITER AND PLACEMENT AGENT : Malacca Securities Sdn Bhd
(Registration No. 197301002760 (16121-H))
BO1-A-13A, Level 13A, Menara 2
No. 3, Jalan Bangsar
KL Eco City
59200 Kuala Lumpur

Tel No. : +603 2201 2100

1. CORPORATE DIRECTORY (cont'd)

AUDITORS AND REPORTING ACCOUNTANTS	: Kreston John & Gan (AF 0113) Unit B-10-8 Megan Avenue II Jalan Yap Kwan Seng 50450 Kuala Lumpur Tel No. : +603 2381 2828 Partner-in-charge : Yong Chung Sin Approval No. : 02892/04/2026 J Professional : Chartered Accountant - Member of Qualification : Malaysian Institute of Accountants ("MIA") (MIA Membership No. 15273) and Fellow Member of Association of Chartered Certified Accountants
SOLICITORS	: Julius Leonie Chai A-11-9, Capital 1, Oasis Square No. 2, Jalan PJU 1A/7A, Ara Damansara 47301 Petaling Jaya Selangor Tel No. : +603 7831 6198
INDEPENDENT MARKET RESEARCHER	: Smith Zander International Sdn Bhd (Registration No. 201301028298 (1058128-V)) 15-01, Level 15, Menara MBMR 1 Jalan Syed Putra 58000 Kuala Lumpur Tel No. : +603 2732 7537 Person-in-charge : Dennis Tan Professional : Bachelor of Science, Memorial Qualification : University of Newfoundland, Canada
SHARE REGISTRAR	: Securities Services (Holdings) Sdn Bhd (Registration No. 197701005827 (36869-T)) Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur Tel No. : +603 2084 9000 Fax No. : +603 2094 9940

1. CORPORATE DIRECTORY *(cont'd)*

ISSUING HOUSE : Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite, Avenue 3
Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

Tel No. : +603 2783 9299

LISTING SOUGHT : ACE Market of Bursa Securities

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2. APPROVALS AND CONDITIONS

2.1 APPROVALS FROM RELEVANT AUTHORITIES

2.1.1 Bursa Securities

Bursa Securities had, via its letter dated 7 November 2024, approved:

- (i) the admission of our Company to the Official List of the ACE Market of Bursa Securities;
- (ii) the listing of and quotation for our entire enlarged issued share capital on the ACE Market of Bursa Securities; and
- (iii) the approval-in-principle for the registration of the Prospectus.

The approval from Bursa Securities is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Submit the following information with respect to the moratorium on the shareholdings of the Specified Shareholder to Bursa Depository: (i) Name of shareholders; (ii) Number of shares; and (iii) Date of expiry of the moratorium for each block of shares.	Complied
2.	Confirm that the approval 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 announcements pursuant to Paragraph 8.1 and 8.2 of Guidance Notes 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 share capital of Saliran on the first day of Listing.	To be complied
6.	In relation to the public offering to be undertaken by Saliran, to announce at least 2 market days prior to the listing date, the result of the offering including the following: (i) Level of subscription of public balloting and placement; (ii) Basis of allotment/allocation; (iii) A table showing the distribution for placement tranche as per the prescribed format; and (iv) Disclosure of placees who become substantial shareholders of Saliran arising from the public offering, if any.	To be complied

2. APPROVALS AND CONDITIONS (cont'd)

No.	Details of conditions imposed	Status of compliance
7.	Saliran / Malacca 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 Saliran to the Official List of the ACE Market.	To be complied
8.	Saliran and Malacca Securities are required to ensure full compliance with all requirements as provided under the Listing Requirements at all times.	Noted

2.1.2 SC

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

The SC had, vide its letter dated 12 November 2024, approved our application in relation to the resultant equity structure pursuant to our Listing under the Bumiputera equity requirement for public listed companies for our Listing. The approval from SC is subject to the following conditions:

No.	Details of conditions imposed	Status of compliance
1.	Saliran allocating shares equivalent to 12.50% of its enlarged number of issued shares to Bumiputera investors to be approved by the MITI	To be complied
2.	Saliran to make available at least 50.00% of the shares offered to the Malaysian public investors via balloting to Bumiputera public investors	To be complied

The effect of our Listing on the equity structure of Saliran shall be as follows:

Category of shareholders	As at the LPD		After Listing	
	No. of Shares	%	No. of Shares	%
Bumiputera				
- Bumiputera public via balloting	-	-	9,572,500	2.50
- Bumiputera investors approved by the MITI	-	-	47,862,500	12.50
Total Bumiputera	-	-	⁽¹⁾ 57,435,000	15.00
Non-Bumiputera	302,500,000	100.00	325,465,000	85.00
Total Malaysians	302,500,000	100.00	382,900,000	100.00
Foreigners	-	-	-	-
TOTAL	302,500,000	100.00	382,900,000	100.00

Note:

- (1) Based on the assumption that the Shares allocated to Bumiputera investors will be fully subscribed.

2. APPROVALS AND CONDITIONS *(cont'd)*

2.1.3 Approval from MITI

The MITI had, vide its letter dated 16 October 2024, taken note and has no objection to our Listing.

2.2 MORATORIUM ON OUR SHARES

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

- (i) the moratorium applies to the entire shareholding of our Specified Shareholder for a period of 6 months from the date of our admission to the ACE Market ("**First 6-Month Moratorium**");
- (ii) upon the expiry of the First 6-Month Moratorium, our Company must ensure that our Specified Shareholder's aggregate shareholding amounting to at least 45.00% of our total number of issued Shares remain under moratorium for another period of 6 months ("**Second 6-Month Moratorium**"); and
- (iii) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholder may sell, transfer or assign up to a maximum of one-third per annum (on a straight-line basis) of those Shares held under moratorium,

(collectively, referred to as "**Moratorium Period**").

Details of our Shares held by the Specified Shareholder which will be subject to moratorium are as follows:

Specified Shareholder	Moratorium shares during the First 6-Month Moratorium		Moratorium shares during the Second 6-Month Moratorium		Shares held on year 2 after Listing		Shares held on year 3 after Listing	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(1) %
Maju Alliance	264,210,000	69.00	172,305,000	45.00	114,870,000	30.00	57,435,000	15.00

Note:

- (1) Based on our enlarged issued share capital of 382,900,000 Shares after our IPO.

The moratorium has been fully accepted by our Specified Shareholder, which has provided written undertaking that it will not sell, transfer or assign its shareholding under moratorium during the Moratorium Period.

The shareholders of Maju Alliance, namely Dennis Liaw, William Chan and Lim Bak Teik have undertaken not to sell, transfer or assign their shareholdings in Maju Alliance during the moratorium period.

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

3. 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 WHETHER TO INVEST IN OUR SHARES.

3.1 DETAILS OF OUR IPO

3.1.1 Allocation

Our IPO comprises the Public Issue of 80,400,000 Issue Shares and the Offer for Sale by Selling Shareholder of 38,290,000 Offer Shares at the IPO Price, payable in full on application and is subject to the terms and conditions of this Prospectus. The IPO Shares are expected to be allocated in the manner described below, subject to the underwriting and placement arrangement as set out in Section 4.8 of this Prospectus:

	No. of Shares	% of the enlarged issued share capital ⁽¹⁾
Public Issue		
(i) Malaysian Public ⁽²⁾	19,145,000	5.00
(ii) For Pink Form Allocations	7,658,000	2.00
(iii) Private Placement to Bumiputera investors approved by the MITI	47,862,500	12.50
(iv) Private Placement to selected investors	5,734,500	1.50
	80,400,000	21.00
Offer for Sale		
(i) Private Placement to selected investors	38,290,000	10.00
Total	118,690,000	31.00

Notes:

⁽¹⁾ Based on our enlarged issued share capital of 382,900,000 Shares after our IPO.

⁽²⁾ Including 9,572,500 Issue Shares made available to Bumiputera public investors.

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

3.1.2 The principal statistics of our IPO

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

	No. of Shares	RM
Issued share capital as at the date of this Prospectus	302,500,000	30,252,250
Shares to be issued pursuant to our Public Issue	80,400,000	21,708,000
Enlarged issued share capital upon Listing	382,900,000	51,960,250
IPO Price		RM0.27
Market capitalisation upon Listing		103,383,000

3. PROSPECTUS SUMMARY *(cont'd)*

3.1.3 Moratorium on our Shares

A moratorium will be imposed on the sale, transfer or assignment of those Shares held by our Specified Shareholder as follows:

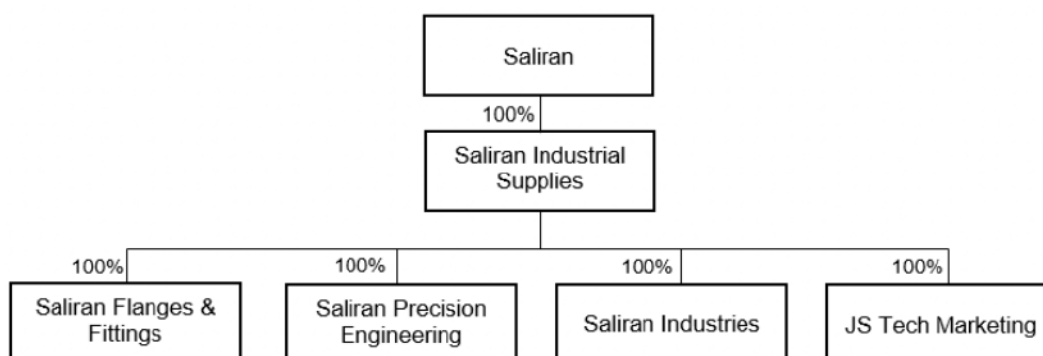
- (i) during the First 6-Month Moratorium;
- (ii) upon expiry of the First 6-Month Moratorium, our Company must ensure that our Specified Shareholder's aggregate shareholding amounting to at least 45.00% of our total number of issued Shares remain under moratorium during the Second 6-Month Moratorium; and
- (iii) upon the expiry of the Second 6-Month Moratorium, our Specified Shareholder may sell, transfer or assign up to a maximum of one-third per annum (on a straight-line basis) of our Shares held under moratorium.

Further details on the moratorium on our Shares are set out in Section 2.2 of this Prospectus.

3.2 OUR GROUP

Our Company was incorporated in Malaysia under the Act on 7 August 2020 as a private limited company under the name of Saliran Group Sdn Bhd. On 19 June 2024, our Company was converted into a public listed company and assumed our present name.

Our Company is an investment holding company. Through our subsidiaries, our Group is principally involved in the supply and distribution of pipes, fittings and flanges as well as steel products. For the Financial Years/Period Under Review, our products are primarily used in the oil and gas industry. We also undertake the manufacturing of fittings and flanges. As at the LPD, the structure of our Group is as follows:



Further details of our Group are set out in Section 6.2 of this Prospectus.

3.3 PRINCIPAL BUSINESS ACTIVITIES AND OPERATIONAL HIGHLIGHTS

We are principally involved in the supply and distribution of pipes, fittings and flanges as well as steel products. For the Financial Years/Period Under Review, our products are primarily used in the oil and gas industry. Our products can be categorised into the following:

- (i) **Pipes, fittings and flanges products as well as related parts and accessories**, which are used for the transfer of fluid and gaseous substances in production and refining / processing activities.
- (ii) **Steel products**, which include steel beams, steel bars, steel plates and steel sections which are used as structural support for the installation of our pipes, fittings and flanges products and/or for the construction of process plants.

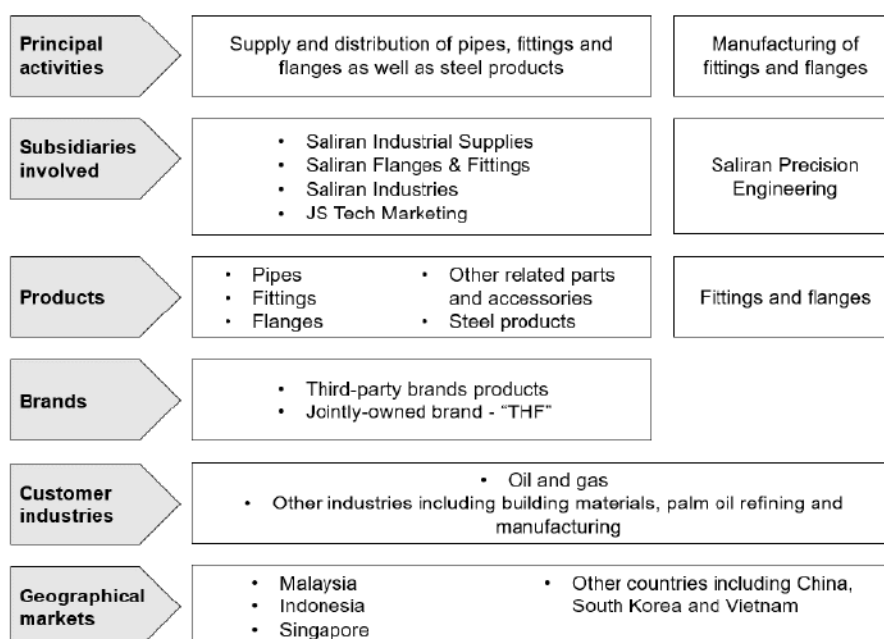
3. PROSPECTUS SUMMARY (cont'd)

To complement our supply and distribution business, we are also involved in the manufacturing of fittings and flanges in customised specifications. We do not manufacture fittings and flanges that we carry for our supply and distribution business.

Our pipes, fittings and flanges as well as steel products are primarily used in the oil and gas industry to support industrial processing, refining and manufacturing activities. Our products are mainly used by EPCC companies for fabrication works within the oil and gas industry, including the construction of new facilities and infrastructure such as processing and refining plants, as well as the refurbishment, retrofitting and maintenance of existing facilities and infrastructure.

We also sell our products for use in other industries, including building materials, manufacturing and palm oil refining industries. We sell our products to customers in Malaysia, Indonesia, Singapore and other countries such as China, South Korea and Vietnam.

Our business activities can be summarised as follows:



Our segmentation by business activities is as follows:

Supply and distribution segment : Supply and distribution of pipes, fittings and flanges as well as steel products and related parts and accessories

Manufacturing segment : Manufacturing of fittings and flanges

Supply and distribution segment was the largest revenue contributor as it accounted for 96.90%, 97.32%, 98.48% and 99.19% of our total revenue for the past 3 FYEs 2021 to 2023 and FPE 2024, respectively.

We primarily supply and distribute our products to customers involved in the oil and gas industry to support production and refining / processing activities, which accounted for 80.04%, 72.90%, 86.15% and 89.09% of our total revenue for the past 3 FYEs 2021 to 2023 and FPE 2024, respectively. Our Group's principal market is in Malaysia, which accounted for 98.07%, 99.27%, 83.50% and 70.79% of our total revenue for the past 3 FYEs 2021 to 2023 and FPE 2024, respectively.

Further details on our Group's principal business activities are set out in Section 7.2 of this Prospectus.

3. PROSPECTUS SUMMARY *(cont'd)*

3.4 IMPACT OF COVID-19

During the COVID-19 pandemic, we experienced slight delays in receipt of products from contract manufacturer and suppliers, as well as product delivery to customers. Further, we also experienced some slowdown in collection of trade receivables from our customers which partially contributed to the negative operating cash flow in FYE 2021. In FYE 2022, we did not experience any interruptions to our business operations or adverse impact to our financial performance due to the COVID-19 pandemic. Please refer to Section 12.2.6 of this Prospectus for further details of our negative cash flow in FYE 2021.

Save for the temporary disruptions to our business operations as disclosed above, there was no other material impact on our business operations due to the COVID-19 pandemic.

Further details on the impact of COVID-19 are set out in Section 7.11 of this Prospectus.

3.5 COMPETITIVE STRENGTHS

The following competitive strengths have driven our past business performance and will support our future growth:

(i) **We have an established track record and experience in supplying and distributing pipes, fittings and flanges as well as steel products for the oil and gas industry**

Since our business commencement in 2011, we have been supplying and distributing pipes, fittings and flanges as well as steel products for use in the oil and gas industry. With approximately 14 years of operations since our business commencement, our Group has gained extensive experience and insights in the pipes, fittings and flanges as well as steel products required in the oil and gas industry, thereby allowing us to continue supplying our products to the oil and gas industry and to provide value added services to our customers by providing advice and recommendations to customers on the types, volumes and grades of products required according to their project requirements and specifications.

(ii) **We offer a wide variety of pipes, fittings and flanges (including products labelled under our jointly-owned brand) as well as steel products**

We offer an extensive range of pipes, fittings and flanges for use in industrial processing, refining and manufacturing activities in the oil and gas industry as well as other industries. Our pipes, fittings and flanges are available in a variety of specifications in terms of material types, shapes and dimensions to cater to the needs of our customers. Our Group's extensive product range is attested by the number of SKUs that we carry. We also offer fittings and flanges under our jointly-owned brand, namely "THF". Having our jointly-owned brand of fittings and flanges enables our Group to establish our presence in the pipes, fittings and flanges industry and raise our brand awareness to facilitate wider customer penetration.

(iii) **We maintain long-term relationships with our customers and have a wide range of suppliers**

We have developed our network of customers and suppliers that have played a significant role in the growth of our Group since the commencement of our business in 2011. We maintain long-term relationships with our customers which is evidenced by the years of relationship with both of our major customers.

Further, we have a large supplier base for sourcing of pipes, fittings and flanges as well as steel products. In the past 3 FYEs 2021 to 2023 and FPE 2024, we purchased from 59, 90, 103 and 159 suppliers respectively. Having a wide range of suppliers allow us to have wide product offerings to meet the different needs of our customers.

3. PROSPECTUS SUMMARY (cont'd)**(iv) We are a sales-focused organisation and place emphasis on customer engagement**

As at the LPD, we have 36 sales personnel who play pivotal roles in driving sales for our business success. Our sales personnel are equipped with in-depth product knowledge, which enables them to provide advice and recommendations to our customers based on their requirements.

We are focused and committed in investing in our sales team, by providing regular sales training to hone their skills and product knowledge for on-going improvement in customer engagement. These training programmes comprise on-the-job training, in-house training and external training covering topics include product training on specifications and applications, sales negotiation and closing skills, communication and relationship building techniques, leadership and problem-solving. As our sales personnel are the frontline representatives of our Group, providing regular sales training is crucial to maintaining a sales-focused organisation, which ultimately drives our sales and boosts our Group's financial performance.

(v) Our Group has an experienced Executive Directors and Key Senior Management team

Our Executive Directors and Key Senior Management team have accumulated years of experience in their respective fields of expertise, industrial knowledge and in-depth understanding of our business operations. Under their leadership, we have established our industry reputation through our ability to supply, distribute and manufacture high quality pipes, fittings and flanges products. The industry reputation that we have established over the years have been crucial to our Group in attracting new customers and retaining our business relationships with existing customers.

Further details on our competitive strengths are set out in Section 7.13 of this Prospectus.

3.6 FUTURE PLANS AND STRATEGIES

Our future plans and strategies are as follows:

(i) We intend to expand our business in Indonesia by establishing a regional office

As part of our business expansion, we intend to further expand our business in Indonesia and to strengthen our market presence in Indonesia by establishing a sales office in Indonesia. We intend to rent an office unit measuring approximately 1,000 sq ft in South Jakarta, Indonesia. Following which, we intend to hire 1 local sales manager and 2 local sales executives to handle sales as well as build and maintain relationships with local customers.

This new office will support our business expansion in the country and enable our Group to capture opportunities arising from market demand in Indonesia as we will be in close proximity to, and accessible by, local customers in Indonesia. Having a physical presence locally will also provide greater confidence to local customers to source products from us. We believe that all of these will enable us to secure customers and grow our sales in Indonesia, and subsequently drive the overall growth of our business. Our Group estimates that the total cost of this expansion plan, comprising rental of the office and staff costs over a 36-month period as well as one-off purchase of office equipment, to be approximately RM1.20 million, which will be fully funded from our IPO proceeds.

(ii) We intend to increase our inventory levels for the on-going expansion of our supply and distribution business

We intend to allocate approximately RM8.37 million from our IPO proceeds to increase our inventory level within 12 months of our Listing. With the additional working capital of RM8.37 million, we target to reduce our interest expenses by between RM0.39 million to RM0.81 million per annum and thus, improve our profitability. Our Group believes that by expanding our supply and distribution business, we will be able to offer a more readily available inventory to our customers, which will subsequently enhance our financial performance further.

3. PROSPECTUS SUMMARY (cont'd)**(iii) We intend to enhance our quality assurance/quality control ("QA/QC") procedures by acquiring new machinery**

We intend to intensify our QA/QC procedures by acquiring an additional QA/QC machinery, namely optical emission spectrometer, for product inspection. An optical emission spectrometer is an advanced positive metal identification machine used to detect, analyse and verify a wide and detailed range of elemental composition and material grade of metal products, including carbon content which is unable to be detected by our existing XRF metal analyser gun. Having an optical emission spectrometer is expected to enhance our QA/QC procedures as we will be able to carry out detailed and varied verification of elemental compositions and material grades of our products in-house. The purchase of an optical emission spectrometer machine is estimated to cost RM0.35 million, which will be fully funded from our IPO proceeds. We intend to purchase the optical emission spectrometer within 6 months upon our Listing.

(iv) We intend to expand our fleet of delivery trucks to handle more product delivery in-house

We intend to expand our fleet of delivery trucks to handle more product delivery in-house and to accommodate increased needs for product delivery as we continue to grow our business. As such, we intend to acquire 5 additional delivery trucks, comprising 3 units of 3-ton trucks, 1 unit of 5-ton truck and 1 unit of 10-ton truck. The cost of purchasing the 5 delivery trucks is estimated to be RM1.09 million, which will be fully funded from our IPO proceeds within 24 month upon our Listing. These additional delivery trucks are expected to enhance our operational efficiency, ensuring more punctual and reliable logistics management.

(v) We intend to further develop and grow the supply and distribution of our jointly-owned brand products, i.e. "THF" products

In view of the higher GP margin contributed by the sale of "THF" products, we intend to further develop and grow our supply and distribution of "THF" products by actively intensifying our sales and marketing strategy to promote "THF" products through the following efforts:

- (i) to encourage our sales personnel to promote "THF" products;
- (ii) to actively promote "THF" products while participating in exhibitions and trade shows; and
- (iii) to train our sales personnel on the product knowledge and application as well as the quality of "THF" products.

The costs incurred for implementing these strategies will be fully funded using internally generated funds. These strategies are being progressively implemented in Malaysia, and will be implemented in Indonesia upon the establishment of our new office in Indonesia.

Further details on our future plans and strategies are set out in Section 7.14 of this Prospectus.

3.7 RISK FACTORS

Our business is subject to a number of risk factors which may have a material adverse impact on our business, financial condition and results of operations. The following is a summary of the key risk factors that we face in our business operations:

(i) We are dependent on our major suppliers, namely Tae Heung Forging Co Ltd ("Tae Heung") and Supplier A (as defined in Section 7.16)

We are dependent on our contract manufacturer, namely Tae Heung, which emerged as our largest supplier in FYE 2023 and FPE 2024 with contribution of 30.50% and 35.61% to our total purchases respectively, and Supplier A, which accounted for 6.59%, 20.68%, 28.41% and 33.09% of our total purchases for the past FYEs and FPE 2024.

Whilst we have an OEM Agreement with Tae Heung as at the LPD, there is no guarantee that Tae Heung will agree to renew the OEM Agreement in the future. In such circumstances, we would lose

3. PROSPECTUS SUMMARY *(cont'd)*

the exclusive rights to supply and distribute Tae Heung's products under the brand of "THF", and we may not be able to supply and distribute Tae Heung's products at all, which would in turn affect our sales performance. Additionally, our GP margin for the supply and distribution of "THF" brand fittings and flanges products were 24.38% and 24.40% in FYE 2023 and FPE 2024 respectively, which were higher than the GP margin of 12.12% and 12.55% for the supply and distribution of third-party brands fittings and flanges products. In the event that we are unable to continue selling "THF" brand products, the overall GP margin for our supply and distribution business may decrease, resulting in an adverse impact on our financial performance. In the event of default by Tae Heung (a South Korean company) under the OEM Agreement, pursuing legal action presents significant challenges to enforce a Malaysian court judgment in South Korea due to the lack of reciprocal enforcement treaties. This could lead to delays, higher legal costs, and potential reputational damage to our Group.

In the event that Supplier A opts to terminate their relationship with us, our business operations may be disrupted if we are unable to source similar products from other suppliers timely.

In addition to the above, even if we are able to source similar products from other suppliers, there is no assurance that the products are acceptable to our customers, which may negatively affect our sales and our financial performance.

(ii) Our business and financial performance may be adversely affected if we lose significant sales from our major customers, namely Harmoni Group (as defined in Section 7.15) and PT Promatcon Tepatguna

We are dependent on the Harmoni Group, our major customer, with revenue contribution of 13.60%, 24.73%, 39.09% and 36.87% of our total revenue in the past 3 FYEs and FPE 2024 and PT Promatcon Tepatguna, which contributed substantially to our total revenue at 15.27% and 26.80% in FYE 2023 and FPE 2024.

Any substantial decrease in the value of orders from Harmoni Group and PT Promatcon Tepatguna could have an adverse impact on our financial performance moving forward. Nonetheless, even if we are able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and/or maintain/improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

(iii) We are reliant on the trademark registered for our jointly-owned brand, namely "THF"

We have registered a trademark for our jointly-owned brand of "THF". The trademark is registered in Malaysia with the Intellectual Property Corporation of Malaysia. In the event that any third-party infringers begin selling counterfeit versions of our products under our trademark-registered brand, there is a risk that our customers may mistake them for our products, potentially damaging our sales and reputation. In such circumstances, there is no certainty that we will be able to successfully establish an infringement of our trademark.

Whilst we have an OEM Agreement with Tae Heung as at the LPD, there is no guarantee that Tae Heung will agree to renew the OEM Agreement in the future. In such circumstances, we would lose the exclusive rights to supply and distribute Tae Heung's products under the brand of "THF", and we may not be able to supply and distribute Tae Heung's products at all, which would in turn affect our sales performance.

(iv) Our future GP margin, profitability and operating cash flow may be subject to fluctuations

For the FYE 2021 to FYE 2023, our Group's overall GP margin declined from 22.82% to 16.89%. The decline in GP margin in FYE 2022 was mainly due to fluctuation in steel prices and increase in cost of fittings and flanges while the decline in GP margin in FYE 2023 was due to our adoption of a customer acquisition strategy. In FPE 2024, we managed to record an improved GP margin of 17.13% as compared to GP margin of 16.89% in FYE 2023. Notwithstanding the GP margin improvement in FPE 2024, there is no assurance that we will be able to sustain or continue to improve our GP margin in the future. Moving forward, there is no assurance that we will be able to manage our exposure to fluctuation in steel prices and competition from other industry players whilst improving or maintaining our GP margin and profitability.

3. PROSPECTUS SUMMARY (cont'd)

In FYE 2021 and FYE 2022, we recorded negative operating cash flow of RM9.07 million and RM4.52 million, respectively (FYE 2023 and FPE 2024: positive operating cash flow of RM5.91 million and RM4.13 million respectively). Moving forward, there can be no assurance that our Group will be able to sustainably record positive operating cash flow as this would depend on amongst others, changes in working capital such as inventories, receivables and payables.

(v) Our supply and distribution business is subject to availability of financing for working capital requirements

As a supplier and distributor, we offer an extensive range of pipes, fittings and flanges as well as steel products. The nature of our business requires us to keep a sufficient level of inventory to provide timely delivery to our customers. We also provide 30 to 120 days credit to our customers, who require credit terms from us. There is also a risk of simultaneous demand for immediate repayment on our outstanding short-term borrowings and tightening of loan facilities due to deteriorating market conditions arising from economic, financial, political and other reasons.

Further details on the risks faced by our business and operations, industry and investment in our Shares are set out in Section 9 of this Prospectus.

3.8 DIRECTORS AND KEY SENIOR MANAGEMENT

Our Directors and Key Senior Management are as follows:

(i) Directors

Name	Designation
Dato' Low Suet Moi	Independent Non-Executive Chairperson
Dennis Liaw	Managing Director
William Chan	Executive Director
Datuk Khoo Teck Kee	Independent Non-Executive Director
Kok Tai Meng	Independent Non-Executive Director
Ooi Gin Hui	Independent Non-Executive Director

(ii) Key Senior Management

Name	Designation
Lim Bak Teik	Chief Operation Officer
Yong Wai Kin	Chief Financial Officer

Further details on our Directors and Key Senior Management are set out in Sections 5.1.2, 5.2 and 5.3 of this Prospectus.

3.9 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

The details of our Promoters and substantial shareholders, and their shareholdings in our Company before and after our IPO are as follows:

Name / Nationality / country of incorporation	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Promoters and substantial shareholders								
Maju Alliance ⁽⁴⁾ / Malaysia	302,500,000	100.00	-	-	264,210,000	69.00	-	-
Dennis Liaw / Malaysian	-	-	⁽³⁾ 302,500,000	100.00	-	-	⁽³⁾ 264,210,000	69.00
William Chan / Malaysian	-	-	⁽³⁾ 302,500,000	100.00	-	-	⁽³⁾ 264,210,000	69.00

3. PROSPECTUS SUMMARY (cont'd)**Notes:**

- (1) Based on our issued share capital of 302,500,000 Shares before our IPO.
 (2) Based on enlarged issued share capital of 382,900,000 Shares after our IPO.
 (3) Deemed interested by virtue of his shareholding in Maju Alliance.
 (4) Please refer to Section 5.1.2(i) for details of shareholdings of Maju Alliance.

Further details on the Promoters and substantial shareholders are set out in Section 5.1 of this Prospectus.

3.10 UTILISATION OF PROCEEDS

The total gross proceeds from the Public Issue will amount to RM21.71 million based on the IPO Price. We expect the proceeds to be used in the following manner:

Purposes	RM'000	%	Estimated timeframe for utilisation from the Listing date
Establishment of a sales office in Indonesia	1,200	5.52	Within 42 months
Purchase of machinery and delivery trucks	1,440	6.63	Within 24 months
Repayment of bank borrowings	7,000	32.25	Within 24 months
General working capital	8,368	38.55	Within 12 months
Estimated listing expenses	3,700	17.05	Within 1 month
Total	21,708	100.00	

Further details on the utilisation of proceeds are set out in Section 4.10 of this Prospectus.

3.11 FINANCIAL HIGHLIGHTS

The key historical financial information of our Group for the Financial Years/Period Under Review are as follows:

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	70,647	138,622	243,160	157,344	217,180
COS	(54,526)	(112,523)	(202,101)	(129,634)	(179,979)
Other operating income	281	483	1,526	1,176	524
GP	16,121	26,099	41,059	27,710	37,201
PBT	6,070	9,044	14,090	12,890	13,796
PAT attributable to owners of Saliran	4,440	5,953	9,920	8,881	9,294
Current assets	44,182	68,035	106,664	*	120,224
Current liabilities	34,145	54,190	84,737	*	89,896
Total assets	69,651	107,586	147,850	*	161,377
Total borrowings (excluding lease liabilities for rights-of-use assets)	44,808	65,575	84,882	*	89,089
Shareholders' fund/NA attributable to owners of the Company	13,163	20,110	30,232	*	39,525
Cash flow (used in) / generated from operating activities	(9,071)	(4,518)	5,905	*	4,125
Cash and bank balances	2,446	2,082	18,254	*	20,803
Dividend declared and paid	600	400	-	-	-

3. PROSPECTUS SUMMARY (cont'd)

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
GP margin (%) ⁽¹⁾	22.82	18.83	16.89	17.61	17.13
PBT margin (%) ⁽²⁾	8.59	6.52	5.79	8.19	6.35
PAT margin (%) ⁽²⁾	6.49	4.52	4.17	5.70	4.28
Current ratio (times) ⁽³⁾	1.29	1.26	1.26	*	1.34
Gearing ratio (times) ⁽⁴⁾	3.31	3.23	2.81	*	2.25
Trade receivables turnover (days) ⁽⁵⁾	121	92	83	*	76
Trade payables turnover (days) ⁽⁶⁾	69	38	35	*	29
Inventory turnover (days) ⁽⁷⁾	39	30	22	*	19

Notes:

- (1) Calculated based on GP over revenue.
- (2) Calculated based on PBT/PAT over revenue.
- (3) Computed based on current assets over current liabilities as of each financial year/period ended.
- (4) Computed based on our total loans and borrowings (excluding lease liabilities for rights-of-use assets) over total equity for each financial year/period ended.
- (5) Computed based on the average trade receivables over revenue for the financial years/period multiplied by 365/244 days for each financial year/period ended.
- (6) Computed based on the average trade payables over the cost of sales for the financial years/period multiplied by 365/244 days for each financial year/period ended.
- (7) Computed based on the average inventory as at year/period-end over the cost of sales for the respective financial years/period, multiplied by 365/244 days for each financial year/period.
- * Not available as no comparative figure was prepared for our Company's combined statements of financial position as at 31 August 2023.

Further details on our historical financial information are set out in Section 12.1 of this Prospectus.

As set out above, our Group recorded net cash flows used in operating activities of RM9.07 million and RM4.52 million for FYE 2021 and 2022 respectively, which was primarily contributed by the changes in working capital. Kindly refer to Section 12.2.6 for further information.

3.12 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy, and the declaration of dividends and other distributions 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 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.

For FYE 2021 to 2023 and FPE 2024, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Dividends declared and paid	600	400	-	-

Subsequent to 31 August 2024 and up to the LPD, no dividends were declared. Our Company does not intend to declare any dividends prior to the Listing.

Further details on our dividend policy are set out in Section 12.16 of this Prospectus.

4. DETAILS OF OUR IPO

4.1 OPENING AND CLOSING OF APPLICATIONS

Application for our IPO Shares will open at 10.00 a.m. on 19 February 2025 and will remain open until 5.00 p.m. on 28 February 2025.

Late applications will not be accepted.

4.2 INDICATIVE TIMETABLE

The following events are intended to take place on the following indicative times and/or dates:

Event	Date
Opening of the application for our IPO	19 February 2025
Closing of the application for our IPO	28 February 2025
Balloting of Applications	4 March 2025
Allotment of IPO Shares to successful applicants	11 March 2025
Listing on the ACE Market	13 March 2025

In the event there is any changes 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 PARTICULARS OF OUR IPO

4.3.1 Public Issue

The Public Issue of 80,400,000 Issue Shares, representing 21.00% of our enlarged issued share capital at the IPO Price will be made available for Application in the following manner:

(i) Malaysian Public

19,145,000 Issue Shares, representing 5.00% of our enlarged issued share capital, will be made available for application by the Malaysian Public, to be allocated via balloting process as follows:

- (a) 9,572,500 Issue Shares made available to public investors; and
- (b) 9,572,500 Issue Shares made available to Bumiputera public investors.

(ii) Eligible Persons

7,658,000 Issue Shares, representing 2.00% of our enlarged issued share capital, will be made available for application by the Eligible Persons under the Pink Form Allocations.

(a) Eligible Directors

The criteria for allocation to our eligible Directors are based on their anticipated contribution to our Group. Their roles and responsibilities to our Group are further set out in Section 5.5 of this Prospectus.

Dennis Liaw (our Managing Director) and William Chan (our Executive Director) have opted not to participate in the Pink Form Allocations as they are our substantial shareholders by virtue of their interests in Maju Alliance, which is undertaking the Offer for Sale.

4. DETAILS OF OUR IPO (cont'd)

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

Name	Designation	No. of Issue Shares allocated
Dato' Low Suet Moi	Independent Non-Executive Chairperson	150,000
Datuk Khoo Teck Kee	Independent Non-Executive Director	150,000
Kok Tai Meng	Independent Non-Executive Director	150,000
Ooi Gin Hui	Independent Non-Executive Director	150,000
		600,000

(b) Eligible employees

The Issue Shares will be allocated to eligible employees of our Group based on the following criteria as approved by our Board:

- (1) the eligible employee must be a full time and confirmed employee of our Group;
- (2) the eligible employee must be on our Group's payroll;
- (3) seniority and position;
- (4) length of service;
- (5) past performance and respective contribution made to our Group; and
- (6) the eligible employee must be at least 18 years of age.

Included in the allocation to our eligible employees are the proposed allocation to the Key Senior Management as set out below:

Name	Designation	No. of Issue Shares allocated
Yong Wai Kin	Chief Financial Officer	300,000

Lim Bak Teik (our Chief Operation Officer) has opted not to participate in the Pink Form Allocations as he is a shareholder in Maju Alliance, which is undertaking the Offer for Sale.

Details of the Pink Form Allocations to Eligible Persons of our Group are as follows:

	No. of Eligible Persons	No. of Issue Shares allocated
Our eligible Directors	4	600,000
Our eligible employees	114	7,058,000
	118	7,658,000

(iii) Private placement to selected Bumiputera investors approved by the MITI

47,862,500 Issue Shares, representing 12.50% of our enlarged issued share capital, will be made available by way of private placement to selected Bumiputera investors approved by the MITI.

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

(iv) Private placement to selected investors

5,734,500 Issue Shares, representing 1.50% of our enlarged issued share capital, will be made available by way of private placement to selected investors.

As at the LPD, save as disclosed above, to the extent known to our Company:

- (a) there are no substantial shareholders, Directors or key senior management of our Company who have indicated to 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.

4.3.2 Offer for Sale

The 38,290,000 Offer Shares, representing 10.00% of our enlarged issued share capital, are offered by our Selling Shareholder to selected investors by way of private placement at our IPO Price. Our Offer for Sale is subject to the terms and conditions of this Prospectus.

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4. DETAILS OF OUR IPO (cont'd)

The details of our Selling Shareholder are as follows:

Name	Address	Nature of relationship with our Group	As at the LPD / Before our IPO		Shares offered pursuant to the Offer for Sale			After the Offer for Sale and our IPO	
			No. of Shares	(1)%	No. of Shares	(1)% of existing issued share capital	(2)% of enlarged issued share capital	No. of Shares	(2)%
Maju Alliance	Level 7, Menara Milenium Jalan Damanlela Pusat Bandar Damansara Damansara Heights 50490 Kuala Lumpur	Specified Shareholder	302,500,000	100.00	38,290,000	12.66	10.00	264,210,000	69.00

Notes:

(1) Based on our issued share capital of 302,500,000 Shares before our IPO.

(2) Based on enlarged issued share capital of 382,900,000 Shares after our IPO.

Further details of our Selling Shareholder, which is also our Promoters are set out in Section 5.1.2(i) of this Prospectus.

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

4.3.3 Clawback and reallocation of our IPO Shares

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

(i) Malaysian Public via balloting

If our Issue Shares allocated to the Bumiputera Malaysian Public are under-subscribed, such Issue Shares will be made available to the other Malaysian Public. Likewise, in the event that any Issue Shares allocated to the other Malaysian Public are under-subscribed, such Issue Shares will be made available to the Bumiputera Malaysian Public.

In the event that there are Issue Shares which are not subscribed by the Malaysian Public, the remaining portion unsubscribed will be made available for application and offered to the selected investors.

Any further Issue Shares which are not subscribed after being allocated and offered to the selected investors shall be underwritten by our Underwriter in accordance with the salient terms of the Underwriting Agreement.

(ii) Eligible Persons

Any Issue Shares under Pink Form Allocations which are not subscribed by any of the Eligible Persons shall be re-offered to our Group's other Eligible Persons before being re-allocated to the Malaysian Public and/or to the selected investors by way of private placement.

Thereafter, any remaining Issue Shares under the Pink Form Allocations which are not subscribed for shall be underwritten by our Underwriter in accordance with the terms of the Underwriting Agreement.

(iii) Private placement to selected investors

In the event of under-subscription of the IPO Shares in respect of the allocation by way of private placement to the selected investors, the remaining unsubscribed portion will be clawed back and reallocated to the Malaysian Public.

(iv) Private placement to selected Bumiputera investors approved by the MITI

In the event of under-subscription of the IPO Shares in respect of the allocation by way of private placement to Bumiputera investors approved by the MITI ("**MITI Tranche**"), the unsubscribed IPO Shares under the MITI Tranche shall firstly be reallocated to Malaysian institutional investors under the private placement to selected investors, if any. Any unsubscribed portion after the re-allocation shall be allocated to the over-subscribed portion of the Bumiputera Malaysian public, if any, and any balance remaining thereafter shall be made available for Application by the non-Bumiputera Malaysian Public and/or other investors under the private placement to selected investors.

The clawback and reallocation provisions will not apply in the event that there is an over-subscription in all of the allocations of our IPO Shares at the closing date of our IPO. The allocation of our IPO Shares shall be in a fair and equitable manner and shall take into account the desirability of distributing our IPO Shares to a reasonable number of applicants with a view of broadening our Company's shareholding base to meet the public shareholding spread requirements of Bursa Securities and to establish a liquid market for our Shares. The number of Issue Shares offered under the Public Issue will not be increased via any over-allotment of "greenshoe" option.

4. DETAILS OF OUR IPO (cont'd)

4.4 BASIS OF ARRIVING AT THE IPO PRICE

Our Directors and Malacca Securities, as the Principal Adviser, Sponsor, Underwriter and Placement Agent, had determined and agreed upon the IPO Price after taking into consideration the following factors:

(i) Financial and operating history

Based on the audited combined statements of profit or loss and other comprehensive income of our Group for the FYE 31 December 2023, we recorded a PAT attributable to owners of our Company of RM9.92 million, representing:

- (a) EPS of 3.28 sen (based on the issued share capital of 302,500,000 Shares before our IPO). This EPS translates into a PE Multiple of 8.23 times based on the IPO Price; and
- (b) EPS of 2.59 sen (based on our enlarged issued share capital of 382,900,000 Shares after our IPO). This EPS translates into a PE Multiple of 10.42 times based on the IPO Price.

Our detailed operating history and historical financial performance are set out in Section 7.1 and Section 12.2 of this Prospectus, respectively.

(ii) Pro forma combined NA

Our pro forma combined NA per Share as at 31 August 2024 is 15.33 sen based on our enlarged issued share capital of 382,900,000 Shares after our IPO and subsequent to the utilisation of proceeds raised from our Public Issue as set out in Section 4.10 of this Prospectus.

(iii) Future plans and strategies

Our future plans and strategies, which are set out in Section 7.14 of this Prospectus.

(iv) Competitive strengths and industry overview

Our competitive strengths as described in Section 7.13 of this Prospectus, and the industry overview as set out in the IMR Report in Section 8 of this Prospectus.

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

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4. DETAILS OF OUR IPO (cont'd)**4.5 SHARE CAPITAL**

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

	No. of Shares	RM
Issued share capital as at the date of this Prospectus	302,500,000	30,252,250
Shares to be issued pursuant to our Public Issue	80,400,000	21,708,000
Enlarged issued share capital upon Listing	382,900,000	51,960,250
 IPO Price		 0.27
Offer for Sale ⁽¹⁾	38,290,000	10,338,300
Market capitalisation upon Listing ⁽²⁾		103,383,000

Notes:

⁽¹⁾ Our Offer for Sale will not have any effect on our share capital.

⁽²⁾ Based on our IPO Price and our enlarged number of shares upon Listing.

As at the date of this Prospectus, we have only 1 class of shares, being ordinary shares, all of which rank equally with each other. Our IPO Shares will, upon allotment and issue, rank equally in all respects with our existing Shares in issue, including voting rights and rights to all dividends and distributions that may be declared subsequent to the date of allotment of our IPO 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 of 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 and provisions of the Act.

Each of our shareholders shall be entitled to vote at any of our general meetings in person, or by proxy or by attorney or by other duly authorised representative. Every shareholder present in person or by proxy or by attorney or by other duly authorised representative shall have 1 vote for each Share held.

4.6 DILUTION

Dilution is computed as the difference between the IPO Price to be paid by investors for our IPO Shares and our pro forma combined NA per Share after our IPO and it is illustrated as follows:

	RM
IPO Price	0.27
Pro forma combined NA per Share as at 31 August 2024 after the Acquisition of Saliran Industrial Supplies but before our Public Issue	0.13
Pro forma combined NA per Share after the Acquisition of Saliran Industrial Supplies, Public Issue and utilisation of proceeds	0.15
Increase in the pro forma combined NA per Share attributable to existing shareholders	0.02
(Decrease) in the pro forma combined NA per Share to our new investors	(0.12)
(Decrease) in the pro forma combined NA per Share as a percentage of our IPO Price	(44.44%)

4. DETAILS OF OUR IPO (cont'd)

Save as disclosed below, there has been no acquisition of any of our Shares by our Promoters, substantial shareholders, Directors and/or Key Senior Management or persons connected with them, or any transaction entered into by them, which grants them the right to acquire any of our Shares from the date of our incorporation up to the date of this Prospectus:

Promoters, substantial shareholders, Directors and/or Key Senior Management	No. of Shares held before IPO	No. of Shares held from IPO	Total consideration (RM)	Effective cash cost per Share (RM)
Dennis Liaw	⁽¹⁾ 1,275	-	1,275	1.00
William Chan	⁽¹⁾ 1,075	-	1,075	1.00
Lim Bak Teik	⁽¹⁾ 150	-	150	1.00
Maju Alliance	⁽²⁾ 302,497,500	-	30,252,250	0.10

Notes:

- (1) Being subscriber's shares. Shares held by Dennis Liaw, William Chan and Lim Bak Teik were transferred to Maju Alliance before our IPO.
- (2) Being Shares issued pursuant to the Acquisition of Saliran Industrial Supplies, the details of which are set out in Section 6.2.3 of this Prospectus.

4.7 OBJECTIVES OF OUR IPO

The objectives of our IPO are as follows:

- (i) To provide an opportunity for the Malaysian Public, our eligible Directors and employees to participate in our equity;
- (ii) To enable our Group to raise funds for the purposes specified in Section 4.10 of this Prospectus;
- (iii) 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; and
- (iv) To gain recognition through our listing status which will enhance our Group's reputation in the marketing of our products and to retain and attract new, skilled employees in the industry.

4.8 UNDERWRITING COMMISSION, BROKERAGE AND PLACEMENT FEES**4.8.1 Underwriting commission**

Our Underwriter has agreed to underwrite 19,145,000 Issue Shares which are available for application by the Malaysian Public and 7,658,000 Issue Shares made available to Eligible Persons as set out in Sections 4.3.1(i) and 4.3.1(ii) of this Prospectus. We will pay our Underwriter an underwriting commission at the rate of 2.50% of the total value of the underwritten Shares based on the IPO Price.

4.8.2 Brokerage fee

We will pay the brokerage rate of 1.00% on the IPO Price in respect of all successful Applications bearing the stamp of either Malacca Securities, the participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association or the Issuing House.

4. DETAILS OF OUR IPO (cont'd)

4.8.3 Placement fee

Our Placement Agent has agreed to place out 53,597,000 Issue Shares to be issued to selected Bumiputera investors approved by the MITI and selected investors as well as 38,290,000 Offer Shares to be offered to selected investors as set out in Sections 4.3.1(iii), 4.3.1(iv) and 4.3.2 of this Prospectus.

We will pay our Placement Agent a placement fee of up to 2.50% of the value of Issue Shares to be placed out to selected investors at the IPO Price.

The placement fee of up to 2.50% of the value of Offer Shares placed out by our Placement Agent will be borne entirely by the Selling Shareholder.

4.9 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

On 21 January 2025, we had entered into the Underwriting Agreement with our Underwriter to underwrite 26,803,000 Issue Shares, upon the terms and subject to the conditions as set out in the Underwriting Agreement.

The salient terms of the Underwriting Agreement are as follows:

- 1.1 Subject to the terms and conditions of the Underwriting Agreement, Malacca Securities has agreed to underwrite 26,803,000 Issue Shares ("**Underwritten Shares**") as set out in Section 4.8.1 of this Prospectus.
- 1.2 The obligations of the Underwriter under the Underwriting Agreement shall further be conditional upon inter alia the following ("**Conditions Precedent**"):
 - (a) The Underwriter being provided with such reports or confirmation and being satisfied on the date adopted in this Prospectus as last date for acceptance and receipt of Application ("**Closing Date**") that:
 - (i) no material adverse change or any development likely to result in a material adverse change in the financial position, business operations or conditions (financial or otherwise) of our Group from the date of the Underwriting Agreement; or
 - (ii) there has not occurred any event or the discovery of any facts or circumstances which would render any representations, warranties or undertakings by our Company materially untrue or inaccurate or result in a material breach of the Underwriting Agreement by our Company;
 - (b) the Underwriter receiving a certificate in the form or substantially in the form dated the Closing Date signed by the duly authorised officers of our Company stating inter alia that, to the best of their knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as referred to in the Underwriting Agreement;
 - (c) the Underwriter receiving copies certified by a Director of our Company or the secretary of our Company to be a true and accurate copy and in full force and effect of a resolution of the Directors and the shareholders of our Company in general meeting:
 - (i) approving the Prospectus and the application forms, the Public Issue, Offer for Sale, the Listing, the Underwriting Agreement and the transactions contemplated by it;
 - (ii) authorising a person to sign and deliver the Underwriting Agreement on behalf of our Company and the issuance of the Prospectus;

4. DETAILS OF OUR IPO (cont'd)

- (d) the issue and subscription of the Issue Shares are not being prohibited or impeded by any statute, order, rule, directive, guideline (whether or not having a force of law) or regulation promulgated by any legislative, executive or regulatory body or authority of Malaysia or any condition imposed by the regulators in approving the IPO Shares and all consents, approvals, authorisations or other orders required by our Company under such laws for or in connection with the Public Issue, Offer for Sale and the Listing have been obtained and are in force on the Closing Date or the Underwriter being reasonably satisfied that the same will be in force on the Closing Date;
 - (e) the Underwriter being satisfied that our Company has complied with and that the issuance and subscription of the Issue Shares are in compliance with the policies, guidelines and requirements of the SC and Bursa Securities and all revisions, amendments and/or supplements to it;
 - (f) the offering of the Issue Shares having been approved by Bursa Securities and any other relevant authority or authorities and remaining in full force and effect and that all conditions precedent to the approvals, to the extent possible have been complied with;
 - (g) the listing of and quotation for the Issue Shares/ issued share capital of our Company on the ACE Market of Bursa Securities having been unconditionally approved by Bursa Securities or subject only to conditions which are acceptable to the Underwriter and such approval is not withdrawn;
 - (h) the launching of Prospectus taking place within 3 months from the date of the Underwriting Agreement or such other later date as the Underwriter and our Company may from time to time agree in writing;
 - (i) the Prospectus having been lodged with the CCM and registered with Bursa Securities together with all the required documents in accordance with the CMSA, the Act and the relevant laws and regulations;
 - (j) the Underwriting Agreement being duly signed by all parties and stamped;
 - (k) the Listing within 1 month from the Closing Date or any later date as may be approved by the authorities and agreed in writing by the Underwriter; and
 - (l) the Underwriting Agreement having become unconditional in all respects (save for any condition requiring the Underwriting Agreement to be unconditional) and not having been terminated or rescinded pursuant to the provisions of the Underwriting Agreement and upon the Underwriter's (in this regard, in its capacity as the placement agent for the shares to be placed out by the placement agent) receipt of the full subscription monies for the shares to be placed out by the placement agent on or before the last date for payment of the same.
- 1.3 If after the Conditions Precedent have been complied with and our Company decides not to proceed with the IPO, the Underwriter may treat itself as so released or discharged from its obligations and the Underwriting Agreement shall be terminated and be of no further force or effect provided that our Company shall remain liable for the payment of the sum as set out in the Underwriting Agreement and all other costs and expenses incurred by the Underwriter in connection with the underwriting of the Underwritten Shares (including late interest payment, if applicable).
- 1.4 The Underwriter may waive all or any of the conditions except for any required by a mandatory rule of law or a mandatory requirement of governmental, public or regulatory authorities in connection with the Underwriting Agreement and such waiver or modification shall not prejudice the Underwriter's rights under the Underwriting Agreement.

4. DETAILS OF OUR IPO (cont'd)

- 1.5 Notwithstanding anything contained in the Underwriting Agreement, the Underwriter may at any time on or before the Closing Date, terminate its obligations under the Underwriting Agreement if:
- (a) any of the Conditions Precedent under the Underwriting Agreement is not duly satisfied by the Closing Date; or
 - (b) there is any material breach by our Company of any of the representations, warranties or undertakings contained in the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied to the reasonable satisfaction of the Underwriter within 10 Market Days from the date our Company is notified by the Underwriter of such breach; or
 - (c) there is withholding of material information by our Company which, in the reasonable 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 IPO, or the distribution or sale of the Issue Shares; or
 - (d) approval of Bursa Securities in respect of the IPO or the listing and quotation of its entire enlarged issued share capital on the ACE Market is withdrawn; or
 - (e) there shall have occurred, or happened any material and adverse change in the business or financial condition of our Company or our Group; or
 - (f) our Company or any of its subsidiaries becomes insolvent or is unable to pay its debts or admits in writing its inability to pay its debts as they fall due or enters into any composition or arrangement with its creditors or makes a general assignment for the benefit of its creditors; or
 - (g) there shall have occurred, or happened any of the force majeure event including, but not limited to:
 - (i) any government requisition or other occurrence of any nature whatsoever which in the opinion of the Underwriter seriously affects or will seriously affect the business and/or financial position of our Group; or
 - (ii) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or exchange control or currency exchange rates (including but not limited to conditions on the stock market in Malaysia or overseas, foreign exchange market or money market or with regard to inter-bank offer or interest rates both in Malaysia and overseas) or the occurrence of any combination of any of the foregoing which, would have or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or our Group as a whole, the success of the IPO, or the distribution or sale of the Issue Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
 - (iii) any new law or regulation or any change in existing laws or regulations, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority, which in the opinion of the Underwriter has or is likely to have a material adverse effect on the condition (financial or otherwise) or the earnings, business affairs or business prospects (whether or not arising in the ordinary course of business) of our Group; or

4. DETAILS OF OUR IPO (cont'd)

- (iv) the imposition of any moratorium, suspension or material restriction on trading in securities generally on ACE Market due to exceptional financial circumstances or otherwise; or
 - (v) there having been on or prior to the Closing Date and in the reasonable opinion of the Underwriter, any adverse and material change or development reasonably likely to involve a prospective adverse and material change in the financial or business condition of our Group from that set out in the Prospectus which is material in the context of the offering of the Issue Shares and/or Offer Shares thereunder or any occurrence of any event rendering untrue or incorrect or misleading or not complied with to an extent which is material as aforesaid, any of the warranties and representations of our Company under the Underwriting Agreement as though given or made on such date; or
 - (vi) any event or series of events beyond the reasonable control of the Underwriter (including without limitation, acts of government, national disorder, declaration of a state of national emergency, pandemics, acts of terrorism, strikes, lockouts, fire, explosion, earthquake, flooding, civil commotion, acts of war, sabotage, acts of God or accidents) which would have, or can reasonably be expected to have, in the reasonable opinion of the Underwriter, a material adverse effect on, and/or materially prejudice the business or the operations of our Company or our Group as a whole, the success of the IPO, or the distribution or sale of the Issue Shares, or which has or is reasonably likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or
 - (vii) if the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**Index**") is, at the close of normal trading on Bursa Securities, on any Market Day on or after the date of the Underwriting Agreement and prior to the allotment of the Issue Shares, lower than 80% of the level of Index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least 3 Market Days; or
 - (viii) there is any failure on the part of our Company to perform any of its material obligations under the Underwriting Agreement.
- 1.6 In the event that the Underwriting Agreement is terminated pursuant to the terms and conditions therein, the Underwriter and our Company may confer with a view to deferring the Public Issue by amending its terms or the terms of the Underwriting Agreement and may enter into a new underwriting agreement accordingly, but neither the Underwriter nor our Company shall be under any obligation to enter into a fresh agreement.
- 1.7 If the Underwriter terminates its obligation pursuant to item 1.5 above, the parties shall be released and discharged from their respective obligations under the Underwriting Agreement, save for the Underwriter's rights to the following:
- (a) the payment of the sum of RM10,000, where termination occurs prior to issuance of the Prospectus or the underwriting commission, where the termination occurs subsequent thereto;
 - (b) costs and expenses incurred by the Underwriter in connection with the underwriting of the Underwritten Shares (including late interest payment, if applicable); and
 - (c) right to be indemnified by our Company.

4. DETAILS OF OUR IPO (cont'd)**4.10 UTILISATION OF PROCEEDS**

The total gross proceeds from the Public Issue will amount to RM21.71 million based on the IPO Price. We expect the proceeds to be used in the following manner:

Purposes	Notes	RM'000	%	Estimated timeframe for utilisation from the Listing date
Establishment of a sales office in Indonesia	(1)	1,200	5.52	Within 42 months
Purchase of machinery and delivery trucks	(2)	1,440	6.63	Within 24 months
Repayment of bank borrowings	(3)	7,000	32.25	Within 24 months
General working capital	(4)	8,368	38.55	Within 12 months
Estimated listing expenses	(5)	3,700	17.05	Within 1 month
Total		21,708	100.00	

The current allocated utilisation is based on the respective estimated costs as at the LPD. Hence, if the allocated proceeds are insufficient to fund the final amount, we will fund the shortfall from our internally generated fund. Similarly, any surplus from the allocated proceeds will be used for general working capital purposes. Pending the utilisation of the proceeds raised from our Public Issue, the proceeds will be placed in interest-bearing short-term deposits or money market instruments with licensed financial institutions.

Notes:**(1) Establishment of a sales office in Indonesia**

We currently operate primarily in Malaysia with our principal market sales focusing in Malaysia, which accounted for 98.07%, 99.27%, 83.50% and 70.79% of our total revenue for the past 3 FYEs 2021 to 2023 and FPE 2024 respectively. During this period, our Group also derived revenue from Indonesia, Singapore, China, South Korea and Vietnam.

The contribution of our sales from Indonesia was on an increasing trend from RM1.21 million or 1.71% in FYE 2021 to RM37.60 million or 15.46% in FYE 2023 and RM62.25 million or 28.67% in FPE 2024. As such, we intend to expand our presence in Indonesia through establishing a sales office in South Jakarta, Indonesia.

We have allocated RM1.20 million of the proceeds from our Public Issue to fund the establishment of this sales office in Indonesia within the next 42 months upon Listing, details of which are as follows:

Description	No. of units / pax	Total estimated cost RM'000
Sales office		
Rental (for 36 months)	-	373
Renovation expenses	-	59
Office equipment		
Computers	3	15
Printers	3	3
Office equipment such as furniture and fittings	-	30

4. DETAILS OF OUR IPO (cont'd)

Description	No. of units / pax	Total estimated cost RM'000
Manpower recruitment (for 36 months)		
Sales manager	1	360
Sales executive	2	360
		1,200

If the actual cost of establishing the sales office is higher than the amount budgeted, the deficit will be funded via internally generated funds. Conversely, if the cost is lower than the amount budgeted, the excess will be utilised for our Group's working capital requirements. We are in the midst of identifying a suitable office unit measuring approximately 1,000 sq ft in South Jakarta, Indonesia. We target to enter into the tenancy agreement for the rental of this office within 6 months upon our Listing.

Kindly refer to Section 7.14.1 of this Prospectus for further details.

(2) Purchase of machinery and delivery trucks

We intend to utilise RM1.44 million of the proceeds to purchase of the following machinery and delivery trucks:

Description	Purpose	No. of units	Total estimated cost RM'000
Optical emission spectrometer ⁽¹⁾	A type of positive metal identification (PMI) machine used to detect, analyse and verify a wide and detailed range of elemental composition and material grade of metal products, including carbon content which is unable to be detected by our existing XRF metal analyser	1	351
Delivery trucks	Delivery of products	5 ⁽²⁾	1,089
			1,440

Notes:

⁽¹⁾ The purchase of an optical emission spectrometer is expected to enhance our quality assurance (QA)/ quality control (QC) procedures as we will be able to carry out detailed verification on elemental composition and material grade of our products in-house. This is expected to increase customer confidence on our product quality and strengthen our reputation as a trusted supplier of pipes, fittings and flanges as well as steel products. As at the LPD, we outsource such detailed verification to external parties upon request by customers.

⁽²⁾ Comprising 3 units of 3-ton trucks, 1 unit of 5-ton truck and 1 unit of 10-ton truck in the following manner:

4. DETAILS OF OUR IPO (cont'd)

Description	Purpose	No. of units	Total estimated cost*
			RM'000
3-ton truck	To cater to short distance delivery around Klang Valley	3	552
5-ton truck	To cater to outstation delivery	1	197
10-ton truck	To cater to large delivery orders	1	340
			1,089

* Based on the quotation provided by a third-party supplier.

We intend to purchase the positive metal identification machine within 6 months from our Listing, while we plan to acquire the 5 delivery trucks progressively within 24 months upon our Listing.

Kindly refer to Sections 7.14.3 and 7.14.4 of this Prospectus for further details.

(3) Repayment of bank borrowings

As at the LPD, our total borrowings (excluding lease liabilities) amount to RM108.80 million. We intend to utilise RM7.00 million from our IPO proceeds for the repayment of bank borrowings, details which are as set out as follows:

	Bank / Banking facility	Purpose of borrowing	Interest rate ⁽¹⁾	Maturity date	Amount outstanding as at LPD	Amount to be repaid from IPO proceeds
					RM'000	RM'000
(i)	OCBC Bank (Malaysia) Berhad / Term loan	To finance working capital of our Group	12.51%	November 2027	319	319
(ii)	Standard Chartered Bank Malaysia Berhad / Term loan	To finance working capital of our Group	11.75%	May 2026	518	518
(iii)	Standard Chartered Bank Malaysia Berhad / Term loan	To finance working capital of our Group	11.00%	July 2028	561	561
(iv)	Small Medium Enterprise Development Bank Malaysia Berhad / Term loan	To finance working capital of our Group	11.00%	February 2027	561	561
(v)	Bank Muamalat Malaysia Berhad / Term loan	To finance working capital of our Group	8.81%	October 2029	368	368

4. DETAILS OF OUR IPO (cont'd)

	Bank / Banking facility	Purpose of borrowing	Interest rate ⁽¹⁾	Maturity date	Amount outstanding as at LPD RM'000	Amount to be repaid from IPO proceeds RM'000
(vi)	Ambank (M) Berhad / Term loan	To finance working capital of our Group	8.70%	April 2026	419	419
(vii)	Affin Bank Berhad / Term loan	To finance working capital of our Group	6.81%	November 2033	914	914
(viii)	Affin Bank Berhad / Term loan	To finance working capital of our Group	6.81%	March 2041	892	892
(ix)	Affin Bank Berhad / Term loan	To finance the acquisition of Puchong Premise 3	4.86%	November 2042	11,889	2,448
					16,441	7,000

Note:

(1) Based on the effective interest rates per annum as at the LPD.

As at the LPD, the outstanding amount for the above-mentioned loans is RM16.44 million. We intend to utilise up to RM7.00 million from the IPO proceeds to repay these loans. There are no penalties from the early repayment of these loans.

These loans are selected to be repaid as these loans carry the highest effective interest rates in our total borrowings. As such, these bank borrowings were chosen to be repaid as it is expected to give our Group the highest interest savings.

Based on the above, the expected annual interest savings is approximately RM0.54 million (calculated based on the respective effective interest rate of each loan). However, the actual interest savings may vary depending on the then applicable interest rates, which is based on the prevailing base lending rates of each respective banks. The repayment of bank borrowings is to improve the cash flow position of our Group. Our pro forma gearing ratio is expected to decrease from 2.25 times (before the Public Issue) to 1.40 times (after the Public Issue and the utilisation of proceeds).

(4) General working capital

Our purchases primarily comprise of pipes, fittings and flanges which collectively accounted for 76.34%, 79.95%, 82.57% and 89.84% of our total purchases in the past 3 FYEs 2021 to 2023 and FPE 2024. The purchase of supplies for the past 3 FYEs 2021 to 2023 and FPE 2024 was made using bank borrowings and internally generated funds as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchase made via:								
- Bank borrowings	28,339	50.50	61,463	52.44	136,974	67.71	129,776	71.00
- Internal funds	27,773	49.50	55,742	47.56	65,323	32.29	52,993	29.00
	56,112	100.00	117,205	100.00	202,297	100.00	182,769	100.00

4. DETAILS OF OUR IPO (cont'd)

Approximately RM8.37 million of the proceeds from our Public Issue has been earmarked to supplement the working capital requirements of our Group within 12 months upon Listing. The proceeds shall be used for the purchase of pipes, fittings and flanges.

For FPE 2024, our effective interest rates for the usage of banking facilities for working capital (excluding term loan) ranges from 4.70% to 9.65%. As such, with the additional working capital of RM8.37 million, we target to reduce our interest expenses by between RM0.39 million to RM0.81 million per annum. This is expected to improve our profitability.

(5) Estimated listing expenses

An amount of RM3.70 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:

Details	RM'000
Professional fees ⁽ⁱ⁾	2,822
Underwriting, placement and brokerage fees	645
Fees payable to the authorities	68
Printing, advertising fees and contingencies ⁽ⁱⁱ⁾	165
Total	3,700

Notes:

- (i) Includes advisory fees for, amongst others, our Principal Adviser, solicitors, reporting accountants, IMR and issuing house.
- (ii) Other incidental or related expenses in connection with our IPO.

Any variations from the amounts budgeted above, save for item (3), shall be adjusted towards or from, as the case may be, the proceeds allocated for our general working capital requirements.

The Offer for Sale will raise gross proceeds of approximately RM10.34 million which will accrue entirely to our Selling Shareholder. The Selling Shareholder shall bear all of the expenses in relation to the Offer for Sale, the aggregate of which is estimated to be approximately RM0.26 million.

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

5.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

5.1.1 Shareholdings

The details of our Promoters and substantial shareholders, and their shareholdings in our Company before and after our IPO are as follows:

Name	Before our IPO				After our IPO			
	Direct		Indirect		Direct		Indirect	
	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
<u>Promoters and substantial shareholders</u>								
Maju Alliance ⁽⁴⁾ / Malaysia	302,500,000	100.00	-	-	264,210,000	69.00	-	-
Dennis Liaw / Malaysian	-	-	⁽³⁾ 302,500,000	100.00	-	-	⁽³⁾ 264,210,000	69.00
William Chan / Malaysian	-	-	⁽³⁾ 302,500,000	100.00	-	-	⁽³⁾ 264,210,000	69.00

Notes:

- (1) Based on our issued share capital of 302,500,000 Shares before our IPO.
- (2) Based on enlarged issued share capital of 382,900,000 Shares after our IPO.
- (3) Deemed interested by virtue of his shareholding in Maju Alliance.
- (4) Please refer to Section 5.1.2(i) for details of shareholdings of Maju Alliance.

Save for our Promoters and substantial shareholders above, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, our Promoters and substantial shareholders have the same voting rights as the other shareholders of our Company and there is no arrangement between Saliran and its shareholders with any third parties, the operation of which may, at a subsequent date, result in the change in control of Saliran.

5. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (cont'd)**5.1.2 Profiles**

The profiles of our Promoters and Substantial Shareholders are as follows:

(i) Maju Alliance

Promoter, Specified Shareholder and major shareholder

Maju Alliance was incorporated as a private limited company under the Act on 9 May 2024. The principal activity of Maju Alliance is investment holding of shares. As at the LPD, Maju Alliance has a share capital of RM100.00 comprising 100 ordinary shares. The directors of Maju Alliance are Dennis Liaw, William Chan and Lim Bak Teik. As at the LPD, the shareholders and their respective shareholdings in Maju Alliance are as follows:

Name	Nationality	Direct		Indirect	
		No. of shares	%	No. of shares	%
Dennis Liaw	Malaysian	51	51.00	-	-
William Chan	Malaysian	43	43.00	-	-
Lim Bak Teik	Malaysian	6	6.00	-	-

(ii) Dennis Liaw

Promoter, major shareholder and Managing Director

Dennis Liaw, a Malaysian, aged 40, is our Managing Director. He is responsible for the establishment of our Group's vision and mission, setting strategic plans as well as business development. He was appointed to our Board on 7 August 2020. He was subsequently re-designated as our Managing Director on 6 June 2024.

In December 2002, he completed his secondary education and obtained a Sijil Pelajaran Malaysia at Sekolah Menengah Kebangsaan Engku Husain, Kampung Baru Semenyih, Semenyih, Selangor. In July 2005, he completed the introductory level of the Certified Accounting Technician examinations from the Association of Chartered Certified Accountants.

Upon completion of his secondary education, he was involved in his family-run food business. In April 2007, he joined Asia Bolts & Nuts Sdn Bhd, an industrial hardware manufacturer and distributor, as a sales executive.

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

Seeing the growth potential of the industrial hardware sector, he decided to venture out to start his own trading company. In October 2010, he left Asia Bolts & Nuts Sdn Bhd. After several months of market research, in March 2011, he started our Group to supply pipes, fitting and flanges products as well as related parts and accessories. On 6 June 2024, he was appointed as the Managing Director of Saliran.

Details of his involvements in other companies outside of our Group are set out in Section 5.2.3 of this Prospectus.

(iii) William Chan

Promoter, major shareholder and Executive Director

William Chan, a Malaysian, aged 42, is our Executive Director. He is responsible for overseeing operations to ensure alignment with our Company's strategy, developing business strategies and plans, managing employees to increase production efficiency, and reviewing financial and non-financial reports for improvement of our Group. He was appointed to our Board on 7 August 2020. He was subsequently re-designated as our Executive Director on 6 June 2024.

He graduated with Bachelor in Commerce & Administration from the New Era University College in January 2004.

In January 2004, he joined Kwang Hua Private School, Klang, Selangor, as a teacher.

In December 2004, he left his teaching profession and in March 2005 joined Formosa Prosonic Technics Sdn Bhd, a wholly-owned subsidiary of Formosa Prosonic Industries Berhad (a company listed on Main Market of Bursa Securities), which is principally involved in the business of manufacturing and assembly of speaker units as a purchasing officer. In October 2007, he left Formosa Prosonic Technics Sdn Bhd and in November 2007, he joined Chip Ngai Engineering Works Sdn Bhd, a wholly-owned subsidiary of CN Asia Corporation Bhd (a company listed on Main Market of Bursa Securities), which is principally involved in the business of manufacturing and trading of underground and skid tanks, dish ends, pressure vessels, road tankers, piping for the petroleum industry and that of specialised engineering works and fabrication works, as a senior procurement executive.

In June 2012, he left Chip Ngai Engineering Works Sdn Bhd and in July 2012, he joined Saliran Industrial Supplies as the General Manager. He was subsequently appointed as the Director of Saliran Industrial Supplies in June 2016, a position which he presently assumes, in which he was responsible to oversee all operational aspects encompassing sales and marketing, procurement, logistics, and warehouse, ensuring alignment with short-term and long-term objectives, fostering efficient teamwork, analysing financial and non-financial reports for solutions, enhancing business relationships with customers and suppliers, and staying updated on market developments for strategic decision-making. In June 2014, he emerged as shareholder of Saliran Industrial Supplies after he acquired shares from his wife, Low Lay Koon.

On 6 June 2024, he was appointed as the Executive Director of Saliran.

Details of his involvements in other companies outside of our Group are set out in Section 5.2.3 of this Prospectus.

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

5.1.3 Changes in shareholdings

The changes in our Promoters and substantial shareholders' shareholdings in our Company since our incorporation on 7 August 2020 are as follows:

Name	As at 7 August 2020 (Incorporation date)				After the Acquisition of Saliran Industrial Supplies / As at LPD				After our IPO			
	Direct		Indirect		Direct		Indirect		Direct		Indirect	
	No. of Shares	%	No. of Shares	%	No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
<u>Promoters and substantial shareholders</u>												
Maju Alliance ⁽⁴⁾	-	-	-	-	302,500,000	100.00	-	-	264,210,000	69.00	-	-
Dennis Liaw	*1,275	51.0	-	-	-	-	302,500,000	100.00	-	-	⁽³⁾ 264,210,000	69.00
William Chan	*1,075	43.0	-	-	-	-	302,500,000	100.00	-	-	⁽³⁾ 264,210,000	69.00
<u>Substantial shareholder</u>												
Lim Bak Teik	*150	6.0	-	-	-	-	-	-	-	-	-	-

Notes:

* Shares held by Dennis Liaw, William Chan and Lim Bak Teik were transferred to Maju Alliance before our IPO.

(1) Based on our issued share capital of 302,500,000 Shares after completion of the Acquisition of Saliran Industrial Supplies but before our IPO.

(2) Based on enlarged issued share capital of 382,900,000 Shares after our IPO.

(3) Deemed interested by virtue of his shareholding in Maju Alliance.

(4) Please refer to Section 5.1.2(i) for details of shareholdings of Maju Alliance.

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

5.1.4 Remuneration and Benefits of our Substantial Shareholders

Save for the issuance of our Shares under the Acquisition of Saliran Industrial Supplies, dividends paid as well as remuneration and benefits paid or proposed to be paid for services rendered to our Group in all capacities as disclosed in Sections 5.2.4 and 5.3.4 of this Prospectus, there are no other amounts or benefits that have been paid or intended to be paid to our substantial shareholders within the 2 years preceding the date of this Prospectus:

	Remuneration and benefits	Dividends declared and paid	Total
	RM'000	RM'000	RM'000
FYE 2022			
Dennis Liaw	413	204	617
William Chan	373	172	545
FYE 2023			
Dennis Liaw	419	-	419
William Chan	381	-	381
FYE 2024			
Dennis Liaw	669	-	669
Willaim Chan	605	-	605

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

5.2 DIRECTORS

5.2.1 Shareholdings

The direct and indirect shareholdings of our Directors in our Company as at the LPD, before and after our IPO are as follows:

Director	Designation / Nationality	As at the LPD / Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	(1)%	No. of Shares	(1)%	No. of Shares	(2)%	No. of Shares	(2)%
Dato' Low Suet Moi	Independent Non-Executive Chairperson / Malaysia	-	-	-	-	⁽⁵⁾ 150,000	0.04	-	-
Dennis Liaw	Managing Director / Malaysia	-	-	⁽³⁾ 302,500,000	100.00	-	-	⁽³⁾⁽⁴⁾ 264,210,000	69.00
William Chan	Executive Director / Malaysia	-	-	⁽³⁾ 302,500,000	100.00	-	-	⁽³⁾⁽⁴⁾ 264,210,000	69.00
Datuk Khoo Teck Kee	Independent Non-Executive Director / Malaysia	-	-	-	-	⁽⁵⁾ 150,000	0.04	-	-
Kok Tai Meng	Independent Non-Executive Director / Malaysia	-	-	-	-	⁽⁵⁾ 150,000	0.04	-	-
Ooi Gin Hui	Independent Non-Executive Director / Malaysia	-	-	-	-	⁽⁵⁾ 150,000	0.04	-	-

Notes:

- (1) Based on our issued share capital of 302,500,000 Shares before our IPO.
- (2) Based on enlarged issued share capital of 382,900,000 Shares after our IPO.
- (3) Deemed interested by virtue of his shareholding in Maju Alliance. Please refer to Section 5.1.2(i) for details of shareholdings of Maju Alliance.
- (4) After the Offer for Sale.
- (5) Assuming that our Directors fully subscribe for their respective entitlements under the Pink Form Allocations.

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

5.2.2 Profiles

The profiles of our Directors, Dennis Liaw and William Chan who are also our substantial shareholders are disclosed in Section 5.1.2 of this Prospectus.

The profiles of our other Directors are as follows:

(i) Dato' Low Suet Moi*Independent Non-Executive Chairperson*

Dato' Low Suet Moi, a Malaysian, aged 57, is our Independent Non-Executive Chairperson. She was appointed to our Board on 6 June 2024.

In September 1999, she obtained a Diploma in Accounting & Finance from the Association of Chartered Certified Accountants. In May 2001, she was awarded the designation of Certified Internal Auditor (CIA). In January 2005, she graduated with a Master of Business Administration (General Management) from the University of Hull, United Kingdom. In January 2008, she was awarded the designation of Certified Fraud Examiner from the Association of Certified Fraud Examiners. In October 2012, she was awarded the professional designation of Certification in Risk Management Assurance by The Institute of Internal Auditors. In July 2014, she was admitted as a member of the Information Systems Audit and Control Association as a Certified Information Systems Auditor (CISA). She was certified as a Human Resources Development Fund (HRDF) Certified Trainer in July 2020 and Human Resources Development Fund (HRDF) Accredited Trainer in September 2024 and an affiliate of the Institute of Corporate Directors Malaysia (ICDM) in January 2024.

In May 1989, she joined Ernst & Young (now known as EY Malaysia), an accounting firm as an Audit Articled Clerk and was promoted to the position of Audit Assistant in January 1994 where she was responsible for leading the audit teams on small and medium-sized client engagements.

In August 1994, she left Ernst & Young (now known as EY Malaysia) and in September 1994 she joined Overall Management Sdn Bhd (formerly known as Jasa Kita Management Sdn Bhd), which is principally involved in the business of distribution of industrial electric induction motors as an Internal Auditor responsible for the company's internal audit.

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

In May 2000, she left Overall Management Sdn Bhd and joined APM Automotive Holdings Berhad (a company listed on Main Market of Bursa Securities) as the Head of Group Systems & Internal Audit, responsible for overall internal auditing function of the group. In January 2003, in recognition of her performance in APM Automotive Holdings Berhad, she was promoted as Senior Manager. In July 2006, she left APM Automotive Holdings Berhad and joined Tan Chong Motor Holdings Berhad (a company listed on Main Market of Bursa Securities) as the Head of Group Systems & Internal Audit, responsible for overall internal auditing function of the group. In December 2012, she left Tan Chong Motor Holdings Berhad and in January 2013 joined Mayflower Holidays Sdn Bhd, which is principally involved in the business of providing travel and car rental services and a wholly-owned subsidiary of Warisan TC Holdings Berhad (a company listed on Main Market of Bursa Securities), as the Chief Executive Officer to oversee the entire business operation of Mayflower Travel Group. In 2013 to 2015, she was appointed as the Chairman of the Finance Subcommittee and Honorary Treasurer of the Executive Council of Malaysian Association of Tour & Travel Agents (MATTA). In October 2015, she was appointed as the executive director and Chairman of Risk Management Committee of Warisan TC Holdings Berhad. In July 2016, she left Mayflower Travel Group and Warisan TC Holdings Berhad and took a career break until May 2017.

In May 2017, she joined the PKF Sdn Bhd, an accounting and business advisory firm as the director leading the Risk and Governance Advisory Division. In January 2022, she transferred to the Group Marketing and Business Development Division of PKF Sdn Bhd responsible for the group's marketing and business development.

In January 2023, she left PKF Sdn Bhd and in February 2023 joined Prasarana Malaysia Berhad, a wholly-owned government entity which is principally involved in providing the service as public transportation operator, as the Chief Internal Audit Officer responsible for overall internal auditing function of the group. In November 2023, she left Prasarana Malaysia Berhad. In addition, in January 2017, she set up Sephine Consulting PLT (which commenced operations in January 2024), a consulting firm which provides business management, financial and management consultancy services, where she holds the position of the Managing Director cum Chief Executive Officer.

Details of her involvements in other companies outside of our Group are set out in Section 5.2.3 of this Prospectus.

(ii) **Datuk Khoo Teck Kee**

Independent Non-Executive Director

Datuk Khoo Teck Kee, a Malaysian, aged 50, is our Independent Non-Executive Director. He is the Chairman of our Nominating Committee and member of our Audit and Risk Management Committee and Remuneration Committee. He was appointed to our Board on 6 June 2024.

In June 1999, he graduated with a Bachelor of Arts (Honours) in Accountancy Studies from the University of Portsmouth, United Kingdom. He was certified as a member of the Association of Chartered Certified Accountants in December 2002 and fellow member of the Association of Chartered Certified Accountants in December 2007. He has been a member of the Malaysian Institute of Accountants since March 2003. In April 2005, he was admitted as an affiliate of the Malaysian Institute of Chartered Secretaries and Administrators. He was certified as a member of the Chartered Tax Institute of Malaysia in June 2017. He has been a member of the ASEAN Chartered Professional Accountants since January 2020.

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

In September 1999, he joined KPMG Malaysia, a firm which is principally involved in the business of providing audit, tax and advisory services, as an audit assistant where he was involved in audit assignments such as drafting of financial statements, profit/cashflow forecast and projections and review of accounting system of companies.

In January 2003, he left KPMG Malaysia and in April 2002, set up his own accounting, tax and corporate secretarial firm, Venture Ace Management Consultancy and VAMC Group of Companies where he holds the position of the Group Managing Partner, a position he presently assumes. The VAMC Group of Companies currently comprise of VAMC Secretarial Sdn Bhd, VAMC Ace Management Consultancy, VAMC Formations House, VAMC Group Sdn Bhd, TK & Associate and CMSC Group Sdn Bhd.

In July 2019, he joined Milux Corporation Berhad (a company listed on Main Market of Bursa Securities), a home appliances distributor as the Group Managing Director to provide direction and oversight to ensure the sustainable growth of the entire group of companies. Effective 1 July 2024, he was re-designated to Non-Independent Non-Executive Director. On the same date, he also relinquished his positions in the subsidiaries of Milux Corporation Berhad. He resigned from Milux Corporation Berhad in December 2024.

Details of his involvements in other companies outside of our Group are set out in Section 5.2.3 of this Prospectus.

(iii) Kok Tai Meng

Independent Non-Executive Director

Kok Tai Meng, a Malaysian, aged 58, is our Independent Non-Executive Director. He is the Chairman of our Audit and Risk Management Committee and a member of our Remuneration Committee and Nominating Committee. He was appointed to our Board on 6 June 2024.

In June 1986, he obtained Diploma in Book-keeping, Cost Accounting, Business and Industrial Administration from the London Chamber of Commerce and Industry (LCCI). He was certified as a member of the Association of Chartered Certified Accountants since April 1999 and fellow member of the Association of Chartered Certified Accountants in April 2004. He was certified as a chartered accountant and has been a member of Malaysian Institute of Accountants (MIA) since March 2009.

In January 1995, he joined Lim, Cheh & Chang, an accounting firm as an Audit Assistant where he was responsible in the audits of small and medium sized companies. In April 1995, he left Lim, Cheh & Chang and in July 1995 joined L'Oreal Malaysia Sdn Bhd, a distributor of fragrances, skincare and other cosmetic products, as an Accounts Supervisor under the accounts department responsible for the preparation of company's financial reports.

In September 1999, he was promoted to Sales Operation Manager for the Consumers Product Division in L'Oreal Malaysia Sdn Bhd, where he was responsible for expansion of new counters and outlets. In January 2001, he was promoted to Division Controller for the Professional Products Division in L'Oreal Malaysia Sdn Bhd to oversee the division profitability and financial objectives.

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

In June 2006, he left L'Oreal Malaysia Sdn Bhd. He took a career break of 13 months before joining F&N Coca-Cola (M) Sdn Bhd (currently known as F&N Beverages Marketing Berhad, a wholly-owned subsidiary of Fraser & Neave Holdings Bhd (a company listed on Main Market of Bursa Securities)) in October 2007, a company which principally involved in the manufacturing, sales and marketing of beverages and dairy products as a Commercial Manager where he is responsible for overlooking commercial controls for beverage products under the Modern Trade Division.

In January 2009, he left F&N Coca-Cola (M) Sdn Bhd and in February 2009, he joined Asia Brands Corporation Berhad (a company previously listed on the Second Board of Kuala Lumpur Stock Exchange) which is principally involved in the business of consumer branding and retailing of apparels, as Senior Finance Manager. In October 2011, he was promoted as the Chief Financial Officer of Asia Brands Berhad (a company listed on Main Market of Bursa Securities), a position he presently assumes, where he was responsible to oversee the company's financial operations and strategy.

Details of his involvements in other companies outside of our Group are set out in Section 5.2.3 of this Prospectus.

(iv) Ooi Gin Hui

Independent Non-Executive Director

Ooi Gin Hui, a Malaysian, aged 45, is our Independent Non-Executive Director. She is the Chairman of our Remuneration Committee and member of our Audit and Risk Management Committee and Nominating Committee. She was appointed to our Board on 6 June 2024.

In October 2001, she obtained a Diploma in Business Studies from Tunku Abdul Rahman College. In March 2006, she graduated with a Bachelor of Commerce (Honours) in Accounting from University Tunku Abdul Rahman.

In February 2006, she joined Leslie Yap & Co, an audit firm as an Audit Trainee, where she was involved in providing audit and accounting services and was promoted as Audit Senior in March 2009. In June 2009, she left Leslie Yap & Co and in July 2009, she joined GHL Systems Berhad (a company listed on Main Market of Bursa Securities), which is principally involved in the business of payment services provision, as an assistant accountant where she was responsible for accounting and finance matters of the company. In March 2010, she was promoted to the position of Finance Manager, where she handled finance, corporate affairs, internal control matters of GHL Systems Berhad and its group of companies and she left GHL Systems Berhad in December 2011.

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

In March 2012, she joined Tanco Holdings Berhad (a company listed on Main Market of Bursa Securities), a company principally involved in the business of property development and management services, as Finance Manager and was promoted to the position of Senior Finance Manager in March 2013 and Group Financial Controller in January 2014, in which she managed the overall finance and accounting functions, internal control and oversaw the project development and corporate exercises undertaken by the company. She left Tanco Holdings Berhad in September 2018. In November 2018, she joined ACO Group Berhad (a company listed on ACE Market of Bursa Securities), an investment holding of companies principally involved in the distribution of a wide range of electrical products and accessories, as the Chief Financial Officer, where she oversaw the finance and accounting matters of the company, including financial planning, management of financial risks and financial reporting. She was involved in the process of the listing of ACO Group Berhad on the ACE Market on 18 March 2020. In October 2020, she left ACO Group Berhad and took a career break for almost 3 years, during the period she volunteered at the Art of Living, a voluntary service organisation committed to humanitarian service. In September 2023, she joined BTM Resources Berhad (a company listed on Main Market of Bursa Securities) as Chief Financial Officer where she oversees the finance and accounting matters of its group of companies and left in July 2024.

In August 2023, she was appointed as the Independent Non-Executive Director of OB Holdings Berhad (a company listed on the ACE Market). In October 2023, she was appointed to Systech Bhd (a company listed on the ACE Market) as Independent Non-Executive Director.

Details of her involvements in other companies outside of our Group are set out in Section 5.2.3 of this Prospectus.

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

5.2.3 Principal directorships and business activities of our Directors outside our Group for the past 5 years

Save as disclosed below, as at the LPD, none of our Directors have any principal business activities performed outside our Group (including principal directorships in the past 5 years preceding LPD):

(i) Dennis Liaw

Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
					Direct (%)	Indirect (%)
<u>Present involvement</u>						
1. Maju Alliance	Investment holding of shares	Director / shareholder	9 March 2024	-	51.00	-

(ii) William Chan

Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
					Direct (%)	Indirect (%)
<u>Present involvement</u>						
1. Maju Alliance	Investment holding of shares	Director / shareholder	9 March 2024	-	43.00	-

The involvement of our Managing Director and Executive Director in other directorships or business outside our Group does not require significant amount of time, and hence does not affect his ability to perform his executive role and responsibilities to our Group.

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

(iii) Dato' Low Suet Moi

	Partnership	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
						Direct (%)	Indirect (%)
<u>Present involvement</u>							
1.	Sephine Consulting PLT	Provision of business management, financial and management consultancy services	Managing Director cum Chief Executive Officer	17 January 2017	-	95.00%	-
2.	Proven Venture Capital Three PLT	Investment holding of shares	Partner	29 November 2022	-	-	-

(iv) Datuk Khoo Teck Kee

	Partnership/Company			Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
								Direct (%)	Indirect (%)
<u>Present involvement</u>									
1.	Venture Management Consultancy	Ace		Provision of management consultancy services	Partner	1 April 2002	-	42.50	-
2.	VAMC Secretarial Bhd	Sdn		Provision of consultation and secretarial services	Director / Shareholder	2 July 2004	-	47.50	-
3.	VAMC House	Formations		Provision of consultation and management services related to incorporation of company	Partner	16 March 2006	-	30.00	-
4.	TK & Associate			Provision of accounting services	Partner	16 May 2011	-	50.00	-
5.	CMSC Group Sdn Bhd			Provision of management consultancy services	Director / Shareholder	17 January 2018	-	50.00	-
6.	VAMC Group Sdn Bhd			Provision of management consultancy services	Director	19 April 2024	-	42.50	-

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

	Partnership/Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
						Direct (%)	Indirect (%)
7.	Erayochi International Education Sdn Bhd	Provision of consultation services on education related matters	Director / Shareholder	17 April 2017	-	10.00	-
8.	Far East Bunkering Services (Melaka) Sdn Bhd	Provision of bunkering services	Director	18 March 2022	-	-	-
9.	Far East Marine Sdn Bhd	Provision of transportation support services	Director	22 March 2022	-	-	-
10.	Pest React Sdn Bhd	Provision of pest control services	Director / Shareholder	7 May 2018	-	12.00	-
11.	Pest React Pte Ltd	Provision of pest control services	Director	29 February 2024	-	12.00	-
12.	Linbaq Education Sdn Bhd	Provision of education services	Director	10 December 2024	-	-	-
13.	Amorcare Medical Sdn Bhd	Provision of medical services	Shareholder	-	-	10.00	-
14.	Topspike Holding Sdn Bhd	Investment holding of shares	Director	13 January 2025	-	-	-
	Past involvement						
1.	VAMC Tax Services Sdn Bhd	Provision of tax services and management consultation	Director	13 August 2004	7 October 2022	-	-
2.	LE Nouveaupro Sdn Bhd	Provision of consultancy services and training	Director	11 October 2016	2 November 2022	-	-

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

	Partnership/Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
						Direct (%)	Indirect (%)
3.	GIP Capital Sdn Bhd	Construction of building, piling works and renovation services	Director	13 January 2014	15 February 2023	-	-
4.	Milux Corporation Berhad (a company listed on Main Market of Bursa Securities)	Provision of management services and investment holding of companies involved in manufacturing of gas cooker component parts, home electrical appliances and enamel products; trading of gas and electrical appliances, as well as construction of buildings	Group Managing Director Non-Independent Non-Executive Director	5 July 2019 1 July 2024	Re-designated on 1 July 2024 31 December 2024	0.13 -	- -
<u>Subsidiaries of Milux Corporation Berhad</u>							
(1)	Milux Greentech Resources Sdn Bhd	Mixed agriculture and poultry farming	Director	5 July 2019	1 July 2024	-	-
(2)	Milux International Sdn Bhd	Buying, selling, renting and operating of real estate	Director	5 July 2019	1 July 2024	-	-
(3)	Milux Properties Sdn Bhd	Construction of buildings	Director	5 July 2019	1 July 2024	-	-
(4)	Milux Sales & Service Sdn Bhd	Trading of gas and electrical appliances	Director	5 July 2019	1 July 2024	-	-
(5)	Brightyfield Sdn Bhd	Manufacturing of gas cooker component parts	Director	5 July 2019	1 July 2024	-	-
(6)	Enamel Products Sdn Bhd	Manufacturing of enamel products	Director	5 July 2019	1 July 2024	-	-
(7)	Eurobay Industries Sdn Bhd	Manufacturing and supplying of home electrical appliances	Director	5 July 2019	1 July 2024	-	-

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

	Partnership/Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
						Direct (%)	Indirect (%)
(8)	Pansprint Consolidated Sdn Bhd	Construction of buildings	Director	5 July 2019	1 July 2024	-	-
(9)	T.H. Hin Home Tech Sdn Bhd	Trading of electrical household appliances	Director	5 July 2019	1 July 2024	-	-
(10)	T.H. Hin Sdn Bhd	Trading of household appliances	Director	5 July 2019	1 July 2024	-	-
(11)	T5 Digital Sdn Bhd	E-commerce business	Director	15 November 2019	1 July 2024	-	-

(v) Kok Tai Meng

						Equity interest	
	Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Direct (%)	Indirect (%)
<u>Present involvement</u>							
<u>Subsidiaries of Asia Brands Berhad</u> (a company listed on Main Market of Bursa Securities)							
(1)	Audrey Sdn Bhd	Retail sale of lingerie, ladies wear and care related products	Director	1 April 2010	-	-	-
(2)	Bumcity Sdn Bhd	Dormant	Director	1 March 2011	-	-	-
(3)	Diesel Marketing Sdn Bhd	Dormant	Director	1 March 2011	-	-	-
(4)	GB Marketing Sdn Bhd	Trading, retailing and distribution of consumer products	Director	1 March 2011	-	-	-
(5)	Generasi Prestasi Sdn Bhd	Trading and retailing in lingerie and ladies wear, baby and children wear	Director	1 March 2011	-	-	-

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

	Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
						Direct (%)	Indirect (%)
(6)	Simple Plan Venture Sdn Bhd	Investment holding of shares	Director	1 March 2013	-	-	-
(7)	Mickey Junior Sdn Bhd	Dormant	Director	1 March 2013	-	-	-
(8)	Asia Brands Global Sdn Bhd	Dormant	Director	1 March 2013	-	-	-
(9)	Anakku Sdn Bhd	Trading and retailing in baby wear, care and related products	Director	1 March 2013	-	-	-
(10)	Antioni Sdn Bhd	Dormant	Director	1 March 2013	-	-	-
(11)	Asia Brands Assets Management Sdn Bhd	Dormant	Director	1 March 2013	-	-	-
(12)	Asia Brands HR Services Sdn Bhd	Provision of share services function including finance, human resources, information technology and administration	Director	1 March 2013	-	-	-
(13)	Baby Palace Sdn Bhd	Trading and retailing in baby wear, care and related products	Director	1 April 2013	-	-	-
(14)	Pet Hero World Sdn Bhd	Retailing and distribution of pet products	Director	1 October 2015	-	-	-
(15)	Isoho 365 Sdn Bhd	Trading and retailing in baby wear, care and related products	Director	4 December 2023	-	-	-
Past involvement							
(1)	Baby Borong Sdn Bhd	E-commerce and Information technology service activities, retail and wholesale of any kind of product over the internet	Director	31 March 2023	16 December 2024	-	-

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

(vi) Ooi Gin Hui

Company	Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
					Direct (%)	Indirect (%)
<u>Present involvement</u>						
1. OB Holdings Berhad (a company listed on the ACE Market)	Investment holding of companies involved in provision of manufacturing, sales and marketing as well as product development and research and development for fortified food and beverages and dietary supplements.	Independent Non-Executive Director	23 August 2023	-	-	-
2. Systech Bhd (a company listed on the ACE Market)	Investment holding of companies involved in provision of e-business, cybersecurity and e-logistics solutions	Independent Non-Executive Director	25 October 2023	-	-	-
3. SLGO PLT	Retail sale of any kind of product over the internet	Partner	27 December 2017	-	-	-
4. Unique SPRO Services PLT	Provision of management and financial consultancy services	Partner	5 July 2018	-	-	-

The involvement of our Independent Non-Executive Directors in other directorships or business outside our Group will not affect their contribution to our Group as they do not act in any executive capacity and are not involved in the day-to-day operations of our Group.

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

5.2.4 Directors' remunerations and material benefits-in-kind

The details of the remuneration and material benefits in-kind paid and proposed to be paid to our Directors for services rendered to our Group in all capacities for the FYE 31 December 2024 ("FYE 2024") and FYE 31 December 2025 ("FYE 2025") are as follows:

(i) FYE 2024

Name	Fees	Salary	Bonus	Allowances	⁽¹⁾ Statutory contributions	Benefits in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Low Suet Moi ⁽²⁾	35	-	-	-	-	-	35
Dennis Liaw	169	380	43	25	52	-	669
William Chan	148	345	39	25	48	-	605
Datuk Khoo Teck Kee ⁽²⁾	28	-	-	-	-	-	28
Kok Tai Meng ⁽²⁾	35	-	-	-	-	-	35
Ooi Gin Hui ⁽²⁾	28	-	-	-	-	-	28

Notes:

⁽¹⁾ Includes employer's contribution to Employees Provident Fund, Social Security Organisation and employment insurance system.

⁽²⁾ The Independent Directors joined our Group in June 2024.

(ii) Proposed for the FYE 2025

Name	Fees	Salary	Bonus	Allowances	⁽¹⁾ Statutory contributions	Benefits in-kind	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Dato' Low Suet Moi	60	-	-	-	-	-	60
Dennis Liaw	-	540	63	-	66	-	669
William Chan	-	480	66	-	59	-	605
Datuk Khoo Teck Kee	48	-	-	-	-	-	48
Kok Tai Meng	60	-	-	-	-	-	60
Ooi Gin Hui	48	-	-	-	-	-	48

Note:

⁽¹⁾ Includes employer's contribution to Employees Provident Fund, Social Security Organisation and employment insurance system.

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

The remuneration of our Directors, which includes salaries, fees and allowances, bonuses, as well as other benefits, must be considered and recommended by our Remuneration Committee and subsequently, be approved by our Board, subject to the provisions of our Constitution. Our Directors' fees and benefits must be further approved and endorsed by our shareholders at a general meeting.

5.3 KEY SENIOR MANAGEMENT

5.3.1 Shareholdings

The direct and indirect shareholdings of our Key Senior Management (other than Dennis Liaw and William Chan, details of which are set out Section 5.1.1 of this Prospectus) in our Company before and after our IPO are as follows:

Key Senior Management	Designation	As at the LPD / Before our IPO				After our IPO			
		Direct		Indirect		Direct		Indirect	
		No. of Shares	%	No. of Shares	%	No. of Shares	(1)%	No. of Shares	(1)%
Lim Bak Teik	Chief Operation Officer	-	-	-	-	-	-	-	-
Yong Wai Kin	Chief Financial Officer	-	-	-	-	(2)300,000	0.08	-	-

Notes:

(1) Based on our enlarged issued share capital of 382,900,000 Shares after our IPO.

(2) Assuming that Yong Wai Kin fully subscribes for his entitlement under the Pink Form Allocations.

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

(i) Lim Bak Teik

Chief Operation Officer

Lim Bak Teik, a Malaysian, aged 44, is our Chief Operation Officer. He directs manufacturing, engineering, production, and implementing Standard Operating Procedures (SOPs) to maintain quality standards and operational continuity.

In June 2004, he graduated with a Bachelor Degree in Electronic Engineering from the National Kaohsiung University of Applied Sciences, Taiwan.

In August 2005, he joined Expert System Technologies Sdn Bhd (formerly known as Arano Technologies Sdn Bhd), which is principally involved in the business of providing information technology project management, consultancy services, and electrical engineering as an Automation Engineer where he was responsible for setting up network infrastructure for projects.

In May 2008, he left Expert System Technologies Sdn Bhd and in June 2008, he joined Maxway Industrial Supply which is principally involved in the business of supplying a range of extra low voltage path product solutions, including copper cable and accessories as Sales Manager.

In February 2011, he left Maxway Industrial Supply and in March 2011, he co-founded Saliran Industrial Supplies and was appointed as a director, a position which he presently assumes, and was also the Operation Manager to oversee all daily operational activities, including sales and marketing, procurement, logistics, warehouse, and production management. He was subsequently promoted to Finance Manager in July 2013 and was subsequently promoted to the Chief Operation Officer of Saliran Industrial Supplies in May 2022, a position which he presently assumes.

Details of his involvements in other companies outside of our Group are set out in Section 5.3.3 of this Prospectus.

(ii) Yong Wai Kin

Chief Financial Officer

Yong Wai Kin, a Malaysian, aged 56, is our Chief Financial Officer. He is primarily responsible for the financial and accounting functions of our Group.

In February 1988, he obtained a Higher Diploma in Accounting from the London Chamber of Commerce and Industry (LCCI) at Advance Tertiary College. He was certified as a member of the Association of Chartered Certified Accountants since September 2001. He was certified as a chartered accountant and has been a member of Malaysian Institute of Accountants (MIA) since August 2003.

In February 1990, he joined Moore Stephens Ismail Chong Gomez (now known as Moore Malaysia) as an Audit Junior, where he was responsible for the statutory audit planning and special audit for corporate exercises involving clients in various industries. He was subsequently promoted to the position of an Audit Supervisor before he left in December 1993.

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

In February 1994, he joined FACB Industries Incorporated Berhad (a company listed on Main Market of Bursa Securities) as an Assistant Accountant, where he was in charge of the overall monthly accounts of the company and its subsidiaries. In March 1995, he left FACB Industries Incorporated Berhad and joined Syarikat Kit Loong Sdn Bhd in April 1995 as Senior Accountant, where he was responsible for the monthly accounts and was involved in credit control of its group operations.

In December 1996, he left Syarikat Kit Loong Sdn Bhd and in January 1997 he joined Hyumal Motor Sdn Bhd as Accounts and Audit Manager, where he headed the accounts division and was involved in the daily operations and the financial matters of the group, including credit control, procuring banking facilities and tax planning, as well as administrative functions. In September 1998, he left Hyumal Motor Sdn Bhd, and in October 1998 joined Wizard Worldwide Media Sdn Bhd as Finance Manager and was subsequently promoted to Finance & Admin Manager in January 1999 where his responsibilities included liaising with auditors and tax agents, as well as overseeing human resources and administration function of the company. In May 2000 he left Wizard Worldwide Media Sdn Bhd and in June 2000, he joined Pristana Management Services Sdn Bhd in as a Senior Accountant, where he headed the property division's account department and left in September 2002. In November 2002, he joined Dijaya Ceil Sdn Bhd (currently known as Dceil Sdn Bhd), as a senior group accountant and was subsequently promoted to Finance Director of Dceil International Bhd (a company previously listed on the Second Board of Kuala Lumpur Stock Exchange) in April 2004.

He left Dceil International Bhd in July 2004, and he took on the position as a Chief Financial Officer at Mal Wah Construction Products Sdn Bhd and left in December 2004. In July 2005, he joined Muafakat Kekal Sdn Bhd as a Marketing Manager and left in October 2006.

In November 2007, he joined Topaz Evergreen Sdn Bhd as a General Manager-Finance, where he managed the finance department. He left Topaz Evergreen Sdn Bhd in June 2009. In August 2009, he joined MSM Metal Industries Sdn Bhd as the Chief Financial Officer to manage the group's accounts and assist the group in their listing of their holding company, Mann Seng Metal International Ltd ("**Mann Seng**") on the Catalist Market of the Singapore Exchange Securities Trading Limited in May 2010. In October 2009, he became the Executive Director of Mann Seng and Chief Financial Officer of the Mann Seng group where he was mainly responsible for the management of the group's accounts, cash flow, corporate finance, financial reporting, risk management evaluation, audit, tax compliance and administration. He left Mann Seng in March 2011 and joined Federal Paints Manufacturing (M) Sdn Bhd as Chief Financial Officer where he headed the group's accounts and finance. In January 2014, he left Federal Paints Manufacturing (M) Sdn Bhd to join Green Ocean Corporation Berhad (a company listed on the ACE Market) as the Chief Financial Officer, a position he held until August 2018, where he was mainly responsible for the periodic financial reporting, credit control, budgeting, tax planning, coordination of corporate exercises and procurement of banking facilities as well as overseeing human resources and administration function of the company.

He took a career break of 9 months before joining Econframe Berhad (a company listed on the ACE Market) as the Chief Financial Officer and was instrumental in their listing exercise in May 2019. He left Econframe Berhad in January 2022.

He joined our Group as Chief Financial Officer on May 2022.

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

5.3.3 Principal directorships and business activities of our Key Senior Management outside our Group for the past 5 years

Save as disclosed below, as at the LPD, none of our Key Senior Management (other than Dennis Liaw and William Chan, details of which are set out in Section 5.2.3(i) and Section 5.2.3(ii) of this Prospectus respectively) have any principal business activities performed outside our Group (including principal directorships in the past 5 years preceding LPD):

(i) Lim Bak Teik

Company		Principal activities	Involvement in business	Date of appointment	Date of resignation	Equity interest	
						Direct (%)	Indirect (%)
<u>Present involvement</u>							
1.	Purney Beauty Sdn Bhd	Trading of beauty products and its related items	Director / Shareholder	14 January 2016	-	70.00	-
2.	Care Latex Angel PLT	Investment holding of companies involved in the business of investment crowd funding	Partner	29 October 2021	-	0.72	-
3.	Maju Alliance	Investment holding of shares	Director / Shareholder	9 March 2024	-	6.00	-
<u>Past involvement</u>							
1.	MWI Engineering Sdn Bhd	Dormant (Dissolved on 25 April 2023)	Director / Shareholder	10 January 2011	25 April 2023	30.00	-

The involvement of Lim Bak Teik in other directorships or business outside our Group does not require significant amount of time as he is not involved in the day-to-day operations of these companies, and hence does not affect his ability to perform his role and responsibilities to our Group. For information, Purney Beauty Sdn Bhd is entirely managed by his spouse and his involvement in Care Latex Angel PLT is just as a passive investor.

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

5.3.4 Key Senior Management's remunerations and material benefits-in-kind

The details of the remuneration and material benefits in-kind paid and proposed to be paid to our Key Senior Management (other than Dennis Liaw and William Chan, details of which are set out in Section 5.2.4(i) and 5.2.4(ii) of this Prospectus respectively) for services rendered to our Group in all capacities for the FYE 2024 and FYE 2025 are as follows:

(i) FYE 2024

Name	Remuneration band (in bands of RM50,000)		
	⁽¹⁾ Remuneration	Benefits-in-kind	Total
Lim Bak Teik	500,000 – 550,000	-	500,000 – 550,000
Yong Wai Kin	350,000 – 400,000	-	350,000 – 400,000

Note:

- ⁽¹⁾ Includes salaries, bonus, allowances and statutory contribution such as employer's contribution to Employees Provident Fund, Social Security Organisation and employment insurance system.

(ii) Proposed for the FYE 2025

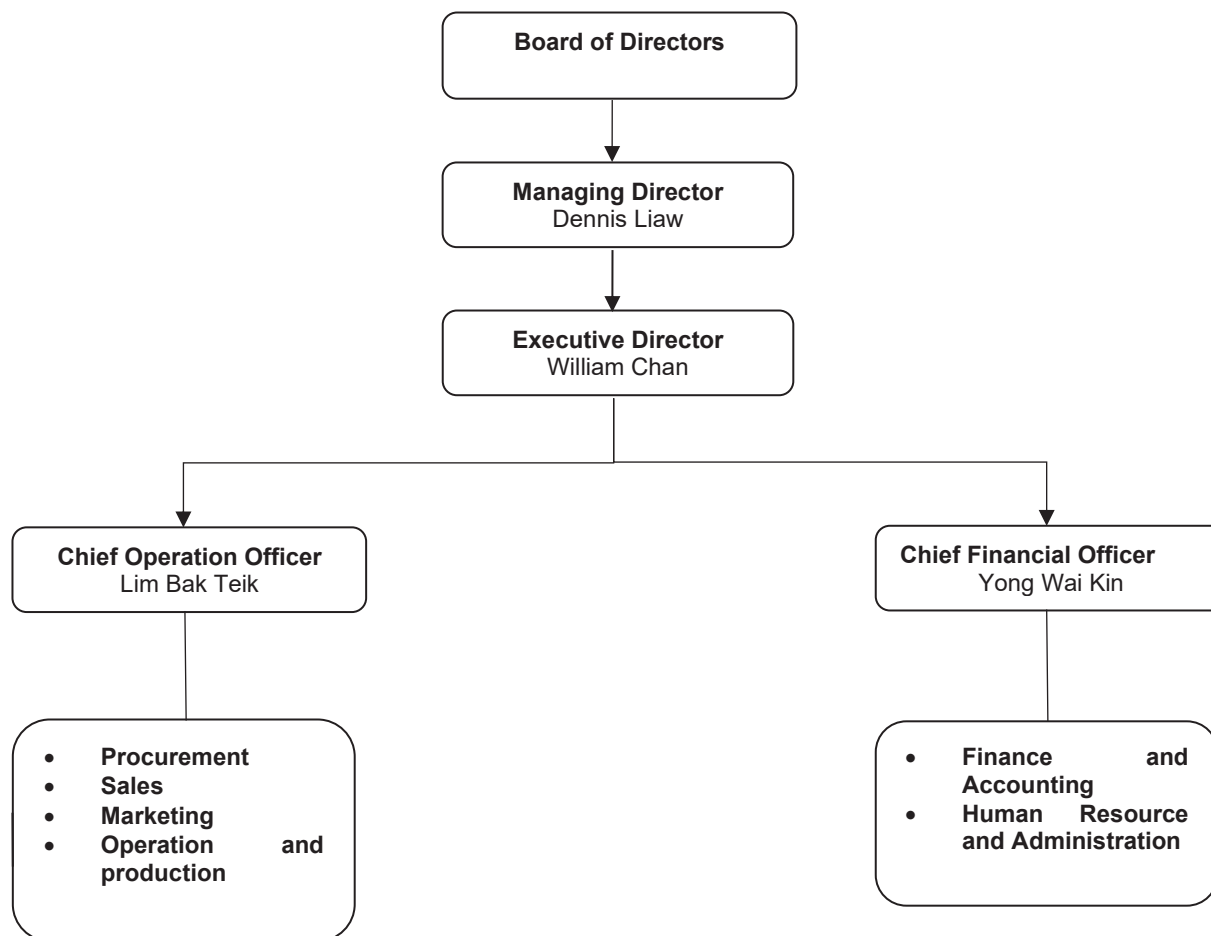
Name	Remuneration band (in bands of RM50,000)		
	⁽¹⁾ Remuneration	Benefits-in-kind	Total
Lim Bak Teik	500,000 – 550,000	-	500,000 – 550,000
Yong Wai Kin	350,000 – 400,000	-	350,000 – 400,000

Note:

- ⁽¹⁾ Includes salaries, bonus, allowances and statutory contribution such as employer's contribution to Employees Provident Fund, Social Security Organisation and employment insurance system.

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

5.4 MANAGEMENT REPORTING STRUCTURE



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

5.5 BOARD PRACTICES

5.5.1 Board

As at the LPD, the date of expiration of the current term of office for each of our Directors and the period for which our Directors have served in that office are as follows:

Name	Designation	Date of appointment	Date of expiration of the current term of office	No. of years in office as at the LPD
Dato' Low Suet Moi	Independent Non-Executive Chairperson	6 June 2024	Subject to retirement by rotation at our annual general meeting ("AGM") to be held in year 2025	Less than a year
Dennis Liaw	Managing Director	7 August 2020	Subject to retirement by rotation at our AGM to be held in year 2025	4 years and 5 months
William Chan	Executive Director	7 August 2020	Subject to retirement by rotation at our AGM to be held in year 2025	4 years and 5 months
Datuk Khoo Teck Kee	Independent Non-Executive Director	6 June 2024	Subject to retirement by rotation at our AGM to be held in year 2025	Less than a year
Kok Tai Meng	Independent Non-Executive Director	6 June 2024	Subject to retirement by rotation at our AGM to be held in year 2025	Less than a year
Ooi Gin Hui	Independent Non-Executive Director	6 June 2024	Subject to retirement by rotation at our AGM to be held in year 2025	Less than a year

In accordance with our Company's Constitution, an election of Directors shall take place each year at the annual general meeting of our Company where 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 1/3 shall retire from office and be eligible for re-election PROVIDED ALWAYS that Directors shall retire from office once at least in each 3 years but shall be eligible for re-election. A Director who retires at an annual general meeting may, if willing to act, be reappointed. If he is not reappointed, he shall retain office until the meeting appoints someone in his place, or if it does not do so, until the end of the meeting.

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

5.5.2 Audit and Risk Management Committee

Our Audit and Risk Management Committee was established on 6 June 2024 and its members are appointed by our Board. Our Audit and Risk Management Committee comprises the following members:

Name	Designation	Directorship
Kok Tai Meng	Chairman	Independent Non-Executive Director
Datuk Khoo Teck Kee	Member	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director

The main functions of the Audit and Risk Management Committee include:

- (i) to review, assess and monitor the performance, suitability, objectivity and independence of the internal and external auditors;
- (ii) to consider any matters concerning the appointment and re-appointment, the audit fee and any questions of resignation or dismissal of external auditors, and further ensure the suitability, objectivity and independence of external auditors;
- (iii) to review with the external auditors:
 - (a) their audit plan, scope and nature of the audit of our Group;
 - (b) their evaluation and findings of the system of internal controls;
 - (c) their audit reports;
 - (d) the management letter and management's response with regard to problems and reservations arising from their audits; and
 - (e) any other matters that the external auditors may wish to discuss (in the absence of management where necessary);
- (iv) to review the assistance given by the management and employees of our Group to the external auditors;
- (v) to review and assess the adequacy of the scope, functions, competency and resources of the internal audit functions of which the internal auditors should reports directly to the Audit and Risk Management Committee. The internal auditors must be an independent, objective assurance and must have the relevant qualification and be responsible for providing assurance to the Audit and Risk Management Committee that internal control is operating effectively;

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

- (vi) to review the internal audit plan, processes, the results of the internal audit assessments, investigation undertaken and whether or not appropriate action is taken on the recommendations;
- (vii) to review the adequacy and effectiveness of our Group's internal control systems and risk management framework as evaluated, identified and reported by our management, internal or external auditors as well as to review the appropriate and timely corrective actions undertaken to ratify the same;
- (viii) to review the quarterly and year-end financial statements of our Group, before the approval by our Board, focusing particularly on:
 - (a) any changes in or implementation of major accounting policy changes;
 - (b) significant matters highlighted including financial reporting issues, significant judgement made by management, significant unusual events or transactions, and how these matters are addressed; and
 - (c) compliance with accounting standards and other legal requirements;
- (ix) to review any related party transactions and conflicts of interest situations that may arise within our Company or Group including any transactions, procedures or course of conduct that raises questions of management integrity;
- (x) to review any letter of resignation from the external auditors of our Company;
- (xi) to review whether there is reason (supported by grounds) to believe that our Company's external auditors is not suitable for re-appointment;
- (xii) to recommend the nominating of a person or persons as external auditors; and
- (xiii) to carry out such other functions or assignments as may be delegated by our Board from time to time.

5.5.3 Nominating Committee

Our Nominating Committee was established on 6 June 2024 and its members are appointed by our Board. Our Nominating Committee comprises the following members:

Name	Designation	Directorship
Datuk Khoo Teck Kee	Chairman	Independent Non-Executive Director
Kok Tai Meng	Member	Independent Non-Executive Director
Ooi Gin Hui	Member	Independent Non-Executive Director

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

The main functions of the Nominating Committee include:

- (i) to consider and recommend to our Board suitable candidates for appointment as Directors of our Company. In making a recommendation to our Board on the candidates for directorship, the Nominating Committee should consider the candidates':
 - (a) skills, knowledge, expertise and experience;
 - (b) professionalism;
 - (c) integrity; and
 - (d) in the case of candidates for the position of Independent Non-Executive Director, the Nominating Committee shall also evaluate the candidates' ability to discharge such responsibilities / functions as expected from Independent Non-Executive Directors;
- (ii) to annually review, or as required, the correct mix of skills, business and professional experiences including diversity in terms of gender, ethnicity and age that should be added to our Board, and to ensure that all our Directors undergo appropriate introduction and training programmes;
- (iii) to appraise each individual Director including Independent Non-Executive Director(s) as well as the Executive Director(s) in terms of his experience, knowledge, credibility and credentials, and assess their effectiveness and contribution in carrying out their obligations and duties as a Board member of our Company. All assessments and evaluations carried out by the Nominating Committee in the discharge of all its functions should be properly documented;
- (iv) to examine the ability of each Director to contribute to the effective decision-making process of our Board and ensure that our Board is functioning actively, efficiently and effectively in all its decision making;
- (v) to review annually, the term of office and performance of the Audit and Risk Management Committee and each of its members to determine whether such Audit and Risk Management Committee and members have carried out their duties in accordance with their terms of reference;
- (vi) to assess the effectiveness of our Board and the Committees as a whole;
- (vii) to review and assess the independence of the Independent Non-Executive Directors of our Company;
- (viii) to recommend our Board concerning the re-election/re-appointment of Director to our Board pursuant to our Company's Constitution; and
- (ix) to carry out such other functions or assignments as may be delegated by our Board from time to time.

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

5.5.4 Remuneration Committee

Our Remuneration Committee was established on 6 June 2024 and its members are appointed by our Board. Our Remuneration Committee comprises the following members:

Name	Designation	Directorship
Ooi Gin Hui	Chairman	Independent Non-Executive Director
Datuk Khoo Teck Kee	Member	Independent Non-Executive Director
Kok Tai Meng	Member	Independent Non-Executive Director

The main functions of the Remuneration Committee include:

- (i) to review and recommend to our Board the appropriate remuneration packages for the Independent Non-Executive Director(s) as well as the Executive Director(s) of our Company, with or without other independent professional advice or other outside advice;
- (ii) to formulate policies, guidelines and set criteria for remuneration packages for the Directors of our Company;
- (iii) to ensure that the Directors are fairly and appropriately remunerated according to the industry, general market sentiments or conditions;
- (iv) to determine the composition of the various types of components of remuneration such as basic salary, bonus and other benefits in kind for the Executive Directors and Key Senior Management of our Company;
- (v) to ensure all necessary actions are taken expediently by our Board to offer appropriate rewards, benefits, compensation and remuneration and to ensure that the levels of remuneration are sufficiently attractive to retain Directors and structuring the remuneration packages to link rewards to the individual performance;
- (vi) to ensure that all remuneration packages and benefits given to the Directors are in compliance with all laws, rules, requirements, regulations and guidelines set by the relevant authorities and our Board from time to time;
- (vii) to attend to any other function that may be delegated by our Board which would be beneficial to our Company and ensure the effective discharge of the Committee's duties and responsibilities; and
- (viii) to carry out such other functions or assignments as may be delegated by our Board from time to time.

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

5.6 SERVICE AGREEMENTS

As at the LPD, none of our Directors and/or Key Senior Management have any existing or proposed service agreement with our Group.

5.7 DECLARATIONS BY EACH PROMOTER, DIRECTOR AND KEY SENIOR MANAGEMENT

None of our Promoters, Directors and Key Senior Management is or was involved in any of the following events, whether within or outside Malaysia:

- (i) a petition under any bankruptcy or insolvency law was filed (and not struck out) against such person or any partnership in which he was a partner, or any corporation of which he was a director or member of key senior management in the last 10 years;
- (ii) disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) charged or convicted in a criminal proceeding, or is a named subject of a pending criminal proceeding in the last 10 years;
- (iv) any judgment was entered against such person, 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 in the last 10 years;
- (v) 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 in the last 10 years;
- (vi) 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;
- (vii) the subject of any current investigation or disciplinary proceeding, or has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency in the last 10 years; and
- (viii) any unsatisfied judgment against such person.

5.8 RELATIONSHIPS AND/OR ASSOCIATIONS

There are no family relationships or associations between our Promoters, substantial shareholders, Directors and Key Senior Management.

6. INFORMATION ON OUR GROUP

6.1 OUR COMPANY

Our Company, Saliran Group Berhad (Registration No. 202001022591 (1378911-A)), was incorporated in Malaysia under the Act on 7 August 2020 as a private limited company under the name Saliran Group Sdn Bhd. On 19 June 2024, we converted into a public limited company and assumed our present name. We were incorporated as a special purpose vehicle to facilitate our Listing.

Our Company is an investment holding company. Our Group is principally involved in the supply and distribution of pipes, fittings and flanges as well as steel products. For the Financial Years/Period Under Review, our products are primarily used in the oil and gas industry. We also undertake the manufacturing of fittings and flanges.

As at the date of this Prospectus, our issued share capital is RM30,252,250.00 comprising 302,500,000 Shares. The movements in our issued share capital since our date of incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration / Nature of transaction	Cumulative issued share capital	
			RM	No. of Shares
7 August 2020	1,275	Cash/ Subscriber's shares	1,275.00	1,275
7 August 2020	1,075	Cash/ Subscriber's shares	2,350.00	2,350
7 August 2020	150	Cash/ Subscriber's shares	2,500.00	2,500
14 November 2024	302,497,500	Otherwise ⁽¹⁾	30,252,250.00	302,500,000

Note:

- ⁽¹⁾ Being the consideration paid by our Company to the Vendors (Dennis Liaw, William Chan and Lim Bak Teik) in relation to the Acquisition of Saliran Industrial Supplies, details of which are set out in the table below:

Vendors	Date emerged as shareholder of Saliran Industrial Supplies	Ordinary shares owned by the vendor(s) in Saliran Industrial Supplies which were sold to our Company ("Sale Shares")
Dennis Liaw	14 March 2011	1,774,800
William Chan	30 June 2014	1,496,400
Lim Bak Teik	14 March 2011	208,800
Total		3,480,000

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

Upon completion of our IPO, our enlarged issued share capital will increase to RM51,960,250 comprising 382,900,000 Shares.

6. INFORMATION ON OUR GROUP (cont'd)**6.2 OUR GROUP STRUCTURE**

To formalise our listing group in preparation of our Listing, we undertook the following acquisitions:

6.2.1 Pre-IPO changes in Saliran Flanges & Fittings

Prior to the pre-IPO changes in Saliran Flanges & Fittings, the shareholders of Saliran Flanges & Fittings were as follows:

Shareholders	No. of shares	%
Saliran Industrial Supplies	350,000	70.00
Dennis Liaw	50,000	10.00
William Chan	50,000	10.00
Lim Bak Teik	50,000	10.00
	500,000	100.00

On 1 November 2022, Saliran Industrial Supplies completed the acquisition of 30.00% equity interest in Saliran Flanges & Fittings from Dennis Liaw (10.00%), William Chan (10.00%) and Lim Bak Teik (10.00%) at the cash consideration of RM33,333.00, RM33,332.00 and RM33,332.00 from each shareholder respectively.

The total purchase consideration of RM99,997.00 represents a discount of 60.67% from the audited NA of Saliran Flanges & Fittings as at 31 December 2021 of RM847,486.00. The discount was given as Saliran Industrial Supplies is jointly-owned by the vendors of Saliran Flanges & Fittings and there is no effective change to the ownership of the 2 companies.

As at the LPD, Saliran Flanges & Fittings is a wholly-owned subsidiary of Saliran Industrial Supplies, which in turn is a wholly-owned subsidiary of our Company.

6.2.2 Pre-IPO changes in Saliran Precision Engineering

Prior to the pre-IPO changes in Saliran Precision Engineering, the shareholders of Saliran Precision Engineering were as follows:

Shareholders	No. of shares	%
Saliran Industrial Supplies	70,000	70.00
Tan Peng Choon ("TPC")	30,000	30.00
	100,000	100.00

On 17 November 2023, Saliran Industrial Supplies entered into a share sale agreement with TPC whereby Saliran Industrial Supplies acquired 30.00% equity interest in Saliran Precision Engineering from TPC at a total cash consideration of RM237,672.90, being 30.00% of the audited net assets of Saliran Precision Engineering of RM792,243.00 as at 31 December 2022. The Pre-IPO changes in Saliran Precision Engineering were completed on 17 November 2023.

Notwithstanding that TPC has disposed his 30.00% equity interest in Saliran Precision Engineering, he remains as the Director of Saliran Precision Engineering, and continues to oversee the manufacturing activities in Saliran Precision Engineering.

As at the LPD, Saliran Precision Engineering is a wholly-owned subsidiary of Saliran Industrial Supplies, which in turn, is a wholly-owned subsidiary of our Company.

6. INFORMATION ON OUR GROUP (cont'd)**6.2.3 Acquisition of Saliran Industrial Supplies**

Prior to the Acquisition of Saliran Industrial Supplies, the shareholders of Saliran Industrial Supplies were as follows:

Shareholders	No. of shares	%
Dennis Liaw	1,774,800	51.00
William Chan	1,496,400	43.00
Lim Bak Teik	208,800	6.00
	3,480,000	100.00

In preparation for our Listing, we undertook the Acquisition of Saliran Industrial Supplies. On 7 June 2024, we entered into a share sale agreement with the Vendors to acquire the entire equity interest in Saliran Industrial Supplies comprising 3,480,000 ordinary shares for a total purchase consideration of RM30,249,750.00.

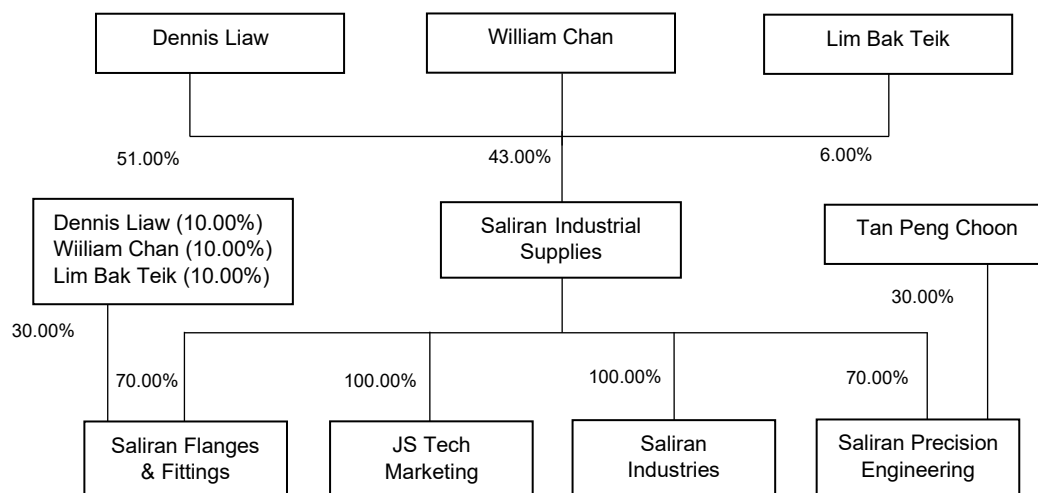
The total purchase consideration of RM30,249,750.00 was arrived after taking into consideration the audited NA of Saliran Industrial Supplies as at 31 December 2023 of RM30,251,767.00 and was satisfied via the issuance of 302,497,500 new Shares at an issue price of RM0.10 each.

Pursuant to the share sale agreement, Dennis Liaw, William Chan and Lim Bak Teik nominated Maju Alliance, an investment holding company owned by Dennis Liaw (51.00% equity interest), William Chan (43.00% equity interest) and Lim Bak Teik (6.00% equity interest), to accept the 302,497,500 Saliran Shares to be issued to them in relation to the Acquisition of Saliran Industrial Supplies. The Acquisition of Saliran Industrial Supplies was completed on 14 November 2024.

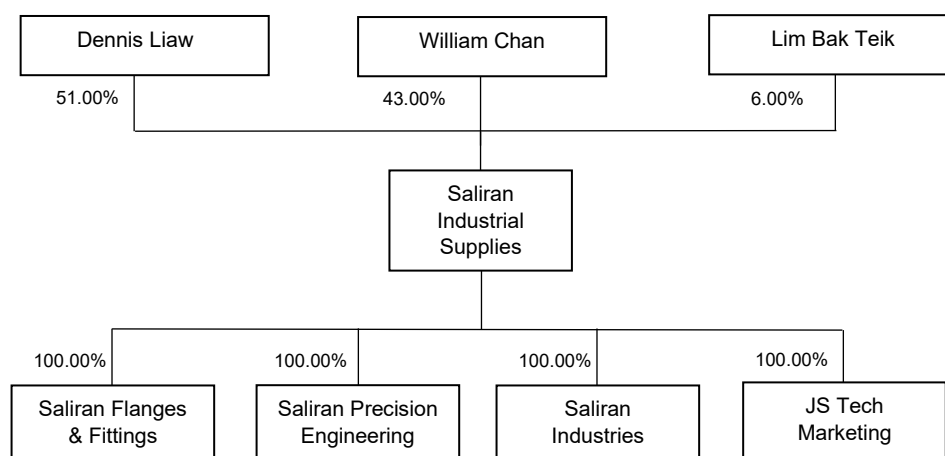
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6. INFORMATION ON OUR GROUP (cont'd)**6.2.4 Our Group structure**

- (i) An overview of our Group structure before the pre-IPO changes in Saliran Flanges & Fittings and Saliran Precision Engineering is as follows:



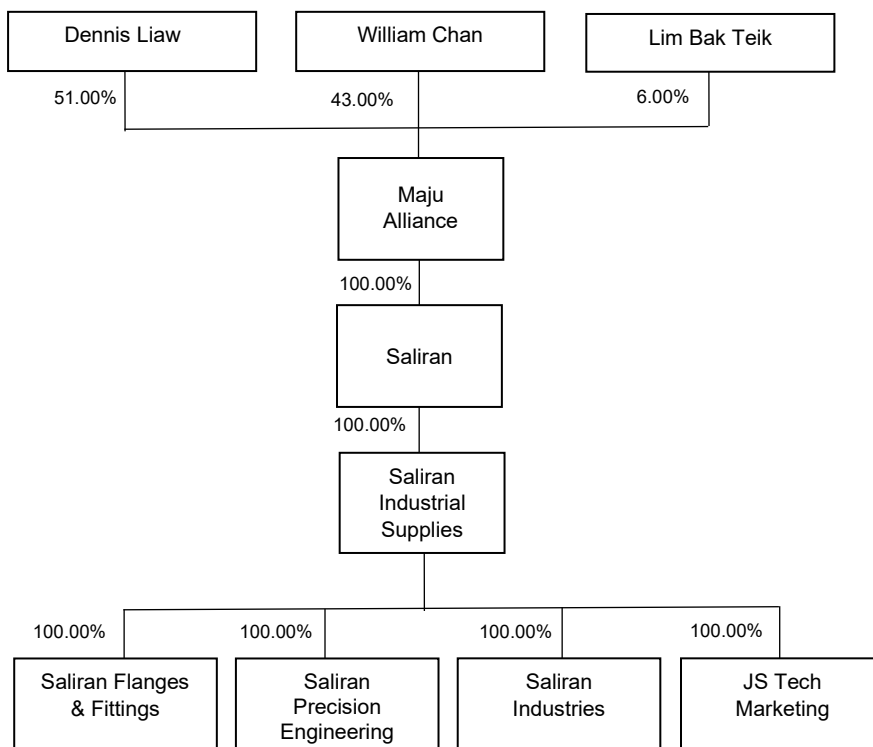
- (ii) An overview of our Group structure after the pre-IPO changes in Saliran Flanges & Fittings and Saliran Precision Engineering but before the Acquisition of Saliran Industrial Supplies is as follows:



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

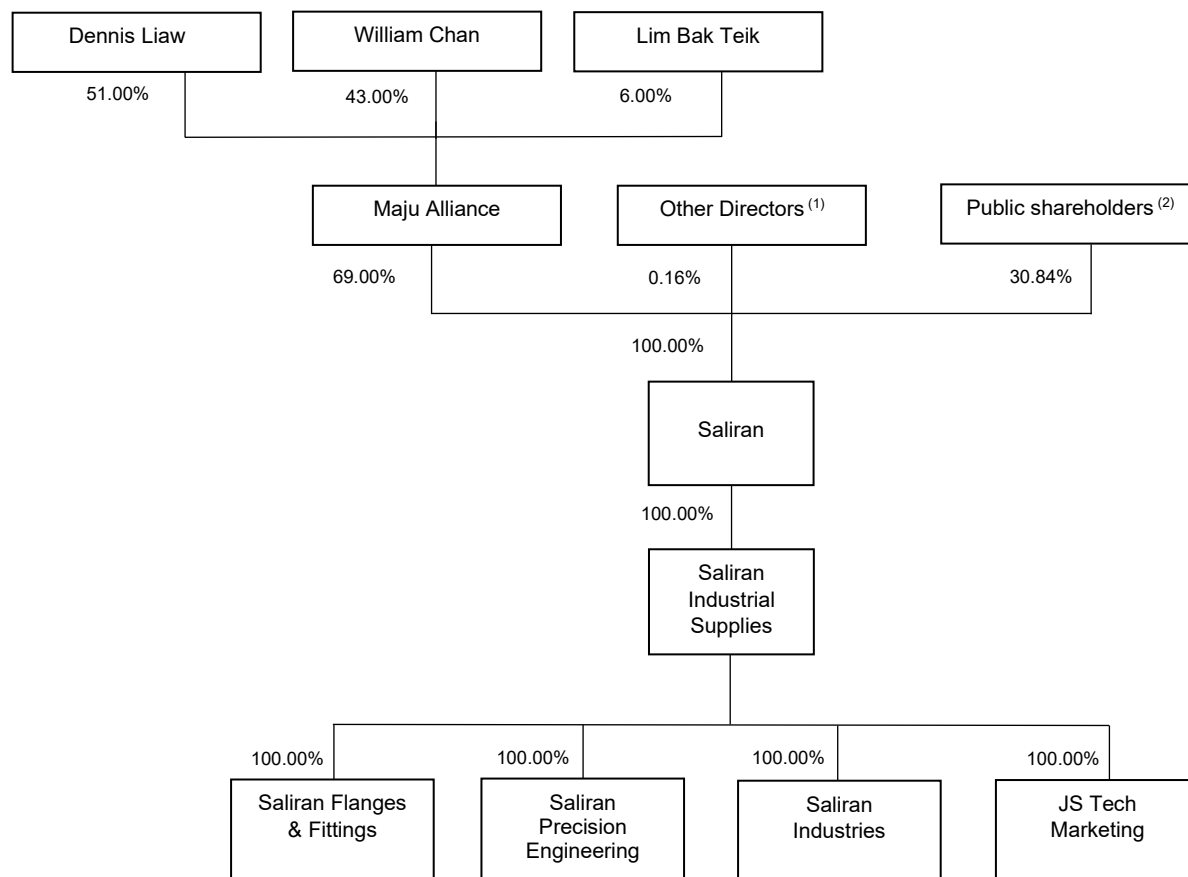
- (iii) An overview of our Group structure after the Acquisition of Saliran Industrial Supplies is as follows:



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

(iv) Our Group structure upon the Listing is set out below:

**Notes:**

- (1) Comprising Pink Form Allocations to our eligible Directors who are not deemed as public shareholders. Further details of our Pink Form Allocations are set out in Section 4.3.1(ii) of this Prospectus.
- (2) Comprising the Malaysian Public, selected Bumiputera investors approved by the MITI and selected investors as set out in Sections 4.3.1(i), 4.3.1(iii) and 4.3.1(iv) of this Prospectus and Pink Form Allocations to our eligible employees. These shareholders are deemed as public shareholders.

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6. INFORMATION ON OUR GROUP *(cont'd)***6.3 OUR SUBSIDIARIES**

The details of our subsidiaries are set out below:

Name / Registration no. (Company No.)	Date / Place of incorporation	Principal place of business	Issued share capital (RM)	Effective equity interest (%)	Principal activities
Saliran Industrial Supplies (201101008001 (936140-T))	14 March 2011 / Malaysia	Malaysia	3,480,000.00	100.00	Supply and distribution of pipes, fittings and flanges as well as steel products
Saliran Flanges & Fittings (201401025907 (1101997-A))	18 July 2014 / Malaysia	Malaysia	500,000.00	100.00	Supply and distribution of pipes, fittings and flanges as well as steel products
Saliran Precision Engineering (201401036166 (1112303-V))	8 October 2014 / Malaysia	Malaysia	100,000.00	100.00	Manufacturing of fittings and flanges
Saliran Industries (202201040443 (1486140-A))	1 November 2022 / Malaysia	Malaysia	52,500.00	100.00	Supply and distribution of pipes, fittings and flanges as well as steel products
JS Tech Marketing (202301004259 (1498178-T))	9 February 2023 / Malaysia	Malaysia	50,000.00	100.00	Supply and distribution of pipes, fittings and flanges as well as steel products

6.3.1 Saliran Industrial Supplies**(i) Background and history**

Saliran Industrial Supplies was incorporated in Malaysia on 14 March 2011 under the CA 1965 (deemed registered under the Act) as a private limited company.

(ii) Principal place of business

Saliran Industrial Supplies' principal place of business is at No. 14 & 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor.

6. INFORMATION ON OUR GROUP *(cont'd)***(iii) Principal activities and products / services**

Saliran Industrial Supplies is principally involved in the supply and distribution of pipes, fittings and flanges as well as steel products.

(iv) Share capital

As at the LPD, the issued share capital of Saliran Industrial Supplies is RM3,480,000.00 comprising 3,480,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of Saliran Industrial Supplies since incorporation up to the LPD:

Date of allotment	No. of shares allotted	Consideration / Nature of transaction	Cumulative issued share capital	
			RM	No. of shares
14 March 2011	3	Cash	3.00	3
22 April 2011	99,996	Cash	99,999.00	99,999
8 July 2014	200,001	Cash	300,000.00	300,000
12 November 2015	150,000	Cash	450,000.00	450,000
4 July 2016	150,000	Cash	600,000.00	600,000
5 March 2018	400,000	Cash	1,000,000.00	1,000,000
12 March 2019	500,000	Cash	1,500,000.00	1,500,000
29 July 2019	500,000	Cash	2,000,000.00	2,000,000
21 January 2021	480,000	Cash	2,480,000.00	2,480,000
16 December 2022	1,000,000	Cash	3,480,000.00	3,480,000

(v) Shareholder

Saliran Industrial Supplies is a wholly-owned subsidiary of our Company.

(vi) Subsidiary or associated company

As at the LPD, the subsidiaries of Saliran Industrial Supplies are Saliran Flanges & Fittings, Saliran Precision Engineering, Saliran Industries, and JS Tech Marketing.

6. INFORMATION ON OUR GROUP (cont'd)**6.3.2 Saliran Flanges & Fittings****(i) Background and history**

Saliran Flanges & Fittings was incorporated in Malaysia on 18 July 2014 under the CA 1965 (deemed registered under the Act) as a private limited company under Saliran Maju Sdn Bhd. On 12 February 2018, the name was changed to SIS Flanges & Fittings Manufacturing Sdn Bhd. On 4 November 2022, it assumed its present name.

(ii) Principal place of business

Saliran Flanges & Fittings' principal place of business is at No. 14, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor.

(iii) Principal activities and products / services

Saliran Flanges & Fittings is a company involved in the business of supply and distribution of pipes, fittings and flanges as well as steel products.

(iv) Share capital

As at the LPD, the issued share capital of Saliran Flanges & Fittings is RM500,000.00 comprising 500,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of Saliran Flanges & Fittings since incorporation up to the LPD:

Date of allotment	No. of shares allotted	Consideration / Nature of transaction	Cumulative issued share capital	
			RM	No. of shares
18 July 2014	100,000	Cash	100,000.00	100,000
15 September 2022	400,000	Cash	500,000.00	500,000

(v) Shareholder

Saliran Flanges & Fittings is a wholly-owned subsidiary of Saliran Industrial Supplies, which in turn, is a wholly-owned subsidiary of our Company.

(vi) Subsidiary or associated company

Saliran Flanges & Fittings does not have any subsidiary or associated company.

6.3.3 Saliran Precision Engineering**(i) Background and history**

Saliran Precision Engineering was incorporated in Malaysia on 8 October 2014 under the CA 1965 (deemed registered under the Act), as a private limited company under its present name.

(ii) Principal place of business

Saliran Precision Engineering's principal place of business is at No. 7 & 21, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor.

6. INFORMATION ON OUR GROUP (cont'd)**(iii) Principal activities and products / services**

Saliran Precision Engineering is principally involved in the manufacturing of fittings and flanges.

(iv) Share capital

As at the LPD, the issued share capital of Saliran Precision Engineering is RM100,000.00 comprising 100,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of Saliran Precision Engineering since incorporation up to the LPD:

Date of allotment	No. of shares allotted	Consideration / Nature of transaction	Cumulative issued share capital	
			RM	No. of shares
8 October 2014	70,000	Cash	70,000.00	70,000
8 October 2014	30,000	Cash	100,000.00	100,000

(v) Shareholder

Saliran Precision Engineering is a wholly-owned subsidiary of Saliran Industrial Supplies, which in turn, is a wholly-owned subsidiary of our Company.

(vi) Subsidiary or associated company

Saliran Precision Engineering does not have any subsidiary or associated company.

6.3.4 Saliran Industries**(i) Background and history**

Saliran Industries was incorporated under the Act in Malaysia on 1 November 2022 as a private limited company under its present name.

(ii) Principal place of business

Saliran Industries' principal place of business is at No. 5A, Jalan Mas 2, Taman Mas, 30100 Ipoh, Perak.

(iii) Principal activities and products / services

Saliran Industries is principally involved in the business of supply and distribution of pipes, fittings and flanges as well as steel products.

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6. INFORMATION ON OUR GROUP *(cont'd)***(iv) Share capital**

As at the LPD, the issued share capital of Saliran Industries is RM52,500.00 comprising 52,500 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of Saliran Industries since incorporation up to the LPD:

Date of allotment	No. of shares allotted	Consideration / Nature of transaction	Cumulative issued share capital	
			RM	No. of shares
1 November 2022	2,500	Cash	2,500.00	2,500
8 February 2023	50,000	Cash	52,000.00	52,500

(v) Shareholder

Saliran Industries is a wholly-owned subsidiary of Saliran Industrial Supplies, which in turn, is a wholly-owned subsidiary of our Company.

(vi) Subsidiary or associated company

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

6.3.5 JS Tech Marketing**(i) Background and history**

JS Tech Marketing was incorporated in Malaysia under the Act on 9 February 2023 as a private limited company under its present name.

(ii) Principal place of business

JS Tech Marketing's principal place of business is at No.16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor.

(iii) Principal activities and products / services

JS Tech Marketing is principally involved in the business of supply and distribution of pipes, fittings and flanges as well as steel products.

(iv) Share capital

As at the LPD, the issued share capital of JS Tech Marketing is RM50,000.00 comprising 50,000 ordinary shares. Save as disclosed below, there has been no change in the issued share capital of JS Tech Marketing since incorporation up to the LPD:

Date of allotment	No. of shares allotted	Consideration / Nature of transaction	Cumulative issued share capital	
			RM	No. of shares
9 February 2023	3,000	Cash	3,000.00	3,000
8 September 2023	47,000	Cash	50,000.00	50,000

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

(v) Shareholder

JS Tech Marketing is a wholly-owned subsidiary of Saliran Industrial Supplies, which in turn, is a wholly-owned subsidiary of our Company.

(vi) Subsidiary or associated company

As at the LPD, JS Tech Marketing does not have any subsidiary or associated company.

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7. BUSINESS OVERVIEW

7.1 INCORPORATION, HISTORY AND MILESTONES

Our Company was incorporated in Malaysia under the Act on 7 August 2020 as a private limited company by Dennis Liaw, William Chan and Lim Bak Teik under the name Saliran Group Sdn Bhd. On 19 June 2024, our Company was converted into a public limited company and assumed our present name to facilitate our Listing.

The incorporation of our subsidiaries and changes in shareholdings, as well as the history and milestones of our Group and business operations since 2011 are as follows:

7.1.1 Incorporation of our subsidiaries as well as changes in shareholdings

Saliran Industrial Supplies

Saliran Industrial Supplies was incorporated on 14 March 2011 by Dennis Liaw (our Managing Director), Low Lay Koon (wife of William Chan, our Executive Director) and Lim Bak Teik (our Chief Operation Officer), with equity interests of equal percentages of 33.33% for the trading of pipes, fittings and flanges as well as related parts and accessories.

On 22 April 2011, each of them subscribed for new shares in Saliran Industrial Supplies and their shareholdings remain in equal percentages of 33.33%. On 30 June 2014, Low Lay Koon sold her equity interest to William Chan (our Executive Director) at the cash consideration of RM33,333.00 and ceased to become a shareholder in Saliran Industrial Supplies. On 8 July 2014, each of the shareholders namely Dennis Liaw, William Chan, and Lim Bak Teik subscribed for new shares in equal percentages of 33.33%. On 12 November 2015 and 4 July 2016, each of them subscribed for new shares and their equity interests remained the same.

On 27 December 2017, Dennis Liaw and William Chan acquired shares from Lim Bak Teik at the cash consideration of RM1.00 each and the shareholdings in Saliran Industrial Supplies changed to Dennis Liaw (40.00%), William Chan (34.00%), and Lim Bak Teik (26.00%). On 5 March 2018, Dennis Liaw, William Chan and Lim Bak Teik subscribed for new shares and their equity interests remained the same.

On 28 March 2018, Dennis Liaw and William Chan acquired shares from Lim Bak Teik at the cash consideration of RM1.00 each and the shareholdings in Saliran Industrial Supplies changed to Dennis Liaw (51.00%), William Chan (43.00%) and Lim Bak Teik (6.00%).

On 12 March 2019, 29 July 2019, 21 January 2021 and 16 December 2022, Dennis Liaw, William Chan, and Lim Bak Teik subscribed for new shares and their equity interests remained the same. Prior to the Acquisition of Saliran Industrial Supplies, the shareholders and shareholdings in Saliran Industrial Supplies were as follows:

Shareholders	No. of shares in Saliran Industrial Supplies	%
Dennis Liaw	1,774,800	51.00
William Chan	1,496,400	43.00
Lim Bak Teik	208,800	6.00
	3,480,000	100.00

Pursuant to a share sale agreement entered into on 7 June 2024, Saliran had on 14 November 2024 completed the acquisition of the entire equity interest in Saliran Industrial Supplies. Kindly refer to Section 6.2.3 of this Prospectus for further details on Acquisition of Saliran Industrial Supplies.

7. BUSINESS OVERVIEW (cont'd)**Saliran Flanges & Fittings**

Saliran Flanges & Fittings was originally known as Saliran Maju Sdn Bhd which was incorporated on 18 July 2014 by Azril Bin Mohd Ramley (30.00%), Zatul Effah Binti Menjin (21.00%), Dennis Liaw (16.00%), William Chan (17.00%) and Lim Bak Teik (16.00%). On 12 February 2018, the name of Saliran Maju Sdn Bhd was changed to SIS Flanges & Fittings Manufacturing Sdn Bhd. Subsequently on 4 November 2022, it assumed the name of Saliran Flanges & Fittings.

On 5 December 2014, Azril Bin Mohd Ramley acquired all the shares held by Dennis Liaw, William Chan and Lim Bak Teik and increased his shareholding in Saliran Maju Sdn Bhd to 79.00% equity interest. On 14 June 2016, Dennis Liaw, William Chan and Lim Bak Teik acquired shares held by Azril Bin Mohd Ramley at the cash consideration of RM1.00 each and the shareholdings in Saliran Maju Sdn Bhd changed to Dennis Liaw (34.00%), William Chan (33.00%), Lim Bak Teik (12.00%) and Zatul Effah Binti Menjin (21.00%) and Azril Bin Mohd Ramley ceased to become a shareholder.

On 14 June 2016, Lim Bak Teik acquired the equity interests held by Zatul Effah Binti Menjin at the cash consideration of RM1.00 each and increased his equity interest shareholdings to 33.00%. Thereafter, Zatul Effah Binti Menjin ceased to become a shareholder.

On 28 March 2018, Saliran Industrial Supplies acquired all the shares held by Dennis Liaw, William Chan, and Lim Bak Teik at the cash consideration of RM1.00 each and emerged as the shareholder of SIS Flanges & Fittings Manufacturing Sdn Bhd. On 8 May 2018, Saliran Industrial Supplies sold its 30% equity interest at the cash consideration of RM1.00 to Lee Hui Fen, who was the then sales manager of the company. On 7 November 2020, Dennis Liaw, William Chan, and Lim Bak Teik acquired the shares from Lee Hui Fen in equal amount at the cash consideration of RM1.00 each and the shareholdings in SIS Flanges & Fittings Manufacturing Sdn Bhd changed to Saliran Industrial Supplies (70.00%), Dennis Liaw (10.00%), William Chan (10.00%), and Lim Bak Teik (10.00%) on 7 November 2020, and Lee Hui Fen ceased to become a shareholder.

On 15 September 2022, Saliran Industrial Supplies, Dennis Liaw, William Chan and Lim Bak Teik subscribed for new shares and their equity interests remained the same. On 1 November 2022, Saliran Industrial Supplies completed the acquisition of 30.00% equity interest in Saliran Flanges & Fittings from Dennis Liaw (10.00%), William Chan (10.00%) and Lim Bak Teik (10.00%) at the cash consideration of RM33,333.00, RM33,332.00 and RM33,332.00 from each shareholder respectively which resulted in Saliran Flanges & Fittings becoming the wholly-owned subsidiary of Saliran Industrial Supplies. As at the LPD, the shareholder and its shareholdings in Saliran Flanges & Fittings is as follows:

Shareholder	No. of shares in Saliran Flanges & Fittings	%
Saliran Industrial Supplies	500,000	100%

Kindly refer to Section 6.2.1 of this Prospectus for further details.

7. BUSINESS OVERVIEW (cont'd)**Saliran Precision Engineering**

Saliran Precision Engineering was incorporated on 8 October 2014 by Saliran Industrial Supplies (70.00%) and Tan Peng Choon (30.00%). On 4 December 2023, Saliran Industrial Supplies acquired the shares from Tan Peng Choon at a total cash consideration of RM237,672.90, which resulted in Saliran Precision Engineering becoming the wholly-owned subsidiary of Saliran Industrial Supplies. As at the LPD, the shareholder and its shareholdings in Saliran Precision Engineering is as follows:

Shareholder	No. of shares in Saliran Precision Engineering	%
Saliran Industrial Supplies	100,000	100

Kindly refer to Section 6.2.2 of this Prospectus for further details.

Saliran Industries

Saliran Industries was incorporated on 1 November 2022 by Saliran Industrial Supplies. On 8 February 2023, Saliran Industrial Supplies subscribed for new shares in Saliran Industries. As at the LPD, the shareholder and its shareholdings in Saliran Industries is as follows:

Shareholder	No. of shares in Saliran Industries	%
Saliran Industrial Supplies	52,500	100

JS Tech Marketing

JS Tech Marketing was incorporated on 9 February 2023 by Saliran Industrial Supplies. On 8 September 2023, Saliran Industrial Supplies subscribed for new shares in JS Tech Marketing. As at the LPD, the shareholder and its shareholdings in JS Tech Marketing is as follows:

Shareholder	No. of shares in JS Tech Marketing	%
Saliran Industrial Supplies	50,000	100

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7. BUSINESS OVERVIEW (cont'd)**7.1.2 History and milestones of our Group and business operations**

The table below sets out the history and development of our Group since 2011:

Year	Key events and milestones
2011	- On 14 March 2011, Saliran Industrial Supplies was founded by Dennis Liaw, Lim Bak Teik and Low Lay Koon (a shareholder who was not actively involved in our business operations and ceased to be a shareholder in 2014). - We commenced our operations at a rented shoplot in Kompleks Suria Kinrara, Puchong, Selangor, with an approximate built-up area of 1,500 sq ft as our operating office. - We began trading pipes, fittings and flanges as well as related parts and accessories in Malaysia whereby these products were sourced and delivered by our suppliers to our customers directly and we did not carry inventory. - We also began supplying pipes, fittings and flanges as well as related parts and accessories to overseas customers in Indonesia involved in the oil and gas industry.
2012	- We relocated our business operations to a larger rented shoplot located in Bandar Puchong Jaya with an approximate built-up area of 1,528 sq ft. - We expanded our product offerings and began supplying steel products to a customer in Singapore involving in the oil and gas industry. This also marked our first sales to overseas customers in Singapore involving in the oil and gas industry.
2014	- On 18 July 2014, Saliran Maju (now known as Saliran Flanges & Fittings) was founded by Dennis Liaw, William Chan, Lim Bak Teik, Azril Bin Mohd Ramley and Zatul Effah Binti Menji, to also undertake the business of supply and distribution of pipes, fittings and flanges. Azril Bin Mohd Ramley and Zatul Effah Binti Menjin were our then business partners but ceased to be directors in 2015 and shareholders in 2016 when all their shares in Saliran Maju were bought over by Dennis Liaw, William Chan and Lim Bak Teik. Since then, Azril Bin Mohd Ramley and Zatul Effah Binti Menjin have not been involved in our business. - As our business grew, we transitioned from trading to the supply and distribution of pipes, fittings and flanges, thus requiring us to carry inventory. Therefore, we rented an additional shoplot located in Taman Perindustrian Puchong with an approximate built-up area of 1,828 sq ft to store our inventory. - On 8 October 2014, Saliran Precision Engineering was founded as a subsidiary of Saliran Industrial Supplies, to venture into the manufacturing of fittings and flanges in customised specifications based on customer requirements. This complements our pipes, fittings and flanges supply and distribution business as we expanded our offerings to include customised fittings and flanges. Saliran Precision Engineering commenced operations in the rented shoplot located in Taman Industri Puchong.

7. BUSINESS OVERVIEW (cont'd)

Year	Key events and milestones
2016	We rented the Puchong Premise 1 (a larger double-story semi-detached factory with an approximate built-up area of 4,560 sq ft in Taman Perindustrian Pusat Bandar Puchong), that provided us with greater space to house our supply and distribution as well as manufacturing operations. Subsequently, we also ceased all supply and distribution as well as manufacturing business operations from the rented shoplots in Bandar Puchong Jaya and Taman Industri Puchong.
2018	- On 12 February 2018, Saliran Maju underwent a name change to SIS Flanges & Fittings Manufacturing Sdn Bhd. - We purchased Puchong Premise 1 and we have since continued to operate from this location as our headquarters.
2019	We relocated our manufacturing activities from Puchong Premise 1 to 2 rented shoplots, namely Manufacturing Site 1 and Manufacturing Site 2 located in Taman Perindustrian Pusat Bandar Puchong, with a total approximate built-up area of 3,200 sq ft while our operations for our supply and distribution business as well as administrative operations remained in Puchong Premise 1.
2020	- Saliran Industrial Supplies and Saliran Precision Engineering obtained ISO 9001 certifications for the stockholding and trading of piping material (flanges, forgings, fittings, pipes and valves), and manufacturing of precision metal parts, respectively. Please refer to Section 7.6 of this Prospectus for further details of our ISO certifications. - On 7 August 2020, Saliran Group Sdn Bhd was founded by Dennis Liaw, William Chan and Lim Bak Teik with the intention to serve as the holding company for all our subsidiaries. - We rented Puchong Premise 2, another double-storey semi-detached factory with an approximate built-up area of 4,560 sq ft adjacent to our Puchong Premise 1, which provides us with expanded storage space to store our inventory.
2021	- We entered into an OEM Agreement with Tae Heung Forging Co Ltd ("Tae Heung"), whereby Tae Heung serves as our contract manufacturer to manufacture, test, deliver and provide support to us for the sale of fittings and flanges under the brands of "THF". Please refer to Section 7.2 of this Prospectus for details of the business arrangement under the OEM Agreement. - We successfully registered the trademark of "THF" brand in Malaysia. Notwithstanding this, under the OEM Agreement, "THF" is jointly-owned by our Group as well as Tae Heung. Please refer to Section 7.18 of this Prospectus for details of our trademarks and Section 7.24(i) of this Prospectus for details of the OEM Agreement.

7. BUSINESS OVERVIEW (cont'd)

Year	Key events and milestones
2022	- On 1 November 2022, Saliran Industries was founded as a subsidiary of Saliran Industrial Supplies, to also undertake the business of supply and distribution of pipes, fittings and flanges. - On 4 November 2022, SIS Flanges & Fittings Manufacturing Sdn Bhd underwent a name change to Saliran Flanges & Fittings Sdn Bhd. - In line with our business expansion, we purchased Puchong Premise 3, a factory located in Taman Perindustrian Putra, with an approximate built-up area of 22,268 sq ft, with the intention to establish it as our storage facility for our inventory.
2023	On 9 February 2023, JS Tech Marketing was founded as a subsidiary of Saliran Industrial Supplies, also with the intention to undertake the business of supply and distribution of pipes, fittings and flanges.
2024	- We began utilising Puchong Premise 3 as our storage facility to store inventory for our supply and distribution business. Concurrently, Puchong Premise 1 and Puchong Premise 2 ceased carrying inventory and have since solely served as our headquarters and administrative office. With the new expanded storage facility, we have more storage space to support the growth of our business. - We expanded our physical presence to the northern region of Malaysia by setting up a sales office at Ipoh Office (a rented shoplot in Taman Mas, Ipoh, that has an approximate built-up area of 1,329 sq ft), to support and better facilitate our business operations in the northern region.

7.2 PRINCIPAL BUSINESS ACTIVITIES

We are principally involved in the supply and distribution of pipes, fittings and flanges as well as steel products. For the Financial Years/Period Under Review, our products are primarily used in the oil and gas industry. Our products can be categorised into the following:

- (i) **Pipes, fittings and flanges as well as related parts and accessories**, which are used for the transfer of fluid and gaseous substances in production and refining / processing activities.
- (ii) **Steel products**, which include steel beams, steel bars, steel plates and steel sections which are used as structural support for the installation of our pipes, fittings and flanges and/or for the construction of process plants.

To complement our supply and distribution business, we are also involved in the manufacturing of fittings and flanges in customised specifications. We do not manufacture fittings and flanges that we carry for our supply and distribution business.

Our pipes, fittings and flanges as well as steel products are primarily used in the oil and gas industry to support industrial processing, refining and manufacturing activities. Our products are mainly used by EPCC companies for fabrication works within the oil and gas industry, including the construction of new facilities and infrastructure such as processing and refining plants, as well as the refurbishment, retrofitting and maintenance of existing facilities and infrastructure.

We also sell our products for use in other industries, including building materials, manufacturing and palm oil refining industries. We sell our products to customers in Malaysia, Indonesia, Singapore and other countries such as China, South Korea and Vietnam.

7. BUSINESS OVERVIEW (cont'd)

Our business activities can be summarised as follows:

Principal activities	Supply and distribution of pipes, fittings and flanges as well as steel products	Manufacturing of fittings and flanges
Subsidiaries involved	• Saliran Industrial Supplies • Saliran Flanges & Fittings • Saliran Industries • JS Tech Marketing	Saliran Precision Engineering
Products	• Pipes • Fittings • Flanges • Other related parts and accessories • Steel products	Fittings and flanges
Brands	• Third-party brands products • Jointly-owned brand - "THF"	
Customer industries	• Oil and gas • Other industries including building materials, palm oil refining and manufacturing	
Geographical markets	• Malaysia • Indonesia • Singapore • Other countries including China, South Korea and Vietnam	

The details of our principal activities are as follows:

(i) Supply and distribution of pipes, fittings and flanges as well as steel products

We are involved in the supply and distribution of a wide variety of pipes, fittings and flanges, which are primarily made from stainless steel and carbon steel and come in a multitude of material grades and dimensions. We are also involved in the supply and distribution of steel products to support the installation of our pipes, fittings and flanges, and/or used in the construction of process plants.

➤ **Pipes, fittings and flanges**

Pipes, fittings and flanges sold by our Group comprise third-party brands products and products labelled under our jointly-owned brand. Sales of pipes, fittings and flanges as well as related parts and accessories contributed 81.23%, 87.23%, 86.73% and 92.93% to our revenue for the past 3 FYEs 2021 to 2023 and FPE 2024. The details of each product category are as follows:

- **Third-party brands products:** Our Group supplies and distributes pipes, fittings and flanges as well as related parts and accessories under third-party brands, which are sourced locally in Malaysia and from overseas suppliers in amongst others, China, South Korea and Singapore. All our third-party brands products are in standard specifications which are non-customisable. Sales of third-party brands pipes, fittings and flanges as well as related parts and accessories contributed 76.08%, 84.09%, 54.04% and 57.22% to our revenue for the past 3 FYEs 2021 to 2023 and FPE 2024.

We do not enter into any agreements with these suppliers and all purchases from these suppliers are on purchase order basis.

7. BUSINESS OVERVIEW (cont'd)

- **Products labelled under jointly-owned brand:** Our Group supplies and distributes fittings and flanges under a jointly-owned brand, namely “THF”. Sales of “THF” brand fittings and flanges contributed 5.15%, 3.14%, 32.69% and 35.71% to our revenue for the past 3 FYEs 2021 to 2023 and FPE 2024.

Products under the “THF” brand comprise fittings and flanges that come in a variety of material grades and dimensions. These products are supplied by Tae Heung, which is an industrial and machinery steel product manufacturer based in South Korea. On 4 January 2021, our Group entered into an original equipment manufacturer agreement with Tae Heung, whereby Tae Heung serves as our contract manufacturer to manufacture, test, deliver and provide support to us for the sale of fittings and flanges under the brand of “THF” (“**OEM Agreement**”). For clarification, the aforementioned manufacturing and supply of fittings and flanges by Tae Heung shall be in accordance with the terms set out in the OEM Agreement, and the list of products may be modified, added, reduced, substituted and/or changed from time to time subject to mutual discussion and agreement of both parties.

Pursuant to the OEM Agreement, the brand of “THF” is jointly-owned by our Group and Tae Heung of which both parties enjoy exclusive rights to the usage (which includes branding, marketing and/or publicity) in distinctive jurisdiction. For clarification, our Group has the exclusive rights to use the brand of “THF” in Malaysia, Indonesia, Singapore, Thailand, Vietnam and Philippines, whilst Tae Heung maintains the exclusive rights to use in Korea. For other countries apart from the aforementioned, both parties reserve rights to use such brand on a non-exclusive basis, subject to mutual agreement of both parties. Please refer to Section 7.24(i) of this Prospectus for details of the OEM Agreement.

As at the LPD, our Group has registered the trademarks for the “THF” brand in Malaysia and Indonesia.

Notwithstanding the OEM Agreement, all purchases from Tae Heung are on purchase order basis. “THF” products that we supply and distribute are in standard specifications stated in the OEM Agreement. Nevertheless, our Group may engage Tae Heung to provide products in customised specifications in terms of amongst others, materials, dimension and thickness, upon agreement by Tae Heung.

➤ **Steel products**

Steel products supplied and distributed by our Group are solely third-party brands products sourced locally in Malaysia. Our steel products are made from commercial grade steel and are in standard specifications which are non-customisable. They are used to support the installation of our pipes, fittings and flanges, and/or used in the construction of process plants. Sales of steel products contributed 15.67%, 10.09%, 11.75% and 6.26% to our revenue for the past 3 FYEs 2021 to 2023 and FPE 2024.

We do not enter into any agreements with these suppliers and all purchases from these suppliers are on purchase order basis.

Leveraging on our industry knowledge and experience, we provide advice and recommendations to our customers on the types, volumes and grades of pipes, fittings and flanges as well as steel products to be used in their projects by understanding their project requirements and specifications. This is our value-added services provided to customers to assist them in their project bidding/tender and execution processes. Furthermore, we do not impose a minimum order quantity (“**MOQ**”) on our customers, providing our customers with flexibility in their purchase volumes.

7. BUSINESS OVERVIEW (cont'd)

We source our products in bulk from our network of suppliers, including our contract manufacturer (i.e. Tae Heung) and suppliers of third-party brands products. Save for one supplier from China (who was not our major supplier for the past 3 FYEs 2021 to 2023 and FPE 2024), our suppliers do not impose a MOQ on us, thereby enabling us to have the flexibility in adjusting our purchase volumes from time to time based on prevailing market demand. We store these products in our premises to maintain an inventory of ready stock for our customers. Having an inventory of ready stock enables our Group to deliver products to our customers in a timely manner.

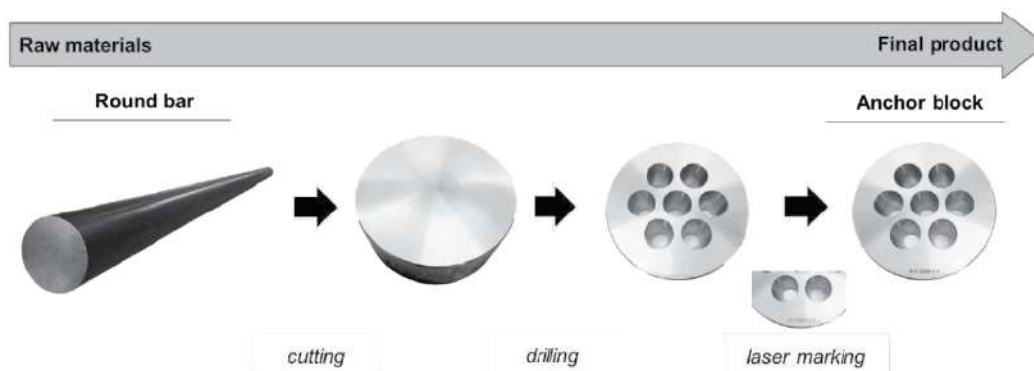
We take into consideration the historical purchase amount and frequency of our existing customers and market demand, as well as the delivery timeline of our suppliers, when we stock up our inventory. We continuously source for new suppliers to expand our existing sourcing network, as well as new products based on market demand to expand our product offerings. Suppliers are identified based on geographical locations, product quality, production capacity, lead time and pricing.

(ii) Manufacturing of fittings and flanges

We are involved in the manufacturing and sale of fittings such as anchor blocks, chasers, plugs and couplings, as well as flanges, which are primarily made from stainless steel and carbon steel. Our manufacturing business complements our supply and distribution business, whereby we manufacture fittings and flanges with customised specifications, upon request by our customers. We do not manufacture fittings and flanges that we carry for our supply and distribution business. We utilise CNC precision machining to manufacture fittings and flanges based on customer specifications. This segment contributed 3.10%, 2.68%, 1.52% and 0.81% to our revenue for the past 3 FYEs 2021 to 2023 and FPE 2024.

We purchase raw materials such as steel bars and steel plates for our manufacturing activities. Depending on the product specifications requested by our customers, we may outsource certain processes to our subcontractors, such as pre-machining and heat treatment. Pre-machining is a manufacturing process undertaken before CNC precision machining where parts of raw materials are roughly removed through milling, cutting and/or turning, into a form closer to the desired shapes and dimensions for CNC precision machining. This allows us to speed up our production lead time and to focus on CNC precision machining works. On the other hand, heat treatment is a process undertaken at the last stage to increase the tensile strength of the final products.

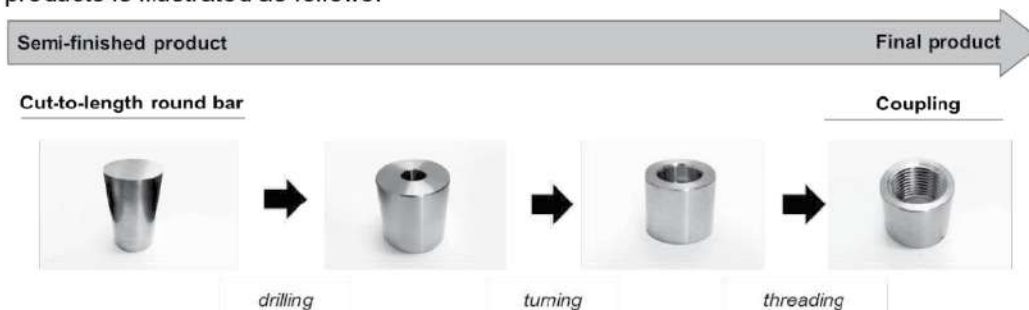
Our manufacturing process from raw materials to final products is illustrated as follows:



In addition to manufacturing using raw materials purchased by us, we also provide machining services where our customers provide us with semi-finished products and engage us to carry out further processes to form final products according to customers' product specifications. Processes undertaken by our Group include milling, drilling, turning, threading and laser marking.

7. BUSINESS OVERVIEW (cont'd)

Our manufacturing process from semi-finished products provided by customers to final products is illustrated as follows:



Despite the relatively low revenue contribution, our manufacturing business is integral to our Group as it complements our supply and distribution business by expanding our range of offerings, allowing us to meet customer requirements for fittings and flanges in customised specifications. Please refer to Section 7.2.1 of this Prospectus for further details of fittings and flanges that we manufacture.

7.2.1 Our products

We offer an extensive range of products through our supply and distribution as well as manufacturing businesses.

The details of our products are as follows:

Supply and distribution of pipes, fittings and flanges, steel products, as well as related parts and accessories

As at the LPD, we carry 17,501 SKUs of pipes, fittings and flanges as well as related parts and accessories, out of which 16,990 SKUs are third-party brands products and 511 SKUs are products under our jointly-owned brand "THF". We also carry 2,099 SKUs of steel products, all of which are third-party brands products.

As at the LPD, 12,649 out of our total 19,600 SKUs are certified compliant with at least 1 of the following standards, namely American Petroleum Institute ("API") standard, Pressure Equipment Directive ("PED") standard, American Society of Mechanical Engineers ("ASME") standard and American Society for Testing and Materials ("ASTM") standard.

Standards	Descriptions
API	API is a trade association responsible for setting standards for equipment used in the oil and gas industry. Such standards cover equipment design, manufacturing, testing and operation, amongst others, to ensure operational safety, environmental protection and sustainability.
PED	PED is a European Union directive that sets standards for pressure equipment and related products such as vessels and pipings. Such standards cover equipment design, materials, manufacturing, inspection and testing to ensure operational safety.
ASME	ASME is an American professional association that sets standards for industrial products such as vessels, pipings and fittings. Such standards cover equipment design, manufacturing, inspection, testing and operation, amongst others, to ensure operational safety, reliability and quality.

7. BUSINESS OVERVIEW (cont'd)

Standards	Descriptions
ASTM	ASTM is an international standards organisation that sets standards for a wide range of materials, products, systems and services, with the aim to improve product quality, enhance health and safety, strengthen market access and trade, and build consumer confidence.

The remaining SKUs do not require any certification for standards compliance as these are lower value general products that are used for non-critical parts within a project.

The details of our product offerings under our supply and distribution business are as follows:

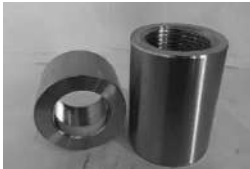
Products	Descriptions and offerings	Applications
Pipes 	- A tubular section or hollow cylinder, mainly used for the transfer of substances such as liquids and liquid gases, slurries, powders, air and masses of small solids. It can also be used for structural applications. - Our offerings include seamless pipes and welded pipes. - Our products are available in a variety of diameters and specifications to cater for various purposes, needs and applications.	- Oil and gas - Palm oil refining - Building materials - Manufacturing
Fittings 	- Used in pipe systems to connect pipe sections with other fluid controlling products such as valves to form pipelines. - Our offerings include butt weld and forged fittings such as elbow fittings, reducer fittings, tee fittings, nipple fittings, plug fittings, coupling fittings, cap fittings, bushing fittings, union fittings, dish head, hot induction bend, cross fittings and branch fittings. - Our products are available in a variety of diameters and specifications to cater for various purposes, needs and applications.	- Oil and gas - Palm oil refining - Building materials - Manufacturing

7. BUSINESS OVERVIEW (cont'd)

Products	Descriptions and offerings	Applications
Flanges 	• A component used to connect pipes, valves, pumps and other equipment within a piping system, with the aim to increase the strength and safety of the piping system. • Our offerings include blind flanges, slip-on flanges, weld neck flanges, socket weld flanges, threaded flanges, lap joint flanges and orifice flanges. • Our products are available in a variety of diameters and specifications to cater for various purposes, needs and applications.	• Oil and gas • Palm oil refining • Building materials • Manufacturing
Steel 	• Used in forming the racking or serve as structural support for the installation of our pipes, fittings and flanges and/or used in the construction of process plants. • Our offerings include steel beams (e.g. I-beams), steel bars (e.g. flat bars, round bars and angle bars), steel plates and steel sections (e.g. hollow sections, C-channels and U-channels). • The shapes, sizes, chemical composition and mechanical properties of our steel products are in accordance to industrial standards and requirements.	• Oil and gas • Palm oil refining • Building materials • Manufacturing
Related parts and accessories 	• Supporting products that are used to complement the installation of pipes, fittings and flanges, and/or used in the construction of process plants. • Our offering of related parts and accessories includes valves, bolts and nuts, gaskets, galvanised iron/steam cast fitting, spectacle blind, spade and spacer line blanks.	• Oil and gas • Palm oil refining • Building materials • Manufacturing

7. BUSINESS OVERVIEW (cont'd)**Manufacturing of fittings and flanges**

Our manufacturing activities are carried out to produce fittings and flanges based on customer specifications. The fittings and flanges manufactured by our Group are as follows:

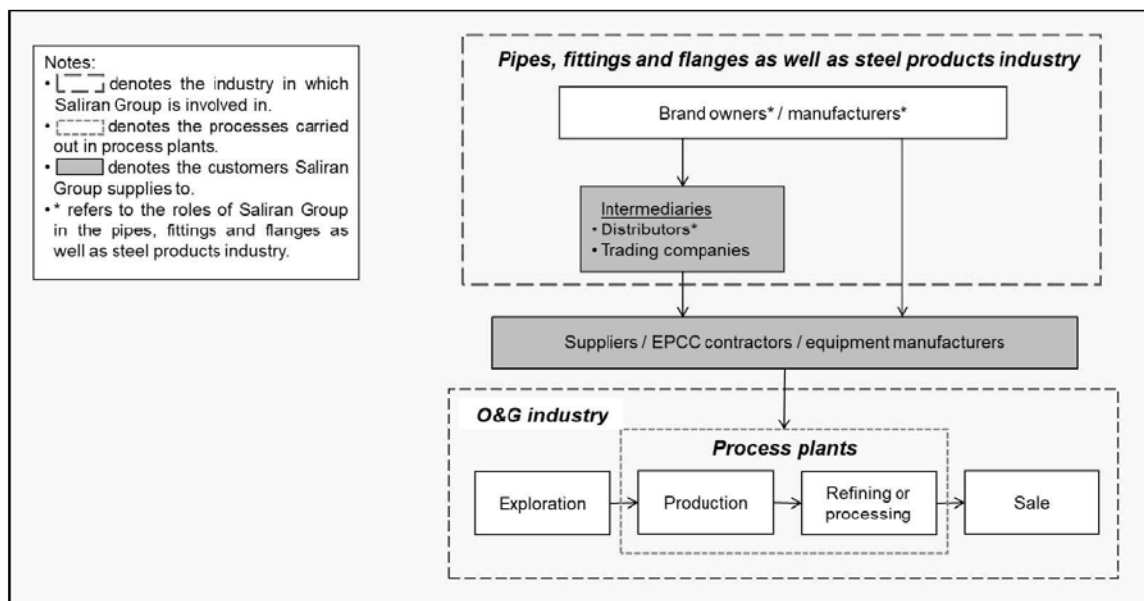
Products	Descriptions	Applications
Fittings		
Anchor blocks 	Used for post tensioning system and as fasteners to restrict rebar movements, prevent excessive vibrations and fasten rebars to blocks.	Building materials
Chasers 	Used to thread rebars, creating screw-like grooves along rebars for connection with coupler.	Building materials
Plugs 	Used to seal the closing ends of pipes or fittings to prevent the flow of fluids or gaseous substances.	- Oil and gas - Palm oil refining - Building materials - Manufacturing
Coupling 	Used to connect two pipes at their ends together to extend pipe runs.	- Oil and gas - Palm oil refining - Building materials - Manufacturing
Flanges 	A flat rim used to connect pipes, valves, pumps and other equipment to form a piping system.	- Oil and gas - Palm oil refining - Building materials - Manufacturing

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7. BUSINESS OVERVIEW (cont'd)

7.2.2 Our customers

Our products are primarily used in the oil and gas industry to support production and refining / processing activities, as illustrated below:



Source: IMR Report in Section 8 of this Prospectus

Our products are sold to a range of customers involved in the oil and gas industry, comprising:

- EPCC contractors which secure projects (e.g. construction, refurbishment, retrofitting and maintenance of facilities and infrastructure such as refining and processing plants) from oil and gas companies;
- Suppliers and equipment manufacturers supplying to oil and gas companies or EPCC contractors involved in the aforementioned projects. Some oil and gas companies require suppliers and equipment manufacturers to obtain a licence from them to supply products in their projects. This includes licensed Petronas suppliers and a registered company under the e-CHSEMS platform in Indonesia, who are our major customers with further details set out in Section 7.15 of this Prospectus; and
- intermediaries such as distributors and trading companies for onward sales to EPCC contractors, licensed suppliers and/or licensed equipment manufacturers supporting the oil and gas industry.

Apart from oil and gas industry, we also sell our products for use in other industries, which include building materials, manufacturing and palm oil refining industries.

In addition to supplying and distributing pipes, fittings and flanges as well as steel products to customers based on their requirements and specifications, we also provide advice and recommendations on the types, volumes and grades of pipes, fittings and flanges as well as steel products to be used in their projects by understanding their project requirements and specifications, which is a value-added service that assist our customers in their project bidding/tender and execution processes.

Our products are sold primarily on purchase order basis. Depending on our customers' preferences, we may also sell our products through one-time contractual agreements (i.e. one-off contract for single purchases). Our products are generally delivered to our customers from our premises either using our in-house fleet of trucks, or through third-party logistics providers. We may also arrange for direct product delivery from our suppliers' premises to our customers, especially for overseas customers who purchase products that are supplied by our overseas suppliers. We also offer our customers the option for self-collection from our storage at Puchong Premise 3.

7. BUSINESS OVERVIEW (cont'd)**7.2.3 Our locations**

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

Facilities	Location	Built-up area (sq ft)	Function
Puchong Premise 1	No. 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	4,560	Headquarters and administrative office
Puchong Premise 2	No. 14, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	4,560	Headquarters and administrative office
Puchong Premise 3	No. 42, Jalan TPP 5, Taman Perindustrian Putra, 47130 Puchong, Selangor	22,268	Storage of inventory to support our supply and distribution business
Manufacturing Site 1	No. 7, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	1,600	Manufacturing facility to support our fittings and flanges manufacturing business
Manufacturing Site 2	No. 21, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	1,600	Manufacturing facility to support our fittings and flanges manufacturing business
Ipoh Office	No. 5A, Jalan Mas 2, Taman Mas, 30100 Ipoh, Perak	1,329	Sales office

7.2.4 Warranty

We do not have warranty or product return policies for our products. However, in the event that defects such as deformed product appearance, major scratches or damages are reported by our customers, each report will be handled on a case-by-case basis where we will conduct investigation on the causes. If the responsibility falls on us, we will provide replacement products to our customers.

In the past 3 FYEs 2021 to 2023 and FPE 2024, the product replacement costs for our supply and distribution business amount to RM3,510.00, RM46,990.78, RM19,204.42 and RM27,611.52, respectively, representing less than 0.05% of our revenue.

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7. BUSINESS OVERVIEW (cont'd)**7.3 PRINCIPAL MARKETS AND SEGMENTS**

Our segmentation by business activities is as follows:

Supply and distribution : Supply and distribution of pipes, fittings and flanges as well as steel products and related parts and accessories

Manufacturing segment : Manufacturing of fittings and flanges

Supply and distribution segment was the largest revenue contributor as it accounted for 96.90%, 97.32%, 98.48% and 99.19% of our total revenue for the past 3 FYEs 2021 to 2023 and FPE 2024, respectively.

The breakdown of our Group's revenue segmentation by business activities is as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Supply and distribution segment	68,460	96.90	134,908	97.32	239,472	98.48	215,431	99.19
Third-party brands	64,821	91.75	130,552	94.18	159,969	65.79	137,865	63.48
- pipes	21,295	30.14	61,224	44.17	72,494	29.81	63,507	29.24
- fittings and flanges	27,755	39.29	44,067	31.79	51,624	21.23	54,727	25.20
- steel products	11,071	15.67	13,983	10.09	28,565	11.75	13,594	6.26
- related parts and accessories	4,700	6.65	11,278	8.13	7,286	3.00	6,037	2.78
Jointly-owned brand - fittings and flanges	3,639	5.15	4,356	3.14	79,503	32.69	77,566	35.71
Manufacturing segment	2,187	3.10	3,714	2.68	3,688	1.52	1,749	0.81
Total revenue	70,647	100.00	138,622	100.00	243,160	100.00	217,180	100.00

Our Group principally serves customers involved in the oil and gas industry, whereby sales to these customers accounted for 80.04%, 72.90%, 86.15% and 89.09% of our total revenue for the past 3 FYEs 2021 to 2023 and FPE 2024, respectively. During this period, our Group also derived revenue from sales to customers in other industries and sectors, such as building materials, palm oil refining and manufacturing.

The breakdown of our Group's revenue segmentation by customer industry⁽¹⁾ is as follows:

Industries	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Oil and gas	56,548	80.04	101,054	72.90	209,487	86.15	193,484	89.09
Building materials	1,663	2.35	7,529	5.43	9,371	3.85	7,722	3.55
Palm oil refining	6,062	8.58	7,579	5.47	8,023	3.30	5,401	2.49
Manufacturing	132	0.19	1,484	1.07	751	0.31	632	0.29
Others ⁽²⁾	6,242	8.84	20,976	15.13	15,528	6.39	9,941	4.58
Total revenue	70,647	100.00	138,622	100.00	243,160	100.00	217,180	100.00

Notes:

(1) Revenue by industry was classified based on the end customers of our products.

(2) Comprises revenue from our trading customers and distributors who sell to end customers from various industries.

7. BUSINESS OVERVIEW (cont'd)

The breakdown of our Group's revenue segmentation by geographical location⁽ⁱ⁾ is as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	69,284	98.07	137,615	99.27	203,045	83.50	153,745	70.79
Overseas	1,363	1.93	1,007	0.73	40,115	16.50	63,435	29.21
- Indonesia	1,206	1.71	623	0.45	37,598	15.46	62,253	28.67
- Singapore	3	*	329	0.24	1,810	0.75	1,136	0.52
- Others ⁽ⁱⁱ⁾	154	0.22	55	0.04	707	0.29	46	0.02
Total revenue	70,647	100.00	138,622	100.00	243,160	100.00	217,180	100.00

Notes:

* Representing less than 0.01%.

(i) Our revenue by geographical market was classified based on the delivery locations of our products.

(ii) Includes China, South Korea and Vietnam.

Our Group's principal market is in Malaysia, which accounted for 98.07%, 99.27%, 83.50% and 70.79% of our total revenue for the past 3 FYEs 2021 to 2023 and FPE 2024, respectively.

7.4 OPERATING CAPACITY AND OUTPUT

Our Group's annual capacity, outputs and utilisation rates are measured based on the storage capacity in our Puchong Premise 1 and Puchong Premise 2 as we utilised these premises for our supply and distribution business prior to moving to Puchong Premise 3 in 2024; as well as the manufacturing capacity of our CNC precision machining for our manufacturing business.

7.4.1 Storage capacity in our Puchong Premise 1 and Puchong Premise 2 for our supply and distribution business

Our Group's annual available capacity, actual utilised capacity and utilisation rate of our storage space for our supply and distribution business segment in our Puchong Premise 1 and Puchong Premise 2 for the FYE 2023 are as follows:

Annual available capacity (sq ft)⁽¹⁾	Actual utilised space (sq ft)⁽²⁾	Utilisation rate (%)⁽³⁾
120,384	110,148	91.50

Notes:

(1) The annual available capacity of our Puchong Premise 1 and Puchong Premise 2 for the FYE 2023 is calculated based on the number of pallets and bins that can be stored at the allocated storage spaces, comprising the floor space and racks, at the end of each month (i.e. 10,032 sq ft) for 12 months in the FYE 2023.

(2) The actual annual utilisation is tabulated based on the number of pallets and bins that are occupied at the end of the month during the FYE 2023.

(3) The utilisation rate is computed by dividing actual annual utilised space against the annual available capacity.

7. BUSINESS OVERVIEW (cont'd)

As of April 2024, we began to utilise Puchong Premise 3 as our storage facility, which has an approximate annual storage capacity of 391,104 sq ft to store all of our inventory for our supply and distribution business. The annual storage capacity of our Puchong Premise 3 is calculated based on the allocated storage spaces, comprising the floor space and racks at the end of each month (i.e. 32,592 sq ft) for 12 months. Concurrently, Puchong Premise 1 and Puchong Premise 2 ceased carrying inventory and have since solely served as our headquarters and administrative office. With the new expanded storage facility, we will be able to carry more inventory to support the growth of our business.

Our Group's available capacity, actual utilised capacity and utilisation rate of our storage space for our supply and distribution business segment in our Puchong Premise 3 from April to August 2024 is as follows:

Available capacity (sq ft)⁽¹⁾	Actual utilised space (sq ft)⁽²⁾	Utilisation rate (%)⁽³⁾
162,960	88,323	54.20

Notes:

- (1) The available capacity of our Puchong Premise 3 from April to August 2024 is calculated based on the area of floor space and racks that are available at the allocated storage spaces, at the end of each respective month (i.e. 32,592 sq ft), for 5 months.
- (2) The actual utilisation is tabulated based on the area of floor space and racks that are occupied at the end of each month from April to August 2024.
- (3) The utilisation rate is computed by dividing actual utilised space against the available capacity from April to August 2024.

7.4.2 Manufacturing capacity of our CNC precision machining for our manufacturing business

Our Group's annual manufacturing capacity, actual manufacturing output and utilisation rate of fittings and flanges for our manufacturing business segment in our Manufacturing Site 1 and Manufacturing Site 2 for FYE 2023 and FPE 2024 are as follows:

	Annual manufacturing capacity (MT)	Actual manufacturing output (MT)	Utilisation rate (%)
FYE 2023	45.18 ⁽¹⁾	29.89	66.16
FPE 2024	30.12 ⁽²⁾	20.38	67.66

Notes:

- (1) Our Group's annual manufacturing capacity in FYE 2023 is calculated based on the aggregate annual tonnage of the respective products which can be produced by our Group on daily basis and the CNC precision machining capacity for 12 hours per day, 26 working days per month and 12 months per year.
- (2) Our Group's manufacturing capacity for FPE 2024 is calculated based on the aggregate tonnage of the respective products which can be produced by our Group on daily basis and the CNC precision machining capacity for 12 hours per day, 26 working days per month and 8 months from January to August 2024.

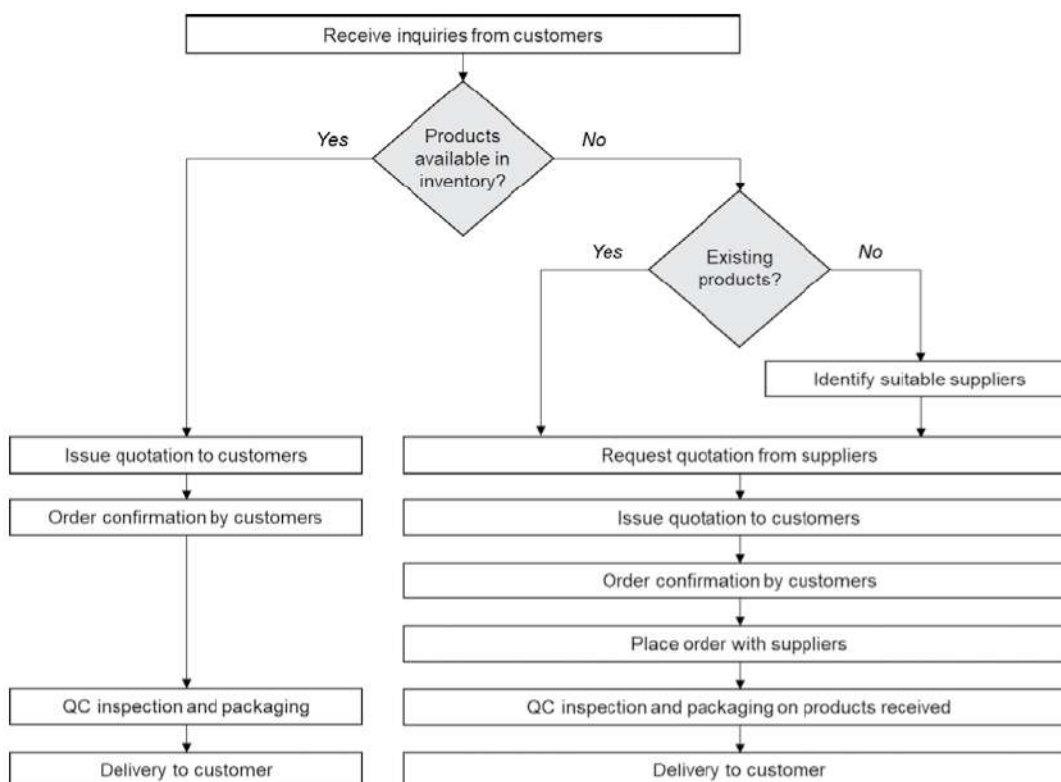
Moving forward, we may expand our manufacturing capacity by acquiring additional CNC machines when the demand for our manufacturing services increases. This will enable us to accommodate additional orders from customers and enhance our financial performance.

7. BUSINESS OVERVIEW (cont'd)

7.5 PROCESS FLOW

7.5.1 Supply and distribution of pipes, fittings and flanges as well as steel products

The following diagram shows the operational process of our supply and distribution business:



Upon receiving customers' inquiries, we will evaluate our inventory to determine the availability of the requested products through our inventory management system, namely 'Vecount'. The 'Vecount' inventory management system provides our sales personnel access to our inventory information on a real-time basis and enables our purchasing department to monitor our inventory levels for necessary inventory procurements.

Product is available in our inventory

If our inventory is sufficient to meet the customer's order, we will prepare a quotation for the customer based on type of products, quantity required and delivery instructions. Once the quotation is agreed by the customer, the customer will issue us a purchase order as a form of order confirmation. Thereafter, a delivery order will be issued, and the products will be prepared for delivery.

We are committed to upholding the quality of our products, including products sourced from our contract manufacturer and suppliers. We have implemented stringent quality assurance and quality control ("QA/QC") procedures to check and inspect each batch of products before delivery. Prior to delivery, each batch of products are tested with an X-ray fluorescence ("XRF") metal analyser to determine the elemental composition of our products, as well as verified against supplier's mill test certificate which serves as a quality assurance document to confirm that the products comply with specified standards such as chemical composition, before delivery.

Upon completion of the QC inspection, our products will be delivered to the customer through our in-house logistics team or third-party logistics providers, depending on our customer's preferred delivery arrangements.

7. BUSINESS OVERVIEW *(cont'd)*

The lead time between order confirmation and delivery of readily available products to our customer is typically within the same day to up to 7 days.

Product is not available in our inventory

In cases where our inventory is insufficient to fulfil customer's order for existing products that we supply and distribute, we will request for product quotation from our suppliers, and thereafter issue a quotation to our customer. Following order confirmation by our customer, we will issue a purchase order to our suppliers for product purchase.

In cases where we receive an order for new products that we have not sourced nor distributed, we will conduct an assessment on the product's demand viability. If found viable, we will review our list of suppliers based on the product type, product volume and customer's preferred delivery location. If new suppliers are required to fulfil our customer's demand, we will identify and assess the new suppliers based on amongst others, quality of their products, production capacity, market reputation, delivery punctuality and product pricing.

Once a suitable supplier is identified, we may request for product samples and quotation based on the product type and volume requested by our customer as well as request for product quotation from the supplier. Upon QC inspection and agreeing with the quotation by the supplier, we will issue a quotation to our customer according to the product type, product volume and delivery instructions requested. Following the customer's agreement to our quotation, the customer will then issue a purchase order to confirm the purchase. We will then issue a purchase order to the supplier to confirm our purchase as well. Further, we may request the mill test certificates of the purchased products from the supplier to ensure compliance in product quality.

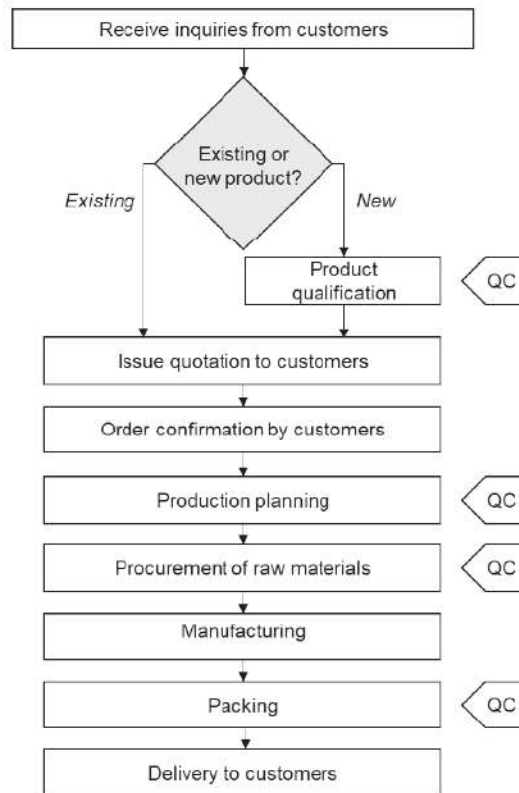
In cases where we purchase products from a local supplier, we will arrange product shipment to our storage place in Puchong to conduct QC inspections as part of our QA/QC procedures on the product type, product volume and visual appearance. Each batch of products are tested with a XRF metal analyser, verified against supplier's mill test certificate before delivery to our customer. In the event that the products do not pass our QC inspections, we may reject and return the products to the supplier. We will request for product replacement, depending on the term agreed upon with our supplier. Products that pass our QC inspections will be packaged and made ready for delivery to our customer or self-collection by our customer. Depending on our customer's preferred delivery arrangements, products can be delivered to our customer either by third-party logistics providers or our in-house logistics team. For products purchased from an overseas supplier, upon customer's request, we will appoint third-party QC inspectors to conduct inspections on the products to ensure that the product quality meets our customer's requirements before arranging for direct delivery to our customer.

The lead time between order confirmation and delivery of products that are not available in our inventory to our customer is typically ranged between 2 to 60 days, depending on supplier's location, capacity and delivery timeline, which will be discussed and agreed by our customer prior to placing orders to us.

7. BUSINESS OVERVIEW (cont'd)

7.5.2 Manufacturing of fittings and flanges

The following diagram shows the operational process of our manufacturing business:



Upon receiving inquiries from our customers for products that we have previously manufactured for them, we will prepare and issue a quotation to our customers in accordance with the type and quantity of products inquired. Upon agreeing with our quotation, the customer will issue us a purchase order as a form of order confirmation.

In cases where we receive inquiries from our customers for new products that we have not previously manufactured for them, we will undergo a product qualification process with the customer in order to be qualified as their manufacturer. During product qualification process, we are assessed by our customer in terms of our manufacturing capacity, capability and consistency of our product quality. The customer will either provide us with an engineering drawing which contains all the necessary information and specifications of the products, or we may design the engineering drawings in-house based on the customer's requirements. We will also design our manufacturing process (i.e. CNC precision machining process), as well as manufacture samples for assessments and testing by the customer. Prior to delivering samples to our customer, we will perform QC inspections on the samples manufactured to ensure that the samples meet the customer's requirements. Upon completing the product qualification process and receiving approval from our customer on the final product samples, the customer will request for a quotation. We will then prepare a quotation based on the complexity of the products to be manufactured, cost of raw materials, delivery timeline and order amount, for submission to our customer. Thereafter, our customer will issue a purchase order as confirmation of order for mass manufacturing.

7. BUSINESS OVERVIEW *(cont'd)*

Before commencing mass manufacturing, we will formulate a production plan which takes the availability of raw materials and production capacity into consideration to ensure timely delivery of products to our customer based on the agreed upon schedule. We will assess the availability of required raw materials in our inventory prior to sourcing from our approved suppliers, if required. Additionally, prior to manufacturing, we will also conduct inspections and calibration on our tools to be utilised in CNC machines as part of our QA/QC procedures to ensure that the tools are in optimal condition to produce products in exact and accurate dimensions required by our customer.

Following which, we will procure the raw materials required (e.g. steel bars and steel sheets) from third-party suppliers. In some cases, the customer may provide us with the raw materials required (i.e. semi-finished products). Further, we may also engage subcontractors to outsource the pre-machining process where we will provide raw materials to our subcontractors to perform pre-machining works. Thereafter, we will perform visual inspections on the raw materials and inspect the pre-machined parts to ensure they are in good conditions.

Thereafter, we will commence mass manufacturing according to our production planning schedule. Our manufacturing activities involve CNC precision machining, which includes cutting, turning, milling, drilling, threading and laser marking to shape the raw materials to form fittings or flanges tailored to meet our customer's needs and requirements. We will carry out visual inspection and dimensional checks for our products to ensure that our products are aligned to customer requirements and specifications. We may also engage subcontractors to outsource the heat treatment process to increase the tensile strength of the finished products, if required by our customer.

Additionally, within our supply and distribution business, should our customer requests products which we are unable to source from suppliers, such as customised products, we will manufacture them through our own manufacturing business. This approach enables us to fulfil our customer's specific requirements and needs, where required.

Upon customer's request, each batch of products are tested with a XRF metal analyser to ensure that our products meet the specified standards as listed in the engineering drawing before delivery to our customer. After completing QC inspection of the finished products, they will be packaged and made ready for delivery to our customer or self-collection by our customer. Depending on our customer's preferred delivery arrangements, products are delivered to our customer either by third-party logistics providers or our in-house logistics team.

The lead time between order confirmation and delivery of products that we manufacture to our customer is typically within 30 days.

7.6 QUALITY ASSURANCE AND QUALITY CONTROL

We place strong emphasis on the quality of all our products, including products sourced from our contract manufacturer and suppliers, as well as products manufactured in-house. We have adopted stringent QA/QC procedures to ensure our business processes and products consistently meet the quality standards and requirements of our customers. Please refer to Section 7.5 of this Prospectus for details of our QA/QC procedures in place throughout our business process flow.

7. BUSINESS OVERVIEW (cont'd)

Through our subsidiaries, we have received the following ISO certifications:

Subsidiary awarded	Standard	Certification body	Scope of certification	Date first awarded	Current validity period
Saliran Industrial Supplies	ISO 9001:2015 Quality Management Systems	Guardian Independent Certification Ltd	Stockholding and trading of piping materials (flanges, forgings, fittings, pipes and valves)	25 February 2020	17 February 2023 - 23 February 2026
Saliran Precision Engineering	ISO 9001:2015 Quality Management Systems	Guardian Independent Certification Ltd	Manufacturing of precision metal parts	11 February 2020	17 February 2023 - 9 February 2026

As at the LPD, 12,649 out of our total 19,600 SKUs are certified compliant with at least 1 internationally recognised standard such as API, PED, ASME and ASTM. The remaining SKUs do not require any certification for standards compliance as these are lower value general products that are used for non-critical parts within a project. Please refer to Section 7.2.1 of this Prospectus for details of these standards which our products comply with.

7.7 RESEARCH AND DEVELOPMENT

Due to the nature of our business, we are not required to undertake any research and development activities.

7.8 TECHNOLOGY USED / TO BE USED

As at the LPD, we use the following technologies/ software in our business operations:

Technology / software	Description
Inventory management system	We use an inventory management system, namely 'Vecount' to support our business operations which encompasses stock management, sales, purchase and financial management functions. The system enables our sales personnel to access our inventory information on a real-time basis while engaging with customers to secure sales. Sales secured will be updated by our sales personnel in the software and will be transmitted to our financial system for record and invoicing, as well as to our storage for product packing and delivery. Our purchasing department utilises 'Vecount' system to monitor our inventory level and to make necessary procurement. Our finance department also utilises 'Vecount' system to manage customers' and suppliers' payment as well as credit terms.
XRF metal analyser	An XRF metal analyser is a handheld device used to perform elemental analysis on materials. It performs measurements by emitting X-rays onto sample under test, causing the sample to emit fluorescent X-rays. The XRF metal analyser can then determine the elemental composition of the sample by identifying the fluorescent X-rays emitted.

7. BUSINESS OVERVIEW (cont'd)

Technology / software	Description
	We test each batch of products with an XRF metal analyser to ensure that our products meet the specified standards before product delivery to customers.
CNC machines	We use a series of CNC machines, which are automated machines, in our manufacturing process. These machines are operated using computer-programmed commands. Some of the CNC machines that we use are CNC milling machines, CNC turning machines and CNC cutting machines. These CNC machines facilitate high-speed milling, turning and cutting, which enhance dimensional accuracy and operational efficiency. The usage of CNC machines also facilitates high-precision machining and shaping, enabling us to refine our product finishing by cutting or shaping intricate geometries and patterns without deformation.

In addition to the abovementioned technologies/software that we are using as at the LPD, we plan to acquire the following technology/software via the IPO proceeds to enhance our QA/QC procedures as part of our future plans and strategies:

Technology / software	Description
Optical emission spectrometer	An optical emission spectrometer is an advanced PMI machine used to detect, analyse and verify a wide and detailed range of elemental composition and material grade of metal products. It performs measurements by applying electrical energy onto sample under test, causing the sample to emit light. The optical emission spectrometer can then determine the elemental composition of the sample by identifying the emitted light, which is unique for each element. We will use the optical emission spectrometer to carry out detailed and varied verification of elemental compositions and material grades of our products. Please refer to Section 7.14.3 of the Prospectus for details of our future plan and strategy in enhancing our QA/QC procedures through the acquisition of the optical emission spectrometer.

7. BUSINESS OVERVIEW (cont'd)**7.9 TYPES, SOURCES AND AVAILABILITY OF SUPPLIES**

Our purchases primarily comprise pipes, fittings and flanges as well as steel products sold under our supply and distribution business which collectively accounted for more than 96.00% of our total purchases in the past 3 FYEs 2021 to 2023 and FPE 2024.

The breakdown of our supplies from FYE 2021 to FYE 2023 and FPE 2024 are as follows:

Supplies	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Products for supply and distribution business	54,262	96.70	114,330	97.55	198,685	98.21	179,976	98.47
➤ Third-party brands	51,577	91.92	112,678	96.14	137,759	68.09	123,348	67.49
- pipes	19,092	34.02	53,990	46.07	61,409	30.35	60,542	33.13
- fittings and flanges	21,064	37.54	38,060	32.47	44,708	22.10	47,033	25.73
- steel products	7,989	14.24	10,688	9.12	25,528	12.62	10,615	5.81
- related parts and accessories	3,432	6.12	9,940	8.48	6,114	3.02	5,158	2.82
➤ Jointly-owned brand	2,685	4.78	1,652	1.41	60,926	30.12	56,628	30.98
- fittings and flanges								
Transportation costs	766	1.36	1,149	0.98	1,728	0.85	2,016	1.10
Cost of raw materials for manufacturing business⁽ⁱ⁾	968	1.73	1,628	1.39	1,855	0.92	770	0.42
Subcontractor costs⁽ⁱⁱ⁾	116	0.21	98	0.08	29	0.02	7	*
Total purchases	56,112	100.00	117,205	100.00	202,297	100.00	182,769	100.00

Notes:

* Representing less than 0.01%.

(i) Include the cost of steel materials for manufacturing of fittings and flanges.

(ii) Include pre-machining works and heat treatment works which we outsource to subcontractors for our manufacturing business segment.

We have not encountered any major disruptions in our purchases in the Financial Years/Period Under Review.

7. BUSINESS OVERVIEW *(cont'd)*

We are exposed to price fluctuations for some of our supplies, in particular supplies made from steel such as pipes, fitting and flanges as well as steel products. The prices of these supplies are subject to fluctuations according to global steel prices depending on the global supply and demand conditions. Any substantial increase in the prices of these supplies may increase our cost of sales. Nevertheless, Our Group strives to pass on any increase in purchase prices of our supplies to our customers to mitigate the impact to our cost of sales and financial performance. However, in FYE 2022, we were only able to partially pass on the increase in cost to our customers in order to remain competitive. Please refer to Section 9.2.1 of this Prospectus for details of our exposure to the risk in relation to fluctuation of steel prices.

7.10 SEASONALITY AND CYCLICALITY

We do not experience any material seasonality or cyclicity in our business as our product demands are neither subject to seasonal fluctuations nor cyclical variations.

7.11 INTERRUPTIONS TO BUSINESS AND OPERATIONS

We did not experience any material interruptions which had significantly affected our business during the past 12 months preceding LPD.

Pursuant to the outbreak of the COVID-19 pandemic in 2020, the Government of Malaysia had implemented various forms of movement restrictions since 18 March 2020 to contain the spread of the virus. During this period, our Group was required to comply with the SOP outlined by the Government throughout the period, including temporary suspension of our business operations during the first Movement Control Order (between 18 March 2020 and 3 May 2020) as well as the Enhanced Movement Control Order (between 3 July 2021 and 16 July 2021). Thereafter, our Group continued to operate while complying with the Government's SOP such as reducing workforce capacity. In view of the essential nature of our customers who are mainly involved in the oil and gas industry, we were allowed to operate during the movement restriction period.

During the COVID-19 pandemic, we experienced slight delays in receipt of products from contract manufacturer and suppliers, as well as product delivery to customers. Further, we also experienced some slowdown in collection of trade receivables from our customers which partially contributed to the negative operating cashflow in FYE 2021. In FYE 2022, we did not experience any interruptions to our business operations or adverse impact to our financial performance due to the COVID-19 pandemic. Please refer to Section 12.2.6 of this Prospectus for further details.

Save for the temporary disruptions to our business operations as disclosed above, there was no other material impact on our business operations due to the COVID-19 pandemic.

7. BUSINESS OVERVIEW *(cont'd)*

7.12 SALES AND MARKETING STRATEGIES

Our Group's sales team plans and executes sales and marketing activities, maintains relationships with existing customers, attend enquiries from potential customers and prepare new product proposals to both existing and potential customers to secure sales. Our Group's sales and marketing activities are as follows:

(i) Direct approach

We secure new customers through direct approach and contact with potential customers. Our sales team keeps abreast with industry updates and trends, collecting market information to identify new potential customers, including local and overseas customers. Subsequently, our sales personnel will approach potential customers to showcase our range of product offerings and our ability to fulfil customer orders according to their demands and requirements.

Our sales personnel also maintain regular communication with our existing customers to inform and update them with our latest product offerings. As at the LPD, we have a total of 36 sales personnel who manage the sales activities for our Group.

(ii) Exhibitions and trade shows

We participate in various exhibitions and trade shows as part of our sales and marketing activities. Through exhibitions and trade shows, we are able to introduce our product offerings to the market, including our potential customers. We showcase some of our sample products to highlight our diverse product portfolio and to attract customers from different industries in these exhibitions and trade shows. Additionally, we distribute product catalogues to promote our products to potential customers. We are also able to increase the awareness and exposure of our products to both local and overseas customers, which we believe, will contribute positively to our business and growth.

Exhibitions and trade shows that our Group has participated for the Financial Years/Period Under Review are as follows:

<u>Year</u>	<u>Event</u>	<u>Organiser</u>	<u>Location</u>
2022	Oil & Gas Asia (OGA)	Malaysian Exhibition Services Sdn Bhd	KLCC Convention Centre
2023	Malaysian Palm Oil Board ("MPOB") International Palm Oil Congress & Exhibition (PIPOC 2023)	MPOB	KLCC Convention centre
2023	Construction Machinery Trade Fair	Perak Builders Guild	SMJK Yuk Choy
2024	Oil & Gas Asia (OGA)	Malaysian Exhibition Services Sdn Bhd	KLCC Convention Centre

Moving forward, we will continue to participate in exhibitions and trade shows, such as Oil & Gas Asia (OGA), Sabah Oil, Gas & Energy Conference & Exhibition (SOGCE) and Malaysia Oil & Gas Services Exhibition & Conference (MOGSEC) in Malaysia, as well as Indonesia Marine & Offshore Expo (IMOX) and Oil & Gas Indonesia (OGI) in Indonesia. Participation in oil and gas related exhibitions and trade shows in Indonesia is part of our business expansion strategy to expand our business in Indonesia as detailed in Section 7.14.1 of this Prospectus.

7. BUSINESS OVERVIEW (cont'd)**(iii) Media and digital advertising**

We leverage on digital advertising to enhance our market visibility on the internet through search engine optimisation services and advertising on social media.

We utilise search engine optimisation services to boost the visibility of our corporate website by ensuring readily accessible information about our Group as well as the details on our wide range of products offerings to attract potential customers. We have engaged in “Google” for search engine optimisation services to increase our Group’s brand awareness and attract new customers locally and from overseas.

We also leverage on social media (i.e. Facebook, Instagram and LinkedIn) to promote our offerings and increase our brand awareness.

For FYEs 2021 to 2023 and FPE 2024, we invested approximately RM0.07 million, RM0.12 million, RM0.17 million and RM0.03 million respectively on media and digital advertising to enhance our online presence.

(iv) Corporate website

We have established our corporate website at www.saliran.com.my that provides comprehensive information regarding our Group. The website also encompasses detailed information about our product portfolio to promote our product offerings. Any enquires received via our website will be directed to our sales team to be addressed.

7.13 COMPETITIVE STRENGTHS**7.13.1 We have an established track record and experience in supplying and distributing pipes, fittings and flanges as well as steel products for the oil and gas industry**

Since our business commencement in 2011, we have been supplying and distributing pipes, fittings and flanges as well as steel products for use in the oil and gas industry. With approximately 14 years of operations since our business commencement, our Group has gained extensive experience and insights in the pipes, fittings and flanges as well as steel products required in the oil and gas industry, thereby allowing us to continue supplying our products to the oil and gas industry and to provide value added services to our customers by providing advice and recommendations to customers on the types, volumes and grades of products required according to their project requirements and specifications. For the FYE 2021 to FYE 2023 and FPE 2024, revenue contribution from the oil and gas industry accounted for 80.04%, 72.90%, 86.15% and 89.09% respectively of our total revenue.

Our successful track record in supplying products for usage in the oil and gas industry is also attributed to our product standards and our strong emphasis on product quality. As at the LPD, 64.54% of our SKUs are certified compliant with API, PED, ASME and/or ASTM standards. Please refer to Section 7.2.1 of this Prospectus for details of such standards. Further, we have been able to uphold the quality of our products to ensure customer satisfaction and maintain our reputation in the industry, which is demonstrated by our low product return rate of below 0.05% in each of the past 3 FYEs 2021 to 2023 and FPE 2024.

7. BUSINESS OVERVIEW (cont'd)

Moreover, according to the IMR Report, the oil and gas industry in Malaysia demonstrated positive growth from RM84.33 billion to RM88.22 billion from 2020 to 2023 as international travels and trade activities normalised following the COVID-19 pandemic. The growth of the oil and gas industry in Malaysia is driven by the demand for oil and natural gas. Growing demand for oil and natural gas, which can be represented by the increasing global consumption of oil and natural gas, is expected to drive the demand for oil and gas production, refining and processing activities. This will in turn drive the demand for pipes, fittings and flanges as well as steel products to support the operations of oil and gas process plants. We believe that with our track record and experience in supplying and distributing pipes, fittings and flanges as well as steel products to the oil and gas industry, we are poised to continue expanding our business as the oil and gas industry in Malaysia continues to grow, which will create sustainable demand for our products. Please refer to Section 8 of this Prospectus for the IMR Report regarding the outlook of the oil and gas industry in Malaysia.

7.13.2 We offer a wide variety of pipes, fittings and flanges (including products labelled under our jointly-owned brand) as well as steel products

We offer an extensive range of pipes, fittings and flanges for use in industrial processing, refining and manufacturing activities in the oil and gas industry as well as other industries. Our pipes, fittings and flanges are available in a variety of specifications in terms of material types, shapes and dimensions to cater to the needs of our customers. Our Group's extensive product range is attested by the number of SKUs that we carry. As at the LPD, our Group has approximately 19,600 SKUs of pipes, fittings and flanges as well as steel products, including related parts and accessories.

We offer our customers with an extensive range of third-party pipes, fittings and flanges, with 16,990 SKUs as at the LPD including related parts and accessories. We also offer fittings and flanges under our jointly-owned brand, namely "THF". Having our jointly-owned brand of fittings and flanges enables our Group to establish our presence in the pipes, fittings and flanges industry and raise our brand awareness to facilitate wider customer penetration. Further, it also provides our customers with greater assurance and confidence in our product quality. As at the LPD, our Group has 511 SKUs of products labelled under our jointly-owned brand.

Apart from selling pipes, fittings and flanges as well as related parts and accessories, we also offer steel products which are used to support the installation of our pipes, fittings and flanges and/or for use in the construction of process plants. This expands our range of offerings and complements our pipes, fittings and flanges supply and distribution business, as it enables customers seeking a single supplier for the supply of pipes, fittings and flanges as well as steel products to purchase from our Group. Please refer to Section 7.2.1 of this Prospectus for details of products sold by our Group.

Further, our pipes, fittings and flanges as well as steel products are primarily sold to customers operating within the value chain of the oil and gas industry, comprising EPCC contractors, suppliers and equipment manufacturers as well as intermediaries such as distributors and trading companies of varying scales. Our products are purchased by our customers in varying volumes, from small quantities to bulk purchases, depending on our customers' requirements. This is attributed to the flexibility offered by our Group as we do not impose MOQ on our customers, allowing us to cater to the needs of our customers.

Additionally, to better serve our customers and cater to the specific needs of our customers in product specifications, we had in 2014, established our in-house manufacturing operations to manufacture fittings and flanges in customised specifications requested by our customers. This complements our supply and distribution business as we are able to offer customised products tailor-made to our customers' specific needs.

7. BUSINESS OVERVIEW (cont'd)

We believe that offering an extensive range of products will continue to enhance our competitive advantage and further improve our customer retention, allowing us to capitalise on the convenience factor as customers often prefer the ease of obtaining all their required products from a single supplier, whenever possible. Further, customers are likely to be more inclined to explore our product offerings, which would also increase our cross-selling opportunities to drive additional sales for our continuous business growth.

7.13.3 We maintain long-term relationships with our customers and have a wide range of suppliers

We have developed our network of customers and suppliers that have played a significant role in the growth of our Group since the commencement of our business in 2011. We maintain long-term relationships with our customers which is evidenced by the years of relationship with our major customers. Amongst our major customers detailed in Section 7.15 of this Prospectus, 12 out of 16 of these major customers have at least 5 years of business relationships with our Group as at the LPD. Our ability to maintain long term relationships with our customers is attributed to the quality of our products which meet their standards and requirements. Further, our ability to consistently meet our customers' requirements and achieve customers' satisfaction is proven by our expanding customer base, which grew from 561 customers in FYE 2021 to 1,153 customers in FYE 2023. In FPE 2024, we have a customer base of 926 customers (FPE 2023: 884 customers).

In addition to the above, we had on 2 May 2024 entered into a Collaboration Agreement with Harmoni Pipes & Fittings (M) Sdn Bhd to jointly pursue project bids concerning the provision of pipes, fittings and flanges. In FYE 2023, Harmoni Group (as defined herein) contributed 39.09% to our total revenue. The Collaboration Agreement with Harmoni Pipes & Fittings (M) Sdn Bhd grants us the first rights of refusal to participate in the project bid as pursued by Harmoni Group during the duration of the Collaboration Agreement, thereby ensuring the sustainability of our sales to Harmoni Group. In FPE 2024, Harmoni Pipes & Fittings (M) Sdn Bhd contributed 36.87% to our total revenue.

Further, we have a large supplier base for sourcing of pipes, fittings and flanges as well as steel products. In the past 3 FYEs 2021 to 2023 and FPE 2024, we purchased from 59, 90, 103 and 159 suppliers respectively. Having a wide range of suppliers allow us to have wide product offerings to meet the different needs of our customers.

In addition, as at the LPD, we have entered into the OEM agreement with Tae Heung to serve as our contract manufacturer to manufacture, test, deliver and provide support to us for the sale of fittings and flanges under the jointly-owned brand of "THF", for exclusive sale in Malaysia, Indonesia, Singapore, Thailand, Vietnam and Philippines. In FYE 2023 and FPE 2024, sales of fittings and flanges under "THF" brand contributed to 32.69% and 35.71% of our total revenue, respectively. This provides our Group with the certainty in sourcing these products, as well as allowing our Group to adopt an asset-light business model and to invest our resources in other aspects of our operations such as sales and marketing.

7.13.4 We are a sales-focused organisation and place emphasis on customer engagement

As at the LPD, we have 36 sales personnel who play pivotal roles in driving sales for our business success. Our sales personnel are equipped with in-depth product knowledge, which enables them to provide advice and recommendations to our customers based on their requirements.

7. BUSINESS OVERVIEW (cont'd)

We are focused and committed in investing in our sales team, by providing regular sales training to hone their skills and product knowledge for on-going improvement in customer engagement. These training programmes comprise on-the-job training, in-house training and external training covering topics include product training on specifications and applications, sales negotiation and closing skills, communication and relationship building techniques, leadership and problem-solving. As our sales personnel are the frontline representatives of our Group, providing regular sales training is crucial to maintaining a sales-focused organisation, which ultimately drives our sales and boosts our Group's financial performance.

Further, to motivate our sales personnel, we have implemented a reward system which includes profit-sharing, commission initiatives, presentation of monthly and annual top sales awards as well as annual incentives and performance bonuses. All our sales personnel are eligible for these rewards. Sales personnel who secure sales exceeding a certain profit margin benchmark are entitled to profit-sharing, while sales personnel who manage to collect full payment from customers within a specified credit period for sales secured by them are entitled to commission initiatives. Monthly and annual top sales awards as well as annual incentives and performance bonuses are presented to sales personnel based on their overall performance during the period, which are assessed in terms of profit margin secured and successful payment collection from customers within the stipulated credit terms. In the past 3 FYEs 2021 to 2023 and FPE 2024, rewards given to our sales personnel amounted to approximately RM0.78 million, RM1.34 million, RM2.95 million and RM3.62 million respectively. These costs increased in tandem with our revenue growth and represented between 0.97% to 1.67% of our revenue for the past 3 FYEs and FPE 2024. This reward system encourages our sales personnel to prioritise quality customer service, subsequently leading to customer retention and ability to secure new customers. The outcomes of our reward system is also evident in the growth of our customer base and financial performance, whereby we have successfully expanded our customer base from 561 customers in FYE 2021 to 1,153 customers in FYE 2023, as well as grow our revenue from RM70.65 million to RM243.16 million over the same period. In FPE 2024, we have a customer base of 926 customers and achieved revenue of RM217.18 million (FPE 2023: 884 customers; RM157.34 million).

7.13.5 Our Group has an experienced Executive Directors and Key Senior Management team

Our Executive Directors and Key Senior Management team have accumulated years of experience in their respective fields of expertise, industrial knowledge and in-depth understanding of our business operations. Under their leadership, we have established our industry reputation as a supplier of quality pipes, fittings and flanges. The industry reputation that we have established over the years have been crucial to our Group in attracting new customers and retaining our business relationships with existing customers.

The table below sets out our Executive Directors and Key Senior Management team and the years of relevant working experience:

Name	Designation	Years of relevant working experience
Dennis Liaw	Managing Director	18
William Chan	Executive Director	20
Lim Bak Teik	Chief Operation Officer	20
Yong Wai Kin	Chief Financial Officer	35

Please refer to Sections 5.1.2 and 5.3.2 of this Prospectus for the profiles of our Executive Directors and Key Senior Management. Our Key Senior Management team has strong industry and functional expertise as a result of years of experience in their respective fields. Further, they take an active, hands-on role in spearheading their respective departments to support the growth of our Group, thus demonstrating their strong commitment to our growth as we continue to expand.

7. BUSINESS OVERVIEW *(cont'd)*

7.14 FUTURE PLANS AND STRATEGIES

7.14.1 We intend to expand our business in Indonesia by establishing a regional office

Since our business commencement in 2011, we have been supplying and distributing pipes, fittings and flanges to customers in Indonesia, and sales to customers in Indonesia are handled by our headquarters in Malaysia as at the LPD. For FYEs 2021 to 2023 and FPE 2024, we sold our products to 7, 6, 12 and 8 customers in Indonesia, which contributed 1.71%, 0.45%, 15.46% and 28.67% respectively to our Group's total revenue. Despite having no physical presence in Indonesia, we have received positive responses from our existing customers. Hence, as part of our business expansion, we intend to further expand our business in Indonesia and to strengthen our market presence in Indonesia by establishing a sales office in Indonesia ("**New Indonesia Office**").

According to the IMR Report, the consumption of pipes, fittings and flanges in Indonesia increased from Indonesian Rupiah ("**IDR**") 21.00 trillion (RM6.09 billion) in 2021 to an estimated IDR28.91 trillion (RM8.64 billion) in 2023, at a CAGR of 17.33%, as the adverse impacts of COVID-19 subsided and business activities normalised. With the positive outlook of the pipes, fittings and flanges industry in Indonesia, we intend to capture this opportunity to further grow our business in the country. Additionally, PT Promatcon Tepatguna was our major customer for FYE 2023 and FPE 2024, contributing substantially to our total revenue at 15.27% and 26.80%, respectively. PT Promatcon Tepatguna has also been our customer since our business commencement in 2011. Establishing a regional office in Indonesia will allow us to better serve PT Promatcon Tepatguna and other customers in Indonesia, which we believe such move will enable us to secure additional orders from local customers. Moreover, we are actively engaging in business discussions with Indonesian customers, including PT Promatcon Tepatguna, to pave the way for our business expansion in the country.

We intend to rent an office unit measuring approximately 1,000 sq ft in South Jakarta, Indonesia, for the establishment of our New Indonesia Office. Following which, we intend to hire 1 local sales manager and 2 local sales executives to handle sales as well as build and maintain relationships with local customers.

Our Group estimates that the total cost of this expansion plan, comprising rental of the New Indonesia Office and staff costs over a 36-month period as well as one-off purchase of office equipment, to be approximately RM1.20 million, which will be fully funded from our IPO proceeds. Please refer to Section 4.10 Note (1) of this Prospectus for further details on the breakdown of the total estimated costs for this expansion plan. We intend to establish the New Indonesia Office within 6 months upon our Listing.

As at the LPD, we are in the midst of identifying a suitable office unit for the establishment of the New Indonesia Office. Further, to facilitate our business expansion in Indonesia, we plan to participate in exhibitions and tradeshow such as Indonesia Marine & Offshore Expo (IMOX) and Oil & Gas Indonesia (OGI) in 2025. Subsequent participation in these exhibitions and tradeshow in the following years will depend on the outcomes of our participations in 2025. These events will enable our Group to showcase our range of product offerings to Indonesian customers.

7. BUSINESS OVERVIEW (cont'd)

Our Group's competitive edge lies in our ability to supply and distribute an extensive range of pipes, fittings and flanges as well as steel products for use in industrial processing, refining and manufacturing activities in the oil and gas industry as well as other industries. In addition, we also offer fittings and flanges under our jointly-owned brand, namely "THF", enabling our Group to establish our presence in the pipes, fittings and flanges industry and raise our brand awareness to facilitate wider customer penetration. Further, we do not impose a MOQ on customers, hence providing flexibility to customers. With our offering of a wide variety of pipes, fittings and flanges (including products labelled under our jointly-owned "THF" brand) as well as steel products, whereby 12,649 out of our total 19,600 SKUs are certified compliant with at least 1 internationally recognised standard as at the LPD, and flexibility on order quantity, we aim to become a new option for pipes, fittings and flanges as well as steel products to more customers in Indonesia.

The New Indonesia Office will support our business expansion in the country and enable our Group to capture opportunities arising from market demand in Indonesia as we will be in close proximity to, and accessible by, local customers in Indonesia. Having a physical presence locally will also provide greater confidence to local customers to source products from us. We believe that all of these will enable us to secure customers and grow our sales in Indonesia, and subsequently drive the overall growth of our business.

7.14.2 We intend to increase our inventory levels for the on-going expansion of our supply and distribution business

From FYE 2021 to 2023, revenue generated from our supply and distribution business recorded a CAGR of 249.80% from RM68.46 million to RM239.47 million. For FPE 2024, revenue generated from our supply and distribution business amounted to RM215.43 million. Our Group intends to continue expanding our supply and distribution business to fuel our business growth, and as such it is crucial that we increase our inventory levels to have sufficient and readily available inventory to meet the demand for our products.

Through higher inventory levels, we will be able to drive our revenue growth by increasing our sales volume to our existing customers as well as securing new customers. Further, by having higher inventory levels on hand, we will be well-equipped to offer products in larger quantities to promptly meet the demand from our customers. Higher inventory levels also ensure consistent product availability and timely order fulfilment, in turn allowing us to seek and secure new customers.

We intend to allocate approximately RM8.37 million from our IPO proceeds to increase our inventory level within 12 months of our Listing. For FPE 2024, our effective interest rates for the usage of banking facilities for working capital (excluding term loan) ranges from 4.70% to 9.65%. As such, with the additional working capital of RM8.37 million, we target to reduce our interest expenses by between RM0.39 million to RM0.81 million per annum. This is expected to improve our profitability. Our Group believes that by expanding our supply and distribution business, we will be able to offer a more readily available inventory to our customers, which will subsequently enhance our financial performance further.

7. BUSINESS OVERVIEW (cont'd)**7.14.3 We intend to enhance our QA/QC procedures by acquiring new machinery**

We place strong emphasis on the quality of our products, including products sourced from our contract manufacturer and suppliers, as well as products manufactured in-house. As at the LPD, we utilise an XRF metal analyser to determine the elemental composition of our products, which is then verified against the supplier's mill test certificate which serves as a QA document to confirm that the products comply with specified standards. Our existing XRF metal analyser is a positive metal identification ("PMI") machine used to detect basic elemental composition of our products, and it is unable to detect certain elemental composition and material grade such as carbon content. Upon request by customers, we will engage third-party service providers to conduct detailed detection and verification of elemental composition and material grade. The cost incurred for these services amounted to RM1,800.00, RM2,150.00 and RM2,150.00 for the FYEs 2021 to FYE 2023 respectively. In FPE 2024, we did not engage any third-party service providers for these services.

We intend to intensify our QA/QC procedures by acquiring an additional QA/QC machinery, namely optical emission spectrometer, for product inspection. An optical emission spectrometer is an advanced PMI machine used to detect, analyse and verify a wide and detailed range of elemental composition and material grade of metal products, including carbon content which is unable to be detected by our existing XRF metal analyser. Having an optical emission spectrometer is expected to enhance our QA/QC procedures as we will be able to carry out detailed and varied verification of elemental compositions and material grades of our products in-house. This is expected to increase customer confidence in our product quality and strengthen our reputation as a trusted supplier of pipes, fittings and flanges as well as steel products by ensuring consistent adherence to quality standards and requirements of our customers.

The purchase of 1 unit of optical emission spectrometer machine is estimated to cost RM0.35 million, which will be fully funded from our IPO proceeds. We intend to purchase the optical emission spectrometer within 6 months upon our Listing.

7.14.4 We intend to expand our fleet of delivery trucks to handle more product delivery in-house

As at the LPD, we have a total of 10 delivery trucks (i.e. 8 units of 3-ton trucks and 2 units of 5-ton trucks) and 2 pick-up trucks used for product delivery to our customers within Peninsular Malaysia. Additionally, we also outsource product delivery to third-party logistics providers when our in-house delivery trucks are fully utilised. In FYEs 2021 to 2023 and FPE 2024, we incurred logistics costs for product delivery amounting to RM0.24 million, RM0.34 million, RM0.40 million and RM0.14 million respectively.

We intend to expand our fleet of delivery trucks to handle more product delivery in-house and to accommodate increased needs for product delivery as we continue to grow our business. As such, we intend to acquire 5 additional delivery trucks, comprising 3 units of 3-ton trucks, 1 unit of 5-ton truck and 1 unit of 10-ton truck. The cost of purchasing the 5 delivery trucks is estimated to be RM1.09 million, which will be fully funded from our IPO proceeds and to be acquired progressively within 24 month upon our Listing.

These additional delivery trucks are expected to enhance our operational efficiency, ensuring more punctual and reliable logistics management. We will also be able to assume greater control over our product delivery processes and reduce reliance on third-party logistics providers.

7. BUSINESS OVERVIEW (cont'd)**7.14.5 We intend to further develop and grow the supply and distribution of our jointly-owned brand products, i.e. “THF” products**

Since 2013, our Group has been purchasing fittings and flanges products from Tae Heung for our supply and distribution business. Subsequently, in 2021, we entered into an OEM Agreement with Tae Heung, where Tae Heung shall manufacture and supply the fittings and flanges as set out in the OEM Agreement, and the list of products may be modified, added, reduced, substituted and/or changed from time to time subject to mutual discussion and agreement of both parties. Pursuant to the OEM Agreement, “THF” is jointly-owned by our Group and Tae Heung and we have the exclusive rights to the usage (which includes branding, marketing and/or publicity) in Malaysia, Indonesia, Singapore, Thailand, Vietnam and Philippines. We successfully registered the trademark of “THF” brand in Malaysia in 2021. The validity period for the trademark of “THF” brand in Indonesia commenced from November 2023 (whereby the application was approved on 24 October 2024). Please refer to Section 7.18 of this Prospectus for details of our trademarks and Section 7.24 of this Prospectus for details of the OEM Agreement. Having our jointly-owned brand of products enable our Group to achieve a higher GP margin, whereby our GP margin for the supply and distribution of “THF” brand fittings and flanges was 24.40% in the FPE 2024, as compared to the GP margin of 12.55% for the supply and distribution of third-party brands fittings and flanges products.

In view of the higher GP margin contributed by the sale of “THF” products, we intend to further develop and grow our supply and distribution of “THF” products by actively intensifying our sales and marketing strategy to promote “THF” products through the following efforts:

- (i) to encourage our sales personnel to promote “THF” products;
- (ii) to actively promote “THF” products while participating in exhibitions and trade shows; and
- (iii) to train our sales personnel on the product knowledge and application as well as the quality of “THF” products.

The costs incurred for participation in exhibitions and trade shows in Malaysia and Indonesia are estimated to be approximately RM0.05 million for each exhibition/trade show. These expenses will be fully funded using internally generated funds. Apart from this, we do not expect to incur any costs in relation to encouragement of our sales personnel to promote “THF” products and provision of training to our sales personnel on “THF” products.

These strategies are being progressively implemented in Malaysia, and will be continued as on-going efforts to continuously grow the supply and distribution of our jointly-owned “THF” branded products. These strategies will also be implemented in Indonesia upon the establishment of our New Indonesia Office.

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7. BUSINESS OVERVIEW (cont'd)

7.15 MAJOR CUSTOMERS

Our Group's top 5 customers for the past 3 FYEs 2021 to 2023 and FPE 2024 are as follows:

FYE 2021

Major customer	Products sold	Country	Description	Length of relationship as of FYE 2021 (Years)	Sales (RM'000)	% of our Group's revenue
Harmoni Group ⁽ⁱ⁾	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for certain industrial equipment and products such as test and calibration equipment, pipes, fittings, flanges, electrical appliances and parts of certain grades to exploration and oil and gas companies in Malaysia; as well as manufacturer of fabricated metal products	3	9,608	13.60
Tripeer Distribution Sdn Bhd	Pipes, fittings and flanges	Malaysia	Petronas' licensed supplier for certain industrial equipment and products such as pipes, fittings, flanges, valves, test equipment and instrumentation, lifting and rigging equipment and accessories of certain grades to exploration and oil and gas companies in Malaysia	2	5,233	7.41
Asia Propel Sdn Bhd	Pipes, fittings, flanges and steel products	Malaysia	Petronas' licensed supplier for various services including onshore pipeline inspection and repair, onshore site preparation and onshore fabrication to exploration and oil and gas companies in Malaysia; as well as EPCC service provider in the oil and gas, petrochemical, power generation as well as other industries	7	5,186	7.34

7. BUSINESS OVERVIEW (cont'd)

Major customer	Products sold	Country	Description	Length of relationship as of FYE 2021 (Years)	Sales (RM'000)	% of our Group's revenue
Oceanergy Gases Sdn Bhd	Pipes, fittings, flanges, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for various services including onshore pipeline inspection and repair, minor onshore fabrication and service station construction to exploration and oil and gas companies in Malaysia; as well as EPCC service provider in the oil and gas industry	6	3,203	4.53
PMI-Technology Sdn Bhd	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Process equipment manufacturer for the palm oil processing, oil and gas, wastewater treatment, food processing and other industries	7	2,725	3.86
Sub-total					25,955	36.74
Total revenue					70,647	100.00

FYE 2022

Major customer	Products sold	Country	Description	Length of relationship as of FYE 2022 (Years)	Sales (RM'000)	% of our Group's revenue
Harmoni Group ⁽ⁱ⁾	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for certain industrial equipment and products such as test and calibration equipment, pipes, fittings, flanges, electrical appliances and parts of certain grades to exploration and oil and gas companies in Malaysia; as well as manufacturer of fabricated metal products	4	34,283	24.73

7. BUSINESS OVERVIEW (cont'd)

Major customer	Products sold	Country	Description	Length of relationship as of FYE 2022 (Years)	Sales (RM'000)	% of our Group's revenue
HRSB Holdings Sdn Bhd	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for various services including liquefied petroleum gas (LPG) cylinder maintenance, cooling tower and storage tank inspection, as well as onshore site preparation to exploration and oil and gas companies in Malaysia; as well as EPCC service provider in the oil and gas as well as petrochemical industries	6	14,212	10.26
Southern Oil & Gas Sdn Bhd	Pipes, fittings, flanges and steel products	Malaysia	EPCC service provider in the oil and gas industry	1	8,350	6.02
Sinohydro Corporation (M) Sdn Bhd	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Contractor in the hydropower, thermal power, renewable energy, water irrigation and conversation, as well as building and infrastructure construction industries, amongst others	8	6,288	4.54
China CEC Engineering Corporation	Pipes, steel products, as well as related parts and accessories	China ⁽ⁱⁱ⁾	Contractor and engineering service provider in the construction, environmental engineering, thermal power, textile, as well as agricultural and forestry industries, amongst others	Less than 1 year	4,550	3.28
				Sub-total	67,683	48.83
				Total revenue	138,622	100.00

7. BUSINESS OVERVIEW (cont'd)**FYE 2023**

Major customer	Products sold	Country	Description	Length of relationship as of the FYE 2023 (Years)	Sales (RM '000)	% of our Group's revenue
Harmoni Group ⁽ⁱ⁾	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for certain industrial equipment and products such as test and calibration equipment, pipes, fittings, flanges, electrical appliances and parts of certain grades to exploration and oil and gas companies in Malaysia; as well as manufacturer of fabricated metal products	5	95,041	39.09
PT Promatcon Tepatguna	Fittings and flanges	Indonesia	EPCI service provider in the oil and gas as well as petrochemical industries	12	37,130	15.27
Axianergy (M) Sdn Bhd	Pipes, fittings, flanges, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for certain industrial products such as pipes, fittings, flanges, beams and bars of certain grades; and various services including minor onshore fabrication, onshore site preparation and cooling tower inspection to exploration and oil and gas companies in Malaysia; as well as EPCC and maintenance service provider of pipelines, storage tanks and petrochemical plants	6	14,920	6.14
Primage Engineering Sdn Bhd	Pipes, flanges and steel products	Malaysia	Distributor of electrical, telecommunication and instrumentation equipment, consumables and accessories for the oil and gas, telecommunication, marine and utilities industries	1	10,709	4.40

7. BUSINESS OVERVIEW (cont'd)

Major customer	Products sold	Country	Description	Length of relationship as of the FYE 2023 (Years)	Sales (RM '000)	% of our Group's revenue
Vesseltech Engineering Sdn Bhd	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Manufacturer of industrial products such as pressure vessels and pipings, heat exchangers, water treatment equipment, tanks and related structural components mainly for the oil and gas, chemicals, utility, food and beverages industries	8	4,184	1.72
Sub-total					161,984	66.62
Total revenue					243,160	100.00

FPE 2024

Major customer	Products sold	Country	Description	Length of relationship as of the FPE 2024 (Years)	Sales (RM '000)	% of our Group's revenue
Harmoni Pipes & Fittings (M) Sdn Bhd	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for certain industrial equipment and products such as test and calibration equipment, pipes, fittings, flanges, electrical appliances and parts of certain grades to exploration and oil and gas companies in Malaysia	6	80,072	36.87
PT Promatcon Tepatguna	Fittings and flanges	Indonesia	EPCI service provider in the oil and gas as well as petrochemical industries	13	58,205	26.80

7. BUSINESS OVERVIEW *(cont'd)*

Major customer	Products sold	Country	Description	Length of relationship as of the FPE 2024 (Years)	Sales (RM '000)	% of our Group's revenue
Teraskita (Muadzam) Sdn Bhd	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for certain industrial equipment and products such as pipes, fittings, flanges and valves, of certain grades to exploration and oil and gas companies in Malaysia	5	8,412	3.87
Duragate Engineering & Services Sdn Bhd	Pipes, fittings, flanges, steel products, as well as related parts and accessories	Malaysia	Petronas' licensed supplier for certain industrial equipment and products such as pipes and steel products of certain grades; and various services such as onshore fabrication, leak testing, service and maintenance of rotating equipment to exploration and oil and gas companies in Malaysia	5	7,423	3.42
HVAC Experts (M) Sdn Bhd	Pipes, fittings, flanges	Malaysia	Petronas' licensed supplier for various services such as commissioning of specialist electrical, heating, ventilation and air conditioning, and instrumentation system, as well as air-conditioning and refrigeration repair services to exploration and oil and gas companies in Malaysia	1	6,677	3.07
				Sub-total	160,789	74.03
				Total revenue	217,182	100.00

Notes:

- (i) Harmoni Group comprises Harmoni Pipes & Fittings (M) Sdn Bhd and Gemilang Malaysia Fabricators Sdn Bhd ("**Gemilang**").
- (ii) Notwithstanding that China CEC Engineering Corporation is based in China, revenue generated from them is recognised under Malaysia as products sold to them are delivered to a project site in Malaysia.

7. BUSINESS OVERVIEW *(cont'd)*

For FYEs 2021 to 2023 and FPE 2024, our top 5 major customers contributed 36.74%, 48.83%, 66.62% and 74.03% to our Group's total revenue respectively. Amongst our top 5 major customers, 14 out of 16 of these major customers are involved in the oil and gas industry (including petrochemical industry) either as a product supplier or EPCC/EPCI service provider. Further, 9 out of these major customers hold a Petronas license, while 1 out of these major customers is registered under the e-CHSEMS platform in Indonesia which details are set out below. Our Group's key customers that contributed more than 10.00% of our revenue in either or all the past 3 FYEs 2021 to 2023 and FPE 2024 are as follows:

Key customer	Description
Harmoni Group	Harmoni Group, headquartered in Selangor, Malaysia, is a privately-owned distributor of industrial equipment and products such as test and calibration equipment, pipes, fittings, flanges, electrical appliances and parts; as well as manufacturer of fabricated metal products. Harmoni Group primarily sells these products to customers in the oil and gas industry. Harmoni Pipes & Fittings (M) Sdn Bhd holds a Petronas license, which allows them to participate in Malaysia's Petronas projects. In 2018, with the intention of venturing into the business of fabrication, welding, processors, rolling mills, machining, maintenance and others relevant services, Dennis Liaw's wife, Ooi Hooi Yeong set up Gemilang with a third-party on 1 March 2018, with a total investment consideration of RM3,750.00 for 75.00% equity interest and was appointed as the Director. On 27 February 2019, Dennis Liaw and William Chan were appointed as Directors of Gemilang after the resignation of Ooi Hooi Yeong on the same date. On 4 March 2019, Ooi Hooi Yeong sold her entire shareholdings to Saliran Industrial Supplies for a total consideration of RM1.00, resulting in Gemilang becoming a 75%-owned subsidiary of Saliran Industrial Supplies. In October 2019, upon review of the financial performance of Gemilang (which recorded a loss after taxation of RM0.38 million based on its financial results for the 13 months financial period ended 31 March 2019), the management of Saliran Industrial Supplies were of the view that Gemilang's fabrication business is challenging and was different from their existing business which was focused on the sale and distribution of pipes, fittings and flanges products. On 3 October 2019, Dennis Liaw and William Chan resigned from Gemilang as Directors. On 9 October 2019, Saliran Industries Supplies disposed its 75% equity interest in Gemilang to Harmoni Pipes & Fitting (M) Sdn Bhd for a total disposal consideration of RM1.00 due to the net liability position of Gemilang of RM0.18 million as at 31 March 2019.

7. BUSINESS OVERVIEW (cont'd)

Key customer	Description
PT Promatcon Tepatguna	PT Promatcon Tepatguna, is a privately-owned company with its headquarters in Jakarta, Indonesia. It was originally founded as a trading company specialising in the distribution of control equipment for pressure vessels, plates, pipes, fittings, and valves, and has later become an EPCI company servicing the oil and gas and petrochemical industries in Indonesia. PT Promatcon Tepatguna provides EPCI services from initial concept to design, manufacturing, transportation, installation, commissioning and operator training. PT Promatcon Tepatguna is a company registered under the e-CHSEMS platform in Indonesia, which is a platform launched by SKK Migas, a government agency tasked by the Ministry of Energy and Mineral Resources in Indonesia to manage the upstream oil and gas business activities. The e-CHSEMS platform is launched to centralise the procurement process of SKK Migas with the oil and gas contractors registered under the platform.
HRSB Holdings Sdn Bhd	HRSB Holdings Sdn Bhd, headquartered in Melaka, Malaysia, is a privately-owned company involved in the EPCC services in the oil and gas as well as petrochemical industries, covering fabrication of piping and structural steel products, as well as mechanical, civil, electrical and instrumentation works. HRSB Holdings Sdn Bhd is also involved in plant maintenance and turnaround, scaffolding services, hydro-jetting services, and electrical and instrumentation services, amongst others. It holds a Petronas license, which allows them to serve Malaysia's Petronas projects.

Our largest customer in FYEs 2021 to 2023 and FPE 2024 was Harmoni Group, who contributed 13.60%, 24.73%, 39.09% and 36.87% to our total revenue respectively. Further, in FYE 2023 and FPE 2024, PT Promatcon Tepatguna also contributed substantially to our total revenue at 15.27% and 26.80% respectively. As at the LPD, Harmoni Group and PT Promatcon Tepatguna have been our customers for the past 6 years and 13 years, respectively. Our Group's sales to Harmoni Group and PT Promatcon Tepatguna are transacted based on purchase orders. In view of the large revenue contribution from Harmoni Group and PT Promatcon Tepatguna as well as the lack of long-term contract with them, we are dependent on them as our key customers. In the event where Harmoni Group or PT Promatcon Tepatguna cease to purchase from our Group, we will experience reduction in sales to them which will result in a loss of revenue, if we are not able to replace the loss of sales with new customers or with additional orders from existing customers in a timely manner.

Nevertheless, our Group had on 2 May 2024 entered into the Collaboration Agreement with Harmoni Group. Under the Collaboration Agreement, our Group and Harmoni Group collaborate to jointly pursue project bids concerning the provision of pipes, fittings and flanges. Harmoni Group undertakes the responsibility of preparing project proposals and engaging in liaison and coordination works for the project tendering with project owners and other relevant stakeholders, whereas our Group is responsible for the supply of pipes, fittings and flanges required for Harmoni Group's projects. The Collaboration Agreement with Harmoni Group grants us the first rights of refusal to participate in the project bid as supplier to Harmoni Group's projects in relation to the provision of pipes, fittings and flanges during the term of the Collaboration Agreement, thereby ensuring sustainability of our sales to Harmoni Group. The salient terms of the Collaboration Agreement are disclosed in Section 7.24(ii) of this Prospectus.

7. BUSINESS OVERVIEW *(cont'd)*

In addition to our scope as set out in the Collaboration Agreement, we also support Harmoni Group with our value-added services, i.e. advice and recommendations provided to Harmoni Group on the types, grades and brands of products that are most suitable for their projects by studying the project requirements and costings. Where applicable, we also ensure that the products supplied to Harmoni Group are in compliance with the required standards, such as API, PED, ASME and ASTM as well as compliance with quality inspection guidelines under each of their projects. The provision of these value-added services is aimed at easing and smoothing the project tendering process by Harmoni Group, and enabling them to focus their resources on sales, marketing and winning projects from their customers. We believe that this will foster a win-win situation with our Group, as we will benefit from increased sales to Harmoni Group.

Additionally, as pipes, fittings and flanges are widely used in the oil and gas industry as well as other industries such as the building materials, manufacturing and palm oil refining industries to facilitate and/or support industrial processing, refining and manufacturing activities, we believe that there will be continuous demand for pipes, fittings and flanges in the market which would continue to sustain our business and financial performance. Further, it is common in the industry that there is no long-term contract for the supply and distribution of pipes, fittings and flanges as these products are purchased and used by customers as and when needed. We believe that our Group's sustainability and ability to secure sales are adequately supported by our sales and marketing strategies as well as our competitive strengths as set out in Section 7.13 of this Prospectus.

There have not been any disputes with our major customers in the past 3 FYEs 2021 to 2023 and FPE 2024. Additional information on the dependency of Harmoni Group and PT Promatcon Tepatguna is disclosed in Section 9.1.2 of this Prospectus.

7. BUSINESS OVERVIEW (cont'd)

7.16 MAJOR SUPPLIERS

Our Group's top 5 suppliers for the past 3 FYEs 2021 to 2023 and FPE 2024 are as follows:

FYE 2021

Major supplier	Products purchased	Length of relationship as of FYE 2021 (Years)	Purchases (RM'000)	% of our Group's purchases
New Far East Hardware Trading Sdn Bhd	Pipes, fittings and steel products	1	5,371	9.57
Supplier A ⁽ⁱ⁾	Pipes, fittings, flanges, steel products as well as related parts and accessories	Less than 1 year	3,696	6.59
Modern Depot Sdn Bhd	Pipes, fittings, flanges and steel products	8	3,251	5.79
Generasi Yakin Steel Sdn Bhd	Pipes, fittings and steel products	6	2,932	5.22
Adeptech Engineering Sdn Bhd	Pipes as well as related parts and accessories	1	2,860	5.10
Sub-total			18,110	32.27
Total purchases			56,112	100.00

FYE 2022

Major supplier	Products purchased	Length of relationship as of FYE 2022 (Years)	Purchases (RM'000)	% of our Group's purchases
Supplier A ⁽ⁱ⁾	Pipes, fittings, flanges, steel products as well as related parts and accessories	1	24,238	20.68
Multi Steel Industrial Supply Sdn Bhd	Pipes, fittings, flanges, steel products as well as related parts and accessories	5	7,497	6.40
Miracle Energy Sdn Bhd	Pipes, fittings, flanges and steel products	Less than 1 year	6,899	5.88
Generasi Yakin Steel Sdn Bhd	Pipes, fittings and steel products	7	4,847	4.13
Adeptech Engineering Sdn Bhd	Pipes as well as related parts and accessories	2	4,426	3.78
Sub-total			47,907	40.87
Total purchases			117,205	100.00

7. BUSINESS OVERVIEW *(cont'd)*
FYE 2023

Major supplier	Products purchased	Length of relationship as of FYE 2023 (Years)	Purchases (RM '000)	% of our Group's purchases
Tae Heung	Fittings and flanges	10	61,699	30.50
Supplier A ⁽ⁱ⁾	Pipes, fittings, flanges, steel products as well as related parts and accessories	2	57,472	28.41
Modern Depot Sdn Bhd	Pipes, fittings, flanges and steel products	10	19,586	9.68
Adeptech Engineering Sdn Bhd	Pipes	3	6,278	3.10
CL Hardware Sdn Bhd	Pipes, fittings, flanges as well as related parts and accessories	2	5,128	2.54
Sub-total			150,163	74.23
Total purchases			202,297	100.00

FPE 2024

Major supplier	Products purchased	Length of relationship as of FPE 2024 (Years)	Purchases (RM '000)	% of our Group's purchases
Tae Heung	Fittings and flanges	11	65,094	35.61
Supplier A ⁽ⁱ⁾	Pipes, fittings, flanges, steel products as well as related parts and accessories	3	60,471	33.09
Modern Depot Sdn Bhd	Pipes, fittings, flanges and steel products	11	12,593	6.89
Adeptech Engineering Sdn Bhd	Pipes	4	7,436	4.07
Jasbaru Sdn Bhd	Pipes, fittings, flanges, steel products as well as related parts and accessories	4	3,232	1.77
Sub-total			148,826	81.43
Total purchases			182,769	100.00

7. BUSINESS OVERVIEW *(cont'd)*

Note:

- (i) Supplier A is a company incorporated in Malaysia, which is principally involved in the import and export of a range of steel products including pipes, steel coils, hollow sections, C-channels, steel plates, I-beams, flat bars, angle bars and round bars. Based on its website, Supplier A imports from manufacturers in China, Japan, Europe and other countries. Supplier A's principal market is in Malaysia. Supplier A is not listed on any stock exchange. Based on its audited financial statement for financial years ended 31 March 2022 and 31 March 2023, Supplier A recorded revenue of RM9.58 million and RM41.42 million, respectively. We purchase pipes, fittings, flanges, steel products, related parts and accessories from Supplier A on a purchase order basis.

Consent was sought for the disclosure of the identity of Supplier A in this Prospectus but was rejected. As such, the identity of Supplier A will not be disclosed in this Prospectus.

For FYEs 2021 to 2023 and FPE 2024, our top 5 major suppliers contributed 32.27%, 40.87%, 74.23% and 81.43% of our Group's total purchases respectively. Our major suppliers are mainly importers, product manufacturers as well as traders. Products that we purchased from our top 5 major suppliers are for our supply and distribution business. For FYEs 2021 to 2023 and FPE 2024, we purchased from 59, 90, 103 and 159 suppliers respectively.

Supplier A, being our second largest supplier for FYE 2021, FYE 2023 and FPE 2024 and our largest supplier for FYE 2022, contributed 6.59%, 20.68%, 28.41% and 33.09% of our Group's total purchases for FYEs 2021 to 2023 and FPE 2024, respectively. Purchases from Supplier A include pipes, fittings, flanges, steel products as well as related parts and accessories. In view of the high contribution of purchases from Supplier A, we are dependent on them for continuous supply of these products. In the event that Supplier A ceases supplying these products to us, our business may face temporary interruptions if we are unable to source similar products from alternative suppliers in a timely manner. Nevertheless, we believe that this circumstance is unlikely to occur as the products that we source from Supplier A are widely and readily available in the market and can be easily sourced from other suppliers with similar pricing.

In addition, we are dependent on Tae Heung who supply us with "THF" branded products for our supply and distribution business, who also contributed substantially to our purchases at 30.50% and 35.61% for FYE 2023 and FPE 2024 respectively. In 2021, we have entered into an OEM Agreement with Tae Heung, whereby they serve as our contract manufacturer to manufacture, test, deliver and provide support to us for the sale of fittings and flanges under the brand name "THF", for exclusive sale in Malaysia, Indonesia, Singapore, Thailand, Vietnam and Philippines. The salient terms of the OEM Agreement are disclosed in Section 7.24(i) of this Prospectus. Following the OEM Agreement, our Group has been actively promoting "THF" branded products to our customers to grow our supply and distribution business of jointly-owned brand products due to the higher margin generated from the supply and distribution of "THF" branded products. As such, our purchases from Tae Heung increased substantially in FYE 2023 and FPE 2024 due to higher order volumes for "THF" branded products from our major customers, namely PT Promatcon Tepatguna, Harmoni Group and Axianergy (M) Sdn Bhd.

7. BUSINESS OVERVIEW *(cont'd)*

All purchases from our suppliers are based on purchase orders, including purchases from Tae Heung for which we have entered into the OEM Agreement with. There have not been any disputes with our major suppliers in the past 3 FYEs 2021 to 2023 and FPE 2024.

Additional information on the dependency of Supplier A and Tae Heung is disclosed in Section 9.1.1 of this Prospectus.

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7. BUSINESS OVERVIEW *(cont'd)***7.17 EMPLOYEES**

The table below sets out the breakdown of our employees by business function or department as at 31 August 2024 and the LPD:

Business function/ Department	As at 31 August 2024	As at the LPD
Directors	2	2
Key Senior Management	2	2
Finance and accounting	14	13
Human resource and administration	3	3
Sales	36	36
Procurement	8	8
Marketing	1	1
Operation and production	49	49
Total	115	114

As at the LPD, we have a total workforce of 114 employees, all of which are local and permanent employees.

None of our Group's employees, whether permanent or contractual, belong to any labour union. During the FYEs 2021 to 2023 and FPE 2024 and up to the LPD, we have not experienced any strikes or other disruptions due to labour disputes. In addition, our Group's management has had and expects to continue their good working relationships with its employees.

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7. BUSINESS OVERVIEW (cont'd)

7.18 INTELLECTUAL PROPERTY RIGHTS

- (i) Save for the registered trademarks/ applications for registration as disclosed below, our Group does not have any trademarks, registrations, applications for registration and other intellectual property rights as at the LPD:

No.	Company	Trademark	Governing/ Issuing Authority	Trademark Number/ Application Number	Status/ Validity Period
1.	Saliran Industrial Supplies		Intellectual Property Corporation of Malaysia	<u>Trademark Number</u> TM2021034110	<u>Status</u> Registered <u>Validity Period</u> From 3 December 2021 until 3 December 2031
2.	Saliran Industrial Supplies		Intellectual Property Corporation of Malaysia	<u>Trademark Number</u> TM2014058718	<u>Status</u> Registered <u>Validity Period</u> From 12 June 2014 until 12 June 2034
3.	Saliran Industrial Supplies		Intellectual Property Corporation of Malaysia	<u>Trademark Number</u> TM2021034109	<u>Status</u> Registered <u>Validity Period</u> From 3 December 2021 to 3 December 2031
4.	Saliran Industrial Supplies		Directorate General of Intellectual Property (Indonesia)	<u>Trademark Number</u> IDM001226853	<u>Status</u> Registered <u>Validity Period</u> From 17 November 2023 to 17 November 2033

7. BUSINESS OVERVIEW (cont'd)

No.	Company	Trademark	Governing/ Issuing Authority	Trademark Number/ Application Number	Status/ Validity Period
5.	JS Tech Marketing		Intellectual Property Corporation of Malaysia	<u>Application Number</u> TM2023004468	<u>Status</u> Rejected, pending appeal ⁽¹⁾ <u>Validity Period</u> N/A

Note:

- ⁽¹⁾ The Intellectual Property Corporation of Malaysia via a letter dated 21 August 2023, issued a temporary rejection notice on the application for the registration of trademark by JS Tech Marketing. The reasons given are the trademark consists of representations/words that are not expressed/described in a special or unique way and do not have distinctive features and it consists of marks or indicators that can be used in a trade, to indicate type and quality. JS Tech Marketing has on 11 September 2023 via its agent, NBS Intellectual Sdn Bhd appealed to the Intellectual Property Corporation of Malaysia. The outcome of the appeal is anticipated within a timeframe of 16 to 24 months from the date of appeal. As at the LPD, the application is pending approval by the Intellectual Property Corporation of Malaysia.

In the event that the appeal for the registration of trademark by JS Tech Marketing is unsuccessful, our Group may face challenges in establishing and maintaining a unique brand identity in respect of products to be branded under “JS TECH”. This could lead to brand dilution if competitors or unauthorised parties use similar names or logos, causing confusion in the market. As at the LPD, we have yet to market any products under the JS TECH trademark. In the event that the registration of the said trademark is unsuccessful, we have the option to redesign, register and market our products under another new trademark. As such, there will not be any operational and financial impact to our Group.

As at the LPD, there is no intention by our Group to register the THF trademarks in the other countries covered in the OEM Agreement (namely Singapore, Thailand, Vietnam and Philippines). Moving forward, we may consider registering the THF trademarks in the other countries if our Group starts receiving significant orders from the respective countries.

7. BUSINESS OVERVIEW *(cont'd)*

7.19 GOVERNING LAWS AND REGULATIONS

Our business operations in Malaysia are regulated and governed by laws and regulations in Malaysia. The overview of the regulatory requirements governing our Group which are material to our business operations are as follows:

Governing laws and regulations relating to Malaysia

(i) Local Government Act, 1976 (“LGA”)

LGA is an act to revise and consolidate the laws relating to the local authorities and provides that every local authority shall have the powers to make by-laws conferred upon it by the LGA including, but not limited to, the maintenance of health, safety and well-being of inhabitants of the local authority area. These powers include the issuance of licences and the imposition of any conditions and restrictions on such licences as the local authorities see fit. Any person who contravenes any of the provisions of the LGA and/ or the by-laws of the relevant local authorities shall be liable for 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.

As at the LPD, our Group holds and maintains valid business licence issued by the Subang Jaya City Council. Please refer to Section 7.20 of this Prospectus for further details and particulars.

(ii) Industrial Co-ordination Act, 1975 (“ICA”)

Under the ICA, any person engaging in manufacturing activity shall obtain a manufacturing license. The ICA defines manufacturing activity as the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any article or substance with a view to its use, sale, transport, delivery or disposal and includes the of assembly parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

The licensing requirement under ICA only applies to companies with shareholders’ funds of RM2.5 million and above and with 75 or more full-time paid employees. Any companies below the aforesaid thresholds will be exempted from the requirement to apply for a manufacturing license. Applications for manufacturing licenses are to be submitted to the Malaysian Industrial Development Authority (“**MIDA**”), an agency under MITI in charge of the promotion and coordination of industrial development in Malaysia.

As at the LPD, Saliran Precision Engineering is exempted from the requirements to obtain manufacturing license for its factory as it neither has the shareholders’ fund of RM2.5 million and above nor engaged 75 or more full-time paid employees. In relation to the foregoing, it has obtained an exemption letter issued by MIDA. Please refer to Section 7.20 of this Prospectus for further details and particulars.

7. BUSINESS OVERVIEW *(cont'd)*

(iii) Factories and Machinery Act, 1967 (“FMA”)

The FMA regulates factories and machinery by way of registration and examination of such machinery to ensure the maintenance of health and safety standards, including the welfare of all parties involved.

Section 19(1) of the FMA prohibits a person from operating or causing or permitting to be operated any machinery in respect of which a certificate of fitness is required, unless there is in force in relation to the operation of the machinery a valid certificate of fitness issued under the FMA. In the event of any contravention of the said provision, an Inspector of Factories and Machinery shall forthwith serve upon the person aforesaid a notice in writing prohibiting the operation of the machinery or may render the machinery inoperative until such time as a valid certificate of fitness is issued. Any person who contravenes this section 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.

In accordance with Factories and Machinery (Notification, Certificate of Fitness and Inspection) Regulations 1970, the owner of every steam boiler, unfired pressure vessel or hoisting machine other than a hoisting machine driven by manual power shall hold a valid certificate of fitness in respect thereof so long such machinery remains in service. The period of validity of every certificate of fitness shall ordinarily be fifteen calendar months from the date of inspection or such longer period not exceeding three years as the Chief Inspector in his discretion may consider appropriate.

With effect from 1 June 2024, the FMA has been repealed by the Factories and Machinery (Repeal) Act 2022 (“**FMRA 2022**”). Any registration made or order, notice, direction, written authority, approval, certificate of fitness, special scheme of inspection or certificate of competency given or issued, under the FMA 1967 shall, on the coming into operation of FMRA 2022, be dealt with under the OSHA (hereinafter defined) and its subsidiary legislations.

As at the LPD, our Group holds and maintains certificate of fitness issued by DOSH for certain machineries owned by the Group. Please refer to Section 7.20 of this Prospectus for further details and particulars.

(iv) Occupational Safety and Health Act, 1994 (“OSHA”)

OSHA makes provisions for securing 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.

It shall also be the duty of every employer to prepare a general policy with respect to the safety and health of his employees and the organisation and arrangements for the time being in force for carrying out that policy. The policy shall be revised as needed and shall be brought to the notice of all employees.

A person who contravenes these provisions under the OSHA shall be guilty of an offence and shall, on conviction, be liable to a fine not exceeding RM500,000 or to imprisonment for a term not exceeding 2 years or to both.

7. BUSINESS OVERVIEW (cont'd)

The OSHA also requires a company to notify the nearest occupational safety and health office of any accident, dangerous occurrence, occupational poisoning, or occupational disease which has occurred or is likely to occur at the place of work.

Effective 1 June 2024, OSHA stipulates that the employer shall appoint one of his employee to act as an occupational safety and health coordinator if he employs five or more employees at his place of work. An employer who contravenes the aforementioned 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 6 months or to both.

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

As at the LPD, our Group complies with all relevant regulatory requirements governing our Group's business operations.

7.20 MATERIAL LICENCES, PERMITS AND APPROVALS

Save as disclosed below, there are no other major approvals, major licenses and permits which would materially affect the business or our operations as at the LPD:

Issuing Authority	Company	Description of approval / license / permit	License / Reference no.	Validity Period	Major conditions imposed	Status of compliance
MIDA	Saliran Precision Engineering	Exemption from the requirement to apply for a manufacturing license for production of fittings, anchor block and chaser	ICA10/2023/00294	<u>Effective Date</u> 20 June 2023 <u>Expiry Date</u> N/A	MIDA shall be notified of any sale of shares in Saliran Precision Engineering	Complied
Subang Jaya City Council	Saliran Industrial Supplies	Business licence for advertising, sale of metal/steel, storage warehouse and administration office at No.14 and 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	20200600541	<u>Effective Date</u> 29 June 2024 <u>Expiry Date</u> 29 June 2025	The renewal application can only be submitted 3 months before the expiry date	Complied

7. BUSINESS OVERVIEW (cont'd)

Issuing Authority	Company	Description of approval / license / permit	License / Reference no.	Validity Period	Major conditions imposed	Status of compliance
Kuala Langat Municipal Council	Saliran Industrial Supplies	Business licence for advertising, storage warehouse and administration office at No. 42, Jalan TPP 5, Taman Perindustrian Putra, 47130 Puchong, Selangor	MPKL/JPL/L320 6(SJ)	<u>Effective Date</u> 11 October 2024 <u>Expiry Date</u> 31 December 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
Ipoh City Council	Saliran Industries	Business licence for administration office at No. 5A, Jalan Mas 2, Taman Mas Falim, 30100 Ipoh, Perak	L014219101	<u>Effective Date</u> 14 May 2024 <u>Expiry Date</u> 13 May 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
Subang Jaya City Council	JS Tech Marketing	Business licence for advertising and administration office, at No.16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	20240500580 / MPSJ/LES/600/03/03753-24	<u>Effective Date</u> 21 May 2024 <u>Expiry Date</u> 20 November 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
Subang Jaya City Council	Saliran Precision Engineering	Business licence for advertising and steel processing factory at No. 21, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	20200300476 / MPSJ/LES/600/03/02399-20	<u>Effective Date</u> 16 November 2024 <u>Expiry Date</u> 15 November 2025	The renewal application can only be submitted 3 months before the expiry date	Complied

7. BUSINESS OVERVIEW (cont'd)

Issuing Authority	Company	Description of approval / license / permit	License / Reference no.	Validity Period	Major conditions imposed	Status of compliance
Subang Jaya City Council	Saliran Precision Engineering	Business licence for advertising and steel processing factory at No. 7, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	20191000467	<u>Effective Date</u> 15 April 2024 <u>Expiry Date</u> 14 April 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
Subang Jaya City Council	Saliran Flanges & Fittings	Business licence for advertising and administration office at No. 14, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	20210900930	<u>Effective Date</u> 23 March 2024 <u>Expiry Date</u> 22 March 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
DOSH	Saliran Industrial Supplies	Certificate of fitness for hoisting machine (except manual hoisting machine)	PMA-SL/A24-434734	<u>Effective Date</u> 15 August 2024 <u>Expiry Date</u> 14 November 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
DOSH	Saliran Precision Engineering	Certificate of fitness for unfired pressure vessel	PMT-SL/24 416037	<u>Effective Date</u> 9 May 2024 <u>Expiry Date</u> 7 August 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
DOSH	Saliran Precision Engineering	Certificate of fitness for unfired pressure vessel	PMT-SL/24 421845	<u>Effective Date</u> 31 May 2024 <u>Expiry Date</u> 28 August 2025	The renewal application can only be submitted 3 months before the expiry date	Complied

7. BUSINESS OVERVIEW (cont'd)

<u>Issuing Authority</u>	<u>Company</u>	<u>Description of approval / license / permit</u>	<u>License / Reference no.</u>	<u>Validity Period</u>	<u>Major conditions imposed</u>	<u>Status of compliance</u>
DOSH	Saliran Precision Engineering	Certificate of fitness for unfired pressure vessel	PMT-SL/24 421846	<u>Effective Date</u> 31 May 2024 <u>Expiry Date</u> 28 August 2025	The renewal application can only be submitted 3 months before the expiry date	Complied
DOSH	Saliran Precision Engineering	Certificate of fitness for unfired pressure vessel	PMT-SL/24 421854	<u>Effective Date</u> 31 May 2024 <u>Expiry Date</u> 28 August 2025	The renewal application can only be submitted 3 months before the expiry date	Complied

In the past, our Group has not encountered any difficulties in renewing the licences, permits and approvals, where applicable.

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7. BUSINESS OVERVIEW (cont'd)

7.21 ENVIRONMENTAL MATTERS

As at the LPD, there are no environmental issues that may materially affect our Group's business or operations.

Our Company has adopted an ESG Policy and Framework, which integrates various area of business ethic practices. Our ESG Policy aims to promote the practice of principles of sustainability, through responsibility mindset, culture, policies and procedures, within our Group and community.

(i) Environmental

Our Group strives to reduce our energy consumption and carbon footprint by:

- (a) installation of solar panels at our Puchong Premise 3 warehouse to tap into the natural sunlight to produce energy for our consumption;
- (b) promote energy conservation practices such as installation of LED lights, where possible;
- (c) educate our workforce to switch off/reduce air-conditioned and lighting usage during lunch time;
- (d) collect rain water for re-using and re-cycling for general cleaning usage such as for cleaning of delivery lorries;
- (e) promote paperless documentation and re-cycle used papers; and
- (f) promote efficient waste management practices such as reducing, reusing, and recycling in our office, manufacturing and warehousing facilities.

(ii) Social

Our Group is committed and acts responsibly towards our business operations and our community. Our Group has implemented standard operating procedures in compliance with guidelines by the relevant authorities to ensure a safe and healthy environment for our employees to work and while safeguarding the interests of our stakeholders.

In relation to the COVID-19 pandemic, our Group have taken preventive measures such as the availability of face masks for our employees to wear daily at our workplace and test kits for our employees to test if they are not feeling well or suspected of having the COVID-19 symptoms. The affected employees will be asked to quarantined at their home, and they will have to take a COVID-19 test to ensure that the result is negative, prior to returning to work.

Our Group commits to provide to all our employees with a working environment that aligns with the International Labour Organisation's Fair Recruitment Initiative, and our recruitment practices are based on labour standards, which are developed through social dialogue and promotes gender equality. We ensure that our employees are hired based on their skills and past working experience assessment through a fair selection process. We provide on the job training as well as external training to our employees for their self-development and improvement, as well as ERP computer training so that they can acquire the necessary skills for their roles and to progress within our Group.

Our Group is also committed in ensuring that there is no unlawful discrimination, irrespective of race, colour, sex/gender, religion, national origin, age, disability, genetic information, marital status, or any other classification protected by law. We seek to support women, or any minorities and strive to empower all our employees to reach their full potential. As at the LPD, our Group has to date employed 56 female employees as compared to 58 male employees.

We are also dedicated to giving back to the community through a range of initiatives, including donations, and sponsorships such as donations to schools for their renovation of their building, and "MY Kasih" charities.

7. BUSINESS OVERVIEW *(cont'd)*

(iii) Corporate governance

Our Group is committed and adheres to a high standard of corporate governance practices, which are important for governance sustainability and dealings within our corporate activities in a professional and ethical manner in order to uphold good corporate governance practices.

Therefore, our Board recognises the importance of a sound risk management framework and internal control system for good corporate governance based on the Malaysian Code on Corporate Governance 2021 ("**MCCG 2021**"). We ensure that our Board have ready access to our Group's information to encourage the disclosure of relevant information so as to improve the transparency of our management and our Board to promote greater confidence in our organisation as a whole.

Our Board comprise of 2 Executive Directors and 4 Independent Directors, of which 4 are male and 2 are female. As such, we have complied with MCCG 2021, as more than half of our Board are Independent Directors and more than 30% of our Board are female.

We practice zero-tolerance towards fraud, bribery, corruption, money laundering and the financing of terrorism. We have adopted amongst other policies, such as Anti-Bribery and Corruption Policy as well as Whistleblowing Policy.

We have adopted a Personal Data Protection Act policy which complies with the Personal Data Protection Act, 2010 in order to protect the personal data that we obtain from our customers, vendors, suppliers, and/or our employees.

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7. BUSINESS OVERVIEW (cont'd)

7.22 MATERIAL PROPERTIES

7.22.1 Properties owned by our Group

A summary of the material properties owned by our Group as at the LPD are as follows:

Postal Address	Description of property/ Existing use/ Tenure (if any)/ Category of land use	Beneficial owner	Land area/ Built-up area (sq ft)	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 August 2024 (RM'000)
(i) Puchong Premise 1 No. 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	Description: A double-storey semi-detached factory Existing Use: Headquarters and administrative office Tenure: Freehold Category of Land Use: Industrial	Saliran Industrial Supplies	Land area: 7,200 Built-up area: 4,560	Date of Purchase: 28 December 2018 Date of CCC: 3 August 1998	Charged to Hong Leong Bank Berhad	3,557
(ii) Puchong Premise 3 No. 42, Jalan TPP 5, Taman Perindustrian Putra, 47130 Puchong, Selangor	Description: A 1-storey detached factory annexed with a 3-storey building Existing Use: Storage of inventory to support our supply and distribution business	Saliran Industrial Supplies	Land area: 49,336 Built-up area: 22,268	Date of Purchase: 17 May 2022 Date of CCC: 3 October 2017	Charged to Affin Bank Berhad	14,264

7. BUSINESS OVERVIEW *(cont'd)*

Postal Address	Description of property/ Existing use/ Tenure (if any)/ Category of land use	Beneficial owner	Land area/ Built-up area (sq ft)	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 August 2024 (RM'000)
	Tenure: Leasehold 99 years, expiring on 16 December 2111 Category of Land Use: Industrial					
(iii) Investment Property 1 No. 36, Jalan P10/21, Taman Industri Selaman, Bangi, 43650 Bandar Baru Bangi, Selangor	Description: A 3-storey detached factory Existing Use: Rented to TRL Trading and Export Sdn Bhd (non-related party) as coldroom, warehouse and office for food production. Tenure: Leasehold 99 years, expiring on 19 August 2098 Category of Land Use: Industrial	Saliran Industrial Supplies	Land area: 42,022 Built-up area: 34,290	Date of Purchase: 21 April 2021 Date of CCC: 5 October 2004	Charged to Hong Leong Bank Berhad	12,388

7. BUSINESS OVERVIEW (cont'd)

Postal Address	Description of property/ Existing use/ Tenure (if any)/ Category of land use	Beneficial owner	Land area/ Built-up area (sq ft)	Date of purchase/ Date of CCC	Encumbrance	Audited NBV as at 31 August 2024 (RM'000)
(iv) Investment Property 2 No. 75, Jalan Puteri 5/7, Bandar Puteri, 47100 Puchong, Selangor	Description: A 3-storey intermediate terraced shop office Existing Use: Rented to Excinno Sdn Bhd, Connectway Logistics Sdn Bhd and Lee Kok How as business premises. (non-related parties) Tenure: Freehold Category of Land Use: Building	Saliran Industrial Supplies	Land area: 1,647 Built-up area: 4,727	Date of Purchase: 9 September 2014 Date of CCC: 19 September 2007	Charged to Hong Leong Bank Berhad	2,085

7. BUSINESS OVERVIEW (cont'd)

7.22.2 Properties rented by our Group

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

Postal Address	Landlord/ Tenant	Description/ Existing use	Date of CCC or equivalent	Floor area (sq ft)	Period of tenancy	Rental per month as at LPD
(i) Puchong Premise 2						
No. 14, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	Landlord: Kiseki Resources Sdn Bhd (non-related party) Tenant: Saliran Industrial Supplies	Description: A double-storey semi-detached factory Existing use: Headquarters and administrative office	3 August 1998	4,560	1 May 2024 to 30 April 2026	RM16,000.00
(ii) Manufacturing Site 1						
No. 7, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	Landlord: Yoshiden (M) Sdn Bhd (non-related party) Tenant: Saliran Precision Engineering	Description: A 1-storey factory Existing use: Manufacturing facility to support our fittings and flanges manufacturing business	22 November 2001	1,600	1 January 2024 to 31 December 2025	RM2,500.00

7. BUSINESS OVERVIEW (cont'd)

Postal Address	Landlord/ Tenant	Description/ Existing use	Date of CCC or equivalent	Floor area (sq ft)	Period of tenancy	Rental per month as at LPD
(iii) Manufacturing Site 2 No. 21, Jalan Industri PBP 7, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor	Landlord: Wong Man (non- related party) Tenant: Saliran Precision Engineering	Description: A 1-storey factory Existing use: Manufacturing facility to support our fittings and flanges manufacturing business	22 November 2001	1,600	15 March 2023 to 14 March 2025	RM2,200.00
(iv) Ipoh Office No. 5A, Jalan Mas 2, Taman Mas, 30100 Ipoh, Perak	Landlord: Lin Chooi Meng (non-related party) Tenant: Saliran Industries	Description: First floor of a double-storey shoplot Existing use: Sales office	10 April 2014	1,329	3 May 2024 to 2 May 2025	RM1,000.00

As at the LPD, the properties rented by our Group is not in breach of any land use or regulatory requirements.

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7. BUSINESS OVERVIEW (cont'd)

7.23 MATERIAL MACHINERY AND EQUIPMENTS

A summary of the material machinery and equipment owned and used by our Group to facilitate our daily business operation are set out as below:

Machinery/Equipment	Function	No of units	Year of Purchase	Average lifespan (years)	Average age (years)	NBV as at 31 August 2024 (RM'000)
CNC milling machines	To perform milling, and cutting of products	4	2019 – 2020	10	5	885
CNC turning machines	To perform high-precision machining and shaping	2	2015 – 2019	10	8	230
Laser marking machine	To perform marking on products	1	2016	10	9	11
Delivery trucks and pick-up trucks	To deliver products	11	2015 - 2023	5	4	656
Overhead crane	To lift and move goods in warehouse	1	2023	10	2	180
XRF metal analyser	To perform elemental analysis on materials	1	2023	10	2	77
Vecount accounting Software	An accounting software	1	2022	10	3	244

7. BUSINESS OVERVIEW (cont'd)

7.24 DEPENDENCY ON CONTRACTS, AGREEMENTS, DOCUMENTS OR OTHER ARRANGEMENTS

As at the LPD, save as disclosed below, we are not dependent on any contracts, agreements, documents or other arrangements for our business operations.

- (i) Original Equipment Manufacturer (“**OEM**”) Agreement between Tae Heung Forging Co Ltd (“**Tae Heung**”) and Saliran Industrial Supplies dated 4 January 2021
- | | | |
|---------------------------|---|---|
| Purpose | : | The OEM Agreement sets out the general and specific terms and conditions that govern the relationship between Tae Heung and Saliran Industrial Supplies whereby Tae Heung is engaged by Saliran Industrial Supplies to manufacture, test, deliver and provide support for the sale of fittings and flanges under Saliran Industrial Supplies’ private marking, rebranding and own brand as annexed in the OEM Agreement. |
| Tenure | : | The OEM Agreement is subject to a fixed tenure of 10 years, of which Saliran Industrial Supplies has the rights to extend the period specified for another 10 years by giving Tae Heung at least 90 business days prior written notice. |
| Product pricing | : | The prices for the fittings and flanges are subject to mutual discussion and agreement of the parties. |
| Terms of payment | : | The term of payment shall be 30 days from the date of delivery of the fittings and flanges to Saliran Industrial Supplies or receipt of the applicable invoice therefore by Saliran Industrial Supplies whichever occurs later. |
| Non-exclusive arrangement | : | The parties understand and acknowledge that the OEM Agreement does not grant exclusivity to Tae Heung for the manufacturing, supply and provision of the fittings and flanges to Saliran Industrial Supplies of which Saliran Industrial Supplies may engage in similar agreements with other parties for transaction as contemplated in the OEM Agreement ⁽¹⁾ . |
| Default | : | In the event Tae Heung shall be in material breach or default of any of the terms, conditions or covenants of the OEM Agreement or of any purchase order, and if such breach or default shall continue for a period of 30 days after the giving of written notice to Tae Heung, then, in addition to all other rights and remedies which Saliran Industrial Supplies may have at law or equity or otherwise, Saliran Industrial Supplies shall have the right to claim liquidated damages from Tae Heung in relation to the OEM Agreement and/or any purchase orders placed by Saliran Industrial Supplies. |
| Warranty ⁽²⁾ | : | Tae Heung warrants to Saliran Industrial Supplies and their customers, that the fittings and flanges furnished will be new, free from defects in design, material and workmanship and will conform to and perform in accordance with the specifications and drawings stated in the OEM Agreement. |

The aforementioned warranty extends to the quality of the flanges and shall continue for a period of 12 months from the date of delivery to Saliran Industrial Supplies and/or its customers. Tae Heung also warrants that all services provided to Saliran Industrial Supplies and/or its customers shall be performed by persons with the requisite skill for such services and shall be performed in a competent and professional manner.

7. BUSINESS OVERVIEW (cont'd)

Intellectual property : Saliran Industrial Supplies and Tae Heung grant each other an exclusive right to the usage of the intellectual properties in the jurisdictions as listed below which shall be jointly-owned by them throughout the duration of the OEM Agreement:

Tae Heung
Korea

Saliran Industrial Supplies
Malaysia, Singapore, Indonesia, Thailand, Vietnam and Philippines

Taxes : Taxes payable by Saliran Industrial Supplies shall be billed as separate items on Tae Heung's invoices and shall not be included in Tae Heung's prices. Saliran Industrial Supplies shall have the right to have Tae Heung contest any such taxes that Saliran Industrial Supplies deems improperly levied at Saliran Industrial Supplies expense and subject to Saliran Industrial Supplies direction and control.

Tae Heung shall assist Saliran Industrial Supplies in obtaining any export compliance approvals necessary under Republic of Korea export laws and designated country of delivery import laws, the cost of which shall be borne by Saliran Industrial Supplies.

Governing law : Malaysia Law

Notes:

- (1) For clarification, Tae Heung retains the right to engage with other customers and Saliran Industrial Supplies retains the right to engage third parties with similar arrangement as per the OEM Agreement, provided that such arrangements do not involve the use of "THF" brands.
 - (2) Notwithstanding the warranty provided by Tae Heung, our Group does not provide any warranty to our customers. Once the customer receives and inspects the products, and signs the delivery order, the products are considered accepted and delivered in good condition. Thereafter, our Group will not be liable or responsible for any defects discovered afterward. Any requests for replacement after the acceptance of the goods in order, will be at our Group's discretion and looked into on a case-to-case basis.
- (ii) Collaboration Agreement between Harmoni Pipes & Fittings (M) Sdn Bhd ("**Harmoni**") and Saliran Industrial Supplies dated 2 May 2024
- Purpose : The Collaboration Agreement sets out the general and specific terms and conditions that govern the relationship between Harmoni and Saliran Industrial Supplies, whereby Harmoni collaborates with Saliran Industrial Supplies to jointly pursue project bids concerning the provision of pipes, fittings, and flanges. In relation to the foregoing, Saliran Industrial Supplies shall reserve first rights of refusal to participate in the project bid as pursued by Harmoni during duration of the Collaboration Agreement.
- Tenure : The Collaboration Agreement is not subject to a fixed tenure whereby it shall continue and subsist unless otherwise terminated by the parties to the Collaboration Agreement.

7. BUSINESS OVERVIEW (cont'd)

Roles, responsibilities and undertakings of the parties : Harmoni

- (a) To take part in the liaising and coordination works for the project tendering with project owner and other relevant stakeholders;
- (b) To submit a competitive and comprehensive proposal that meets the requirements of the projects; and
- (c) To ensure that the bid proposals comply with standards applicable to the project and the industry.

Saliran Industrial Supplies

- (a) To prepare detailed product specifications required for the project tendering;
- (b) To source for and ensure due supply of products, equipment and materials (with reasonable and competitive pricing) as required for the project tendering/ implementation;
- (c) To arrange transportation, customs clearance, and warehousing services to facilitate the timely delivery of the pipes, fittings and flanges;
- (d) To ensure that the pipes, fittings and flanges supplied meet specified quality standards; and
- (e) To offer responsive customer support to Harmoni.

Both parties

- (a) To discuss and prepare tender documents and all materials associated to the collaboration contemplated under the Collaboration Agreement;
- (b) To allocate resources including financial, human and technological resources, among themselves to support the project bidding activities and achieve desired outcomes efficiently;
- (c) To share relevant information, data and insights; and
- (d) To discuss on the financial commitment and profit sharing on case-to-case basis.

Termination : The Collaboration Agreement may be terminated immediately in writing by non-defaulting party to the Collaboration Agreement in the event:

- (a) any party has infringed any of the intellectual property rights created during the course of the Collaboration Agreement;
- (b) any party refuses to or neglects to comply with the other party's reasonable instructions; or
- (c) any party breaches any term herein and if remediable, fail to remedy the same within 7 days from the date of request to remedy such breach.

In addition to the above, the Collaboration Agreement shall be automatically terminated upon if any of the following events occur on the defaulting party:

- (a) the presentation of a winding up petition against either party to the Collaboration Agreement;
- (b) any order is made or a resolution is passed for any winding up, liquidation or dissolution; or
- (c) a receiver, manager or liquidator is appointed.

7. BUSINESS OVERVIEW *(cont'd)*

Notwithstanding the above, either Party may terminate this Collaboration Agreement for any reason whatsoever at any time by giving the other Party 3 months' prior written notice, with neither Party having any further obligation or liability to the other Party save for such obligation or liability which were accrued prior to such termination.

Intellectual property : Any intellectual property created during the course of the Collaboration Agreement, including any derivative works developed from Saliran Industrial Supplies' material, shall belong to and vest in Saliran Industrial Supplies.

Governing law : Malaysia Law

8. INDEPENDENT MARKET RESEARCH REPORT

SMITH ZANDER INTERNATIONAL SDN BHD 201301028298 (1058128-V)
15-01, Level 15, Menara MBMR, 1 Jalan Syed Putra, 58000 Kuala Lumpur, Malaysia
T : +603 2732 7537 W : www.smith-zander.com

SMITH ZANDER

Date: 27 January 2025

The Board of Directors

Saliran Group Berhad
No. 14 and 16
Jalan Industri PBP 5
Taman Perindustrian Pusat Bandar Puchong
47100 Puchong
Selangor

Dear Sirs/ Madams,

Independent Market Research Report on the Pipes, Fittings and Flanges as well as Steel Products Industry in Malaysia and Indonesia (“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 Saliran Group Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which Saliran Group Berhad and its subsidiaries (“**Saliran Group**”) operates and to offer a clear understanding of the industry and market dynamics. As Saliran Group is involved in the supply and distribution of pipes, fittings and flanges as well as steel products primarily for the oil and gas (“**O&G**”) industry, the scope of work for this IMR Report will thus address the following areas:

- (i) The pipes, fittings and flanges as well as steel products industry in Malaysia;
- (ii) Key demand drivers, risks and challenges;
- (iii) Competitive landscape;
- (iv) The pipes, fittings and flanges as well as steel products industry in Indonesia; and
- (v) Prospects and outlook.

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 and industry experts. 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, amongst 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 as mentioned in this report.

For and on behalf of SMITH ZANDER:


DENNIS TAN TZE WEN
MANAGING PARTNER

8. INDEPENDENT MARKET RESEARCH REPORT *(cont'd)*

SMITH ZANDER

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The research for this IMR Report was completed on 27 January 2025.

For further information, please contact:

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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

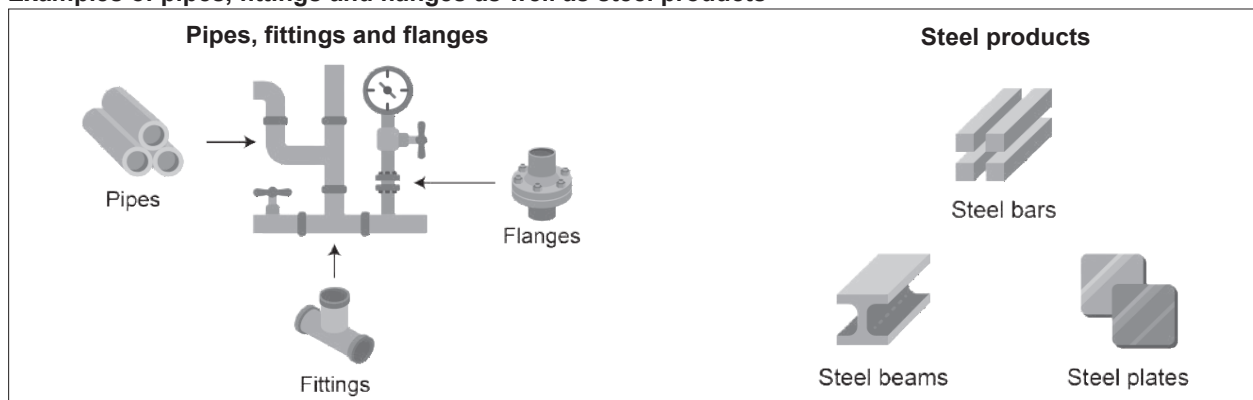
Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 27 years of experience in market research and strategy consulting, including over 22 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

1 THE PIPES, FITTINGS AND FLANGES AS WELL AS STEEL PRODUCTS INDUSTRY IN MALAYSIA

1.1 Introduction

Pipes, fittings and flanges as well as steel products (e.g. steel beams, steel bars and steel plates) are used in various construction projects, such as process plants, manufacturing facilities, residential housings and commercial buildings. Pipes, fittings and flanges as well as steel products are available in various shapes and sizes depending on their applications.

Examples of pipes, fittings and flanges as well as steel products



Source: SMITH ZANDER

- **Pipes** – Pipes are hollow cylindrical structures that are used to transfer fluids (e.g. liquids and gasses), slurries (e.g. concrete and mud) and small solids (e.g. powders and granules) from one place to another.
- **Fittings** – Fittings are components that are used to connect pipes and valves or to change direction of pipes within a piping system.
- **Flanges** – Flanges are components that are used to enhance the strength of the connection of pipes and valves, while enabling easy assembly and disassembly of sections within a piping system.
- **Steel products** – Steel products are made of carbon steel, stainless steel or other steel alloys that have various applications such as structural framing, roofing and cladding, stairs and handrails.

Saliran Group is involved in the supply and distribution of pipes, fittings and flanges as well as steel products primarily for the O&G industry to support production activities in O&G process plants. Pipes, fittings and flanges are used in O&G process plants to transfer fluid and gaseous substances, whereas steel products are used to support the installation of pipes, fittings and flanges and/or used in the construction of O&G process plants.

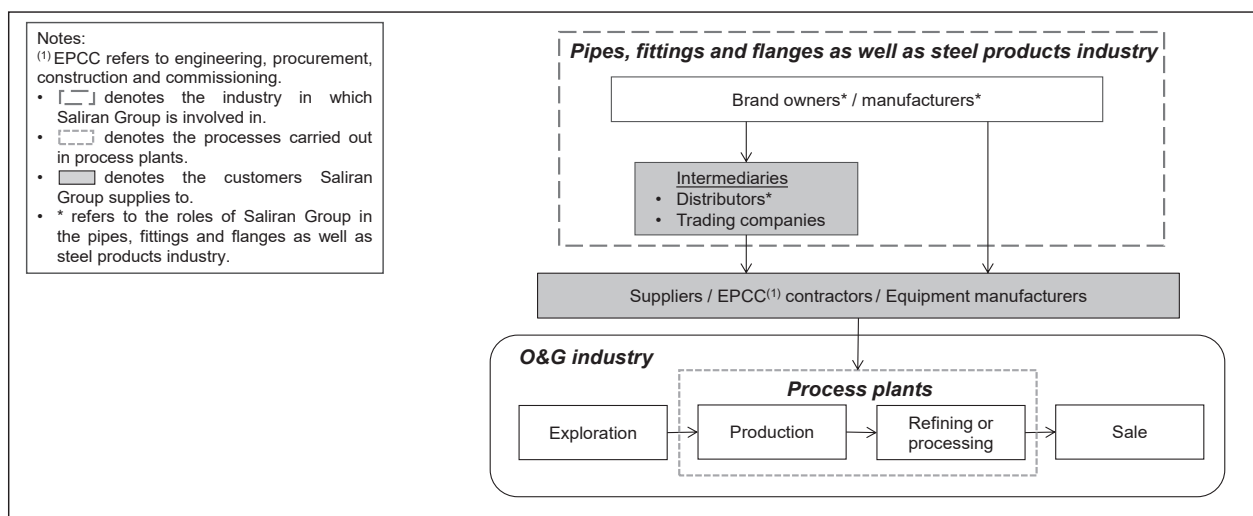
Pipes, fittings and flanges as well as steel products are utilised in the installation of piping systems and process equipment in O&G process plants. Further, refurbishment and maintenance procedures are carried out periodically to ensure the safety and functionality of the process plants, whereby pipes, fittings and flanges as well as steel products are replaced, when required, to prevent any potential disruptions in operations arising from leakage, blockage or deterioration.

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8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

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The value chain of pipes, fittings and flanges as well as steel products in the O&G industry is presented below:



Source: SMITH ZANDER

Pipes, fittings and flanges as well as steel products are generally supplied by brand owners and/or manufacturers, either directly or through intermediaries such as distributors or trading companies, to the following industry players:

- Suppliers – Refer to suppliers that are engaged by O&G companies to supply products such as pipes, fittings, flanges, and steel products. These suppliers source pipes, fittings and flanges as well as steel products for onward supply to O&G companies.
- EPCC contractors – Refer to EPCC companies that are engaged by O&G companies to provide EPCC services. EPCC contractors source pipes, fittings and flanges as well as steel products for use in the development of O&G process plants.
- Equipment manufacturers – Refer to equipment manufacturers that are engaged by O&G companies to manufacture process equipment. Equipment manufacturers source pipes, fittings and flanges as well as steel products to be used in the manufacturing of process equipment for application in O&G industry.

Some suppliers, EPCC contractors and equipment manufacturers are required by certain O&G companies to obtain the required licenses prior to being engaged to supply products and services.

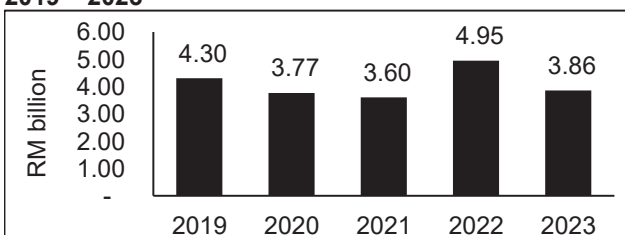
Aside from the O&G industry, other process industries include palm oil refining, power generation and food manufacturing. Similarly, pipes, fittings and flanges as well as steel products are also used in these types of process plants. Further, pipes, fittings and flanges as well as steel products are also supplied to the building materials industry for onward supply to construction projects.

1.2 Industry Size, Performance and Growth

The performance of the pipes, fittings and flanges industry in Malaysia is represented by the consumption of pipes, fittings and flanges, which is the aggregate of manufacturing sales value and import value with the deduction of export value.

The consumption of pipes, fittings and flanges in Malaysia declined 12.33% year-on-year (“YOY”) from RM4.30 billion in 2019 to RM3.77 billion in 2020 due to slowdowns in construction projects amidst the COVID-19 pandemic, which negatively impacted the demand for pipes, fittings and flanges. The consumption of pipes, fittings and flanges decreased further by 4.51% YOY to RM3.60 billion in 2021 as the negative impacts arising from the COVID-19 pandemic persisted. In 2022, consumption of pipes, fittings and flanges recovered by 37.50% YOY to RM4.95 billion, exceeding the pre-pandemic level of RM4.30 billion in 2019.

Consumption of pipes, fittings and flanges (Malaysia), 2019 – 2023¹



Sources: Department of Statistics Malaysia (“DOSM”), SMITH ZANDER

¹ Only includes consumption of pipes, fittings and flanges made of iron, steel or other alloy steel.

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)**SMITH ZANDER**

The recovery and growth of the consumption of pipes, fittings and flanges in 2022 was due to the recovery of the economy from the adverse impacts arising from the COVID-19 pandemic. In 2023, consumption of pipes, fittings and flanges normalised to RM3.86 billion. The term 'normalisation' is used to reflect the return of the industry to a relatively stable stage where the consumption of pipes, fittings and flanges revert closer to pre-COVID-19 levels, following the spike in 2022 due to pent-up demand after the COVID-19 pandemic.

Despite the fluctuations in the consumption of pipes, fittings and flanges in Malaysia (whereby consumption constitutes manufacturing sales, import and export) from 2019 to 2023, the industry recorded YOY growth in the manufacturing sales value of pipes, fittings and flanges during the same period, save for a decline in 2020 due to movement restrictions imposed by the Government, indicating manufacturing growth in the industry.

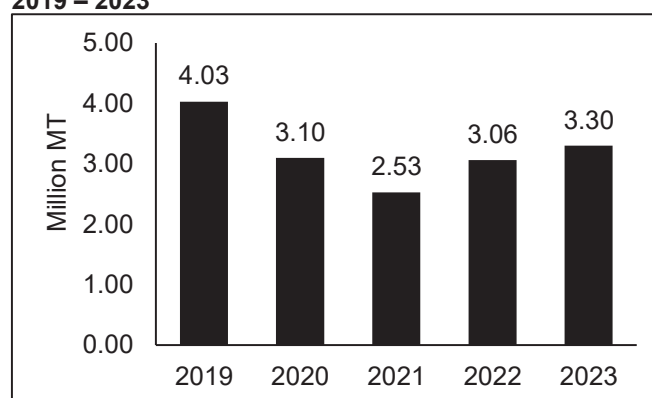
Manufacturing sales value of pipes, fittings and flanges (Malaysia), 2019 – 2023²

Year	2019	2020	2021	2022	2023
Manufacturing sales value of pipes, fittings and flanges (RM billion)	2.63	2.31	2.51	2.76	2.95
YOY (%)	-	-12.17	8.66	9.96	6.88

Sources: DOSM, SMITH ZANDER

As Saliran Group is also involved in the supply and distribution of structural steel products (e.g. steel beams, steel bars and steel plates), the performance of the structural steel products industry in Malaysia, as represented by the consumption of structural steel products, is presented below.

The consumption of structural steel products in Malaysia registered a YOY decline of 23.08% from 4.03 million metric tonnes ("MT") in 2019 to 3.10 million MT in 2020, and subsequently decreased further by 18.39% YOY to 2.53 million MT in 2021. This was mainly due to the temporary disruptions in construction projects arising from the outbreak of the COVID-19 pandemic. As business activities recovered following the subsidence of the COVID-19 pandemic, consumption of structural steel products recovered by 20.95% YOY to 3.06 million MT in 2022, and subsequently grew by 7.84% YOY to 3.30 million MT in 2023.

Consumption of structural steel products (Malaysia), 2019 – 2023

Note: The consumption of structural steel products is presented in volume (i.e. MT) due to the unavailability of data in value (i.e. RM).

Sources: South East Asia Iron and Steel Institute ("SEAIISI"), SMITH ZANDER

2 KEY DEMAND DRIVERS, RISKS AND CHALLENGES**2.1 Key demand drivers**

► **Growth in the O&G industry drives the growth for pipes, fittings and flanges as well as steel products industry**

Pipes, fittings and flanges are used in O&G process plants to transfer, and/or regulate the flow of, raw materials, semi-finished and finished products in the production and transportation processes. Steel products are used to support the installation of pipes, fittings and flanges and/or used in the construction of O&G process plants. As such, the growth of the O&G industry drives the demand for pipes, fittings and flanges as well as steel products.

² Only includes manufacturing of pipes, fittings and flanges made of iron, steel or other alloy steel.

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

The size of the O&G industry in Malaysia is represented by the gross domestic product ("GDP") of crude oil, condensate and natural gas in Malaysia. In 2019, the O&G industry recorded a GDP of RM93.10 billion, and subsequently declined by 9.42% YOY to RM84.33 billion in 2020 as demand for O&G products declined due to disruptions in global travel and trade activities arising from the outbreak of the COVID-19 pandemic. From 2020 to 2023, as international travel and trade gradually recovered, the O&G industry in Malaysia also recovered and grew at a compound annual growth rate ("CAGR") of 1.51% from RM84.33 billion to RM88.22 billion.

The growth of the O&G industry in Malaysia is driven by the demand for oil and natural gas. Growing demand for oil and natural gas, which can be represented by the increasing global consumption of oil and natural gas, is expected to drive the demand for O&G production, refining and processing activities. This will in turn drive the demand for pipes, fittings and flanges as well as steel products to support the operations of O&G process plants.

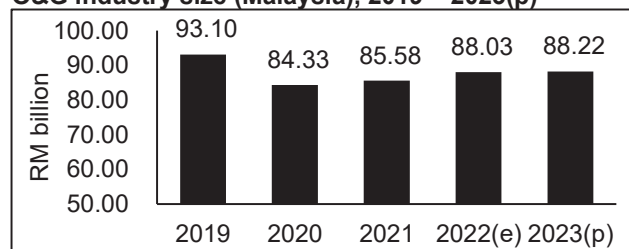
In 2020, global consumption of oil and natural gas decreased by 8.68% YOY from 35.85 billion barrels of oil ("bbl") in 2019 to 32.74 billion bbl in 2020, and 0.96% YOY from 22.99 billion barrels of oil equivalent ("boe") in 2019 to 22.77 billion boe in 2020, respectively. This was mainly due to the temporary suspension of transportation and business activities amidst the COVID-19 pandemic. Global consumption of oil recovered at a CAGR of 2.85% from 34.58 billion bbl in 2021 to 36.58 billion bbl in 2023 as economic activities normalised, and demand for oil recovered and stabilised to pre-COVID-19 levels.

Similarly, consumption of natural gas recorded a recovery of 3.95% YOY in 2021 to 23.67 billion boe. Global consumption of natural gas then declined slightly to 23.58 billion boe in 2022, and increased marginally by 0.04% YOY to 23.59 billion boe in 2023 as demand stabilised.

Further, increased capital expenditure in the O&G industry indicates increase in investments for new developments such as process plants, offshore platforms and pipelines, which signifies the growth of the O&G industry. Capital expenditure ("CAPEX") of the O&G industry in Malaysia is represented by the domestic CAPEX of Petroleum Nasional Berhad ("PETRONAS"). PETRONAS holds exclusive rights to petroleum resources in Malaysia, and plays a pivotal role in spearheading the direction of the nation's O&G industry.

Between 2019 to 2021, the domestic CAPEX of PETRONAS recorded a decline at a negative CAGR of 22.07% from RM24.70 billion to RM15.00 billion. This was mainly due to the slowdown in demand for O&G, government-imposed movement restriction orders as well as supply chain disruptions arising from the outbreak of the COVID-19 pandemic. In response to the recovery in global consumption of oil and natural gas in 2021, PETRONAS's domestic CAPEX increased 24.00% YOY to RM18.60 billion in 2022. In 2023, domestic CAPEX increased further by 40.86% YOY to RM26.20 billion following investments in new projects.

In addition to its domestic CAPEX, PETRONAS recorded an average of RM42.90 billion total CAPEX, comprising domestic and foreign CAPEX, from 2019 to 2023. According to PETRONAS, it has allocated RM50.00 billion to RM60.00 billion in total CAPEX for 2024, and plans to spend RM300.00 billion in total CAPEX in the next 5 years focusing mainly on its core business of hydrocarbon to support energy security.³ Furthermore, according to PETRONAS Activity Outlook 2024 – 2026, numerous ongoing and upcoming projects are expected to be carried out

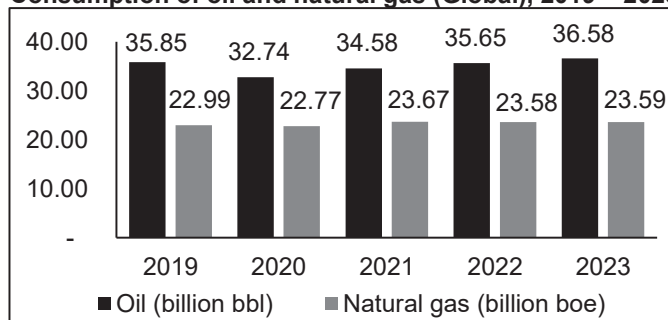
O&G industry size (Malaysia), 2019 – 2023(p)

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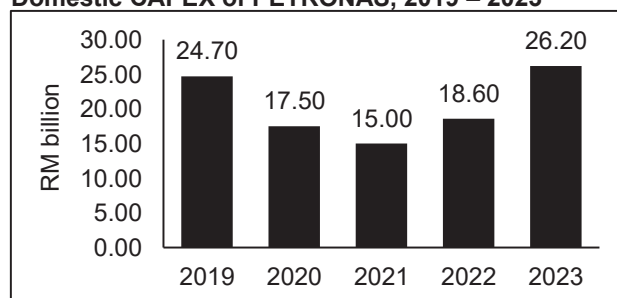
* (e) – Estimate.

* (p) – Preliminary.

Sources: DOSM, SMITH ZANDER

Consumption of oil and natural gas (Global), 2019 – 2023

Sources: Energy Institute, SMITH ZANDER

Domestic CAPEX of PETRONAS, 2019 – 2023

Source: PETRONAS

³ Source: PETRONAS

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)**SMITH ZANDER**

within the 3 years, including, amongst others, the execution of 45 upstream projects, fabrication of 4 Central Processing Platforms, construction of 3 onshore facilities, as well as the fabrication and installation of pipelines spanning approximately 1,130 kilometres. These ongoing and upcoming projects are expected to drive the demand for pipes, fittings and flanges as well as steel products, thus creating opportunities for pipes, fittings and flanges as well as steel products industry players.

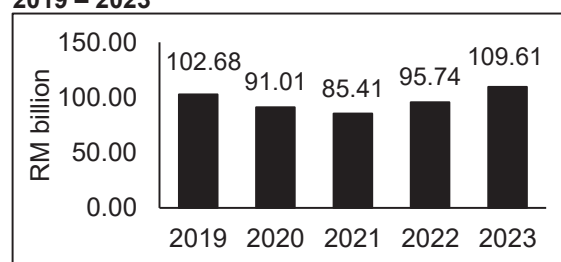
► **Growth in other end user industries drive the growth for pipes, fittings and flanges as well as steel products industry**

The demand for pipes, fittings and flanges as well as steel products is supported by the growth of other end user industries that utilise such products, for instance building materials and palm oil refining, amongst others. In addition to the oil and gas industry, Saliran Group also supplies to customers in the building materials and palm oil refining industries. As such, the performance and growth of these industries are elaborated below:

* **Building materials industry**

The performance of the building materials industry in Malaysia is represented by the consumption of building materials. The consumption of building materials in Malaysia decreased by 11.37% YOY from RM102.68 billion in 2019 to RM91.01 billion in 2020, and subsequently decreased further by 6.15% YOY to RM85.41 billion in 2021, due to the slowdown in construction and renovation / refurbishment activities as a result of the movement restriction orders imposed by the Government amidst the COVID-19 pandemic. The consumption of building materials in Malaysia then recovered and recorded a CAGR of 13.28% from RM85.41 billion in 2021 to RM109.61 billion in 2023 as business activities, including construction and renovation / refurbishment activities, resumed to pre-COVID-19 levels. Moving forward, construction and renovation / refurbishment activities are expected to continue to be driven by optimistic economic performance of the nation, with estimated GDP growth of 4.80% to 5.30% in 2024⁴.

Consumption of building materials (Malaysia), 2019 – 2023



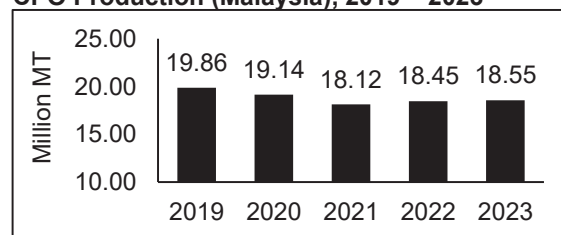
Sources: DOSM, SMITH ZANDER

* **Palm oil refining industry**

Malaysia is one of the largest palm oil producers in the world. Between 2019 to 2023, the palm oil industry accounted for an average of 2.52% of the nation's GDP.⁵

From 2019 to 2021, crude palm oil ("CPO") production recorded a decline at a negative CAGR of 4.48% from 19.86 million MT to 18.12 million MT. This was due to lower yield of fresh fruit bunches resulting from disruptions in harvesting, processing as well as transportation activities due to movement restrictions implemented by the Government during the COVID-19 pandemic. CPO production gradually recovered and recorded a CAGR of 1.18% from 18.12 million MT in 2021 to 18.55 million MT in 2023 as business activities resumed to pre-COVID-19 levels.

CPO Production (Malaysia), 2019 – 2023



Source: Malaysian Palm Oil Board

► **Growth in foreign direct investments ("FDI") drives the growth of the pipes, fittings and flanges as well as steel products industry**

FDI refer to direct investments made by foreign investors with the intention to expand their business operations or to venture into new business opportunities in Malaysia. In addition to the inflow of additional capital into the country, FDI also allow the transfer of technology and technical knowledge, as well as create healthy competition in the domestic market. Increasing FDI inflows is expected to drive the growth of the national economy in various aspects, including industries such as O&G, building materials, palm oil refining, amongst others.

⁴ Source: Economic Outlook 2025

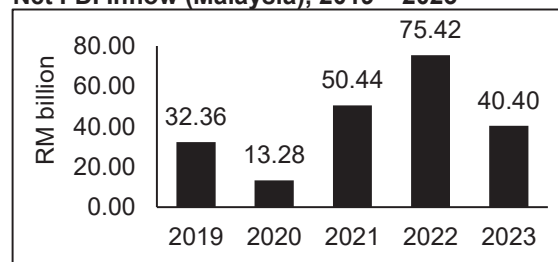
⁵ Sources: DOSM, SMITH ZANDER

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

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Net FDI inflow in Malaysia recorded a decline of 58.96% YOY from RM32.36 billion in 2019 to RM13.28 billion in 2020 as businesses reduced investment spendings to retain cash while business activities slowed down amidst the outbreak of the COVID-19 pandemic. In 2021, as the global economy began to recover, net FDI inflow in Malaysia increased by 279.82% to RM50.44 billion, and further to RM75.42 billion in 2022. Subsequently, in 2023, FDI in Malaysia normalised and net FDI inflow was recorded at RM40.40 billion. The term 'normalisation' is used to reflect the reversion of net FDI inflow in 2023 closer to pre-COVID-19 levels after the spike in 2022.

Despite the lower net FDI inflow in 2023, the post-pandemic economic recovery and growth in Malaysia, which is demonstrated by the growth of the national GDP at a CAGR of 5.16% from 2020 to 2023, is expected to provide confidence to foreign investors. Further, the Malaysian Government has also implemented various incentives to attract foreign investors, such as investment tax allowances, reinvestment allowances and income tax exemptions. The sustained growth of the Malaysian economy along with incentives implemented by the Government makes Malaysia an attractive investment destination for business growth and global expansion, and hence is expected to boost net FDI inflows. The inflow of net FDI will subsequently lead to increase in the establishment of new manufacturing and process facilities in various industries.

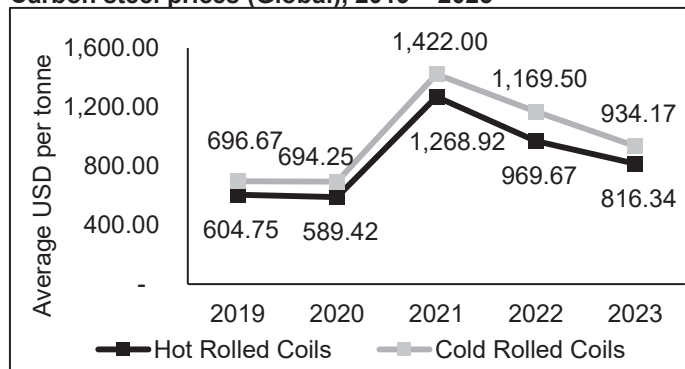
Net FDI Inflow (Malaysia), 2019 – 2023

Source: DOSM

2.2 Key industry risks and challenges**► Exposure to price fluctuations of raw materials**

Pipes, fittings and flanges are made of different raw materials, such as carbon steel, stainless steel or plastics, whereas steel products are made of carbon steel, stainless steel, or other steel alloys. These raw materials are subject to price fluctuations as a result of global demand and supply conditions. Carbon steel is one of the key raw materials used in the production of pipes, fittings and flanges as well as steel products, and are available in different forms such as hot rolled coils, cold rolled coils, hot rolled plates, structural sections and beams, amongst others. The global average annual prices of hot rolled carbon steel coils and cold rolled carbon steel coils are used to represent the price fluctuations of carbon steel.

The global average annual price of hot rolled carbon steel coils declined from USD604.75 (RM2,505.30)⁶ per tonne in 2019 to USD589.42 (RM2,476.51)⁶ per tonne in 2020. This was due to the temporary suspension of business activities as well as global supply chain disruptions which resulted from the implementation of movement restrictions and temporary lockdowns by countries worldwide as containment measures to curb the COVID-19 virus. In 2021, the global average annual price of hot rolled carbon steel coils surged to USD1,268.92 (RM5,260.18)⁶ per tonne as a result of undersupply due to supply cuts in 2020 and pent-up demand from end user industries in 2021 as business activities gradually resumed to pre-COVID-19 levels. The global average annual price of hot rolled carbon steel coils declined to USD969.67 (RM4,267.03)⁶ per tonne in 2022, and further returned closer to pre-COVID-19 levels to USD816.34 (RM3,726.84)⁶ per tonne in 2023, as the demand stabilised. The global average annual prices of cold rolled carbon steel coils recorded similar price trends over the same period, as depicted in the chart above.

Carbon steel prices (Global), 2019 – 2023

Sources: MEPS International, SMITH ZANDER

Any material increases in the prices of raw materials such as carbon steel may lead to a rise in the prices of pipes, fittings and flanges as well as steel products. As such, failure to pass on the increase in prices to customers may cause material adverse impact to the financial performance of industry players.

⁶ Exchange rate from USD to RM was converted based on average annual exchange rates of the respective years, extracted from published information from Bank Negara Malaysia.

Year	2019	2020	2021	2022	2023
USD1 = RM	4.1427	4.2016	4.1454	4.4005	4.5653

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

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► Exposure to competition from other industry players

The pipes, fittings and flanges as well as steel products industry is fragmented and competitive due to the large number of industry players. Industry players compete amongst each other in various aspects, such as product range, product pricing and delivery timing, amongst others. Industry players do not only face competition from existing players, but also new entrants due to the relatively low barriers of entry, especially in the distribution segment.

In order to remain competitive in the market, industry players have to continuously scale up their business and capture larger market share by securing consistent supply of high-quality products, establishing wide network of suppliers in order to have a diverse and extensive product portfolio, as well as enhancing their customer base through competitive pricing, timely delivery, and strong customer service. Failure to remain competitive may adversely affect the ability of industry players to sustain their sales, in turn adversely impacting the financial performance and growth of their businesses.

► Exposure to unfavourable changes in import duty regulations

The pipes, fittings and flanges as well as steel industry in Malaysia is subject to Government regulations on the imposition of import duties which is levied between 0% to 15% depending on the types and grades of products. However, raw materials and components which are used directly in manufacturing activities may be eligible for import duty exemptions subject to terms and conditions set out by the relevant Government authorities. Further, the pipes, fittings and flanges as well as steel industry in Malaysia is also subject to the imposition of anti-dumping duties by the Government.

Any changes in import duty regulations, specifically the removal of import duty exemptions and/or increase in import duties, including impositions of anti-dumping duties, will result in the increase in the cost of imported raw materials, which may in turn increase the prices of pipes, fittings and flanges as well as steel products. This could subsequently result in negative impact to the financial performance of industry players.

► Exposure to risks arising from political, economic, social and regulatory changes

The performance of the pipes, fittings and flanges as well as steel products industry is exposed to any uncertainties in the political, economic, social and legal environment in the country. Events such as changes in political leadership, terrorism, war, strikes, riots and changes in tax policies, amongst others, could lead to adverse impact on the operations of industry players, hence negatively affecting their business and financial performance. Further, any introduction and implementation of new regulations governing the pipes, fittings and flanges as well as steel products industry may also affect the operations of industry players.

In addition, any uncertainties arising from political, economic, social and regulatory changes may also cause businesses to be more cautious with their spending, which could lead to slowdown in investment activities in end user industries.

3 COMPETITIVE LANDSCAPE**3.1 Overview**

The pipes, fittings and flanges as well as steel industry is fragmented and competitive due to the large number of industry players. Further, as pipes, fittings and flanges as well as steel products are generally available and can be readily sourced in the market, industry players in the distribution segment of the industry are not required to invest in equipment or machinery. In addition, some pipes, fittings and flanges as well as steel products are manufactured in accordance to standard specifications and are non-customisable, as these products are required to comply with international standards such as the American Petroleum Institute (API) standard, Pressure Equipment Directive (PED) standard, American Society of Mechanical Engineers (ASME) standard and American Society for Testing and Materials (ASTM) standard. As customisations are limited for pipes, fittings and flanges as well as steel products, industry players compete in terms of the variety of product offerings, product pricing, as well as delivery timing. For industry players such as Saliran Group that primarily supplies and distributes pipes, fittings and flanges as well as steel products, it is essential to build strong presence in the market, maintain optimal inventory level, as well as offer a diverse product portfolio to meet the various requirements of customers.

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

3.2 Key industry players

As Saliran Group is principally involved in the supply and distribution of pipes, fittings and flanges as well as steel products primarily for the O&G industry, the basis for selection of the key industry players in Malaysia is as follows:

- Companies principally involved in the supply and distribution of pipes, fittings, flanges and/or steel products; and
- Companies which recorded more than RM40.00 million revenue based on their respective latest available financial years.

Company	Examples of products supplied	Latest available financial year	Revenue ⁽¹⁾ (RM million)	Gross profit margin (%)	Profit / (loss) after tax margin (%)
Unitrade Industries Berhad ⁽²⁾	Pipes, fittings, flanges, steel products, as well as related parts and accessories	31 March 2024	1,613.40	5.27	1.37
Engtex Group Berhad ⁽³⁾	Pipes, fittings, flanges, steel products, as well as related parts and accessories	31 December 2023	1,469.77	9.50	0.69
Pantech Group Holdings Berhad ⁽⁴⁾	Pipes, fittings, flanges and related parts	29 February 2024	946.63	23.51	11.15
Unimech Group Berhad ⁽⁵⁾	Pipes, fittings, related parts as well as accessories	31 December 2023	330.57	45.26	10.25
Excel Metal Industries Sdn Bhd	Pipes and steel products	31 March 2024	252.50	5.71	(2.07)
Saliran Group Berhad	Pipes, fittings, flanges, steel products, as well as related parts and accessories	31 December 2023	243.16	16.89	4.17
Ban Hee Metal Sdn Bhd	Pipes and steel products	31 December 2023	160.66	6.97	9.12
Van Leeuwen Pipe and Tube (Malaysia) Sdn Bhd	Pipes, fittings, related parts and structural steel products	31 December 2023	135.03	18.04	5.51
Y K Hardware Supply Sdn Bhd	Pipes, fittings, flanges, related parts and accessories	31 May 2023	118.23	N/A	2.09
Aspac Alliance Steels Sdn Bhd	Pipes and steel products	31 December 2023	97.39	5.06	0.29
Saluran Pasifik Sdn Bhd	Pipes, fittings, related parts as well as accessories and structural steel products	31 December 2023	73.60	13.82	4.85
Han Aik Hardware Sdn Bhd	Pipes, fittings and steel products	31 December 2023	49.28	N/A	5.25
Minox International Group Berhad ⁽⁶⁾	Fittings, related parts and accessories	31 December 2023	49.22	55.71	8.82
New Far East Hardware Trading Sdn Bhd	Pipes and steel products	31 October 2023	47.83	10.09	(0.25)
Nan Ya Hardware Sdn Bhd	Pipes, fittings, flanges, steel products as well as related parts and accessories	31 December 2023	40.62	N/A	4.47

Notes:

- Latest available as at the date of research completion.
- N/A – Not available.
- 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 do not have 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 identified is exhaustive.

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

- ⁽¹⁾ Revenue of industry players may include revenue derived from other business activities (i.e. business activities other than the supply and distribution of pipes, fittings, flanges and/or steel products) and/or revenue derived from countries outside Malaysia. Save for Unitrade Industries Berhad, Engtex Group Berhad, Pantech Group Holdings Berhad and Unimech Group Berhad with details set out in notes (2), (3), (4) and (5) below, the percentage of revenue derived from similar business activities as Saliran Group of the other industry players is not publicly available.
- ⁽²⁾ Unitrade Industries Berhad is listed on the ACE Market of Bursa Malaysia Securities Berhad. Unitrade Industries Berhad and its group of companies are principally involved in the wholesale and distribution of building materials, including pipes, valves and flanges as well as other related products. Unitrade Industries Berhad is also involved in the manufacturing and sale of pre-insulated pipes and rental of temporary structural support equipment for building construction activities. In its latest available financial year, the wholesale and distribution segment of Unitrade Industries Berhad recorded a revenue of RM1.37 billion (accounted for 84.70% of the total revenue). Further breakdown of this segment is not publicly available.
- ⁽³⁾ Engtex Group Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad. Engtex Group Berhad and its group of companies are principally involved in the wholesale and distribution of pipes, valves, fittings, plumbing materials, steel-related products, general hardware products and construction materials. Engtex Group Berhad is also involved in the manufacturing and sale of steel ductile iron pipes and fittings, valves, manhole covers, hydrants, industrial casting products, welded wire mesh, hard-drawn wire, steel bars and other steel-related products; property development and investment activities; as well as operation of hotel rooms, food and beverage, meeting and function rooms, and other hospitality services. In its latest available financial year, the wholesale and distribution segment of Engtex Group Berhad recorded a revenue of RM697.00 million (accounted for 47.42% of the total revenue). Further breakdown of this segment is not publicly available.
- ⁽⁴⁾ Pantech Group Holdings Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad. Pantech Group Holdings Berhad and its group of companies are principally involved in the trading and manufacturing of pipes, valves and flanges as well as other related products. In its latest available financial year, the trading segment of Pantech Group Holdings Berhad recorded a revenue of RM510.98 million (accounted for 53.98% of the total revenue) and gross profit margin of 12.58%.
- ⁽⁵⁾ Unimech Group Berhad is listed on the Main Market of Bursa Malaysia Securities Berhad. Unimech Group Berhad and its group of companies are principally involved in the design, fabrication, installation and maintenance of boilers, combustion equipment, engineering equipment and piping systems, as well as the design, manufacturing and distribution of valves, fittings and other related products. In its latest available financial year, revenue contributed from system design, fabrication, manufacturing and distribution of valves, instrumentation and fittings, maintenance of boilers and combustion (which is the segment with closest business activities to Saliran Group) amounted to RM265.55 million (accounted for 80.33% of the total revenue), recording a gross profit margin of 20.70%. Further breakdown of this segment is not publicly available.
- ⁽⁶⁾ Minox International Group Berhad is listed on the ACE Market of Bursa Malaysia Securities Berhad. Minox International Group Berhad and its group of companies are principally involved in the distribution of stainless steel sanitary valves, tubes and fittings, installation components and equipment, rubber hoses as well as other related products. Further breakdown of its revenue by type of products distributed is not publicly available.

Sources: Saliran Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

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8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

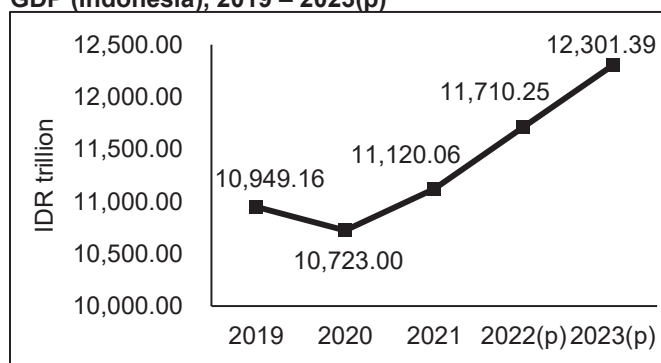
3.3 Market share

Saliran Group captured a market share of approximately 3.63% in Malaysia, computed based on the combined value of purchases of pipes, fittings and flanges sold to the domestic market in Malaysia (i.e. RM134.74 million) and revenue generated from the manufacturing of fittings and flanges (i.e. RM3.69 million), which collectively amounting to RM0.14 billion in the FYE 2023, against the consumption of pipes, fittings and flanges of RM3.86 billion in Malaysia in 2023.

4 THE PIPES, FITTINGS AND FLANGES AS WELL AS STEEL PRODUCTS INDUSTRY IN INDONESIA

The economic performance of Indonesia, as represented by the country's GDP, declined from IDR10,949.16 trillion (RM3.21 trillion)⁷ in 2019 to IDR10,723.00 trillion (RM3.10 trillion)⁷ in 2020, at 2.07%, due to adverse impacts from the COVID-19 pandemic. The economy recovered in 2021 and registered a YOY growth of 3.70% to IDR11,120.06 trillion (RM3.22 trillion)⁷, and subsequently recorded a CAGR of 5.18% from IDR11,120.06 trillion (RM3.22 trillion)⁷ in 2021 to IDR12,301.39 trillion (RM3.68 trillion)⁷ in 2023.

The economy of Indonesia is mainly driven by the manufacturing sector, the largest contributor to the country's GDP, which has contributed an average of 20.56% to the country's GDP between 2019 to 2023.

GDP (Indonesia), 2019 – 2023(p)

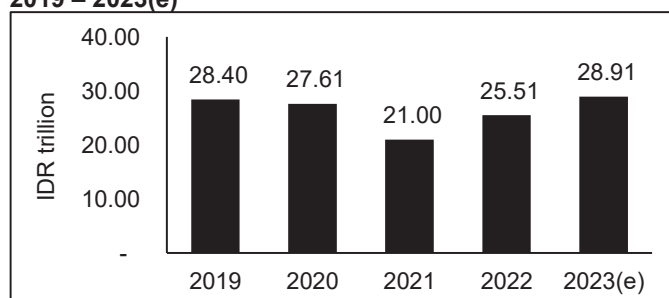
Note: (p) – Preliminary.

Source: BPS-Statistics Indonesia

On the other hand, the construction sector of Indonesia, the fourth largest contributor to the country's GDP, has contributed an average of 9.84% of the GDP of Indonesia over the same period. From 2019 to 2023, the manufacturing and construction sectors of Indonesia recorded CAGR of 2.45% and 1.58% respectively. The significant contribution and growth of the manufacturing and construction sectors in Indonesia signify demand for pipes, fittings and flanges as well as steel products, as these products are utilised to support manufacturing and construction activities.

The performance of the pipes, fittings and flanges industry in Indonesia is represented by the consumption of pipes, fittings and flanges in Indonesia.

The consumption of pipes, fittings and flanges in Indonesia recorded a YOY decline of 2.78% from IDR28.40 trillion (RM8.32 billion)⁷ in 2019 to IDR27.61 trillion (RM7.98 billion)⁷ in 2020, and further by 23.94% to IDR21.00 trillion (RM6.09 billion)⁷ in 2021, due to the slowdown in demand for pipes, fittings and flanges during the COVID-19 pandemic. From 2021 to 2023, consumption recovered and recorded a CAGR of 17.33% from IDR21.00 trillion (RM6.09 billion)⁷ to an estimated IDR28.91 trillion (RM8.64 billion)⁷ as the adverse impacts of COVID-19 subsided and business activities gradually resumed to pre-COVID-19 levels.

Consumption of pipes, fittings and flanges (Indonesia), 2019 – 2023(e)⁸

Note: (e) – Estimate.

Sources: BPS-Statistics Indonesia, SMITH ZANDER

⁷ Exchange rate from IDR to RM was converted based on average annual exchange rates of the respective years, extracted from published information from Bank Negara Malaysia.

Year	2019	2020	2021	2022	2023
IDR100 = RM	0.0293	0.0289	0.0290	0.0296	0.0299

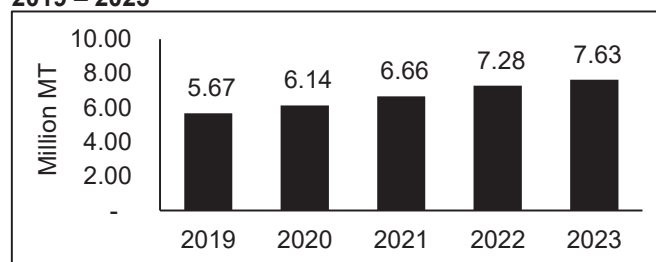
⁸ Only includes consumption of pipes, fittings and flanges made of iron, steel or other alloy steel.

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)**SMITH ZANDER**

The performance of the structural steel products industry in Indonesia is represented by the consumption of structural steel products in Indonesia.

Consumption of structural steel products in Indonesia recorded a CAGR of 7.70% from 5.67 million MT in 2019 to 7.63 million MT in 2023. The growth in consumption of structural steel products in Indonesia persisted over the 5-year period, despite a decline in the Indonesian economy in 2020. Subsequently, consumption of structural steel products in Indonesia continued to grow, in line with the recovery and growth of the economy, with GDP recording a CAGR of 5.18% from 2021 to 2023.

Consumption of structural steel products (Indonesia), 2019 – 2023



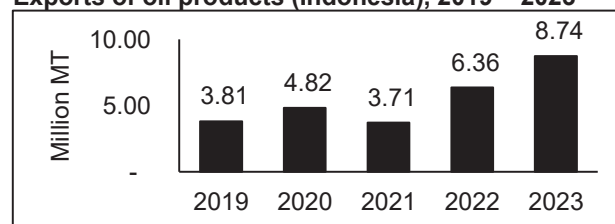
Note: The consumption of structural steel products is presented in volume (i.e. MT) due to the unavailability of data in value (i.e. IDR).

Sources: SEAISI, SMITH ZANDER

The growth of the pipes, fittings and flanges as well as steel products industry, specifically for use in the O&G industry, is driven by the growth in the O&G industry. The growth of the O&G industry in Indonesia is driven by the demand for oil and natural gas, which can be represented by the continuous global consumption of oil and natural gas that demonstrated recovery in 2021 after the impact of the COVID-19 pandemic, and continued to stabilise without major fluctuations in 2022 and 2023. Please refer to **Chapter 2.1 Key demand drivers** for further details on the global consumption of oil and natural gas.

Further, the exports of oil products in Indonesia recorded a CAGR of 23.07% from 3.81 million MT in 2019 to 8.74 million MT in 2023, despite a YOY decline of 23.03% in 2021. The growth in exports of oil products in Indonesia is expected to drive the demand for oil refining and processing activities, in turn creating demand for pipes, fittings and flanges as well as steel products to support the operations of O&G process plants.

Exports of oil products (Indonesia), 2019 – 2023



Source: BPS-Statistics Indonesia

5 PROSPECT AND OUTLOOK OF THE PIPES, FITTINGS AND FLANGES AS WELL AS STEEL PRODUCTS INDUSTRY

The pipes, fittings and flanges industry in Malaysia, represented by the consumption of pipes, fittings and flanges, declined 12.33% YOY from RM4.30 billion in 2019 to RM3.77 billion in 2020, and decreased further by 4.51% to RM3.60 billion in 2021 due to negative impacts of the COVID-19 pandemic. Consumption of pipes, fittings and flanges recovered by 37.50% YOY to RM4.95 billion in 2022, exceeding pre-pandemic level of RM4.30 billion in 2019. In 2023, consumption of pipes, fittings and flanges normalised to RM3.86 billion. Despite the fluctuations in the consumption of pipes, fittings and flanges in Malaysia from 2019 to 2023, the industry recorded a CAGR of 2.91% in the manufacturing sales value of pipes, fittings and flanges from RM2.63 billion in 2019 to RM2.95 billion in 2023.

The steel products industry in Malaysia, represented by the consumption of structural steel products, declined by 23.08% YOY from 4.03 million MT in 2019 to 3.10 million MT in 2020, and further declined by 18.39% YOY to 2.53 MT in 2021. In 2022, consumption of structural steel products recovered by 20.95% YOY to 3.06 million MT, and subsequently grew by 7.84% YOY to 3.30 million MT in 2023.

Moving forward, the pipes, fittings and flanges as well as steel products industry is expected to be driven by:

► Growth in the O&G industry

Pipes, fittings and flanges as well as steel products are used in the construction of O&G process plants to support production and transportation processes. The size of O&G industry in Malaysia, as represented by the GDP of crude oil, condensate and natural gas in Malaysia, recorded a decline of 9.42% YOY from RM93.10 billion in 2019 to RM84.33 billion in 2020 due to disruptions in global travel and trade activities amidst the COVID-19 pandemic. From 2020 to 2023, the Malaysian O&G industry recovered and grew at a CAGR of 1.51% from RM84.33 billion in 2020 to RM88.22 billion in 2023.

Further, increasing capital expenditure in the O&G industry in Malaysia, which is represented by the domestic CAPEX of PETRONAS, is expected to drive the local O&G industry moving forward. From 2019 to 2021, domestic CAPEX of PETRONAS decline from RM24.70 billion to RM15.00 billion due to negative impacts of the

8. INDEPENDENT MARKET RESEARCH REPORT (cont'd)

SMITH ZANDER

COVID-19 pandemic. In 2022 and 2023, PETRONAS expanded its domestic CAPEX to RM18.60 billion and RM26.20 billion respectively, in response to the recovery in global oil and natural gas consumption. PETRONAS has allocated a total CAPEX of RM50.00 billion to RM60.00 billion in 2024, and intends to spend a total CAPEX of RM300.00 billion to expand its operations in the next 5 years, thus creating demand for pipes, fittings and flanges as well as steel products specifically for use in the O&G industry.

► **Growth in other end user industries, such as building materials industry and palm oil refining industry**

Continuous growth in end user industries that utilise pipes, fittings and flanges as well as steel products, such as building materials industry and palm oil refining industry, is expected to drive the demand for such products. Consumption of building materials in Malaysia decreased by 11.37% YOY from RM102.68 billion in 2019 to RM91.01 billion in 2020, and further by 6.15% YOY to RM85.41 billion in 2021, as construction and renovation / refurbishments activities slowed down during the COVID-19 pandemic. Following which, the building materials recovered and consumption of building materials registered a CAGR of 13.28% from RM85.41 billion in 2021 to RM109.61 billion in 2023.

In terms of the palm oil industry, CPO production declined at a negative CAGR 4.48% from 19.86 million MT in 2019 to 18.12 million MT in 2021 due to disruptions in harvesting, processing and transportation activities. From 2021 to 2023, CPO production recovered gradually at a CAGR of 1.18% from 18.12 million MT to 18.55 million MT as business activities normalised.

► **Growth in FDI**

Growth in FDI stimulates local economic growth through the inflow of additional capital into the country. Net FDI inflow in Malaysia declined 58.96% YOY from RM32.26 billion in 2019 to RM13.28 billion in 2020 as investment spendings slowed down due to the COVID-19 pandemic. As the economy gradually recovered, net FDI inflow in Malaysia increased by 279.82% to RM50.44 billion in 2021, and further expanded to RM75.42 billion in 2022. In 2023, Malaysia registered a net FDI inflow of RM40.40 billion as FDI normalised. Moving forward, the post-pandemic economic recovery and growth in Malaysia as well as implementation of various incentives are expected to attract foreign investors, in turn driving FDI in Malaysia. Increase in FDI will then lead to increase in establishment of new manufacturing and process facilities, thus driving the demand for pipes, fittings, flanges as well as steel products.

The consumption of pipes, fittings and flanges in Indonesia declined by 2.78% YOY from IDR28.40 trillion (RM8.32 billion) in 2019 to IDR27.61 trillion (RM7.98 billion) in 2020, and further by 23.94% to IDR21.00 trillion (RM6.09 billion) in 2021. This was due to slowdown in demand amidst the COVID-19 pandemic. Subsequently, as business activities normalised, consumption of pipes, fittings and flanges in Indonesia recovered and recorded a CAGR of 17.33% from IDR21.00 trillion (RM6.09 billion) in 2021 to IDR28.91 trillion (RM8.64 billion) in 2023.

On the other hand, consumption of structural steel products in Indonesia grew at a CAGR of 7.70% from 5.67 million MT in 2019 to 7.63 million MT in 2023, despite the slowdown in the Indonesian economy in 2020.

The growth of the pipes, fittings and flanges as well as steel products industry in Indonesia, specifically for use in the O&G industry, is driven by the growth in the O&G industry. Exports of oil products in Indonesia grew at a CAGR of 23.07% from 3.81 million MT in 2019 to 8.74 million MT in 2023. This is expected to drive the demand for oil refining and processing activities, thus increasing the demand for pipes, fittings and flanges as well as steel products.

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9. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

9.1 RISKS RELATING TO OUR BUSINESS AND OUR OPERATIONS

9.1.1 We are dependent on our major suppliers, namely Tae Heung and Supplier A

We are dependent on the following major suppliers:

(i) Tae Heung

We are dependent on our contract manufacturer, namely Tae Heung, who emerged as our largest supplier in FYE 2023 and FPE 2024 with contribution of 30.50% and 35.61% to our total purchases, respectively. We have entered into an OEM Agreement with Tae Heung, whereby Tae Heung serves as our contract manufacturer to supply products listed in the OEM Agreement under our jointly-owned brand of “THF”, and we have the exclusive rights to supply and distribute these products under the brand of “THF” in Malaysia, Indonesia, Singapore, Thailand, Vietnam and Philippines. Whilst we have an OEM Agreement with Tae Heung as at the LPD, there is no guarantee that Tae Heung will agree to renew the OEM Agreement in the future. In such circumstances, we would lose the exclusive rights to supply and distribute Tae Heung’s products under the brand of “THF”, and we may not be able to supply and distribute Tae Heung’s products at all, which would in turn affect our sales performance. Please refer to Section 7.24(i) of this Prospectus for details and salient terms of the OEM Agreement.

Additionally, our GP margin for the supply and distribution of “THF” brand fittings and flanges products were 24.38% and 24.40% in FYE 2023 and FPE 2024, which were higher than the GP margin of 12.12% and 12.55% for the supply and distribution of third-party brands fittings and flanges products. In the event that we are unable to continue selling “THF” brand products, the overall GP margin for our supply and distribution business may decrease, resulting in an adverse impact on our financial performance.

In the event of default by Tae Heung (a South Korean company) under the OEM Agreement, pursuing legal action presents significant challenges to our Group, in particular with enforcing a Malaysian court judgment in South Korea due to the lack of reciprocal enforcement treaties. Instead, a legal process would need to be initiated in South Korea to recognise and enforce the Malaysian judgment. The aforementioned could lead to delays, higher legal costs, and potential reputational damage to our Group, especially in international business settings.

(ii) Supplier A

For the FYE 2021 to FYE 2023 and FPE 2024, purchases from Supplier A accounted for 6.59%, 20.68%, 28.41% and 33.09% of our total purchases respectively. Purchases from Supplier A includes pipes, fittings, flanges, steel products as well as related parts and accessories. Given the substantial and increasing purchases from Supplier A, we are dependent on them for continuous supply of these products. In the event that Supplier A opts to terminate this relationship, our business operations may be disrupted if we are unable to source similar products from other suppliers timely.

In addition to the above, even if we are able to source similar products from other suppliers, there is no assurance that the products are acceptable to our customers, which may negatively affect our sales and our financial performance.

9. RISK FACTORS *(cont'd)***9.1.2 Our business and financial performance may be adversely affected if we lose significant sales from our major customers, namely Harmoni Group and PT Promatcon Tepatguna**

We are dependent on the following major customers:

(i) Harmoni Group

Harmoni Group is a Malaysian privately-owned distributor of industrial equipment and products as well as manufacturer of fabricated metal products, primarily serving customers in the oil and gas industry. Harmoni Pipes & Fittings (M) Sdn Bhd (part of Harmoni Group) holds a certified Petronas license (expiring on 12 October 2027), which allows them to participate in Malaysia's Petronas projects.

For the FYE 2021 to FYE 2023 and FPE 2024, Harmoni Group was our top customer with revenue contribution of 13.60%, 24.73%, 39.09% and 36.87% of our total revenue respectively. We are dependent on Harmoni Group by virtue of their revenue contribution for the FYE 2021 to FYE 2023 and FPE 2024.

(ii) PT Promatcon Tepatguna

PT Promatcon Tepatguna is an Indonesian privately-owned EPCI company servicing the oil and gas and petrochemical industries in Indonesia. PT Promatcon Tepatguna is a company registered under the e-CHSEMS platform in Indonesia, which is a platform launched by SKK Migas, a government agency tasked by the Ministry of Energy and Mineral Resources in Indonesia to manage the upstream oil and gas business activities. The e-CHSEMS platform is launched to centralise the procurement process of SKK Migas with the oil and gas contractors registered under the platform. For information, PT Promatcon Tepatguna's e-CHSEMS registration will expire on 28 March 2025.

PT Promatcon Tepatguna was our major customer for FYE 2023 and FPE 2024, contributing substantially to our total revenue at 15.27% and 26.80% respectively. We expect them to continue to contribute substantially to our total revenue in an increasing trend for future financial years as we intend to further expand our business in Indonesia by establishing a regional office to secure sales from local customers, including PT Promatcon Tepatguna.

Based on the above, we are dependent on Harmoni Group and PT Promatcon Tepatguna. We further wish to highlight that both Harmoni Group and PT Promatcon Tepatguna's businesses are dependent on them maintaining the required licences to operate within the oil and gas industry within their respective countries. Should Harmoni Group and PT Promatcon Tepatguna lose or be unable to renew their required licences respectively, their business operations will be adversely affected, which will, in turn, cause a reduction of their orders to our Group. Consequently, our sales to Harmoni Group and PT Promatcon Tepatguna will be affected, which may lead to an adverse impact on our financial performance moving forward. Additional information on Harmoni Group and PT Promatcon Tepatguna is disclosed in Section 7.15 of this Prospectus.

We entered into the Collaboration Agreement with Harmoni Group with further details set out in Section 7.24(ii) of this Prospectus. Notwithstanding this, there is no sale or purchase obligations stated in the Collaboration Agreement whereby products supplied to Harmoni Group are based on purchase orders. As for PT Promatcon Tepatguna, we did not enter into any long-term contracts with them and we supply our products to them based on purchase orders. As such, there is no assurance that Harmoni Group and/or PT Promatcon Tepatguna will continue to purchase our products in the future or that demand from them will be sustained at the current level in the future. In the event Harmoni Group or PT Promatcon Tepatguna ceases to purchase from us completely or significantly reduces their purchase from us, we may experience a reduction in sales which could result in a loss of revenue. Consequently, our Group's financial performance may be adversely affected if we are unable to replace the loss of sales from

9. RISK FACTORS *(cont'd)*

Harmoni Group or PT Promatcon Tepatguna with new customers or with additional orders from existing customers promptly. Additionally, in relation to the Collaboration Agreement entered into with Harmoni Group, besides termination due to an event of default, Harmoni Group has the option to also terminate the Collaboration Agreement at convenience by serving 3 months' prior written notice. In relation to the foregoing, we will have a 3-month transition period to secure alternative customers. Nonetheless, even if we are able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and/or maintain/improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

9.1.3 We are reliant on the trademark registered for our jointly-owned brand, namely "THF"

We have registered a trademark for our jointly-owned brand of "THF". The trademark is registered in Malaysia with the Intellectual Property Corporation of Malaysia. The registration of this trademark is valid until 3 December 2031. In addition, the trademark is also registered in Indonesia with the Directorate General of Intellectual Property (Indonesia) which is valid until 17 November 2033. Please refer to Section 7.18 of this Prospectus for details of our intellectual property rights. Protection of our jointly-owned brand with a trademark is important in maintaining our product and market identities. Failure to maintain our trademark registration or to renew upon expiry may result in a loss of the trademark for our brand, which may prohibit us from selling products under the brand and potentially harming our relationship with the joint-owner of the brand, i.e. Tae Heung.

Further, in the event that any third-party infringers begin selling counterfeit versions of our products under our trademark-registered brand, there is a risk that our customers may mistake them for our products, potentially damaging our sales and reputation. In such circumstances, there is no certainty that we will be able to successfully establish an infringement of our trademark. Should we fail to establish a claim of trademark infringement on third-party infringers, we may suffer significant losses arising from damages and/or litigation costs. In addition, we risk reputational damage as a result of litigation. During the FYEs 2021 to 2023, FPE 2024 and up to the LPD, our Group has not encountered any issues relating to the infringement of our trademark.

Whilst we have an OEM Agreement with Tae Heung as at the LPD, there is no guarantee that Tae Heung will agree to renew the OEM Agreement in the future. In such circumstances, we would lose the exclusive rights to supply and distribute Tae Heung's products under the brand of "THF", and we may not be able to supply and distribute Tae Heung's products at all, which would in turn affect our sales performance.

9.1.4 Our future GP margin, profitability and operating cash flow may be subject to fluctuations

For the FYE 2021 to FYE 2023, although we have recorded an increase in PAT (from RM4.58 million in FYE 2021 to RM10.15 million in FYE 2023), our Group's overall GP margin declined from 22.82% to 16.89%. This was mainly attributed to the decline in GP margin recorded from the supply and distribution of third-party brands products from 22.20% to 12.66% over the same period. The decline in GP margin in FYE 2022 was mainly due to fluctuation in steel prices and increase in cost of fittings and flanges whereby we were only able to partially pass on the increase in cost to our customers in order to remain competitive. On the other hand, the decline in GP margin in FYE 2023 was due to our adoption of a customer acquisition strategy where we priced our third-party brands' products (i.e. pipes, fittings, flanges and steel products) more competitively in order to generate higher sales and secure new customers. This was in response to the competition faced from other industry players. In FPE 2024, we managed to record an improved GP margin of 17.13% as compared to GP margin of 16.89% in FYE 2023. Notwithstanding the GP margin improvement in FPE 2024, there is no assurance that we will be able to sustain or continue to improve our GP margin in the future. Further details on the risk of competition are set out in Section 9.2.2 of this Prospectus.

9. RISK FACTORS *(cont'd)*

Moving forward, we will continue to be affected by fluctuation in steel prices which may lead to an adverse impact to our GP margin if we fail to manage our exposure to price fluctuation. While the implementation of customer acquisition strategy may continue to affect our Group's GP margin, such impact may not be as severe and can be mitigated as we continue to maintain our competitive strengths and uphold our service quality. However, there is no assurance that our aforementioned efforts to manage the exposure to fluctuation in steel prices and to manage our Group's GP margin due to customer acquisition strategy will be successful.

The nature of our business requires us to keep a sufficient level of inventory to provide timely delivery to our customers. We also provide 30 to 120 days credit period to our customers. As such, any large delivery of orders to customers towards the end of the financial year or late payment by customers may result in the Group recording negative operating cash flow as at the end of the financial year. In FYE 2021 and FYE 2022, we recorded negative operating cash flow of RM9.07 million and RM4.52 million, respectively (FYE 2023 and FPE 2024: positive operating cash flow of RM5.91 million and RM4.13 million). Moving forward, there can be no assurance that our Group will be able to sustainably record positive operating cash flow as this would depend on amongst others, changes in working capital such as inventories, receivables and payables. Please refer to Section 12.2.6 of this Prospectus for more details on our Group's operating cash flow.

9.1.5 Our supply and distribution business is subject to availability of financing for working capital requirements

As a supplier and distributor, we offer an extensive range of pipes, fittings and flanges as well as steel products. The nature of our business requires us to keep a sufficient level of inventory to provide timely delivery to our customers. We also provide 30 to 120 days credit to our customers, who require credit terms from us. Therefore, we utilise a significant amount of financing to bridge the gap between our purchase of stocks (which are typically on cash terms for overseas purchases), the holding of inventory until we sell the inventory and collect the sales proceeds from our customers. To do this, we rely on internally generated funds as well as external borrowings, i.e. trade line financing such as bankers' acceptances, invoice financing and trust receipts revolving credit and trade financing to support our working capital.

Our ability to obtain external borrowings are subject to various uncertainties, including our results of operations, financial condition, cash flows, our gearing level, the performance of the Malaysian economy and the markets for our products, the cost of financing, the condition of financial markets, and the continued willingness of banks to provide new loans. We cannot assure that any required financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or at all. If we are unable to secure adequate borrowings at competitive rates, interest costs will be higher and borrowings will be less feasible to undertake, which will negatively impact our cash flows, operations, growth and expansion plans. As at 31 August 2024, our Group's total working capital borrowing was RM57.76 million, with interest rates ranging from 4.70% to 12.51%.

There is also a risk of simultaneous demand for immediate repayment on our outstanding short-term borrowings and tightening of loan facilities due to deteriorating market conditions arising from economic, financial, political and other reasons. A large and simultaneous repayment of short-term borrowings would have a material adverse effect on our cash flows, working capital and in turn, will have a material effect on our financial performance.

9. RISK FACTORS (cont'd)**9.1.6 Our business and financial performance is primarily dependent on the performance of the oil and gas industry**

We primarily supply and distribute our products to customers involved in the oil and gas industry to support production and refining / processing activities. For the FYE 2021 to FYE 2023 and FPE 2024, revenue contribution from the oil and gas industry accounted for 80.04%, 72.90%, 86.15% and 89.09% respectively of our total revenue. As such, the performance of our Group is dependent on the oil and gas industry and is likely to move in tandem with the performance of the oil and gas industry.

Factors which may materially affect the performance of the oil and gas industry include major global economic downturns, pandemic outbreaks and escalation of wars which may adversely affect the demand for oil and gas products. Consequently, industry players in the oil and gas industry may be discouraged and reduce their business expansions and capital expenditure. Any slowdown in the oil and gas industry may lead to a decrease in the demand for pipes, fittings and flanges as well as steel products. This would impact the overall demand for our Group's products, thereby affecting our Group's business and financial performance.

9.1.7 We are exposed to credit risk and default payment by customers

We generally grant our customers credit periods ranging from 30 to 120 days. There can be no guarantee that our customers will be able to fulfil their payment obligations within our credit terms and that we will not encounter any collection problems. In the event of delay or default in payment by our customers, our operating cash flows or financial results may be affected. Please refer to Section 12.2.6 of this Prospectus for further details of our negative operating cashflow in FYE 2021 and FYE 2022.

Further, any delay or default in payment by customers may also lead to impairment losses on trade receivables or writing off of trade receivables as bad debts, which may adversely affect our financial performance. The breakdown of our net impairment losses on trade receivables from FYE 2021 to 2023 and FPE 2024 are as follows:

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Impairment losses on trade receivables								
- general	291	100.00	-	-	-	-	-	-
- specific	-	-	1,620	102.40	2,930	104.34	9	100.00
Reversal of impairment losses on trade receivables	-	-	(38)	(2.40)	(122)	(4.34)	-	-
	291	100.00	1,582	100.00	2,808	100.00	9	100.00

Please refer to Section 12.7.1 of this Prospectus for further details of our net impairment losses on trade receivables.

9. RISK FACTORS *(cont'd)*

9.1.8 Any disruption in the supply of products from our suppliers and our contract manufacturer as well as unexpected logistics or freight disruptions, may have an adverse business and financial impact on our business

As at the LPD, we carry approximately 19,600 SKUs under our supply and distribution of pipes, fittings and flanges as well as steel products. All products are sourced from suppliers on purchase order basis, including purchases from our contract manufacturer, namely Tae Heung, whom we have entered into an OEM Agreement with. Any disruption or cessation of supply from our suppliers and our contract manufacturer may result in a shortage of inventory, which may affect our ability to fulfil customer orders and eventually affect our financial performance.

We are also exposed to the risk of unexpected logistics and freight disruptions. From FYE 2021 to FYE 2023 and FPE 2024 and up to the LPD, apart from the temporary suspension of our business operations during the COVID-19 pandemic where we experienced slight delays in receipt of products from suppliers and contract manufacturer due to global logistics network disruptions which led to slight delays in product delivery to customers, we have not experienced any unexpected logistics or freight disruptions. Please refer to Section 7.11 of this Prospectus for details of interruptions to business and operations. In the event that our Group or our suppliers and contract manufacturers whom we source our products from experience unexpected logistics and freight disruptions, our supply chain may be adversely affected which may potentially hinder our business operations if we are unable to address the disruption in a timely manner.

Any disruption in the supply of products from our suppliers and our contract manufacturer as well as unexpected logistics or freight disruptions may result in a shortage of inventory. Given our average inventory turnover period ranges between 19 days to 39 days in the Financial Years/Period Under Review, any shortage of inventory exceeding this timeframe may negatively impact our ability to fulfil customer orders on time. While we may be able to offer similar products by alternative suppliers to our customers, there is no assurance that the pricing and quality from these alternative suppliers are the same and the brands are acceptable to our customers. If we are unable to convince our customers to accept products from alternative suppliers, it may affect our sales as the customers may cancel their orders with us. Additionally, during unexpected logistics and freight disruptions, we are exposed to the risk of increased freight costs. While the freight costs for overseas purchases are generally borne by the respective overseas suppliers, we may still experience increased cost of purchases in the event of logistics and freight disruptions whereby the overseas suppliers factor in the increased costs to our purchases. In such circumstances, our financial performance may be adversely impacted if we are unable to pass any increased freight costs to our customers.

Logistics and freight disruptions as well as surges in freight costs can also be attributed to political conflicts. For instance, the Red Sea crisis beginning 2023, where the Red Sea region (the shortest shipping route between Asia and Europe) experienced a series of attacks on freight vessels had caused logistics and freight disruptions which led to increased freight costs. Nonetheless, our Group did not experience material financial impact from the Red Sea crisis as we primarily import products from overseas suppliers within Asia, i.e. China and South Korea. However, there is no guarantee that we will be shielded from inventory shortage and increase in freight costs due to future political conflicts in Asia (if any) which affect the shipping routes of our imported products from China and South Korea. Failure to supply alternative products and/or pass on the increase in freight costs to our customers may adversely affect our sales and financial performances.

9. RISK FACTORS *(cont'd)***9.1.9 Our financial performance may be affected by adverse changes in interest rates**

As at 31 August 2024, our total borrowings amounted to approximately RM89.09 million, with interest rates ranging from 2.18% to 12.51%. Such borrowings comprise term loans, trust receipts, invoice financing, bank overdrafts, lease liabilities, banker's acceptances and revolving credits. This translates to a gearing level of approximately 2.25 times. Please refer to Section 12.4 of this Prospectus for further details of our Group's outstanding borrowings and gearing level.

While we intend to utilise up to RM7.00 million from our IPO proceeds for the repayment of bank borrowings for interest savings, our exposure to adverse changes in interest rates remains high due to the high total borrowings. In view that the interests charged on our bank borrowings are dependent on prevailing interest rates, any significant increase in interest rates will significantly increase our interest expenses and hence, may have an adverse impact on our financial performance. For the Financial Years/Period Under Review, we recorded increases in interest rates for all of our borrowings (save for fixed rates borrowing). Such increases, coupled with the increased bank borrowings (FYE 2021: RM44.81 million; FYE 2022: RM65.58 million; FYE 2023: RM84.88 million; FPE 2024: RM89.09 million) had contributed to higher finance costs to our Group (FYE 2021: RM1.40 million; FYE 2022: RM2.64 million; FYE 2023: RM4.87 million; FPE 2024: RM4.42 million) for the Financial Years/Period Under Review, thus adversely impacting our profitability. Kindly refer to Section 12.4 for further details of our interest rates for the Financial Years/Period Under Review.

In addition, the agreements for credit facilities contain covenants which may limit our future operating and financing flexibility such as restrictions in future borrowings, creation of new securities and disposal of its capital assets. A breach of such covenants may result in the termination and/or enforcement of securities granted for the relevant credit facility. Moving forward, there can be no assurance that our financial performance would remain favourable in the event of any adverse change in interest rates.

9.1.10 We do not have long-term contracts with our customers which may result in the fluctuation of our Group's financial performance

Save for the Collaboration Agreement entered with Harmoni Group, we do not enter into long-term contracts with our customers as our customers generally purchase pipes, fittings and flanges as well as steel products from us on purchase order basis. The absence of long-term contracts is mainly due to the nature of our business where our products are primarily sold to customers involved in the oil and gas industry to support production and refining / processing activities, whereby the sale of our products is subject to our customer's specific needs based on the requirements of their projects and operational needs. Further, despite having the Collaboration Agreement with Harmoni Group, there is no sale or purchase obligations stated in the Collaboration Agreement whereby products supplied to Harmoni Group are based on purchase orders.

As we do not have long-term contracts with our customers, we are exposed to the risk of losing our customers as they are not obliged to purchase products from us. In the event of loss of any of our customers, particularly our major customers, as well as being unable to secure additional sales from existing customers or secure new customers in a timely manner, our financial performance may be adversely affected. Furthermore, due to the lack of long-term contracts with our customers, we face competition from other industry players when trying to secure purchase orders.

9. RISK FACTORS *(cont'd)*

While our Group continuously seeks to ensure customers' satisfaction by continuously improving our product quality, maintaining and strengthening existing business relationships as well as establishing relationships with new customers to grow our clientele base, any external factors such as adverse economic conditions, significant price reductions by our competitors or a slowdown in the demand for pipes, fittings and flanges as well as steel products in the customer industries that we serve, may negatively impact our sales in view of the absence of long-term contracts, which will subsequently negatively impact the financial performance of our Group.

9.1.11 We are dependent on our Managing Director, Executive Director and key senior management for the continued success and growth of our business

The success of our Group is attributed to the experience, abilities, competency and continuous leadership of our Managing Director, Dennis Liaw, together with our Executive Director, William Chan and our Chief Operation Officer, Lim Bak Teik, who have led the expansion of our business to-date. Over the years, they have played pivotal roles in formulating and implementing strategies to drive the growth and expansion of our Group. The profiles of our Managing Director, Executive Director and key senior management are as set out in Sections 5.1.2 and 5.3.2 of this Prospectus.

We recognise that our Group's continuing success and future growth depend significantly on the capabilities and efforts of our Managing Director, Executive Director and Key Senior Management. Any significant or sudden loss of the services of our Managing Director, Executive Director and/or key senior management without suitable replacement in a timely manner may have an adverse and material impact on our Group's business operations and may eventually affect our ability to maintain and/or improve our business performance. This may in turn adversely affect our financial performance.

9.1.12 We may not be able to successfully implement our future plans and strategies

We plan to expand our business through our future plans and business strategies as follows:

- To expand our business in Indonesia by establishing a regional office;
- To increase our inventory levels for the on-going expansion of our supply and distribution business;
- To enhance our QA/QC procedures by acquiring new equipment;
- To expand our fleet of delivery trucks to handle product delivery in-house; and
- To further develop and grow the supply and distribution of our jointly-owned brand products, i.e. "THF" products.

Please refer to Section 7.14 of this Prospectus for further details of our business strategies.

The implementation of our business strategies is subject to additional expenditures including capital and operational expenditures as well as other working capital requirements, which will increase our Group's overall operational cost, including overhead costs and cost of sales. This may result in an adverse impact on our profit margin if we are unable to gain sufficient revenue following the execution 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, economic climate and political environment in Malaysia and Indonesia, which may affect the commercial viability of our business strategies.

Additionally, there is no assurance that the efforts and expenditures spent on the execution of our business strategies will yield the expected results in expanding our business. We are also not able to guarantee the successful implementation of our business strategies, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies, which may materially affect the business operations and financial performance of our Group.

9. RISK FACTORS (cont'd)**9.1.13 Our business is exposed to interruptions or delays caused by unexpected events such as fire, equipment failures, power outages and natural disasters**

We store our pipes, fittings and flanges as well as steel products in our Puchong Premise 3 to maintain an inventory of ready stock for our customers. However, unexpected events such as fire or natural disasters (e.g. floods) occurring at our Puchong Premise 3 could disrupt our business operations by causing damage to our inventory and our facilities. Further, our business operations may be interrupted in the event of power outage, potentially disrupting our inventory management and order processing. Consequently, we may not be able to fulfil product deliveries due to damages sustained from these unexpected events.

On the other hand, our manufacturing operations rely on a series of machinery and equipment to carry out the manufacturing of fittings and flanges. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operation. Further, our manufacturing operations are also subject to loss due to fires, power outages or natural disasters such as floods at Manufacturing Site 1 and Manufacturing Site 2. Please refer to Section 7.2.3 of this Prospectus for details of our business locations.

Additionally, our Puchong Premise 1, Puchong Premise 2 and Ipoh Office are also exposed to interruptions and delays caused by unexpected events such as fire, power outages and natural disasters. In the event of such occurrences, our business operations and administrative works would be disrupted, potentially leading to business interruptions and delays.

Any prolonged interruptions in our business operations arising from these unexpected events that are beyond our control will affect the delivery schedules of our products to our customers which may cause cancellation of orders and may eventually impact our relationships with our customers. This could have an adverse impact on our financial performance. From FYE 2021 to FYE 2023 and FPE 2024 and up to the LPD, there has not been any occurrence where the Group's machinery experienced unexpected failures that led to material unanticipated downtime. However, there can be no assurance that such incidences will not happen in the future.

9.1.14 We are subject to foreign exchange fluctuation risks which may impact our profitability

From FYE 2021 to FYE 2023 and FPE 2024, our Group's sales were primarily derived from local customers, which are denominated in RM. Nevertheless, in FYE 2023 and FPE 2024, we experienced an increase in sales to PT Promatcon Tepatguna, an Indonesian customer whereby the sales were transacted in USD. On the other hand, we purchased some of our supplies from foreign suppliers and our overseas contract manufacturers from FYE 2021 to FYE 2023 and FPE 2024, whereby the purchases were denominated in foreign currencies, namely USD, SGD, EUR, RMB, JPY and GBP. As such, any fluctuations in foreign currency exchange rates may impact our financial performance by affecting our profit margins.

The breakdown of our Group's revenue and purchases in different currencies for FYE 2021 to FYE 2023 and FPE 2024 are as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:								
(i) MYR	69,273	98.06	136,575	98.52	204,540	84.12	154,865	71.31
(ii) SGD	-	-	6	*	19	0.01	16	*
(iii) USD	1,374	1.94	1,839	1.33	38,601	15.87	62,299	28.69
(iv) EUR	-	-	202	0.15	-	-	-	-
	70,647	100.00	138,622	100.00	243,160	100.00	217,180	100.00

9. RISK FACTORS (cont'd)

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases denominated in:								
(i) MYR	42,069	74.98	94,945	81.01	132,151	65.33	110,633	60.53
(ii) USD	11,407	20.33	18,290	15.60	67,763	33.50	68,866	37.68
(iii) SGD	1,814	3.23	3,751	3.20	2,354	1.16	3,268	1.79
(iv) EUR	664	1.18	114	0.10	29	0.01	-	-
(v) RMB	153	0.27	28	0.02	-	-	-	-
(vi) JPY	-	-	77	0.07	-	-	-	-
(vii) GBP	5	0.01	-	-	-	-	2	*
	56,112	100.00	117,205	100.00	202,297	100.00	182,769	100.00

Note:

* Representing less than 0.01%.

Our Group's realised and unrealised gains and losses from foreign exchange fluctuations for FYE 2021 to FYE 2023 and FPE 2024 are recorded as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Realised (loss) on foreign exchange	(113)	(86)	(372)	(680)
Unrealised gain/(loss) on foreign exchange	27	-	-	(1,823)
Net (loss)	(86)	(86)	(372)	(2,503)

The RM had appreciated against USD for the period from 2 May 2024 of USD1:RM4.7535 to 30 August 2024 of USD1:RM4.316. Notwithstanding the appreciating RM against USD, our Group managed to increase our revenue from RM157.34 million for the FPE 2023 to RM217.18 million for FPE 2024. In addition, our revenue from overseas customers (which are primarily denominated in foreign currency) increased from RM12.12 million for FPE 2023 to RM63.44 million for FPE 2024. This has led to our Group recording realised and unrealised losses on foreign exchange of RM0.68 million and RM1.82 million, respectively, for the FPE 2024.

As at the LPD, we do not have a formal policy with respect to our foreign exchange transactions and we do not hedge our exposure to fluctuations in foreign currency exchange rates. Further, we only enter into foreign exchange forward contracts with banking institutions, on an as-needed basis while closely monitoring the exchange rates fluctuations. As such, we are subject to foreign exchange fluctuation risk for the sales to foreign customers and purchases from our foreign suppliers, especially those denominated in USD. A depreciation of the RM against the currencies which we transact will lead to higher revenue in RM after conversion, whereas it will also lead to higher cost of purchases in RM after conversion. Conversely, appreciation of the RM against the currencies which we transact will lead to lower revenue and lower cost of purchases in RM after conversion. Save for our net loss from foreign exchange fluctuations in FPE 2024, we did not experience any material increase in raw material prices due to fluctuations in foreign exchange that negatively impacted our financial results.

9.1.15 We may be adversely affected by product defects which may lead to product defect claims

While we source our products from both local or overseas suppliers and our contract manufacturer, our Group is ultimately responsible for the quality of these products. As such, we are susceptible to the impact resulting from product defect claims by customers. We cannot guarantee that there will be no defects in our products sourced from our suppliers and contract manufacturer. Further, our products are also susceptible to improper handling by our employees/third-party logistics service providers during the delivery stage. Therefore, we are unable to ensure that there will be no defects in the products delivered to our customers.

9. RISK FACTORS *(cont'd)*

We do not have warranty or product return policies for our products. However, in the event that defects such as deformed product appearance, major scratches or damages are reported by our customers, each report will be handled on a case-by-case basis where we will conduct investigation on the causes. If the responsibility falls on us, we will provide replacement products to our customers.

Any successful product defect claim against our Group may adversely affect our Group's business and reputation and subsequently negatively impact our financial performance. Further, we are also likely to face a loss of confidence in our products from our customers. In the past 3 FYEs 2021 to 2023 and FPE 2024, we did not receive any complaints in relation to poor product quality, but occasionally received requests for product replacement due to product defects, whereby the product replacement costs for our supply and distribution business amounted to RM3,510.00, RM46,990.78, RM19,204.42 and RM27,611.52 respectively, representing less than 0.05% of our revenue in each FYEs 2021 to 2023 and FPE 2024.

9.1.16 We are subject to the risk of inadequate insurance coverage

We maintain different types of insurance coverage that are customary in our industry to protect against various losses and liabilities, such as fire, burglary and public liability arising from our business operations

However, in the event of claims, our insurance purchased may not be adequate to cover all losses or liabilities that might be incurred in our operations as a result of any unforeseen circumstances. Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we are not fully insured, it could have a material adverse effect on our business, financial condition and results of our business operations.

During the FYE 2021 to FYE 2023 and FPE 2024 and up to the LPD, we successfully received an insurance claim for the accidental death of an employee due to a fatal lorry accident which amounted to RM60,950. Nevertheless, during the same period, we have not experienced any incidences of material losses, damages or liabilities incurred by us due to insufficient insurance coverage.

9.1.17 We are required to comply with the Occupational Safety and Health ("OSHA") and violations may lead to the suspension of our operations and/or imposition of penalties

We are required to comply with the OSHA which provides that an employer's duty shall extend to include the maintenance of plants and systems of work that are safe and pose no risk to the health of their employees. This is applicable to our operational facilities, including our offices (Puchong Premise 1, Puchong Premise 2 and Ipoh Office), storage facility (Puchong Premise 3) and manufacturing facilities (Manufacturing Site 1 and Manufacturing Site 2) in Puchong, Selangor. Our supply and distribution activities involve warehousing operations such as the use of lifting machinery (e.g. forklifts). Additionally, our manufacturing operations involve CNC precision machining processes such as laser marking, milling, cutting and turning. These operations are subject to the OSHA to ensure the occupational health and safety of our employees throughout their tenure with our Group.

Accidents occurring at our operational facilities leading to injury or harm to our employees due to non-compliance to the OSHA, may result in the suspension of our operations and/or potentially imposition of penalties. These incidents could disrupt our daily business operations, causing delays or inability to meet customer orders promptly.

During the FYE 2021 to FYE 2023, FPE 2024 and up to the LPD, no material injuries or harm among our employees or violation of OSHA were reported which would adversely affect our business and financial performance. However, there is no guarantee that injuries or harm to our employees and/or violation of the OSHA will not occur in the future.

9. RISK FACTORS (cont'd)

9.1.18 Our inventories are subject to the risk of impairment losses

We are required to maintain a substantial and diverse inventory of pipes, fittings and flanges as well as steel products to enable us to promptly fulfil customer orders directly from our inventory. Given our extensive and diverse customer base, it is challenging to predict the needs of our customers, compounded by the absence of long-term contracts with our customers.

As our inventory remains unsold longer, the inventory holding expenses increases. Inaccurate forecast of customer demands and/or inefficient management of inventory levels may lead to the accumulation of excessive slow-moving or outdated stock.

We will impair slow-moving inventories held beyond 12 months or inventories where their net realisable value falls below cost. Moreover, in the event there is a drop in product prices due to a drop in global steel prices, we may experience impairment in the carrying amount of our inventories to the net realisable values.

Nevertheless, during the FYE 2021 to FYE 2023, FPE 2024 and up to the LPD, we have not experienced any incidences of impairment losses on inventories. Should impairment losses on our inventories occur, our financial performance may be negatively impacted due to reduced profitability.

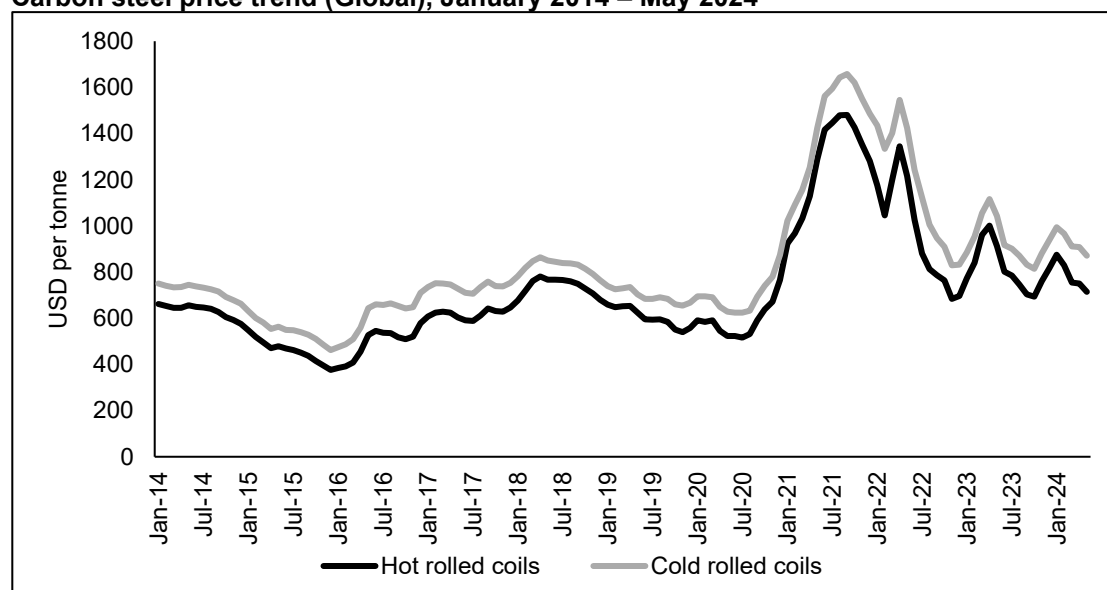
9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1 We are exposed to fluctuation in steel prices

Our pipes, fittings and flanges as well as steel products are mainly manufactured from stainless steel and carbon steel. This exposes our Group to the risk of fluctuations in steel prices which could lead to higher costs for our pipes, fittings and flanges as well as steel products, thereby affecting the demand for our products.

As a commodity, steel in its primary and processed forms, is traded globally and subject to price fluctuations. The monthly global price trend of carbon steel from January 2014 to May 2024 (latest data available as at the LPD) is as depicted in the charts below.

Carbon steel price trend (Global), January 2014 – May 2024



Source: MEPS International

9. RISK FACTORS *(cont'd)*

The price of carbon steel is influenced by numerous factors beyond our control, such as global supply and demand, geopolitical and economic conditions as well as potential disruptions in the supply chain.

Our GP margin for the sale of steel products decreased from 29.59% for FYE 2021 to 23.50% for FYE 2022. When price of steel products was on a declining trend (i.e. FYE 2022), we sold our stocks which were acquired at higher costs and we were only able to partially pass on the increase in cost to our customers in order to remain competitive, which resulted in a lower GP margin in FYE 2022. Further, in FPE 2024, we recorded a lower GP margin for the sale of steel products at 13.68% as compared to 16.74% in FPE 2023. This was primarily attributed to a decline in global steel prices during FPE 2024. As global steel prices decreased over the period, the corresponding decrease in market prices of steel products resulted in a lower GP margin for steel products. Any increases in steel prices in future may affect our financial performance if we are unable to pass down the increase to our customers. Further, even if we are able to effectively pass down the increase in steel prices to our customers by increasing our product pricing, we may experience a decline in the demand for our pipes, fittings and flanges as well as steel products due to higher prices, consequently lowering orders from our customers which could in turn affect our financial performance.

9.2.2 We face competition from other industry players

According to the IMR Report, the pipes, fittings and flanges industry in Malaysia is competitive and our Group competes with other companies offering similar products based on product range, product quality, pricing, service and location, amongst others. Our Group's competitors include other pipes, fittings and flanges as well as steel product suppliers. Further, the initial capital requirement for new entrants is relatively low, as industry players are not required to invest in equipment or machinery given that pipes, fittings and flanges as well as steel products are generally available and can be readily sourced in the market. Please refer to the IMR Report in Section 8 of this Prospectus for further details on the competitive landscape of the pipes, fittings and flanges industry in Malaysia.

The competition that we face from other industry players may impact our revenue and profitability as we may be forced to be more price-competitive to secure sales orders. Further, our products need to be of the required quality and amount, and as such, we must strive to ensure that we are able to supply our products in accordance with the specifications required by our customers. It is also important that we are able to consistently deliver our products to our customers based on their timing requirements. Our Group must continuously ensure that we meet the above requirements as failure to do so may negatively impact our Group's track record and industry reputation, leading to a loss of business to our competitors and damage to our overall business performance.

9.2.3 We are subject to changes in import duty regulations in the pipes, fittings and flanges industry

The pipes, fittings and flanges industry in Malaysia is subject to Government regulations on the imposition of import duty which is levied approximately 5% to 15%, depending on product category, from foreign nations as at the LPD.

However, South Korean suppliers who possess the Korea-ASEAN Free Trade Area Preferential Tariff certificate (Form AK) and Chinese suppliers who possess the ASEAN-China Free Trade Area Preferential Tariff certificate (Form E), are eligible for import duty exemptions when exporting to Malaysia. Our Group primarily imports products from China and South Korea that, with these certificates, allow us to benefit from import duty exemptions for these products, without any applicable quantum limit. Similarly, no export duty is applicable when we export our products to ASEAN countries, including Indonesia.

9. RISK FACTORS (cont'd)

Should there be any changes in import duty regulations, specifically the removal of import duty exemptions and/or increase in import duties, it will result in an increase in the cost of imported products which would adversely impact our financial performance.

9.2.4 We are exposed to risks relating to the economic, political, legal and regulatory environments in the market in which we serve

We conduct our operations in Malaysia and we export our products to Indonesia, Singapore, China, South Korea and Vietnam. Therefore, any adverse change in the economic conditions, political environments as well as legal and regulatory requirements in these countries could have an adverse impact on our business operations, financial performance and prospects. These unfavourable changes include changes in political leadership, geopolitical events, overall economic conditions, fluctuations in currency exchange rates and interest rates, acts of terrorism, warfare, or sanctions, fiscal and monetary policies set forth by the government, such as inflation and deflation, tax methodologies and policies, deterioration of international relations, and other factors may adversely impact consumer and business confidence and operations.

Any adverse changes in economic, political, legal and regulatory such as changes in government policies and widespread and/or prolonged economic slowdowns in Malaysia, Indonesia, Singapore, China, South Korea and Vietnam, may cause a decline in the demand for our Group's products, which may have an adverse effect on our business operations and financial performance. In the Financial Years/Period Under Review, we did not experience any substantial changes in inflation rates, interest rates or taxation that negatively impacted our financial results.

9.3 RISKS RELATING TO THE INVESTMENT IN OUR SHARES**9.3.1 There is no prior market for our Shares**

Prior to our Listing, there was no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market.

9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing may be aborted or delayed should any of the following occur:

- (i) The selected investors fail to subscribe for or purchase their allocation of our IPO Shares;
- (ii) Our Underwriter exercises its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (iii) 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 CMA 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.

9. RISK FACTORS *(cont'd)*

Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of the 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.

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 the stock market 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 the stock market, thus adding risks to the market price of our Shares.

9.4 OTHER RISKS

9.4.1 Our Promoters will be able to exert significant influence over our Company

Our Promoters (via Maju Alliance) will collectively hold approximately 69.00% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have significant influence on the outcome of certain matters requiring the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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10. RELATED PARTY TRANSACTIONS

Pursuant to the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed corporation or its subsidiaries, which involves the interest, direct or indirect, of a related party. A “**related party**” is defined as:

- (i) a director, having the meaning given in Section 2(1) of the CMSA and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a director of the listed corporation, its subsidiary or holding company, or a chief executive of the listed corporation, its subsidiary or holding company;
- (ii) a major shareholder which includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed corporation or any other corporation which is its subsidiaries or holding company, who has an interest or interests in 1 or more voting shares in such corporation and the number or aggregate number of those shares is:
 - (a) 10.00% or more of the total number of voting shares in the corporation; or
 - (b) 5.00% or more of the total number of voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) person connected with such director or major shareholder.

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10. RELATED PARTY TRANSACTIONS (cont'd)

10.1 RELATED PARTY TRANSACTIONS

Save as disclosed below, we have not entered into any related party transactions with our Directors, substantial shareholders, Key Senior Management personnel and/or persons connected with them for the past 3 FYEs, FPE 2024 and up to the LPD.

No.	Companies within our Group	Transacting parties	Nature of relationship	Nature of transaction	Value of transactions				1 September 2024 and up to LPD
					FYE 2021	FYE 2022	FYE 2023	FPE 2024	
					RM'000	RM'000	RM'000	RM'000	RM'000
1.		<u>Purchase of refractory materials and closed-circuit television system</u>							
	Saliran Industrial Supplies	<u>Supplier</u> Promatcon (M) Sdn Bhd	Dennis Liaw is our Managing Director, Promoter and major shareholder.	Purchase of refractory materials and closed-circuit television system from Promatcon (M) Sdn Bhd ⁽¹⁾	-	2,509 (Being 2.23% of our Group's cost of sales)	-	-	-
		<u>Purchaser</u> Saliran Industrial Supplies	Ooi Hooi Yeong, wife to Dennis Liaw, is the director and shareholder of Promatcon (M) Sdn Bhd (struck-off on 20 September 2023).						

Note:

- ⁽¹⁾ This transaction was one-off and was conducted on an arm's length basis and on terms and conditions which was not unfavourable to our Group. It should be noted that the purchase of the closed-circuit television system is not within the ordinary course of business for our Group and was specifically for a single project undertaken by our Group at that time.

As at the LPD, there are no related party transactions entered into but not yet effected.

Save as disclosed above, our Directors are of the view that the above related party transaction was conducted on an arm's length basis and on competitive commercial terms not more favourable to the related party and was not to the detriment of our minority shareholders.

10. RELATED PARTY TRANSACTIONS *(cont'd)*

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

Our Audit and Risk Management Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit and Risk Management Committee shall deliberate and determine if the related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(i) Recurrent related party transactions

- (a) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (b) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by 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 general meetings of our Company. 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.

(ii) Other related party transactions

- (a) Whether the terms of the related party transaction are fair and on an arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (b) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (c) 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 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 transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

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. 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**(i) Transactions which 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 the past 3 FYEs, FPE 2024 and up to the LPD.

(ii) Loans and guarantees

Save as disclosed below, there were no outstanding loans and guarantees made to/by us to or for the benefit of any related party for the past 3 FYEs, FPE 2024 and up to the LPD:

(a) Personal guarantees

Dennis Liaw (our Managing Director), William Chan (our Executive Director), Lim Bak Teik (our Chief Operation Officer) and Tan Peng Choon (the shareholder to Saliran Precision Engineering prior to the pre-IPO changes) had extended personal guarantees for banking facilities extended to our Group as at the LPD.

In conjunction with the Listing, all banks had agreed to discharge the said personal guarantees subject to the completion of the Listing, as follows:

Financier	Type of facilities	Facility limit (RM'000)	Outstanding balance as at the LPD (RM'000)	Guarantors	Date of financier's consent to discharge
<u>Saliran Industrial Supplies</u>					
Affin Bank Berhad	• Term loans	14,572	13,695	• Dennis Liaw	28 February 2024
	• Overdraft	2,000	-	• William Chan	
	• Trade line	27,000	26,740	• Lim Bak Teik	
Alliance Bank Malaysia Berhad	• Term loans	503	71	• Dennis Liaw	5 March 2024
	• Overdraft	820	268	• William Chan	
	• Trade facilities	5,000	4,843	• Lim Bak Teik	
Ambank (M) Berhad	• Term loan	900	419	• Dennis Liaw	22 January 2024
	• Overdraft	1,500	1,475	• William Chan	
	• Trade facilities	2,000	1,732	• Lim Bak Teik	
CIMB Bank Berhad	• Term loan	250	175	• Dennis Liaw	15 February 2024
	• Overdraft	150	-	• William Chan	
	• Trade facilities	2,500	2,422		

10. RELATED PARTY TRANSACTIONS (cont'd)

Financier	Type of facilities	Facility limit (RM'000)	Outstanding balance as at the LPD (RM'000)	Guarantors	Date of financier's consent to discharge
Hong Leong Bank Berhad	• Term loan • Overdraft • Trade facility	16,410 3,500 16,000	14,685 - 15,621	• Dennis Liaw • William Chan • Lim Bak Teik	26 March 2024
HSBC Bank Malaysia Berhad	• Overdraft • Trade facility	1,000 3,500	900 3,439	• Dennis Liaw • William Chan • Lim Bak Teik	5 February 2024
Maybank Islamic Berhad	• Overdraft • Trade facility	500 3,000	370 2,955	• Dennis Liaw • William Chan • Lim Bak Teik	16 February 2024
Maybank Islamic Berhad	• Trade facility	15,000	9,153	• Dennis Liaw • William Chan • Lim Bak Teik	18 September 2024
RHB Islamic Bank Berhad	• Term loan • Overdraft	1,250 1,250	236 -	• Dennis Liaw • William Chan • Lim Bak Teik	27 March 2024
Small Medium Enterprise Development Bank Malaysia Berhad	• Term Loan	700	561	• Dennis Liaw • William Chan • Lim Bak Teik	24 April 2024
United Overseas Bank (Malaysia) Bhd	• Term loan • Overdraft • Trade facilities	111 500 1,500	10 480 1,153	• Dennis Liaw • William Chan	26 February 2024
Public Bank Berhad	• Hire purchase	1,143	790	• William Chan	14 March 2024
Mercedes-Benz Services Malaysia Sdn Bhd	• Hire purchase	326	125	• Lim Bak Teik	28 February 2024
Mercedes-Benz Services Malaysia Sdn Bhd	• Hire purchase	726	553	• Lim Bak Teik	28 February 2024
ORIX Credit Malaysia Sdn Bhd	• Hire purchase	683	286	• Dennis Liaw • William Chan • Lim Bak Teik	29 March 2024

10. RELATED PARTY TRANSACTIONS (cont'd)

Financier	Type of facilities	Facility limit (RM'000)	Outstanding balance as at the LPD (RM'000)	Guarantors	Date of financier's consent to discharge
<u>Saliran Precision Engineering</u>					
Malayan Islamic Berhad	• Overdraft • Term loan	300 200	24 54	• Dennis Liaw • William Chan • Tan Peng Choon	2 May 2024
OCBC Bank (Malaysia) Berhad	• Term loan	500	319	• Dennis Liaw • William Chan • Tan Peng Choon	2 February 2024
ORIX Credit Malaysia Sdn Bhd	• Hire purchase	499	75	• Dennis Liaw • William Chan • Tan Peng Choon	29 March 2024
Hong Leong Bank Berhad	• Hire purchase	149	48	• Tan Peng Choon	1 April 2024
<u>Saliran Flanges & Fittings</u>					
Bank Muamalat Malaysia Berhad	• Term loan	500	368	• Dennis Liaw • William Chan • Lim Bak Teik	14 March 2024
Small Medium Enterprise Development Bank Malaysia Berhad	• Revolving Credit	1,400	1,299	• Dennis Liaw • William Chan • Lim Bak Teik	24 April 2024
Standard Chartered Bank Malaysia Berhad	• Term loans	1,670	1,079	• Dennis Liaw • William Chan • Lim Bak Teik	30 April 2024
United Overseas Bank (Malaysia) Bhd	• Trade Facilities	550	398	• Dennis Liaw • William Chan	23 February 2024
Public Bank Berhad	• Hire purchase	160	114	• William Chan	14 March 2024
Maybank Islamic Berhad	• Overdraft • Trade facility	250 3,000	204 2,997	• Dennis Liaw • William Chan	19 February 2024
Ambank (M) Berhad	• Term loan	700	652	• Dennis Liaw • William Chan	8 October 2024

10. RELATED PARTY TRANSACTIONS (cont'd)**(b) Amount due to/from related parties/Directors**

Save as disclosed below, there were no material amount due to/from related parties/Directors for the past 3 FYEs, FPE 2024 and up to the LPD.

(aa) Amount due to/from Directors

The amount due to/from Directors for the past 3 FYEs, FPE 2024 and up to the LPD:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024	As at the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due to Directors⁽¹⁾					
• Dennis Liaw	-	171	-	-	-
• Lim Bak Teik	-	80	-	-	-
	-	251	-	-	-
Amount due from Director⁽²⁾					
• Dennis Liaw	8	-	-	-	-
	8	-	-	-	-

Notes:

(1) Dennis Liaw and Lim Bak Teik had made advances to our Group during FYE 2022 for working capital purposes. These transactions do not carry any interest and as such, is not undertaken on an arm's length basis. The amounts have been repaid in FYE 2023.

(2) Being advances made to Dennis Liaw for his personal use. This transaction does not carry any interest and as such, is not undertaken on an arm's length basis. This amount has been repaid in FYE 2022.

(iii) Financial assistance provided for the benefit of a related party

There was no financial assistance provided by us for the benefit of any related party for the past 3 FYEs, FPE 2024 and up to the LPD.

10. RELATED PARTY TRANSACTIONS (cont'd)**10.3 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS AND CONFLICT OF INTEREST****10.3.1 Audit and Risk Management Committee review**

Our Audit and Risk Management Committee assesses the financial risk and matters relating to related party transactions and conflict of interest situations that may arise within our Group including any transactions, procedures or course of conduct that raises questions of management integrity. Our Audit and Risk Management Committee maintains and periodically reviews the adequacy of the procedures and processes set by our Company to monitor related party transactions and conflict of interest. It also sets the procedures and processes to ensure that transactions are carried out in the best interest of our Company on normal commercial terms that are industry norms and not more favourable to the related party than those generally available to third parties dealing at arm's length and are not to the detriment of the interest of our Company's minority shareholders. Amongst others, the related parties and parties who are in a position of conflict with the interest of our Group will be required to abstain from deliberations on the transactions.

All reviews by our Audit and Risk Management Committee are reported to our Board for its further action.

10.3.2 Our Group's policy on related party transactions and conflict of interest

It is the policy of our Group that all related party transactions and conflict of interest must be immediately and fully disclosed by our interested or conflicted Directors or substantial shareholders to the management for reporting to our Audit and Risk Management Committee. Any related party transactions must be reviewed by our Audit and Risk Management Committee to ensure that they are negotiated and agreed upon in the best interest of our Company on an arm's length basis, and are based on normal commercial terms not more favourable to the related party than those generally available to third parties, and are not to the detriment of the interest of our Company's minority shareholders. In respect of our Directors' interests in companies carrying on similar business, our Directors will also be required to abstain from deliberations and voting on resolutions pertaining to matters and/or transactions where a conflict of interest may arise.

In addition, in line with the Malaysian Code on Corporate Governance 2021 and the Corporate Governance Guide, our Directors are required to make an annual disclosure of any related party transactions and conflict of interest with our Group and our Audit and Risk Management Committee must carry out an annual assessment of our Directors which include an assessment of such related party transactions and/or conflict of interest. Our Audit and Risk Management Committee will in turn report to our Board after their evaluation and assessment and make the appropriate recommendations to our Board.

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11. CONFLICT OF INTEREST

11.1 INTEREST IN SIMILAR BUSINESS OF OUR GROUP

As at LPD, none of our Directors and/or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group.

Moving forward, our Audit and Risk Management Committee will supervise any conflict of interest or potential conflict of interest situations and review our Group's current and future related party transactions and ensure that such transactions will be carried out on an arm's length basis and on commercial terms in the best interest of our Group. Our Group will also seek such relevant shareholders' approval where required. We will also make disclosures in our annual report of the aggregate value of any recurrent related party transactions to be entered into by us (where required) based on the nature of the transactions made, names of the related parties involved and their relationship with our Group. Please refer to Section 10.3 of this Prospectus for further details of our monitoring and oversight policy on conflicts of interest.

11.2 DECLARATIONS BY OUR ADVISERS

(i) Declaration by Malacca Securities

Malacca 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 our Principal Adviser, Sponsor, Underwriter and Placement Agent for our Listing.

(ii) Declaration by Julius Leonie Chai

Julius Leonie Chai has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Solicitors to our Group in relation to our Listing.

(iii) Declaration by Kreston John & Gan

Kreston John & Gan has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Auditors and Reporting Accountants to our Group in relation to our Listing.

(iv) Declaration by Smith Zander

Smith Zander has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to our Listing.

(v) Declaration by Securities Services (Holdings) Sdn Bhd

Securities Services (Holdings) Sdn Bhd has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Share Registrar to our Group in relation to our Listing.

(vi) Declaration by Tricor Investor & Issuing House Services Sdn Bhd

Tricor Investor & Issuing House Services Sdn Bhd has given its written confirmation that there is no existing or potential conflict of interest in its capacity as the Issuing House to our Group in relation to our Listing.

12. FINANCIAL INFORMATION**12.1 HISTORICAL FINANCIAL INFORMATION**

Our historical financial information throughout the Financial Years/Period Under Review has been prepared in accordance with MFRS and International Financial Reporting Standards (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 on 7 August 2020 as an investment holding company. All companies acquired by the Company pursuant to the Acquisition of Saliran Industrial Supplies have been under the common control of our Promoters throughout the Financial Years/Period Under Review and are regarded as continuing entities. As such, the historical financial information of our Group for the Financial Years/Period Under Review is presented based on the audited combined financial statements of our Group.

12.1.1 Combined Statements of Profit or Loss and Other Comprehensive Income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for the Financial Years/Period Under Review, which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Section 12.2 and Section 13 of this Prospectus.

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	70,647	138,622	243,160	157,344	217,180
Cost of sales	(54,526)	(112,523)	(202,101)	(129,634)	(179,979)
GP	16,121	26,099	41,059	27,710	37,201
Other operating income	281	483	1,526	1,176	524
Administrative expenses	(8,937)	(14,896)	(23,630)	(13,186)	(19,508)
Profit from operations	7,465	11,686	18,955	15,700	18,217
Finance costs	(1,395)	(2,642)	(4,865)	(2,810)	(4,421)
PBT	6,070	9,044	14,090	12,890	13,796
Tax expenses	(1,488)	(2,773)	(3,941)	(3,926)	(4,502)
PAT/ total comprehensive income	4,582	6,271	10,149	8,964	9,294
PAT/ total comprehensive income for the financial year attributable to:					
Owner of the Company	4,440	5,953	9,920	8,881	9,294
Non-controlling interests ⁽¹⁾	142	318	229	83	-
	4,582	6,271	10,149	8,964	9,294
EBIT ⁽²⁾	7,438	11,685	18,927	15,698	18,193
EBITDA ⁽²⁾	8,716	13,318	20,776	16,934	19,370
GP margin (%) ⁽³⁾	22.82	18.83	16.89	17.61	17.13
PBT margin (%) ⁽⁴⁾	8.59	6.52	5.79	8.19	6.35
PAT margin (%) ⁽⁴⁾	6.49	4.52	4.17	5.70	4.28
Effective tax rate (%) ⁽⁵⁾	24.51	30.66	27.97	30.46	32.63
Basic and diluted EPS (sen) ⁽⁶⁾	1.20	1.64	2.65	2.34	2.43

12. FINANCIAL INFORMATION (cont'd)**Notes:**

(1) The non-controlling interests comprise 30% equity interests in Saliran Precision Engineering and Saliran Flanges & Fittings, which derived based on the existing group structure of Saliran Group as at 31 December 2022 and 31 December 2021. Saliran Industrial Supplies acquired the entire equity interests held by the non-controlling interests in Saliran Precision Engineering and Saliran Flanges & Fittings and the acquisitions were completed on 17 November 2023 and 1 November 2022, respectively.

(2) EBIT and EBITDA are calculated as follows:

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	4,582	6,271	10,149	8,964	9,294
Less:					
Interest income	(27)	(1)	(28)	(2)	(24)
Add:					
Finance costs	1,395	2,642	4,865	2,810	4,421
Tax expenses	1,488	2,773	3,941	3,926	4,502
EBIT	7,438	11,685	18,927	15,698	18,193
Add:					
Depreciation	1,278	1,633	1,849	1,236	1,177
EBITDA	8,716	13,318	20,776	16,934	19,370

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

(4) PBT or PAT margin is calculated based on PBT or PAT over revenue.

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

(6) Basic and diluted EPS is calculated based on PAT for the financial year over enlarged share capital of 382,900,000 Shares after our IPO. There are no potential dilutive securities in issue during the respective Financial Years/Period Under Review.

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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 December 2021, 2022 and 2023, and 31 August 2024 which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Section 12.2 and Section 13 of this Prospectus.

	Audited		
	As at 31 December		As at 31 August
	2021	2022	2023
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment ("PPE")	5,228	8,951	9,520
Investment properties	15,037	14,826	14,614
Right-of-use assets	3,740	14,316	14,594
Other investments	1,458	1,458	2,458
Deferred tax assets	6	-	-
Total non-current assets	25,469	39,551	41,186
Current assets			
Inventories	6,766	11,886	12,477
Trade receivables	25,057	44,531	65,968
Other receivables, deposits and prepayments	6,600	4,714	719
Amount due from directors	8	-	-
Fixed deposit with licensed banks	3,305	4,822	9,246
Cash and bank balances	2,446	2,082	18,254
Total current assets	44,182	68,035	106,664
Total assets	69,651	107,586	147,850
Equity and liabilities			
Capital and reserves			
Share capital	3	3	3
Invested equity	2,480	3,480	3,480
Retained profits	10,680	16,627	26,749
	13,163	20,110	30,232
Non-controlling interests	386	210	-
Total equity	13,549	20,320	30,232
Non-current liabilities			
Borrowings	19,361	31,148	31,008
Lease liabilities	2,458	1,711	1,840
Deferred tax liabilities	138	217	33
Total non-current liabilities	21,957	33,076	32,881
Current liabilities			
Trade payables	7,604	15,574	22,989
Other payables and accruals	897	2,171	5,227
Amount due to directors	-	251	-
Borrowings	23,042	32,474	51,334
Lease liabilities	1,112	1,244	894
Current tax liabilities	1,490	2,476	4,293
Total current liabilities	34,145	54,190	84,737
Total liabilities	56,102	87,266	117,618
Total equity and liabilities	69,651	107,586	147,850

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 the Financial Years/Period Under Review, which have been extracted from the Accountants' Report as set out in Section 13 of this Prospectus. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the Accountants' Report set out in Section 12.2 and Section 13 of this Prospectus.

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
PBT	6,070	9,044	14,090	13,796
Adjustments for:				
Bad debt written off	33	-	32	-
Depreciation of PPE	270	331	456	360
Depreciation of investment properties	145	211	211	141
Depreciation of right-of-use assets	863	1,091	1,182	676
(Gain)/loss on disposal of PPE	(64)	(30)	-	3
Gain on disposal of right-of-use assets	-	-	(307)	-
Loss on disposal of other investments	-	-	-	91
Interest expenses	1,395	2,642	4,865	4,421
Interest income	(27)	(1)	(28)	(24)
Loss/(gain) on lease modification	7	-	(32)	-
PPE written off	-	1	174	-
Impairment loss on trade receivables	291	1,582	2,808	9
Unrealised (gain)/loss on foreign exchange	(27)	-	-	1,822
Operating profit before changes in working capital	8,956	14,871	23,451	21,295
Changes in working capital:				
Inventories	(1,985)	(5,120)	(591)	(3,074)
Trade receivables	(3,811)	(21,056)	(24,276)	(4,564)
Other receivables, deposits and prepayments	(4,713)	1,886	3,995	(137)
Trade payables	(5,315)	7,970	7,415	(3,116)
Other payables and accruals	399	1,274	3,056	1,079
Net cash (used in)/generated from operations	(6,469)	(175)	13,050	11,483
Interest paid	(1,395)	(2,642)	(4,865)	(4,421)
Interest received	27	1	28	24
Tax paid	(1,234)	(1,702)	(2,308)	(2,961)
Net cash (used in)/generated from operating activities	(9,071)	(4,518)	5,905	4,125

12. FINANCIAL INFORMATION (cont'd)

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Cash flows for investing activities				
Acquisition of non-controlling interests	-	(100)	(238)	-
Addition on PPE	(825)	(4,058)	(1,200)	(11)
Addition on investment properties	(13,052)	-	-	-
Additions on right-of-use assets	(91)	(11,132)	(271)	(45)
Purchase of other investments	(1,000)	-	(1,000)	(500)
Proceeds from disposal of other investment	-	-	-	254
Proceeds from disposal of PPE	250	34	-	20
Proceeds from disposal of right-of-use assets	-	-	371	-
Net cash used in investing activities	(14,718)	(15,256)	(2,338)	(282)
Cash flows from financing activities				
(Repayment to)/Advance from directors	(34)	259	(251)	-
Increase in fixed deposits pledged	(1,842)	(1,518)	(4,424)	(5,241)
Dividend paid	(600)	(400)	-	-
Drawdown of term loans	13,000	13,599	2,013	4,910
Repayment of term loans	(503)	(1,240)	(1,844)	(5,721)
Net drawdown/(repayment) of bankers' acceptances	8,439	(11,843)	458	38
Net drawdown of invoice financing	728	7,840	6,895	3,667
Net drawdown/(repayment) of revolving credit	-	1,400	(5)	(70)
Net drawdown of trust receipts	1,805	11,321	12,637	3,192
Repayment of lease liabilities	(1,212)	(1,149)	(1,440)	(699)
Proceeds from issuance of shares	480	1,000	-	-
Net cash generated from financing activities	20,261	19,269	14,039	76
Net (decrease)/increase in cash and cash equivalents	(3,528)	(505)	17,606	3,919
Cash and cash equivalents at the beginning of the financial year/period	(280)	(3,808)	(4,313)	13,293
Cash and cash equivalents at the end of the financial year/period	(3,808)	(4,313)	13,293	17,212

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 2021 to FYE 2023 and FPE 2024 should be read in conjunction with the Accountants' Report included in Section 13 of this Prospectus.

12.2.1 Overview of our operations

We are principally involved in the supply and distribution of pipes, fittings and flanges as well as steel products. For the Financial Years/Period Under Review, our products are primarily used in the oil and gas industry. Our products can be categorised into the following:

- (a) **Pipes, fittings and flanges as well as related parts and accessories**, are used for the transfer of fluid and gaseous substances in industrial processing, refining and manufacturing activities.
- (b) **Steel products**, include steel beams, steel bars, steel plates and steel sections, which are used as structural support for the installation of our pipes, fittings and flanges and/or for the construction of process plants.

Pipes, fittings and flanges sold by our Group comprise third-party brands products and products labelled under our jointly-owned brand. All our third-party products are in standard specifications, which are non-customisable, and are sourced locally in Malaysia and from overseas suppliers in amongst others, China, Korea and Singapore. Our Group supplies and distributes fittings and flanges products under a jointly-owned brand, namely "THF" brand, which comprises fittings and flanges that come in a variety of material grades and dimensions. On 4 January 2021, our Group entered into an OEM Agreement with Tae Heung, whereby Tae Heung serves as our contract manufacturer to manufacture, test, deliver and provide support to us for the sale of fittings and flanges under the brand of "THF".

Steel products supplied and distributed by our Group are solely third-party brands products sourced locally in Malaysia. Our steel products are made from commercial grade steel and are in standard specifications which are non-customisable. They are used to support the installation of our pipes, fittings and flanges products and/or used in the construction of process plants.

To complement our supply and distribution business, we are also involved in the manufacturing and sale of fittings such as anchor blocks, chasers, plugs and couplings, as well as flanges, which are primarily made from stainless steel and carbon steel. Our manufacturing business complements our supply and distribution business, whereby we manufacture fittings and flanges with customised specifications.

In addition to manufacturing using raw materials purchased by us, we also provide machining services where our customers provide us with semi-finished products and engage us to carry out further processes to form final products according to customers' product specifications. Processes undertaken by our Group include milling, drilling, turning, threading and laser marking.

For further information on our business, please refer to Section 7 of this Prospectus.

12. FINANCIAL INFORMATION (cont'd)**12.2.2 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS**

Section 9 of this Prospectus 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) We face competition from other industry players

According to the IMR Report, the pipes, fittings and flanges industry in Malaysia is competitive and our Group competes with other companies offering similar products based on product range, product quality, pricing, service and location, amongst others. The competition that we face from other industry players may impact our revenue and profitability as we may be forced to be more price-competitive to secure sales orders. Further, our products need to be of the required quality and amount, and as such, we must strive to ensure that we are able to supply our products in accordance with the specifications required by our customers.

Our Group must continuously ensure that we meet the above requirements as failure to do so may negatively impact our Group's track record and industry reputation, leading to a loss of business to our competitors and damage to our overall business performance.

(ii) We are exposed to fluctuation in steel prices

Our pipes, fittings and flanges as well as steel products are mainly manufactured from stainless steel and carbon steel. This exposes our Group to the risk of fluctuations in steel prices which could lead to higher costs for our pipes, fittings and flanges as well as steel products, thereby affecting the demand for our products.

Our GP margin for the sale of steel products decreased from 29.59% for FYE 2021 to 23.50% in FYE 2022. When the price of steel products was on a declining trend (i.e. FYE 2022), we sold our stocks which were acquired at higher costs and we were only able to partially pass on the increase in cost to our customers in order to remain competitive, which resulted in a lower GP margin in FYE 2022. Further, in FPE 2024, we recorded a lower GP margin for the sale of steel products at 13.68% as compared to 16.74% in FPE 2023. This was primarily attributed to a decline in global steel prices during FPE 2024. As global steel prices decreased over the period, the corresponding decrease in market prices of steel products resulted in a lower GP margin for steel products. Any increases in steel prices in future may affect our financial performance if we are unable to pass down the increase to our customers. Any increases in steel prices in future may affect our financial performance if we are unable to pass down the increase to our customers. Further, even if we are able to effectively pass down the increase in steel prices to our customers by increasing our product pricing, we may experience a decline in the demand for our pipes, fittings and flanges as well as steel products due to higher prices, consequently lowering orders from our customers which could, in turn, affect our financial performance.

(iii) We are dependent on our major suppliers, namely Tae Heung and Supplier A

We are dependent on our contract manufacturer, namely Tae Heung, which emerged as our largest supplier in FYE 2023 and FPE 2024 with contribution of 30.50% and 35.61% to our total purchases respectively, and Supplier A, which accounted for 6.59%, 20.68%, 28.41% and 33.09% of our total purchases for the past FYEs 2021, 2022 and 2023 and FPE 2024 respectively.

12. FINANCIAL INFORMATION (cont'd)

In the event that we are unable to continue selling “THF” brand products, the overall GP margin for our supply and distribution business may decrease, resulting in an adverse impact on our financial performance. In the event that Supplier A opts to terminate this relationship, our business operations may be disrupted if we are unable to source similar products from other suppliers timely.

In addition to the above, even if we are able to source similar products from other suppliers, there is no assurance that the products are acceptable to our customers, which may negatively affect our sales and our financial performance.

(iv) Our business and financial performance may be adversely affected if we lose significant sales from our major customer, Harmoni Group and PT Promatcon Tepatguna

We are dependent on the Harmoni Group, our major customer, with revenue contribution of 13.60%, 24.73%, 39.09% and 36.87% of our total revenue in the past FYEs 2021, 2022, 2023 and FPE 2024 respectively and PT Promatcon Tepatguna, which contributed substantially to our total revenue at 15.27% and 26.80% in FYE 2023 and FPE 2024 respectively.

Any substantial decrease in the value of orders from Harmoni Group and PT Promatcon Tepatguna could have an adverse impact on our financial performance moving forward. Nonetheless, even if we are able to secure new customers, there is no assurance that we will be able to achieve the same level of sales value and/or maintain/improve our profit margins. If such adverse events occur, our financial performance will be adversely affected.

(v) Our business and financial performance is primarily dependent on the performance of the oil and gas industry

We primarily supply and distribute our products to customers involved in the oil and gas industry to support production and refining / processing activities. Any slowdown in the oil and gas industry may lead to a decrease in the demand for pipes, fittings and flanges as well as steel products. This would impact the overall demand for our Group's products, thereby affecting our Group's business and financial performance.

(vi) We are exposed to foreign exchange fluctuation which may impact our profitability

From FYE 2021 to FYE 2023 and FPE 2024, our Group's sales were primarily derived from local customers, which are denominated in RM. Nevertheless, in FYE 2023 and FPE 2024, we experienced an increase in sales to PT Promatcon Tepatguna, an Indonesian customer whereby the sales were transacted in USD. We are exposed to transactional currency exposure as 1.94%, 1.33%, 15.87% and 28.69% of our total revenue were denominated in USD for FYE 2021, FYE 2022, FYE 2023 and FPE 2024, respectively.

On the other hand, we purchased some of our supplies from foreign suppliers and our overseas contract manufacturers from FYE 2021 to FYE 2023 and FPE 2024, whereby the purchases were denominated in foreign currencies, namely USD, SGD, EUR, RMB, JPY and GBP. 20.33%, 15.60%, 33.50% and 37.68% of our purchases were denominated in USD for FYE 2021, FYE 2022, FYE 2023 and FPE 2024, respectively. As such, any fluctuations in foreign currency exchange rates used for our overseas purchases may impact our financial performance by affecting our profit margins if we are unable to factor in the fluctuations to our customers through adjustment of our product pricing.

12. FINANCIAL INFORMATION (cont'd)

For the Financial Years/Period Under Review, we did not experience any material increase in raw material prices due to fluctuations in foreign exchange that negatively impacted our financial results. Additional information on foreign exchange fluctuation risk is set out in Sections 9.1.14 and 12.14(i) of this Prospectus.

(vii) We are exposed to credit risk and default payments by customers

We generally grant our customers credit periods from 30 to 120 days. In the event of delay or default payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, any delay or default in payment by customers may also lead to impairment losses on trade receivables or writing off of trade receivables as bad debts, which may adversely affect our financial performance. The impairment loss on trade receivables incurred during FYE 2021, FYE 2022, FYE 2023 and FPE 2024 were RM0.29 million, RM1.58 million, RM2.81 million and RM0.01 million, respectively.

(viii) Our supply and distribution business is subject to availability of financing for working capital requirements

As a supplier and distributor, we offer an extensive range of pipes, fittings and flanges as well as steel products. The nature of our business requires us to keep a sufficient level of inventory to provide timely delivery to our customers. We also provide 30 to 120 days credit to our customers who require credit terms from us. Therefore, we use a significant amount of financing to bridge the gap between our purchase of stocks (which are typically on cash terms for overseas purchases) and the holding of inventory until we sell the inventory and collect the sales proceeds from our customers. To do this, we rely on internally generated funds as well as external borrowings, i.e. trade line financing such as bankers' acceptances, invoice financing and trust receipts, revolving credit and trade financing to support our working capital.

Our ability to obtain external borrowings are subject to various uncertainties, including our results of operations, financial condition, cash flows, our gearing level, the performance of the Malaysian economy and the markets for our products, the cost of financing, the condition of financial markets, and the continued willingness of banks to provide new loans. We cannot assure that any required financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or at all. If we are unable to secure adequate borrowings at competitive rates, interest costs will be higher and borrowings will be less feasible to undertake, which will negatively impact our cash flows, operations, growth and expansion plans. As at 31 August 2024, our Group's total working capital borrowing was RM57.76 million, with interest rates ranging from 4.70% to 12.51%.

(ix) Our future revenue and GP will depend on the continued sale of products under a jointly-owned brand, namely "THF" brand

Our Group supplies and distributes fittings and flanges products under a jointly-owned brand, namely "THF" brand, which comprises fittings and flanges that come in a variety of material grades and dimensions.

We recorded a 2,084.07% increase in revenue from the sales of products under the jointly-owned brand, from RM3.64 million in FYE 2021 to RM79.50 million in FYE 2023. GP from the sales of these products have increased from RM0.88 million in FYE 2021 to RM19.38 million in FYE 2023 and RM18.92 million in FPE 2024.

12. FINANCIAL INFORMATION (cont'd)

In addition to the above, the GP margin from the sales of products under the jointly-owned brand is relatively stable at between 24.26% to 24.38% (for past 3 FYEs) and 24.40% in FPE 2024, while the GP margin from the sales of third-party brands products has been recording a declining trend from 22.20% in FYE 2021 to 12.66% in FYE 2023 and 12.77% in FPE 2024. During FYE 2023, we had initiated a customer acquisition strategy where we had priced our third-party brands' products (i.e. pipes, fittings, flanges and steel products) more competitively in order to generate higher sales and secure new customers.

In FYE 2023 and FPE 2024, RM19.38 million of GP or 47.20% and RM18.92 million or 50.87% of total GP was contributed by the sales of products under the jointly-owned brand. We expect that the sales of products under the jointly-owned brand to continue to increase in future financial years.

12.2.3 Significant accounting estimates and judgements

In preparing the financial statements, actual results may differ from the estimates as our management are required to make judgements, estimates, and assumptions on the reported amounts of assets, liabilities, income and expenses. Estimates and underlying assumptions are reviewed on an ongoing basis.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effects on the amounts recognised in the combined financial statements other than those discussed in Note 3(e) of the Accountants' Report. Significant accounting estimates and judgements of the Accountants' Report are included in Section 13. There are no accounting policies which are peculiar to our Group due to the nature of business or industry which we are involved in.

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12. FINANCIAL INFORMATION (cont'd)**12.2.4 Review of our results of operations****(i) Revenue****Analysis of revenue by business segment**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Supply and distribution segment	68,460	96.90	134,908	97.32	239,472	98.48
Third-party brands	64,821	91.75	130,552	94.18	159,969	65.79
- pipes	21,295	30.14	61,224	44.17	72,494	29.81
- fittings and flanges	27,755	39.29	44,067	31.79	51,624	21.23
- steel products	11,071	15.67	13,983	10.09	28,565	11.75
- related parts and accessories	4,700	6.65	11,278	8.13	7,286	3.00
Jointly-owned brand	3,639	5.15	4,356	3.14	79,503	32.69
- fittings and flanges						
Manufacturing segment	2,187	3.10	3,714	2.68	3,688	1.52
	70,647	100.00	138,622	100.00	243,160	100.00
	Unaudited		Audited			
	FPE 2023		FPE 2024			
	RM'000	%	RM'000	%		
Supply and distribution segment	154,577	98.24	215,431	99.19		
Third-party brands	108,354	68.86	137,865	63.48		
- pipes	52,049	33.08	63,507	29.24		
- fittings and flanges	32,146	20.43	54,727	25.20		
- steel products	19,869	12.63	13,594	6.26		
- related parts and accessories	4,290	2.72	6,037	2.78		
Jointly-owned brand	46,223	29.38	77,566	35.71		
- fittings and flanges						
Manufacturing segment	2,767	1.76	1,749	0.81		
	157,344	100.00	217,180	100.00		

12. FINANCIAL INFORMATION (cont'd)**Analysis of revenue by industry⁽¹⁾**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Oil and gas	56,548	80.04	101,054	72.90	209,487	86.15
Building materials	1,663	2.35	7,529	5.43	9,371	3.85
Palm oil refining	6,062	8.58	7,579	5.47	8,023	3.30
Manufacturing	132	0.19	1,484	1.07	751	0.31
Others ⁽²⁾	6,242	8.84	20,976	15.13	15,528	6.39
	70,647	100.00	138,622	100.00	243,160	100.00
	Unaudited		Audited			
	FPE 2023		FPE 2024			
	RM'000	%	RM'000	%		
Oil and gas	136,058	86.47	193,484	89.09		
Building materials	5,608	3.56	7,722	3.55		
Palm oil refining	5,238	3.33	5,401	2.49		
Manufacturing	527	0.34	632	0.29		
Others ⁽²⁾	9,913	6.30	9,941	4.58		
	157,344	100.00	217,180	100.00		

Notes:

- (1) Revenue by industry was classified based on the end customers of our products.
- (2) Comprises revenue from our trading customers and distributors who sell to end customers from various industries.

Analysis of revenue by geographical location⁽¹⁾

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Malaysia	69,284	98.07	137,615	99.27	203,045	83.50
Overseas	1,363	1.93	1,007	0.73	40,115	16.50
- Indonesia	1,206	1.71	623	0.45	37,598	15.46
- Singapore	3	*	329	0.24	1,810	0.75
- Others ⁽²⁾	154	0.22	55	0.04	707	0.29
	70,647	100.00	138,622	100.00	243,160	100.00
	Unaudited		Audited			
	FPE 2023		FPE 2024			
	RM'000	%	RM'000	%		
Malaysia	145,222	92.30	153,745	70.79		
Overseas	12,122	7.70	63,435	29.21		
- Indonesia	11,823	7.51	62,253	28.67		
- Singapore	288	0.18	1,136	0.52		
- Others ⁽²⁾	11	0.01	46	0.02		
	157,344	100.00	217,180	100.00		

12. FINANCIAL INFORMATION (cont'd)**Notes:**

- * Representing less than 0.01%.
- (1) Our revenue by geographical market was classified based on the delivery locations of our products.
- (2) Includes China, Korea and Vietnam.

Comparison between FYE 2021 and FYE 2022

Our revenue increased by RM67.97 million or 96.21% to RM138.62 million for FYE 2022 (FYE 2021: RM70.65 million), primarily contributed by higher revenue from the sale of third-party brands products from the supply and distribution segment, which recorded RM134.91 million or 97.32% of our total revenue for FYE 2022 (FYE 2021: RM68.46 million or 96.90% of our total revenue).

The Malaysian market was our main revenue contributor, recording RM137.62 million or 99.27% of our total revenue for FYE 2022 (FYE 2021: RM69.28 million or 98.07% of our total revenue).

We sold our products mainly to customers involved in the oil and gas industry, which contributed RM101.05 million or 72.90% of our total revenue for FYE 2022 (FYE 2021: RM56.55 million or 80.04% of our total revenue).

Supply and distribution segment

Our revenue from the supply and distribution segment increased by RM66.45 million or 97.06% to RM134.91 million for FYE 2022 (FYE 2021 RM68.46 million), mainly attributable to higher revenue from the sale of third-party brands products, which increased by RM65.73 million or 101.40% to RM130.55 million for FYE 2022 (FYE 2021: RM64.82 million).

The increase in the revenue from the sale of third-party brands products segment was primarily contributed by the increase in demand in the market for pipes, fittings and flanges as well as steel products due to the COVID-19 pandemic gradually subsiding and the resumption of the process industries during FYE 2022, particularly the oil and gas industry. The said increase was mainly attributable to:

- (i) increase in revenue for pipes by RM39.92 million or 187.42% to RM61.22 million, mainly due to higher demand for pipes from 3 contractor customers and 1 trading customer for the oil and gas industry which collectively recorded an increase in revenue by RM25.55 million; and
- (ii) increase in revenue for fittings and flanges by RM16.31 million or 58.75% to RM44.07 million, mainly contributed by higher demand from 3 contractor customers and 1 trading company from the oil and gas industry which collectively recorded an increase in revenue by RM16.44 million.

Revenue from the supply and distribution of jointly-owned brand fittings and flanges products increased by RM0.72 million or 19.78% to RM4.36 million for FYE 2022 (FYE 2021 RM3.64 million), mainly due to the higher demand from 3 contractor customers for the palm oil refining industry and oil and gas industry, which collectively recorded an increase in revenue by RM0.61 million.

12. FINANCIAL INFORMATION (cont'd)***Manufacturing segment***

Revenue from the manufacturing segment recorded an increase of RM1.52 million or 69.41% to RM3.71 million for FYE 2022 (FYE 2021: RM2.19 million). The said increase was mainly attributable to higher demand from 1 trading customer for the oil and gas industry, mainly for pipes and steel products, which contributed to an increase in revenue by RM2.08 million for FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our revenue further improved by RM104.54 million or 75.41% to RM243.16 million in FYE 2023 (FYE 2022: RM138.62 million), primarily contributed by higher revenue from the sale of both third-party and jointly-owned brand products from the supply and distribution segment, which recorded RM239.47 million or 98.48% of our total revenue (FYE 2022: RM134.91 million or 97.32% of our total revenue).

During FYE 2023, we had initiated a customer acquisition strategy where we had priced our third-party brands' products (i.e. pipes, fittings, flanges and steel products) more competitively in order to generate higher sales and secure new customers. Resulting of this, our revenue from the supply and distribution segment increased by 77.50% to RM239.47 million in FYE 2023 (FYE 2022: RM134.91 million), and the number of customers increased by 49.93% to 1,153 customers in FYE 2023 (FYE 2022: 769 customers).

The Malaysian market continued to be the primary revenue contributor for FYE 2023, which recorded RM203.05 million or 83.50% of our total revenue (FYE 2022: RM137.62 million or 99.27% of our total revenue).

Revenue from the Indonesia and Singapore markets increased by RM36.98 million or 5,964.52% to RM37.60 million for FYE 2023 (FYE 2022: RM0.62 million) and RM1.48 million or 448.48% to RM1.81 million for FYE 2023 (FYE 2022: RM0.33 million), respectively, mainly contributed by the increased demand for both third-party and our jointly-owned brand fittings and flanges products from an Indonesian major customer for the oil and gas industry, which contributed to an increase in revenue of RM37.06 million for FYE 2023.

We sold our products mainly to customers involved in the oil and gas industry, which contributed RM209.49 million or 86.15% of our total revenue for FYE 2022 (FYE 2021: RM101.05 million or 72.90% of our total revenue).

Supply and distribution segment

Our revenue from the supply and distribution segment increased by RM104.56 million or 77.50% to RM239.47 million for FYE 2023 (FYE 2022: RM134.91 million), mainly attributable to the following:

- (i) higher revenue from the supply and distribution of jointly-owned brand fittings and flanges products, which increased by RM75.14 million or 1,723.39% to RM79.50 million for FYE 2023 (FYE 2022 RM4.36 million), mainly attributable to the increased demand from an Indonesian contractor customer, 1 Malaysian trading customer and 1 Malaysian contractor customer for the oil and gas industry resulted from more projects secured by these customers which utilised our jointly-owned brand fittings and flanges products which met with the respective projects requirements, which collectively contributed to the growth in revenue by RM75.21 million for FYE 2023. For information, each of the aforementioned customers have been our customers for more than 5 years, as of FYE 2023; and

12. FINANCIAL INFORMATION (cont'd)

- (ii) increase in revenue from the supply and distribution of third-party brands pipes, fittings and flanges as well as steel products increased by RM29.42 million or 22.54% to RM159.97 million for FYE 2023 (FYE 2022: RM130.55 million), mainly due to:
 - (aa) increase in revenue of steel products by RM14.59 million or 104.36%, mainly due to higher demand from 1 trading company and 1 contractor customer for the oil and gas industry, which collectively recorded an increase in revenue by RM12.10 million.
 - (bb) increase in revenue of pipes by RM11.27 million or 18.41%, mainly due to higher demand from 1 trading company and 1 contractor customer for the oil and gas industry, which collectively recorded an increase in revenue by RM20.86 million. The said increase was partially narrowed by lower demand from a Malaysian contractor customer for the oil and gas industry, resulted in a decrease in revenue of RM10.04 million for FYE 2023 due to the progress of the related project near its completion stage.
 - (cc) increase in revenue of fittings and flanges by RM7.55 million or 17.13%, mainly due to higher demand from 1 trading company for the oil and gas industry which recorded an increase in revenue by RM10.01 million. The said increase was partially narrowed by lower demand from a Malaysian contractor customer for the oil and gas industry, resulted in a decrease in revenue of RM2.33 million for FYE 2023 due to the progress of the related project near its completion stage.

The above increases were narrowed by the decrease in revenue of related parts and accessories by RM3.99 million or 35.37%, mainly due to lower demand for instruments, metering and insulation materials from 3 Malaysian contractor customers for oil and gas industry, resulted in decrease RM4.73 million for FYE 2023.

Manufacturing segment

Revenue from the manufacturing of fittings and flanges segment for FYE 2023 was relatively stable as compared to FYE 2022, which recorded a marginal decrease of RM0.02 million or 0.54% to RM3.69 million for FYE 2023 (FYE 2022: RM3.71 million).

Comparison between FPE 2023 and FPE 2024

Our revenue increased by RM59.84 million or 38.03% to RM217.18 million for FPE 2024 (FPE 2023: RM157.34 million), mainly contributed by revenue from the sale of both third-party brands and jointly-owned brand products from the supply and distribution segment, which recorded RM215.43 million or 99.19% of our total revenue for FPE 2024 (FPE 2023: RM154.58 million or 98.24% of our total revenue).

The local market was our main revenue contributor, which recorded RM153.75 million or 70.79% of our total revenue for FPE 2024 (FPE 2023: RM145.22 million or 92.30%). In addition, revenue from Indonesia markets increased by RM50.43 million or 426.65% to RM62.25 million (FPE 2023: RM11.82 million), mainly contributed by the increased demand for jointly-owned brand fittings and flanges products as well as third-party brand pipes from an Indonesian major customer for the oil and gas industry, which contributed to an increase in revenue of RM46.63 million for FPE 2024.

We sold our products mainly to customers in the oil and gas industry, which contributed RM193.48 million or 89.09% of our total revenue for FPE 2024 (FPE 2023: RM136.06 million or 86.47% of our total revenue).

12. FINANCIAL INFORMATION (cont'd)***Supply and distribution segment***

Our revenue from the supply and distribution segment increased by RM60.85 million or 39.36% to RM215.43 million for FPE 2024 (FPE 2023: RM154.58 million), mainly attributable to the following:

- (i) higher revenue from the supply and distribution of jointly-owned brand flanges, which contributed to an increase of RM31.35 million or 67.83% to RM77.57 million (FPE 2023: RM46.22 million), mainly due to increased demand from PT Promatcon Tepatguna, an Indonesian major contractor customer which contributed to an increase in revenue of RM33.86 million; and
- (ii) revenue from the supply and distribution of third-party brands pipes, fittings and flanges, steel products as well as related parts and accessories increased by RM29.52 million or 27.25% to RM137.87 million for FPE 2024 (FPE 2023: RM108.35 million), mainly due to the following:
 - (a) increase in revenue of fittings and flanges by RM22.58 million or 70.23%, mainly due to higher demand from 1 Malaysian major trading customer for the oil and gas industry, which recorded an increase in revenue by RM14.00 million;
 - (b) increase in revenue for pipes products by RM11.46 million or 22.02%, mainly due to higher demand from PT Promatcon Tepatguna, an Indonesian major contractor customer and 1 Malaysian major trading customer for the oil and gas industry, which collectively recorded an increase in revenue of RM17.25 million. The said increase was partially narrowed by lower revenue from a Malaysian major contractor customer for the oil and gas industry of RM10.08 million; and
 - (c) increase in revenue of related parts and accessories by RM1.75 million or 40.79%, mainly due to higher demand for valves from 2 Malaysian trading customers, 1 Malaysian contractor customer and 1 Indonesian contractor customer for the oil and gas industry, which collectively recorded an increase in revenue by RM1.44 million.

The above increases were partially offset by the decrease in revenue of steel products by RM6.28 million or 31.61%, mainly due to lower demand from 2 Malaysian major contractor customers (comprising Axianergy (M) Sdn Bhd and HRSB Holdings Sdn Bhd) and 1 Malaysian major trading customer for the oil and gas industry, which collectively recorded a decrease in revenue by RM7.19 million.

Manufacturing Segment

Our revenue for the manufacturing segment decreased by RM1.02 million or 36.82% to RM1.75 million for FPE 2024 (FPE 2023: RM2.77 million), mainly due to lower demand from 1 Malaysian major trading customer for the oil and gas industry, mainly for fittings products, which resulted to a decrease in revenue by RM1.13 million for FPE 2024.

12. FINANCIAL INFORMATION (cont'd)**(ii) Cost of sales, GP and GP margin****Analysis of cost of sales by cost component**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Cost of trading goods	52,419	96.14	109,094	96.95	198,108	98.02
Cost of raw materials	826	1.51	1,745	1.55	1,840	0.91
Transportation costs ⁽¹⁾	766	1.40	1,148	1.02	1,728	0.86
Depreciation	273	0.50	273	0.24	274	0.14
Labour costs	74	0.14	114	0.10	80	0.04
Subcontractor costs	116	0.21	98	0.09	29	0.01
Utilities ⁽²⁾	43	0.08	44	0.04	41	0.02
Upkeep of factory equipment	9	0.02	7	0.01	1	*
	54,526	100.00	112,523	100.00	202,101	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Cost of trading goods	126,766	97.79	176,889	98.29
Cost of raw materials	1,408	1.09	784	0.44
Transportation costs ⁽¹⁾	1,171	0.90	2,016	1.12
Depreciation	176	0.14	179	0.10
Labour costs	55	0.04	74	0.04
Subcontractor costs	27	0.02	7	*
Utilities ⁽²⁾	25	0.02	26	0.01
Upkeep of factory equipment	6	*	4	*
	129,634	100.00	179,979	100.00

Notes:

* Representing less than 0.01%.

(1) Transportation was in relation to the purchases of trading goods.

(2) Utilities comprises mainly electricity and water expenses.

12. FINANCIAL INFORMATION (cont'd)**Analysis of cost of sales by business segment**

		Audited					
		FYE 2021		FYE 2022		FYE 2023	
		RM'000	%	RM'000	%	RM'000	%
Supply distribution segment	and	53,185	97.54	110,243	97.97	199,836	98.88
Third-party brands		50,429	92.49	106,945	95.04	139,717	69.13
- pipes		17,619	32.31	52,116	46.32	63,157	31.25
- fittings and flanges		21,452	39.34	35,303	31.37	45,365	22.45
- steel products		7,795	14.30	10,697	9.51	24,643	12.19
- related parts and accessories		3,563	6.54	8,829	7.84	6,552	3.24
Jointly-owned brand		2,756	5.05	3,298	2.93	60,119	29.75
- fittings and flanges							
Manufacturing segment		1,341	2.46	2,280	2.03	2,265	1.12
		54,526	100.00	112,523	100.00	202,101	100.00
		Unaudited		Audited			
		FPE 2023		FPE 2024			
		RM'000	%	RM'000	%		
Supply distribution segment	and	127,936	98.69	178,905	99.40		
Third-party brands		93,032	71.77	120,262	66.82		
- pipes		44,920	34.65	55,254	30.70		
- fittings and flanges		27,841	21.48	47,860	26.59		
- steel products		16,542	12.76	11,734	6.52		
- related parts and accessories		3,729	2.88	5,414	3.01		
Jointly-owned brand		34,904	26.92	58,643	32.58		
- fittings and flanges							
Manufacturing segment		1,698	1.31	1,074	0.60		
		129,634	100.00	179,979	100.00		

12. FINANCIAL INFORMATION (cont'd)**Analysis of GP and GP margin by business segment**

		Audited					
		FYE 2021		FYE 2022		FYE 2023	
		GP	GP margin	GP	GP margin	GP	GP margin
		RM'000	%	RM'000	%	RM'000	%
Supply distribution segment and		15,275	22.31	24,665	18.28	39,636	16.55
Third-party brands		14,392	22.20	23,607	18.08	20,252	12.66
- pipes		3,676	17.26	9,108	14.88	9,337	12.88
- fittings and flanges		6,303	22.71	8,764	19.89	6,259	12.12
- steel products		3,276	29.59	3,286	23.50	3,922	13.73
- related parts and accessories		1,137	24.19	2,449	21.71	734	10.07
Jointly-owned brand		883	24.26	1,058	24.29	19,384	24.38
- fittings and flanges							
Manufacturing segment		846	38.68	1,434	38.61	1,423	38.58
		16,121	22.82	26,099	18.83	41,059	16.89
		Unaudited		Audited			
		FPE 2023		FPE 2024			
		GP	GP Margin	GP	GP Margin		
		RM'000	%	RM'000	%		
Supply distribution segment and		26,641	17.23	36,526	16.95		
Third-party brands		15,322	14.14	17,603	12.77		
- pipes		7,129	13.70	8,253	13.00		
- fittings and flanges		4,305	13.39	6,867	12.55		
- steel products		3,327	16.74	1,860	13.68		
- related parts and accessories		561	13.08	623	10.32		
Jointly-owned brand		11,319	24.49	18,923	24.40		
- fittings and flanges							
Manufacturing segment		1,069	38.63	675	38.59		
		27,710	17.61	37,201	17.13		

Comparison between FYE 2021 and FYE 2022

The cost of trading goods is the main component of our cost of sales, which contributed to RM109.09 million or 96.95% of our total cost of sales for FYE 2022 (FYE 2021: RM52.42 million or 96.14% of our total cost of sales).

Our cost of sales increased by RM57.99 million or 106.35% to RM112.52 million (FYE 2021: RM54.53 million), mainly attributable to the increase in cost of trading goods of RM56.67 million or 108.11% to RM109.09 million for FYE 2022 (FYE 2021: RM52.42 million), which increase in tandem with our revenue growth rate for the supply and distribution segment of 97.06%.

12. FINANCIAL INFORMATION (cont'd)

Our GP increased by RM9.98 million or 61.91% to RM26.10 million for FYE 2022 (FYE 2021: RM16.12 million), primarily contributed by increased revenue recorded for FYE 2022. The supply and distribution segment is the main contributor to our GP, which recorded an increase of RM9.39 million or 61.45% to RM24.67 million for FYE 2022 (FYE 2021: RM15.28 million).

Our overall GP margin decreased from 22.82% in FYE 2021 to 18.83% in FYE 2022, mainly attributable to the decrease in GP margin for the supply and distribution segment, which declined from 22.31% to 18.28%, primarily contributed by lower GP margin recorded from the supply and distribution of third-party brands products for FYE 2022 due to the reasons as explained below.

Supply and distribution segment

Our cost of sales for the supply and distribution segment increased by RM57.05 million or 107.26% to RM110.24 million for FYE 2022 (FYE 2021: RM53.19 million), primarily attributed to the following:

- (a) cost of sales for the supply and distribution of third-party brands products increased by RM56.52 million or 112.08% to RM106.95 million for FYE 2022 (FYE 2021: RM50.43 million), primarily attributable to increased demand for pipes, flanges, and fittings products, coupled with the rise in the average purchase prices during FYE 2022. Our Group recorded an increased GP of RM9.22 million or 64.07% to RM23.61 million for FYE 2022 (FYE 2021: RM14.39 million), mainly due to the increased revenue for FYE 2022. However, our GP margin decreased from 22.20% for FYE 2021 to 18.08% for FYE 2022, primarily attributable to the following:
 - (aa) our GP margins for the sale of pipes decreased from 17.26% for FYE 2021 to 14.88% for FYE 2022, as our Group purchased the pipes (which are manufactured from steel) at higher prices prior to the decline in market prices, due to the declining trend of steel prices during FYE 2022;
 - (bb) the lower GP margins recorded for the sale of fittings and flanges for FYE 2022, which decreased from 22.71% for FYE 2021 to 19.89% for FYE 2022, was mainly contributed by the increase in costs for fittings and flanges. We had partially absorbed the increase in costs and had only partially passed on the increase in prices to our customers in order to remain competitive;
 - (cc) our GP margin for the sale of steel products decreased from 29.59% for FYE 2021 to 23.50% for FYE 2022. We had stocked our steel products at a higher price during FYE 2021. However, global steel prices had decreased during FYE 2022 (Source: IMR Report) which resulted in a corresponding decrease in market prices of steel products which resulted in lower GP margin for steel products; and
 - (dd) our GP margin for the sale of related parts and accessories decreased from 24.19% for FYE 2021 to 21.71% for FYE 2022, primarily due to our Group selling more instruments, insulation materials, bolts and nuts, distribution boxes, and metering products in FYE 2022, which are sold to complement our sales of pipes, fittings and flanges to customers. These products are not our core products and generally yielded lower GP margins.

12. FINANCIAL INFORMATION (cont'd)

- (b) cost of sales for the supply and distribution of jointly-owned brand fittings and flanges products increased by RM0.54 million or 19.57% to RM3.30 million (FYE 2021: RM2.76 million), which increased in tandem with the increase in revenue of 19.78%. Hence, our GP for the supply and distribution of jointly-owned brand fittings and flanges products increased by RM0.18 million or 20.45% to RM1.06 million for FYE 2022 (FYE 2021: RM0.88 million) and our GP margin of 24.29% for FYE 2022 was relatively consistent as compared to 24.26% for FYE 2021. Products manufactured by Tae Heung are of South Korean origin and the selling price of these products are generally higher as compared to third-party brands products. As we have the exclusive rights to supply and distribute “THF” branded products in amongst others, Malaysia, Indonesia and Singapore, we are able to maintain the pricing of the product, thus maintaining the GP margin of jointly-owned brand fittings and flanges.

Manufacturing segment

Cost of sales for the manufacturing of fittings and flanges increased by RM0.94 million or 70.15% to RM2.28 million for FYE 2022 (FYE 2021: RM1.34 million), which increased in tandem with our revenue growth rate of 69.41%. Hence, we recorded an improved GP for FYE 2022, which increased by RM0.58 million or 68.24% to RM1.43 million (FYE 2021: RM0.85 million). Our GP margin for FYE 2022 of 38.61% was relatively consistent with FYE 2021 of 38.68%.

Comparison between FYE 2022 and FYE 2023

The cost of trading goods remained the main component of our cost of sales, which contributed to RM198.11 million or 98.02% of our total cost of sales for FYE 2023 (FYE 2022: RM109.09 million or 96.95% of our total cost of sales). Our cost of sales increased by RM89.58 million or 79.61% to RM202.10 million (FYE 2022: RM112.52 million), mainly attributable to the following:

- (a) increase in costs of trading goods of RM89.02 million or 81.60% to RM198.11 million FYE 2023 (FYE 2022: RM109.09 million), which increased in tandem with our revenue growth rate for FYE 2023 of 77.50% for the supply and distribution segment; and
- (b) increase in transportation costs of RM0.58 million or 50.43% to RM1.73 million for FYE 2023 (FYE 2022: RM1.15 million), mainly contributed by increased pipes, fittings and flanges as well as steel products purchases during FYE 2023 as a result of the revenue growth from the supply and distribution segment during FYE 2023, which generally yielded lower GP margins.

Our GP increased by RM14.96 million or 57.32% to RM41.06 million for FYE 2023 (FYE 2022: RM26.10 million), which mainly contributed by our supply and distribution segment, which recorded an increase of RM14.97 million or 60.68% to RM39.64 million for FYE 2023 (FYE 2022: RM24.67 million).

Our overall GP margin decreased from 18.83% in FYE 2022 to 16.89% in FYE 2023, mainly attributable to the decrease in GP margin for the supply and distribution segment, which declined from 18.28% for FYE 2022 to 16.55% for FYE 2023, due to the reasons as explained below.

12. FINANCIAL INFORMATION (cont'd)***Supply and distribution segment***

Our cost of sales for the supply and distribution segment increased by RM89.60 million or 81.28% to RM199.84 million for FYE 2023 (FYE 2022: RM110.24 million), primarily attributed to the following:

- (a) cost of sales for the supply and distribution of jointly-owned brand fittings and flanges products increased by RM56.82 million or 1,721.82% to RM60.12 million (FYE 2022: RM3.30 million), which increased in tandem with our revenue growth rate of 1,723.39%. Products manufactured by Tae Heung are of South Korean origin and the selling price of these products are generally higher as compared to third-party brands products. As we have the exclusive rights to supply and distribute "THF" branded products in amongst other countries, Malaysia, Indonesia and Singapore, we are able to maintain the pricing of the product, thus maintaining the GP margin of jointly-owned brand fittings and flanges. Hence, we recorded an improved GP for FYE 2023, which increased by RM18.32 million or 1,728.30% to RM19.38 million (FYE 2022: RM1.06 million). Our GP margin for FYE 2023 of 24.38% was relatively consistent as compared to 24.29% for FYE 2022; and
- (b) cost of sales for the supply and distribution of third-party brands products increased by RM32.77 million or 30.64% to RM139.72 million for FYE 2023 (FYE 2022: RM106.95 million), which increase was higher than our revenue growth rate of 22.54%, primarily attributed to the increase in average purchase prices. During FYE 2023, we initiated a customer acquisition strategy where we priced our third-party brands' products (i.e. pipes, fittings, flanges and steel products) more competitively in order to generate higher sales and secure new customers. Hence, we recorded lower GP margins for the supply and distribution of third-party brands' products for pipes, fittings and flanges and steel products for FYE 2023 as compared to FYE 2022. Our GP margin for the sale of related parts and accessories, which are not our core products, decreased from 21.71% for FYE 2022 to 10.07% for FYE 2023, primarily due to sales of products which yielded lower GP margin, such as disk heads, gaskets, line blanks and tools as complement products to our sales of pipes, fitting and flanges during FYE 2023.

Manufacturing of fittings and flanges

We recorded the cost of sales for the manufacturing of fittings and flanges segment of RM2.27 million for FYE 2023 (FYE 2022: RM2.28 million). Hence, there were no material movements in our cost of sales and GP for this segment. Hence, our GP margin of 38.58% for FYE 2023 for this segment was relatively consistent with FYE 2022 of 38.61%.

Comparison between FPE 2023 and FPE 2024

The cost of trading goods is the main component of our cost of sales, which contributed to RM176.89 million or 98.29% of our total cost of sales for FPE 2024 (FPE 2023: RM126.77 million or 97.79% of our total cost of sales). Our cost of sales increased by RM50.35 million or 38.84% to RM179.98 million for FPE 2024 (FPE 2023: RM129.63 million), which increased in tandem with the increase in revenue for FPE 2024.

Our GP increased by RM9.49 million or 34.25% to RM37.20 million for FPE 2024 (FPE 2023: RM27.71 million), which was mainly contributed by our supply and distribution segment, which recorded an increase of RM9.89 million or 37.12% to RM36.53 million for FPE 2024 (FPE 2023: RM26.64 million).

12. FINANCIAL INFORMATION (cont'd)

Our overall GP margin marginally decreased from 17.61% in FPE 2023 to 17.13% in FPE 2024, mainly attributable to the decrease in GP margin for the supply and distribution segment, which declined from 17.23% for FPE 2023 to 16.95% for FPE 2024, due to the reasons as explained below.

Supply and distribution segment

Our cost of sales for the supply and distribution segment increased by RM50.96 million or 39.83% to RM178.90 million for FPE 2024 (FPE 2023: RM127.94 million), primarily attributed by the following:

- (a) cost of sales of supply and distribution of jointly-owned brand fittings and flanges products increased by RM23.74 million or 68.02% to RM58.64 million for FPE 2024 (FPE 2023: RM34.90 million). Products manufactured by Tae Heung are of South Korean origin and the selling prices of these products are generally higher as compared to third-party brands products. As we have the exclusive rights to supply and distribute "THF" branded products in amongst other countries, Malaysia, Indonesia and Singapore, we are able to maintain the pricing of the product, thus maintaining the GP margin of jointly-owned brand fittings and flanges. Hence, we recorded an improved GP for FPE 2024, which increased by RM7.60 million or 67.14% to RM18.92 million (FPE 2023: RM11.32 million). Our GP margin for FPE 2024 of 24.40% was relatively consistent as compared to 24.49% for FPE 2023; and
- (b) cost of sales for the supply and distribution of third-party brands products increased by RM27.23 million or 29.27% to RM120.26 million for FPE 2024 (FPE 2023: RM93.03 million). During FPE 2024, we have continued our customer acquisition strategy implemented since 2023 and up to August 2024, where we priced our third-party brands' products (i.e. pipes, fittings, flanges and steel products more competitively in order to generate higher sales and secure new customers. Hence, we recorded a lower GP margin for the supply and distribution of third-party brands' products, which decreased from 14.14% for FPE 2023 to 12.77% for FPE 2024. However, our GP margin for FPE 2024 of 12.77% improved marginally as compared to our GP margin for FPE 2023 of 12.66%, mainly due to our Group having progressively increased its selling prices during FPE 2024. In addition, our GP margin for the sale of steel products decreased from 16.74% for FPE 2023 to 13.68% for FPE 2024, mainly attributable to our Group having stocked our steel products at a higher price during the beginning of FPE 2024. However, global steel prices had decreased during FPE 2024, which resulted in a corresponding decrease in market prices of steel products, which resulted in lower GP margin for steel products.

Despite our overall GP margin for the supply and distribution segment decreased from 17.23% for FPE 2023 to 16.95% for FPE 2024, our GP margin for FPE 2024 of 16.95% improved marginally as compared to our GP margin for FPE 2023 of 16.55%, mainly due to our Group having progressively increased its selling prices during FPE 2024.

Manufacturing Segment

Our cost of sales for the manufacturing segment has decreased by RM0.63 million or 37.06% to RM1.07 million for FPE 2024 (FPE 2023: RM1.70 million) while GP has decreased by RM0.39 million or 36.45% to RM0.68 million for FPE 2024 (FPE 2023: RM1.07 million), which was in tandem with the lower revenue generated for this segment in FPE 2024. Our GP margin of 38.59% for FPE 2024 for this segment was relatively consistent with FPE 2023 of 38.63%.

12. FINANCIAL INFORMATION (cont'd)**(iii) Other operating income**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of:						
- PPE	64	22.78	30	6.21	-	-
- right-of-use assets	-	-	-	-	307	20.12
Gain on lease modification	2	0.71	-	-	32	2.10
Gain on unrealised foreign exchange	27	9.61	-	-	-	-
Interest income ⁽¹⁾	27	9.61	1	0.21	28	1.83
Late payment interest income	-	-	1	0.21	282	18.48
Recovery of bad debts	15	5.34	-	-	-	-
Rectification back charge to suppliers ⁽²⁾	-	-	65	13.46	64	4.19
Rental income ⁽³⁾	84	29.89	315	65.21	790	51.77
Wages subsidy	61	21.71	70	14.49	-	-
Others ⁽⁴⁾	1	0.35	1	0.21	23	1.51
	281	100.00	483	100.00	1,526	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Gain on disposal of:				
- PPE	-	-	-	-
- right-of-use assets	307	26.11	-	-
Gain on lease modification	26	2.21	-	-
Gain on unrealised foreign exchange	-	-	-	-
Interest income ⁽¹⁾	2	0.17	24	4.58
Late payment interest income	255	21.68	-	-
Recovery of bad debts	-	-	-	-
Rectification back charge to suppliers ⁽²⁾	15	1.28	2	0.38
Rental income ⁽³⁾	553	47.02	479	91.41
Wages subsidy	-	-	-	-
Others ⁽⁴⁾	18	1.53	19	3.63
	1,176	100.00	524	100.00

Notes:

* Representing less than RM1,000.

(1) Mainly comprised of interest income from fixed deposits placed with licensed banks and interest-earn bank accounts.

(2) Mainly comprised of the additional rework costs on faulty products that were charged back to suppliers.

(3) Comprised income from renting of Investment Property 1, Investment Property 2 and Puchong Premise 3.

(4) Mainly comprised of administration charges on customers for order cancellations, recruitment fee refunded from a recruitment agency and insurance premiums refunded for terminated policies.

12. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2021 and FYE 2022**

Our other operating income increased by RM0.20 million or 71.43% to RM0.48 million for FYE 2022 (FYE 2021: RM0.28 million), primarily due to the increase in rental income of RM0.24 million or 300.00% to RM0.32 million (FYE 2021: RM0.08 million), mainly contributed by full-year rental income from renting of the first floor of Investment Property 2 (FYE 2021: 2 months) and 1 month rental income from the remaining floors of the Investment Property 2, and rental income from renting of Puchong Premise 3 during FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our other operating income further increased by RM1.05 million or 218.75% to RM1.53 million for FYE 2023 (FYE 2022: RM0.48 million) mainly due to the following:

- (a) rental income increased by RM0.47 million or 146.88% to RM0.79 million in FYE 2023 (FYE 2022: RM0.32 million), primarily due to the full-year rental income received from renting of the whole Investment Property 2 during FYE 2023;
- (b) the increase in late payment interest charges of RM0.28 million (FYE 2022: RM0.001 million) was derived mainly from interest charged to customers for late payments; and
- (c) there was a gain on disposal of right-of-use assets of RM0.31 million for FYE 2023 (FYE 2022: Nil), mainly related to the disposal of motor vehicles during FYE 2023.

Comparison between FPE 2023 and FPE 2024

Our other operating income decreased by RM0.66 million or 55.93% to RM0.52 million for FPE 2024 (FPE 2023: RM1.18 million), mainly due to the following:

- (a) our Group recorded late payment interest charges of RM0.26 million during FPE 2023 which was derived mainly from interests charged to customers for late payments;
- (b) our Group recorded a gain on disposal of right-of-use assets of RM0.31 million during FPE 2023, mainly related to the disposal of motor vehicles during FPE 2023; and
- (c) decrease in rental income by RM0.07 million or 12.73% to RM0.48 million for FPE 2024 (FPE 2023: RM0.55 million), primarily due to reduced rental income from Puchong Premise 3 as a result of tenancy ended in February 2023. Since April 2024, we have utilised Puchong Premise 3 as our storage facility for our inventory to support our supply and distribution business.

12. FINANCIAL INFORMATION (cont'd)**(iv) Administrative expenses**

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Staff related costs	4,081	45.66	6,975	46.82	12,041	50.96
Impairment loss on trade receivables	291	3.26	1,582	10.62	2,808	11.88
Directors' remuneration	1,160	12.98	1,239	8.31	1,315	5.56
Depreciation						
- investment properties	145	1.62	211	1.42	211	0.89
- PPE	252	2.82	313	2.10	438	1.85
- right-of-use assets	608	6.80	836	5.61	926	3.92
Professional fees	410	4.59	402	2.70	777	3.29
Upkeep of office equipment, motor vehicles and premises	303	3.39	333	2.24	837	3.54
Marketing expenses	311	3.48	780	5.24	782	3.31
Travelling and accommodation	214	2.39	577	3.87	626	2.65
Insurance and road tax	223	2.50	262	1.76	591	2.50
Transport charges ⁽¹⁾	239	2.67	341	2.29	403	1.71
Realised loss on foreign exchange	113	1.27	86	0.58	372	1.57
Bad debts written off	33	0.37	-	-	32	0.14
Rental expenses	-	-	-	-	260	1.10
Bank charges	132	1.48	205	1.38	249	1.05
PPE written off	-	-	-	-	174	0.74
Income tax charges ⁽²⁾	35	0.39	93	0.62	156	0.66
Unrealised loss on foreign exchange	-	-	-	-	-	-
Others ⁽³⁾	387	4.33	661	4.44	632	2.68
	8,937	100.00	14,896	100.00	23,630	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Staff related costs	7,570	57.41	9,659	49.52
Impairment loss on trade receivables	-	-	9	0.05
Directors' remuneration	1,113	8.44	1,382	7.08
Depreciation				
- investment properties	141	1.07	141	0.72
- PPE	285	2.16	303	1.55
- right-of-use assets	634	4.81	554	2.84
Professional fees	221	1.67	1,770	9.07
Upkeep of office equipment, motor vehicles and premises	262	1.99	459	2.35
Marketing expenses	519	3.94	558	2.86
Travelling and accommodation	263	1.99	511	2.62
Insurance and road tax	543	4.12	216	1.11
Transport charges ⁽¹⁾	199	1.51	138	0.71
Realised loss on foreign exchange	192	1.46	680	3.49
Bad debts written off	-	-	-	-
Rental expenses	161	1.22	15	0.08
Bank charges	160	1.21	216	1.11
PPE written off	4	0.03	-	-
Income tax charges ⁽²⁾	150	1.14	242	1.24
Unrealised loss on foreign exchange	-	-	1,823	9.34
Others ⁽³⁾	769	5.83	832	4.26
	13,186	100.00	19,508	100.00

12. FINANCIAL INFORMATION (cont'd)**Notes:**

- (1) Mainly comprised of transport charges incurred on delivery of products to customers.
- (2) Charges imposed by the Inland Revenue Board mainly for underestimation of income tax for years of assessment 2021, 2022 and 2023 (in FYEs 2022 and 2023 and FPE 2024, respectively).
- (3) Mainly comprised of printing and stationery, telephone charges, donations and utilities charges, stamp duties for new banking facilities and loss on disposal of other investments.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM5.96 million or 66.67% to RM14.90 million for FYE 2022 (FYE 2021: RM8.94 million), mainly attributable to the following:

- (a) increase in staff-related costs of RM2.90 million or 71.08% to RM6.98 million for FYE 2022 (FYE 2021: RM4.08 million), mainly attributable to an increase in average monthly staff headcount from 54 staffs for FYE 2021 to 90 staffs for FYE 2022 to cater for the expansion of our business operations as well as annual salary adjustments;
- (b) increase in impairment losses on trade receivables of RM1.29 million or 444.83% to RM1.58 million (FYE 2021: RM0.29 million) mainly due to specific impairment loss on trade receivables of RM1.62 million during FYE 2022 which was related to 2 customers (not major customers) in which our Group had issued demand letters to recover these amounts but did not pursue further legal actions as they were under winding-up petition by their financial bankers (FYE 2021: Nil);
- (c) increase in marketing expenses of RM0.47 million or 151.61% to RM0.78 million for FYE 2022 (FYE 2021: RM0.31 million), mainly due to marketing materials incurred for exhibition and trade shows purposes, advertising expenses incurred for digital advertising through search engine optimisation services and on social media;
- (d) increase in travelling and accommodation expenses of RM0.37 million or 176.19% to RM0.58 million for FYE 2022 (FYE 2021: RM0.21 million), mainly due to more travelling activities by our sales and marketing personnel following the relaxation of MCO by the government of Malaysia during FYE 2022; and
- (e) increase in other expenses of RM0.27 million or 69.23% to RM0.66 million for FYE 2022 (FYE 2021: RM0.39 million) was mainly due to increase in gifts and donation expenses by RM0.12 million, mainly due to donations made to clubs, schools societies and other non-profit organisations; increase in telephone charges by RM0.03 million; and increase in printing cost and purchase of stationery by RM0.02 million.

12. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2022 and FYE 2023**

Our administrative expenses increased by RM8.73 million or 58.59% to RM23.63 million for FYE 2023 (FYE 2022: RM14.90 million), mainly attributable to the following:

- (a) increase in staff-related costs of RM5.06 million or 72.49% to RM12.04 million for FYE 2023 (FYE 2022: RM6.98 million), mainly attributable to an increase in average monthly staff headcount from 90 staffs in FYE 2022 to 127 staffs in FYE 2023 to cater for the expansion of our business operations and the increase in commissions to marketing personnel, which increased in tandem with our revenue growth;
- (b) increase in impairment loss on trade receivables of RM1.23 million or 77.85% to RM2.81 million for FYE 2023 (FYE 2022: RM1.58 million), mainly attributable to specific impairment loss on trade receivables of RM2.93 million during FYE 2023, mainly in respect of a customer (who is not a major customer) in which our group has issued winding-up petition (as disclosed in Section 14.7 of this Prospectus) to demand the outstanding amount of RM2.85 million;
- (c) increase in upkeep of office equipment, motor vehicles and premises expenses of RM0.51 million or 154.55% to RM0.84 million (FYE 2022: RM0.33 million) mainly due to higher motor vehicle maintenance costs due to the increase in delivery trips to customers, and upkeep and cleaning expenses incurred during FYE 2023;
- (d) increase in professional fees of RM0.38 million or 95.00% to RM0.78 million (FYE 2022: RM0.40 million) was mainly due to legal fees and stamping costs incurred for new banking facilities and pre-IPO expenses incurred for the Listing being charged out to the combined statements of profit or loss and other comprehensive income;
- (e) rental expenses of RM0.26 million incurred for renting of Ipoh sales office cum warehouse and Klang sales office during FYE 2023 (FYE 2022: Nil). The said tenancies were terminated during FYE 2023 due to the closure of the said Klang sales office resulting from the centralisation of our business operations at Puchong. For information, our Group had in FYE 2023 closed our previous Ipoh sales office cum warehouse to look for a new sales office in Ipoh; and
- (f) PPE written off amounted to RM0.17 million for FYE 2023 related to office equipment and renovation costs written off resulting from the closure of our Klang office and Ipoh sales office cum warehouse during FYE 2023.

Comparison between FPE 2023 and FPE 2024

Our administrative expenses increased by RM6.32 million or 47.92% to RM19.51 million for FPE 2024 (FPE 2023: RM13.19 million), mainly attributable to the following:

- (a) increase in staff-related costs of RM2.09 million or 27.61% to RM9.66 million for FPE 2024 (FPE 2023: RM7.57 million), mainly attributable to higher commissions paid to our salespersons for collection commissions as a result of the improved collections from our customers;
- (b) our Group recorded an unrealised loss on foreign exchange of RM1.82 million for FPE 2024, mainly in relation to our trade receivables denominated in USD and SGD as a result of the strengthening of RM against USD and SGD at the end of FPE 2024;

12. FINANCIAL INFORMATION (cont'd)

- (c) increase in professional fees of RM1.55 million or 704.55% to RM1.77 million for FPE 2024 (FPE 2023: RM0.22 million), mainly due to pre-IPO expenses incurred for the Listing and legal fees incurred for new banking facilities; and
- (d) increase in realised loss on foreign exchange of RM0.49 million or 257.89% to RM0.68 million for FPE 2024 (FPE 2023: RM0.19 million), mainly in relation to our USD-denominated purchases resulting from the weakening of RM against USD during the FPE 2024.

(v) Finance costs

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Term loans	420	30.11	1,182	44.74	1,609	33.07
Trust receipts	-	-	227	8.59	1,426	29.31
Invoice financing	-	-	207	7.84	931	19.14
Bank overdrafts	341	24.44	441	16.69	577	11.86
Lease liabilities	225	16.13	180	6.81	147	3.02
Revolving credit	-	-	-	-	96	1.97
Bankers' acceptances	409	29.32	405	15.33	79	1.63
	1,395	100.00	2,642	100.00	4,865	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Term loans	938	33.38	1,437	32.51
Trust receipts	774	27.55	1,459	33.00
Invoice financing	473	16.83	765	17.30
Bank overdrafts	354	12.60	501	11.33
Lease liabilities	119	4.23	110	2.49
Revolving credit	96	3.42	95	2.15
Bankers' acceptances	56	1.99	54	1.22
	2,810	100.00	4,421	100.00

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM1.24 million or 88.57% to RM2.64 million for FYE 2022 (FYE 2021: RM1.40 million), mainly attributable to:

- (a) term loan interests increased by RM0.76 million or 180.95% to RM1.18 million (FYE 2021: RM0.42 million), mainly due to drawdowns of term loans to finance the acquisition of Puchong Premise 3 and for our Group's working capital purposes;
- (b) our Group recorded interests on trust receipts of RM0.23 million for FYE 2022 (FYE 2021: Nil), mainly due to utilisation of trust receipts for payments to our suppliers; and
- (c) our Group recorded interests on invoice financing of RM0.21 million for FYE 2022 (FYE 2021: Nil), mainly due to utilisation of invoice financing for payments to our suppliers.

12. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2022 and FYE 2023**

Our finance costs increased by RM2.23 million or 84.47% to RM4.87 million for FYE 2023 (FYE 2022: RM2.64 million), mainly attributable to:

- (a) trust receipts interests increased by RM1.20 million or 521.74% to RM1.43 million for FYE 2023 (FYE 2022: RM0.23 million), mainly due to higher utilisation of trust receipts for payments to our suppliers;
- (b) interest on invoice financing increased by RM0.72 million or 342.86% to RM0.93 million for FYE 2023 (FYE 2022: RM0.21 million), mainly due to higher utilisation of invoice financing for payments to our suppliers; and
- (c) term loan interests increased by RM0.43 million or 36.44% to RM1.61 million (FYE 2022: RM1.18 million), mainly due to annualised term loan interest incurred from the acquisition of Puchong Premise 3 in FYE 2022 for a storage facility for our inventories and the drawdown of a new term loan for our Group's working capital purposes.

Comparison between FPE 2023 and FPE 2024

Our finance costs increased by RM1.61 million or 57.30% to RM4.42 million for FPE 2024 (FPE 2023: RM2.81 million), mainly due to the following:

- (a) trust receipts interests increased by RM0.69 million or 89.61% to RM1.46 million for FPE 2024 (FPE 2023: RM0.77 million) as a result of higher utilisation of trust receipts for payments to our suppliers;
- (b) term loan interests increased by RM0.50 million or 53.19% to RM1.44 million for FPE 2024 (FPE 2023: RM0.94 million), mainly due to additional term loans drawdown during FPE 2024 for refinancing our existing term loan to finance the premium for keyman insurance contracts purposes as well as the upward revision of term loan interest rates by the licensed banks; and
- (c) interests on invoice financing increased by RM0.30 million or 63.83% to RM0.77 million for FPE 2024 (FPE 2023: RM0.47 million) as a result of higher utilisation of invoice financing for payments to our suppliers.

(vi) PBT and PBT margin

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT (RM'000)	6,070	9,044	14,090	12,890	13,796
PBT margin (%)	8.59	6.52	5.79	8.19	6.35

Comparison between FYE 2021 and FYE 2022

We recorded an increase in PBT of RM2.97 million or 48.93% to RM9.04 million for FYE 2022 (FYE 2021: RM6.07 million), which increased at a rate lower than our increase in GP of 61.91%, mainly attributable to lower GP margin recorded for FYE 2022 as explained in Section 12.2.4(ii) of this Prospectus as well as higher administrative expenses and finance costs incurred during FYE 2022, as explained in Sections 12.2.4(iv) and 12.2.4(v) of this Prospectus, respectively. Hence, our PBT margin decreased from 8.59% for FYE 2021 to 6.52% for FYE 2022.

12. FINANCIAL INFORMATION (cont'd)**Comparison between FYE 2022 and FYE 2023**

We recorded an increase in PBT of RM5.05 million or 55.86% to RM14.09 million for FYE 2023 (FYE 2022: RM9.04 million), and our PBT margin decreased from 6.52% for FYE 2022 to 5.79% for FYE 2023, mainly due to lower GP margin recorded for FYE 2023, as explained in Section 12.2.4(ii) of this Prospectus as well as higher administrative expenses and finance costs incurred during FYE 2023, as explained in Sections 12.2.4(iv) and 12.2.4(v) of this Prospectus, respectively.

Comparison between FPE 2023 and FPE 2024

We recorded an increase in PBT of RM0.91 million or 7.06% to RM13.80 million for FPE 2024 (FPE 2023: RM12.89 million). However, our PBT margin decreased from 8.19% for FPE 2023 to 6.35% for FPE 2024, mainly due to higher administrative expenses and finance costs incurred during FPE 2024, as explained in Sections 12.2.4(iv) and 12.2.4(v) of this Prospectus, respectively.

(vii) Tax expenses

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Taxation	1,488	2,773	3,941	3,926	4,502
Effective tax rate (%)	24.51	30.66	27.97	30.46	32.63
Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00

Tax expenses comprise the current financial year's income tax payable, deferred tax and any underprovision/overprovision of tax expenses in the prior financial years. The applicable statutory tax rate for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 is 24.00%.

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM1.28 million or 85.91% to RM2.77 million for FYE 2022 (FYE 2021: RM1.49 million), mainly due to higher PBT recorded for FYE 2022.

Our effective tax rate of 30.66% for FYE 2022 was higher than the statutory tax rate, mainly attributable to the net effects of the following:

- (a) non-deductible expenses of RM1.18 million, mainly comprised of non-qualifying PPE depreciation charges of RM0.43 million, professional fees of RM0.12 million, mainly for new banking facilities, entertainment expenses of RM0.16 million, donations of RM0.16 million and charges imposed by Inland Revenue Board for underestimation of income tax of RM0.09 million; and
- (b) underprovision of taxation of RM0.32 million, mainly due to underestimation of income tax for the year of assessment 2021.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM1.17 million or 42.24% to RM3.94 million for FYE 2023 (FYE 2022: RM2.77 million), mainly attributable to higher PBT recorded for FYE 2023.

12. FINANCIAL INFORMATION (cont'd)

Our effective tax rate of 27.97% for FYE 2023 was higher than the statutory tax rate, mainly due to the net effects of the following:

- (a) non-deductible expenses of RM0.88 million, which mainly comprise non-qualify PPE depreciation charges of RM0.70 million, expenses incurred for the Listing and PPE written off of RM0.10 million;
- (b) underprovision of taxation of RM0.32 million, mainly attributable to underestimation of income tax for the year of assessment 2022; and
- (c) non-taxable income of RM0.28 million, which mainly comprise gain on disposal of PPE of RM0.25 million.

Comparison between FPE 2023 and FPE 2024

Our tax expenses increased by RM0.57 million or 14.50% to RM4.50 million for FPE 2024 (FPE 2023: RM3.93 million), mainly attributable to higher PBT recorded for FPE 2024, as explained above.

Our effective tax rate of 32.63% for FPE 2024 was higher than the statutory tax rate, mainly attributable to the underprovision of income tax for the year of assessment 2023 and expenses that were not deductible for tax reporting purposes of RM2.87 million, mainly comprising expenses incurred for the Listing and legal fees for new banking facilities of RM1.51 million as well as non-qualify PPE depreciation charges of RM0.94 million.

12.2.5 Review of financial position**(i) Assets**

	Audited		
	As at 31 December		As at 31 August
	2021	2022	2023
	RM'000	RM'000	RM'000
Non-current asset			
PPE	5,228	8,951	9,520
Investment properties	15,037	14,826	14,614
Right-of-use assets	3,740	14,316	14,594
Other investments	1,458	1,458	2,458
Deferred tax assets	6	-	-
Total non-current assets	25,469	39,551	41,186
Current assets			
Inventories	6,766	11,886	12,477
Trade receivables	25,057	44,531	65,968
Other receivables, deposits and prepayments	6,600	4,714	719
Amount due from directors	8	-	-
Fixed deposit with licensed banks	3,305	4,822	9,246
Cash and bank balances	2,446	2,082	18,254
Total current assets	44,182	68,035	106,664
Total assets	69,651	107,586	147,850

Comparison between 31 December 2021 and 31 December 2022

Our total assets increased by RM37.94 million or 54.47% to RM107.59 million as at 31 December 2022 (as at 31 December 2021: RM69.65 million).

12. FINANCIAL INFORMATION (cont'd)**Non-current assets**

Our non-current assets increased by RM14.08 million or 55.28% to RM39.55 million as at 31 December 2022 (as at 31 December 2021: RM25.47 million), mainly attributable to the following:

- (a) right-of-use assets increased by RM10.58 million, primarily due to right-of-use assets additions of RM11.67 million, mainly comprised of leasehold land of RM11.00 million for the Puchong Premise 3 classified under PPE, acquisition of delivery truck via a hire purchase arrangement of RM0.14 million, enterprise resource planning software of RM0.30 million and office and warehouse equipment of RM0.23 million. Such increases were partially offset by the depreciation charges of RM1.09 million for FYE 2022 during the financial year; and
- (b) PPE increased by RM3.72 million. Such an increase was mainly due to the purchase of the Puchong Premise 3 of RM3.72 million, office and warehouse equipment of RM0.28 million and electrical installations of RM0.04 million. Such increases were partially narrowed by the depreciation charges of RM0.33 million during FYE 2022.

Current assets

Our current assets increased by RM23.86 million or 54.01% to RM68.04 million as at 31 December 2022 (as at 31 December 2021: RM44.18 million), mainly attributable to the net effects of the following:

- (a) increase in trade receivables of RM19.47 million was mainly due to higher sales made towards the last quarter of FYE 2022 as compared to the previous financial year;
- (b) increase in inventories of RM5.12 million was due to the higher inventory level of third-party brands products to cater for the increased demand as well as higher purchases of trading goods towards the last quarter of FYE 2022 as compared to the previous financial year;
- (c) increase in fixed deposits with licensed banks of RM1.51 million was mainly due to additional fixed deposits pledged to secure new banking facilities of our Group; and
- (d) decrease in other receivables, deposits and prepayments of RM1.89 million mainly due to the decrease in deposits to suppliers of RM1.94 million.

Comparison between 31 December 2022 and 31 December 2023

Our total assets increased by RM40.26 million or 37.42% to RM147.85 million as at 31 December 2023 (as at 31 December 2022: RM107.59 million).

Non-current assets

Our non-current assets increased by RM1.64 million or 4.15% to RM41.19 million as at 31 December 2023 (as at 31 December 2022: RM39.55 million), mainly attributable to the following:

- (a) increase in other investments of RM1.00 million, mainly due to the additional keyman insurance contracts invested, which were pledged to the licensed banks to secure term loans for re-financing of our Puchong Premise 1 and Investment Property 1 and additional trade facilities;

12. FINANCIAL INFORMATION (cont'd)

- (b) increase in PPE of RM0.57 million, mainly due to the renovation costs of RM0.48 million for Puchong Premise 3, office and warehouse equipment of RM0.39 million, furniture and fittings of RM0.15 million and forklifts of RM0.11 million. Such increases were partially narrowed by the depreciation charges of RM0.46 million for FYE 2023 and PPE written off of RM0.17 million resulting from the closure of our Klang sales office and previous Ipoh sales office cum warehouse as a result of the centralisation of our business operations at Puchong Premise 1 in FYE 2023; and
- (c) increase in right-of-use assets by RM0.27 million, mainly due to the net effects of the following:
 - (aa) additions of right-of-use assets of RM2.07 million, mainly comprised of delivery trucks and passenger cars acquired via finance lease arrangements totalling RM1.43 million, rental of workshops of RM0.15 million, acquisition of overhead travelling crane system and warehouse equipment of RM0.49 million;
 - (bb) derecognition of office and warehouse RM0.55 million, mainly due to the termination of the tenancies for our Klang sales office and previous Ipoh sales office cum warehouse due to the closure of the said warehouse and sale office as a result of the centralisation of our business operations at Puchong Premise 1; and
 - (cc) depreciation charges of RM1.18 million for FYE 2023.

Current assets

Our current assets increased by RM38.62 million or 56.76% to RM106.66 million as at 31 December 2023 (as at 31 December 2022: RM68.04 million), mainly attributable to the following:

- (a) increase in trade receivables of RM21.44 million, mainly due to higher sales made towards the last quarter of FYE 2023 as compared to the previous financial year;
- (b) increase in cash and bank balances of RM16.17 million was mainly due to internally generated funds from our business operations for FYE 2023;
- (c) increase in fixed deposits with licensed banks of RM4.43 million was mainly due to additional fixed deposits pledged to secure new banking facilities of our Group; and
- (d) decrease in other receivables, deposits and prepayments of RM3.99 million was mainly attributable to the decrease in deposits to suppliers. Prior to FYE 2023, Supplier A had required us to pay a deposit of 30% for products purchased. As our total purchases from Supplier A increased significantly, from RM3.70 million in FYE 2021 to RM57.47 million in FYE 2023, we are able to negotiate for credit terms of 30 days and thus we are no longer required to pay deposits for products purchased.

12. FINANCIAL INFORMATION (cont'd)**Comparison between 31 December 2023 and 31 August 2024**

Our total assets increased by RM13.53 million or 9.15% to RM161.38 million as at 31 August 2024 (as at 31 December 2023: RM147.85 million), mainly attributable to the increase in current assets of RM13.56 million as at 31 August 2024.

Current assets

The increase in current assets of RM13.56 million or 12.71% to RM120.22 million as at 31 August 2024 (as at 31 December 2023: RM106.66 million) was mainly attributable to the following:

- (a) increase in fixed deposits with licensed banks of RM5.24 million was mainly due to additional fixed deposits pledged to secure new banking facilities for our Group;
- (b) increase in inventories of RM3.07 million was mainly due to a higher inventory level for third-party brand pipes products due to the higher purchases made towards the last quarter of FPE 2024 as compared to FYE 2023 to cater for the growth in demand for pipes products;
- (c) increase in trade receivables of RM2.56 million was mainly due to the higher sales made towards the last quarter of FPE 2024 as compared to FYE 2023; and
- (d) increase in cash and bank balances of RM2.55 million was mainly due to internally generated funds from business operations during FPE 2024.

(ii) Liabilities

	Audited			As at 31
	As at 31 December			August
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Borrowings	19,361	31,148	31,008	30,335
Lease liabilities	2,458	1,711	1,840	1,585
Deferred tax liabilities	138	217	33	36
Total non-current liabilities	21,957	33,076	32,881	31,956
Current liabilities				
Trade payables	7,604	15,574	22,989	19,700
Other payables and accruals	897	2,171	5,227	6,306
Amount owing to directors	-	251	-	-
Borrowings	23,042	32,474	51,334	56,654
Lease liabilities	1,112	1,244	894	925
Current tax liabilities	1,490	2,476	4,293	6,311
Total current liabilities	34,145	54,190	84,737	89,896
Total liabilities	56,102	87,266	117,618	121,852

12. FINANCIAL INFORMATION (cont'd)**Comparison between 31 December 2021 and 31 December 2022**

Our total liabilities increased by RM31.17 million or 55.56% to RM87.27 million as at 31 December 2022 (as at 31 December 2021: RM56.10 million), mainly attributable to the following:

- (a) increase in borrowings by RM21.22 million, mainly due to drawdown of term loan of RM13.60 million to finance the acquisition of Puchong Premise 3, the net drawdown of invoice financing and trust receipts of RM7.84 million and RM11.32 million respectively for payments to our suppliers and drawdown of revolving credit of RM1.40 million for our Group's working capital purpose, net off by the net repayment of bankers' acceptances of RM11.84 million and term loans of RM1.24 million;
- (b) trade payables increased by RM7.97 million, which was mainly due to higher purchases of trading goods during FYE 2022 as well as was higher purchases of trading goods towards the last quarter of FYE 2022 as compared to the previous financial year;
- (c) increase in other payables and accruals of RM1.27 million was mainly due to a deposit received from a major customer, PT Promatcon Tepatguna for the purchase of fittings and flanges products; and
- (d) increase in current tax payables of RM0.99 million was mainly due to higher tax expenses for FYE 2022 resulted from higher PBT recorded.

Comparison between 31 December 2022 and 31 December 2023

Our total liabilities increased by RM30.35 million or 34.78% to RM117.62 million as at 31 December 2023 (as at 31 December 2022: RM87.27 million), mainly attributable to the following:

- (a) increase in borrowings by RM18.72 million, mainly due to the drawdown of term loans of RM2.01 million to finance the premium for keyman insurance contracts and for our Group's working capital purposes, the net drawdown of invoice financing and trust receipts of RM6.90 million and RM12.64 million respectively for payments to our suppliers, net off the repayment of term loans of RM1.84 million;
- (b) increase in trade payables by RM7.42 million was increased in tandem with the increase in our purchases;
- (c) increase in other payables and accruals by RM3.06 million was mainly due to the increase in deposits received from our customers of RM1.22 million and accrued purchases increased by RM1.37 million; and
- (d) increase in current tax payables by RM1.81 million was mainly due to higher tax expenses for FYE 2023 which resulted from higher PBT recorded.

12. FINANCIAL INFORMATION (cont'd)**Comparison between 31 December 2023 and 31 August 2024**

Our total liabilities increased by RM4.23 million or 3.60% to RM121.85 million as at 31 August 2024 (as at 31 December 2023: RM117.62 million), mainly attributable to the following:

- (a) increase in borrowings of RM4.65 million, mainly due to net drawdown of invoice financing facilities of RM3.67 million, trust receipts of RM3.19 million for payments to our suppliers as well as drawdown of term loans of RM4.91 million, mainly for refinancing our existing term loan and to finance the premium for keyman insurance contracts purposes, net off by the repayment of term loans of RM5.72 million and decrease in bank overdrafts by RM1.37 million during FPE 2024;
- (b) decrease in trade payables of RM3.29 million, mainly attributable to the payments made to some of our suppliers via our trust receipts facility towards the end of FPE 2024;
- (c) increase in current tax liabilities by RM2.02 million was mainly due to higher tax expenses for FPE 2024 as a result of higher PBT recorded; and
- (d) increase in other payables and accruals by RM1.08 million, mainly due to the net effects of the following:
 - (i) increase in accruals of RM3.17 million, mainly due to the increase in accrued purchases of RM2.47 million and accrued sales commissions of RM0.36 million; and
 - (ii) decrease in deposits received/advanced payments from customers of RM2.31 million.

12.2.6 REVIEW OF CASH FLOWS

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Net cash (used in)/generated from operating activities	(9,071)	(4,518)	5,905	4,125
Net cash used in investing activities	(14,718)	(15,256)	(2,338)	(282)
Net cash from financing activities	20,261	19,269	14,039	76
Net (decrease)/increase in cash and cash equivalents	(3,528)	(505)	17,606	3,919
Cash and cash equivalents at the beginning of the financial year/period	(280)	(3,808)	(4,313)	13,293
Cash and cash equivalents at the end of the financial year/period	(3,808)	(4,313)	13,293	17,212

12. FINANCIAL INFORMATION (cont'd)

As tabulated above, our Group recorded net cash flows used in operating activities of RM9.07 million and RM4.52 million for FYE 2021 and 2022 respectively. As a supplier and distributor, we offer an extensive range of pipes, fittings and flanges as well as steel products, related parts and accessories. The nature of our business requires us to keep a sufficient level of inventory to provide timely delivery to our customers. Therefore, we utilise a significant amount of trade line financing such as bankers' acceptances, invoice financing and trust receipts to bridge the gap between our purchase of trading inventories, particularly for overseas purchases which require full payments before delivery of products to us (cash term), the holding of inventory until we sell the inventory and collect the sales proceeds from our customers. To do this, we rely on internally generated funds as well as external borrowings such as tradeline financing from licensed banks for payments to our suppliers and term loans, revolving credit and bank overdraft facilities to support our Group's working capital requirements.

To further analyse the negative net cash used in operating activities of our Group during the Financial Years/Period Under Review, the breakdown of the cash flows from operating activities are summarised as follows:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Cash flow from operating activities				
PBT	6,070	9,044	14,090	13,796
Adjustments for:				
Bad debt written off	33	-	32	-
Depreciation of PPE	270	331	456	360
Depreciation of investment properties	145	211	211	141
Depreciation of right-of-use assets	863	1,091	1,182	676
(Gain)/(loss) on disposal of PPE	(64)	(30)	-	3
Gain on disposal of right-of-use assets	-	-	(307)	-
Loss on disposal of other investment	-	-	-	91
Interest expenses	1,395	2,642	4,865	4,421
Interest income	(27)	(1)	(28)	(24)
Loss/(gain) on lease modification	7	-	(32)	-
PPE written off	-	1	174	-
Impairment loss on trade receivables	291	1,582	2,808	9
Unrealised (gain)/loss on foreign exchange	(27)	-	-	1,822
Operating profit before changes in working capital	8,956	14,871	23,451	21,295
Changes in working capital:-				
Inventories	(1,985)	(5,120)	(591)	(3,074)
Trade receivables	(3,811)	(21,056)	(24,276)	(4,564)
Other receivables, deposits and prepayments	(4,713)	1,886	3,995	(137)
Trade payables	(5,315)	7,970	7,415	(3,116)
Other payables and accruals	399	1,274	3,056	1,079
Net cash generated (used in)/from operations	(6,469)	(175)	13,050	11,483
Interests paid	(1,395)	(2,642)	(4,865)	(4,421)
Interests received	27	1	28	24
Taxes paid	(1,234)	(1,702)	(2,308)	(2,961)
Net cash (for)/from operating activities	(9,071)	(4,518)	5,905	4,125

12. FINANCIAL INFORMATION (cont'd)

As tabulated above, our Group recorded an increasing operating profit before changes in working capital during the Financial Years/Period Under Review, which increased from RM8.96 million for FYE 2021 to RM21.30 million for FPE 2024. This demonstrated that our Group's business operations are sustainable and profitable after fulfilling all related operating expenses for our business operations. However, our Group recorded negative operating cash flow positions of RM9.07 million and RM4.52 million for FYE 2021 and 2022, respectively, primarily contributed by the changes in working capital.

FYE 2021

The following changes in working capital have been attributed mainly to the negative operating cash flows for FYE 2021:

- (i) cash outflow from the increase in trade receivables of RM3.81 million for FYE 2021 was mainly attributable to higher revenue recorded in the last quarter of FYE 2021 as compared to the last quarter of FYE 2020. The increase was primarily contributed by 2 of our major customers, namely Harmoni Group and Oceanergy Gases Sdn Bhd, which collectively contributed to the amount outstanding of RM3.83 million as at 31 December 2021. The credit terms of the said outstanding amounts were within the credit terms and have yet to be due for payment as at 31 December 2021, and were subsequently fully collected during FYE 2022. In addition, we recorded a higher trade receivable turnover period of 121 days for FYE 2021 mainly attributable to the COVID-19 pandemic movement control restrictions, where our customers required a longer time to process payments. There were RM1.62 million of the long overdue from customers written off in FYE 2022;
- (ii) despite our Group recording higher purchases to cater for the growth in revenue during FYE 2021, we recorded cash outflow from the decrease in trade payable of RM5.32 million, mainly attributable to the constraint on the credit limit granted by our suppliers which resulted in higher cash term purchases, which were financed via our tradeline facilities from licensed banks; and
- (iii) cash outflow from the increase in other receivables, deposits and prepayments of RM4.71 million, mainly attributable to the advance payments to our suppliers due to the constraint on the credit limits granted by our suppliers to cater for the higher purchases during FYE 2021, which contributed mainly by Supplier A.

FYE 2022

The negative operating cash flows for FYE 2022 was primarily attributable to the increase in trade receivables of RM21.06 million for FYE 2022, which increased in tandem with our revenue growth rate of 96.21% for FYE 2022 as well as higher revenue recorded in the last quarter of FYE 2022 as compared to the last quarter of FYE 2021. The outstanding trade receivables as at 31 December 2022 were contributed mainly by 3 of our major customers, HRSB Holdings Sdn Bhd, Oceanergy Gases Sdn Bhd and Vesseltech Engineering Sdn Bhd, and 3 contractor customers, which collectively contributed to the amounts outstanding of RM14.19 million as at 31 December 2022. The credit terms of the said outstanding amounts were within the credit terms and have yet to be due for payment as at 31 December 2022, and the amounts owing were subsequently fully collected as at the LPD.

The above cash outflow was narrowed by the cash inflow from the increase in trade payables of RM7.97 million, mainly due to higher purchases of trading goods towards the last quarter of FYE 2022 of RM26.80 million as compared to the last quarter of FYE 2021 of RM11.99 million. The constraint on the credit limit granted by our suppliers had resulted in higher cash term purchases, which were financed via our tradeline facilities from licensed banks.

12. FINANCIAL INFORMATION (cont'd)

During the Financial Years/Period Under Review, to bridge the gap between our purchase of trading inventories, particularly for overseas purchases which require full payments before delivery of products to us, and the holding of inventory until we sell the inventory and collect the sales proceeds from our customers, our Group had utilised the following tradeline facilities from licensed banks, i.e. bankers' acceptances, trust receipts and invoice financing to finance the payments to our suppliers, and term loans and revolving credit facilities to finance our Group's working capital purposes.

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
For payments to our suppliers:				
Net drawdown/(repayment) of bankers' acceptances	8,439	(11,843)	458	38
Net drawdown of invoice financing	728	7,840	6,895	3,667
Net drawdown of trust receipts	1,805	11,321	12,637	3,192
For our Group's working capital purposes:				
Drawdown of term loans	1,000	999	670	-
Net drawdown/(repayment) of revolving credit	-	1,400	(5)	(70)
Net total	11,972	9,717	20,655	6,827

The utilisation of the above tradelines from licensed banks, term loans and revolving credit facilities were classified as cash inflows/outflows from financing activities in accordance with the disclosure requirement of MFRS 107 Statement of Cash Flows. As a result, our Group recorded negative operating cash flow positions of RM9.07 million and RM4.52 million for FYEs 2021 and 2022 respectively.

FOR ILLUSTRATIVE PURPOSES, after adjusting the net drawdown of tradeline facilities from licensed banks to working capital cash flows, we would have recorded positive operating cash flows for FYEs 2021 and 2022 as below:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Net cash for operating activities	(9,071)	(4,518)	5,905	4,125
Adjusted for:				
Net drawdown of the above tradeline, term loans and revolving credit facilities	11,972	9,717	20,655	6,827
Adjusted net cash from operating activities	2,901	5,199	26,560	10,952

The negative operating cash flow positions for FYEs 2021 and 2022 were primarily attributable to an increase in our revenue of RM22.10 million, or 45.52%, to RM70.65 million in FYE 2021 and a further increase of RM67.97 million, or 96.21%, to RM138.62 million in FYE 2022. In order to cater for the increase in revenue, the constraint on the credit limit granted by our suppliers had resulted in higher cash term purchases, which were financed via our tradeline facilities from licensed banks. In addition, we also drawdown term loans and revolving credit facilities to finance our Group's working capital purposes.

12. FINANCIAL INFORMATION (cont'd)

We are of the view that the impact of the negative operating cash flow positions for FYE 2021 and 2022 were mitigated as our Group had subsequently recorded a positive operating cash flow position of RM5.90 million for FYE 2023 and RM4.13 million for FPE 2024, respectively. Notwithstanding the negative operating cash flow recorded for FYE 2021 and 2022, we were able to remain profitable for both financial years. In addition, our cash and cash equivalents have been improved from a negative position of RM3.81 million as at 31 December 2021 to a positive position of RM17.21 million as at 31 August 2024, and our current ratio remains healthy as follows:

	Audited			
	As at 31 December			As at 31 August
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Current assets	44,182	68,035	106,664	120,224
Current liabilities	34,145	54,190	84,737	89,896
Net current assets	10,037	13,845	21,927	30,328
Current ratio (times)	1.29	1.26	1.26	1.34

FYE 2021**Net cash from operating activities**

For FYE 2021, our Group recorded a net operating cash outflow of RM9.07 million. We collected RM62.23 million, mainly from the collections of RM62.12 million from our customers.

The above collections were partially offset by cash payments of RM71.30 million, mainly for the following:

- (i) payments of RM61.40 million to our suppliers, mainly for the purchase of trading goods and raw materials;
- (ii) payment for other operating expenses and staff-related costs of RM7.27 million;
- (iii) interest payments of RM1.40 million; and
- (iv) income tax of RM1.23 million paid to the Inland Revenue Board.

Net cash from investing activities

For FYE 2021, our Group recorded a net cash outflow of RM14.72 million from investing activities, mainly due to the following:

- (i) cash payments for the purchase of investment properties of RM13.05 million, i.e. Investment Property 2;
- (ii) cash payments for the purchase of other investments of RM1.00 million, which comprised additional keyman insurance contracts pledged to the licensed banks to secure new banking facilities granted to our Group; and
- (iii) cash payments for the purchase of PPE of RM0.83 million, which comprised mainly renovations for Puchong Premise 1 and Puchong Premise 2, office and warehouse equipment, furniture and fittings, and electrical installations.

The cash payments were offset by the proceeds from the disposal of PPE of RM0.25 million, which comprised mainly disposal of motor vehicles.

12. FINANCIAL INFORMATION (cont'd)**Net cash from financing activities**

For FYE 2021, our Group recorded a net cash inflow of RM20.26 million from financing activities, mainly attributable to the following:

- (i) drawdown of term loans of RM13.00 million to finance the purchase of Investment Property 2;
- (ii) drawdown of banker acceptances of RM8.44 million, invoice financing facilities of RM0.73 million to finance our purchases, trust receipts of RM1.81 million for payments to suppliers; and
- (iii) proceeds from the issuance of shares in Saliran Industrial Supplies of RM0.48 million.

The above cash inflows were offset by the following:

- (i) additional fixed deposits of RM1.84 million pledged to licensed banks for new credit facilities;
- (ii) repayment of lease liabilities of RM1.21 million and term loans of RM0.50 million; and
- (iii) dividends paid of RM0.60 million,

FYE 2022**Net cash from operating activities**

For FYE 2022, our Group recorded a net operating cash outflow of RM4.52 million. We collected RM119.77 million, mainly from the collections of RM119.45 million from our customers and rental income of RM0.32 million.

The above collections were partially offset by the cash payments of RM124.29 million, mainly for the following:

- (i) payment of RM109.15 million to our suppliers, mainly for the purchase of trading goods and raw materials;
- (ii) payments for other operating expenses and staff-related costs of RM10.79 million;
- (iii) interest payments of RM2.64 million; and
- (iv) income tax of RM1.70 million paid to the Inland Revenue Board.

Net cash for investing activities

For FYE 2022, our Group recorded a net cash outflow of RM15.26 million from investing activities, mainly attributable to the following:

- (i) cash payments for the purchase of right-of-use assets of RM11.13 million, comprised acquisition of leasehold land of RM11.00 million for the Puchong Premise 3 classified under PPE and downpayment of RM0.13 million for purchase of one unit of delivery truck;
- (ii) cash payments for the purchase of PPE of RM4.06 million, comprised mainly of the acquisition of Puchong Premise 3 of RM3.72 million, office and warehouse equipment of RM0.28 million, and electricals installations of RM0.04 million, to cater for the increase in sales and operations staff; and

12. FINANCIAL INFORMATION (cont'd)

- (iii) cash payment for the acquisition of the non-controlling interest in Saliran Flanges & Fittings of RM0.10 million.

The outflow was offset by the proceeds from the disposal of a motor vehicle worth RM0.03 million, which was later traded in for a new motor vehicle due to its high maintenance.

Net cash from financing activities

For FYE 2022, our Group recorded a net cash inflow of RM19.27 million from financing activities, mainly due to the following:

- (i) drawdown of term loans of RM13.60 million, mainly to finance the acquisition of Puchong Premise 3;
- (ii) net drawdown of revolving credit of RM1.40 million, trust receipts of RM11.32 million and invoice financing facilities of RM7.84 million for payments to suppliers; and
- (iii) proceeds from the issuance of shares in Saliran Industrial Supplies of RM1.00 million.

The above cash inflows were offset by the following:

- (i) repayment of bankers' acceptances of RM11.84 million;
- (ii) additional fixed deposit of RM1.52 million pledged to licensed banks to secure new credit facilities;
- (iii) repayment of term loan of RM1.24 million, lease liabilities of RM1.15 million; and
- (iv) dividend paid of RM0.40 million.

FYE 2023**Net cash from operating activities**

For FYE 2023, our Group recorded a net cash inflow from operating activities of RM5.91 million. We collected RM224.01 million, mainly from the collections of RM223.19 million received from our customers and rental income of RM0.79 million, and interest received of RM0.03 million.

The above collections were partially offset by cash payments of RM218.11 million, mainly for the following:

- (i) payments of RM194.87 million to our suppliers, mainly for the purchase of trading goods and raw materials;
- (ii) payments for staff related costs and other operating expenses of RM16.07 million;
- (iii) interest payments of RM4.86 million; and
- (iv) income tax of RM2.31 million paid to the Inland Revenue Board.

12. FINANCIAL INFORMATION (cont'd)**Net cash for investing activities**

For FYE 2023, our Group recorded a net cash outflow of RM2.34 million from investing activities, mainly attributable to the following:

- (i) cash payments for the purchase of PPE of RM1.20 million, which comprised mainly due to the renovation costs of RM0.48 million for Puchong Premise 3, office and warehouse equipment of RM0.39 million, furniture and fittings of RM0.15 million and forklifts of RM0.11 million;
- (ii) cash payments for the purchase of other investments of RM1.00 million, which comprised mainly keyman insurance contracts pledged to the licensed banks to secure additional facilities granted to our Group;
- (iii) cash payments for the purchase of right-of-use assets of RM0.27 million, which comprised mainly downpayment for delivery truck and passenger cars, overhead travelling crane system, and warehouse equipment; and
- (iv) cash payment for the acquisition of non-controlling interests in Saliran Precision Engineering of RM0.24 million.

The above cash payments were off-set by the proceeds from the disposal of right-of-use assets of RM0.37 million, which comprised mainly motor vehicles which were traded in for new motor vehicles.

Net cash from financing activities

For FYE 2023, our Group recorded a net cash inflow of RM14.04 million from financing activities, mainly attributable to the following:

- (i) net drawdown of banker acceptances of RM0.46 million, invoice financing facilities of RM6.89 million, trust receipts of RM12.64 million for payments to suppliers; and
- (ii) drawdown of term loans of RM2.01 million to finance the premium for keyman insurance contracts and for our Group's working capital purposes.

The above cash inflows were offset by the following:

- (i) additional fixed deposits of RM4.42 million pledged to licensed banks to secure new credit facilities;
- (ii) repayments of lease liabilities of RM1.44 million, term loan of RM1.84 million; and
- (iii) repayment of amount owing to directors of RM0.25 million.

12. FINANCIAL INFORMATION (cont'd)**FPE 2024****Net cash from operating activities**

For FPE 2024, our Group recorded a net operating cash inflow of RM4.13 million. We collected RM212.73 million, mainly from collections of RM212.21 million from our customers and rental income of RM0.50 million.

The above collections were partially offset by the cash payments of RM208.60 million for the following:

- (a) payments of RM185.54 million to our suppliers, mainly for the purchase of trading goods and raw materials;
- (b) payments for other operating expenses and staff-related costs of RM15.68 million;
- (c) interest payments of RM4.42 million; and
- (d) income tax of RM2.96 million paid to the Inland Revenue Board.

Net cash used in investing activities

For FPE 2024, our Group recorded a net cash outflow of RM0.28 million from investing activities, mainly attributable to the cash payments for the purchase of other investments of RM0.50 million, which comprised additional keyman insurance contracts pledged to the licensed banks to secure new banking facilities granted to our Group and cash payment of RM0.05 million for the purchase of a delivery truck under the hire purchase arrangement (classified as right-of-use assets).

The above cash payments were offset by the proceeds from the disposal of other investments of RM0.25 million arising from the proceeds from surrender of keyman insurance contracts during FPE 2024.

Net cash from financing activities

For FPE 2024, our Group recorded a net cash inflow of RM0.08 million from financing activities, mainly attributable to the following:

- (a) drawdown of term loans of RM4.91 million, mainly for refinancing our existing term loan and to finance the premium for keyman insurance contracts purposes; and
- (b) net drawdown of invoice financing facilities of RM3.67 million, trust receipts of RM3.19 million and bankers' acceptance of RM0.04 million for payments to our suppliers.

The above cash inflows were offset by the following:

- (a) repayment of term loans of RM5.72 million, lease liabilities of RM0.70 million and revolving credit of RM0.07 million; and
- (b) additional fixed deposits of RM5.24 million were pledged to licensed banks to secure new banking facilities for our Group.

12. FINANCIAL INFORMATION (cont'd)

12.2.7 Recent development

Save as disclosed below, there were no other significant events subsequent to our audited combined financial statements for FPE 2024:

- (i) The Acquisition of Saliran Industrial Supplies which was completed on 14 November 2024. Further details are set out in Section 6.2.3 of this Prospectus.

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

We have been financing our operations through our existing cash and bank balances, cash generated from our operations and external sources of funds. Our external sources of funds comprised mainly term loans, bank overdrafts, trade lines as well as finance lease liabilities.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements and interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

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:

- (i) Our cash and cash equivalent of approximately RM30.00 million as at LPD;
- (ii) Our expected future cash flows from operations;
- (iii) Our total banking facilities for working capital as at LPD of RM95.91 million (excluding finance leases), of which RM80.16 million have been utilised; and
- (iv) Our pro forma gearing level of 1.40 times, based on our pro forma combined statements of financial position as at 31 August 2024 after the Acquisition of Saliran Industrial Supplies, IPO and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity.

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12. FINANCIAL INFORMATION (cont'd)**12.4 BORROWINGS**

As at 31 August 2024, our Group's total borrowings and lease liabilities, excluding lease liabilities for right-of-use assets (workshop, office and warehouse rental) were RM89.09 million, as follows:

Purpose		Tenure of the facility	Effective interest rate %	As at 31 August 2024 RM'000
Interest-bearing short-term borrowings, payable within 1 year:				
Term loan	To finance the purchase of Puchong Premise 1, Puchong Premise 3, Investment Property 1, Investment Property 2 and for working capital purposes	5-20 years	4.64-12.51%	2,162
Lease liabilities	To finance the purchase of motor vehicles, plant and machinery and accounting software	3-9 years	2.18-4.75%	706
Bankers' acceptances	For working capital purposes	120 days	5.61-5.63%	1,489
Bank overdraft	For working capital purposes	On demand	6.00-9.65%	3,591
Invoice financing	For working capital purposes	120 - 150 days	4.70-6.83%	19,131
Revolving credit	For working capital purposes	150 days	8.50%	1,325
Trust receipts	For working capital purposes	120-150 days	6.85-8.35%	28,956
				57,360
Interest-bearing short-term borrowings, payable after 1 year:				
Term loan	To finance the purchase of Puchong Premise 1, Puchong Premise 3, Investment Property 1, Investment Property 2 and for working capital purposes	5-20 years	4.64-12.51%	30,335
Lease liabilities	To finance the purchase of motor vehicles, plant and machinery and accounting software	3-9 years	2.18-4.75%	1,394
				31,729
Total borrowings				89,089

12. FINANCIAL INFORMATION *(cont'd)*

Purpose	Tenure of the facility	Effective interest rate %	As at 31 August 2024 RM'000
Gearing (times)			
After Acquisition of Saliran Industrial Supplies but before IPO and utilisation of proceeds ⁽¹⁾			2.25
After Acquisition of Saliran Industrial Supplies and utilisation of proceeds ⁽²⁾			1.40

Notes:

- (1) Computed based on our pro forma equity attributable to the owners of the Company of RM39.53 million in the pro forma combined statements of financial position after the Acquisition of Saliran Industrial Supplies, but before IPO and utilisation of proceeds.
- (2) Computed based on our pro forma equity attributable to the owners of the Company of RM58.72 million in the pro forma combined statements of financial position after the Acquisition of Saliran Industrial Supplies, IPO and utilisation of proceeds which includes the repayment of bank borrowings of RM7.00 million.

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12. FINANCIAL INFORMATION (cont'd)

Our bank borrowings and hire purchase carry the following interest rates for the Financial Years/Period Under Review:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	% per annum			
Floating rates				
Bankers' acceptances	1.91-5.57	5.06-5.55	5.55-5.80	5.61-5.63
Bank overdraft	6.00-8.45	6.00-9.45	6.00-9.65	6.00-9.65
Invoice financing	2.75	3.75-4.88	4.00-5.13	4.70-6.83
Revolving credit	-	8.35	8.50	8.50
Term loans	3.14-10.50	4.39-12.26	4.64-12.51	4.64-12.51
Trust receipts	*2.48-4.11	7.06-7.99	7.81-8.35	6.85-8.35
Fixed rates				
Finance lease liabilities	2.18-3.63	2.18-3.63	2.18-4.74	2.18-4.75

Note:

* This was due to lower interest rates charged by 2 financial institutions during FYE 2021.

Separately, we have also recognised the following lease liabilities on the right-of-use assets, i.e. workshop, office and warehouse rental, which are denominated in RM:

	Purpose	Tenure	As at 31 August 2024 RM'000
Lease liabilities payable within 1 year	Workshop	2 years, with option for renewal of 1 to 2 years	42
	Office and warehouse rental	2 years, with option for renewal of 1 to 2 years	177
Lease liabilities payable after 1 year	Workshop	2 years, with option for renewal of 1 to 2 years	66
	Office and warehouse rental	2 years, with option for renewal of 1 to 2 years	125
			410

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 the Financial Years/Period Under Review 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 the Financial Years/Period Under Review, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

12. FINANCIAL INFORMATION (cont'd)**12.5 FINANCIAL INSTRUMENT, 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 our existing cash and bank balances, cash generated from our operations and external sources of funds. The external sources of funds consist of banking facilities from financial institutions. The normal credit term granted by our suppliers' ranges from cash term to 90 days for FPE 2024.

Save for our hire purchase which carry fixed interest rates, 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.

The main objective of our capital management is to ensure sustainable shareholders' equity to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain our debt-to-equity ratio at an optimal level based on our business development funding requirements and prevailing economic conditions.

12.6 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

Save as disclosed in Section 14.7 of this Prospectus, we are not engaged in any other 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 position or business in the 12 months immediately preceding the date of this Prospectus.

As at LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our business, financial results or position.

12.7 KEY FINANCIAL RATIOS

The key financial ratios of our Group for FYE 2021 to 2023 and FPE 2024 are as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Trade receivables turnover (days) ⁽¹⁾	121	92	83	76
Trade payables turnover (days) ⁽²⁾	69	38	35	29
Inventory turnover (days) ⁽³⁾	39	30	22	19
Current ratio (times) ⁽⁴⁾	1.29	1.26	1.26	1.34
Gearing ratio (times) ⁽⁵⁾	3.31	3.23	2.81	2.25

Notes:

- (1) Computed based on the average trade receivables as at year/period-end which net of the allowances for impairment loss over revenue for the respective financial years, multiplied by 365/244 days for each financial year/period.
- (2) Computed based on the average trade payables as at year/period-end over the cost of sales for the respective financial years/period, multiplied by 365/244 days for each financial year/period.
- (3) Computed based on the average inventory as at year/period -end over the cost of sales for the respective financial years/period, multiplied by 365/244 days for each financial year/period.
- (4) Computed based on current assets over current liabilities as at the end of each financial year/period.
- (5) 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/period.

12. FINANCIAL INFORMATION (cont'd)**12.7.1 Trade receivables turnover**

Our average trade receivables' turnover period (in days) for FYE 2021 to 2023 and FPE 2024 is stated as below:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening net trade receivables	21,860	25,057	44,531	65,968
Closing net trade receivables	25,057	44,531	65,968	68,527
Average net trade receivables	23,459	34,794	55,250	67,248
Revenue	70,647	138,622	243,160	217,180
Trade receivables turnover period (days)	121	92	83	76

Our trade receivables comprise amounts receivable for the sale of goods, net of impairment loss on trade receivables. The normal credit periods granted by our Group for the sale of products ranged from 30 to 120 days from the date of our invoice. Our credit terms to customers are assessed and approved on a case-by-case basis.

Our Group established policies on credit control involving comprehensive credit evaluations, setting up appropriate credit limits, ensuring the 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.

As our Group did not hold any collateral, the maximum exposure to credit risk arising from receivables is represented by the carrying amounts in the statement of financial position. A significant portion of trade receivables represent regular customers of our Group. Our Group uses ageing analysis to monitor the credit quality of the trade receivables.

Our Group uses an allowance matrix to measure the expected credit loss ("ECL") of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding. To measure the ECLs, trade receivables have been grouped based on credit risk and days past due. Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

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

Our average trade receivables turnover period for FYE 2021 to FYE 2023 and FPE 2024 was 121 days, 92 days, 83 days and 76 days respectively.

The higher trade receivables turnover period for FYE 2021, which is higher than our normal credit term granted to our customers. This was mainly attributable to the COVID-19 pandemic movement control restriction, where our customers required a longer time to process payments and RM1.62 million of the long overdue from customers written off in FYE 2022.

12. FINANCIAL INFORMATION (cont'd)

Our trade receivables turnover period decreased from 121 days for FYE 2021 to 92 days for FYE 2022, mainly attributable to the improvement in collection monitoring. During FYE 2022, we had set up a credit control division to enhance debt monitoring. Resulting from this effort, our Group successfully collected overdue amounts of RM4.22 million during FYE 2022.

Our trade receivables turnover period decreased further from 92 days for FYE 2022 to 83 days for FYE 2023 and 76 days for FPE 2024, mainly attributable to the continuous effects of our credit control division.

For the Financial Years/Period Under Review, approximately 32.97%, 56.73%, 57.65% and 69.82% of our trade receivables as at 31 December 2021, 31 December 2022, 31 December 2023 and 31 August 2024 were due from our top 5 trade customers. Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable value. A significant portion of these receivables are regular customers that have been transacting with our Group. We use ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

The ageing analysis of our trade receivables as at 31 August 2024 is as follows:

	Trade receivables as at 31 August 2024		Collection from 1 September 2024 to LPD	Balance trade receivables as at LPD
	RM'000	Percentage of trade receivables (a)/total of (a)	RM'000 (b)	RM'000 (c) = (a)-(b)
Neither past due nor impaired	55,611	81.15	55,611	-
Past due but not impaired:				
- less than 30 days	6,963	10.16	6,963	-
- 31 to 60 days	2,750	4.01	2,750	-
- over 60 days	3,203	4.68	3,203	-
	12,916	18.85	12,916	-
	68,527	100.00	68,527	-

As at LPD, we have fully collected the outstanding trade receivables balance as at 31 August 2024.

Our customers have generally been paying within the credit period granted. Save as disclosed in Section 12.6 of this Prospectus, our Group has not encountered any major disputes with our trade receivables.

12. FINANCIAL INFORMATION (cont'd)

The breakdown of our net impairment losses on trade receivables for FYE 2021 to 2023 and FPE 2024 are as follows:

	Audited							
	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Impairment losses on trade receivables								
- general	(1)291	100.00	-	-	-	-	-	-
- specific	-	-	(2)1,620	102.40	(3)2,930	104.34	(4)9	100.00
Reversal of impairment losses on trade receivables	-	-	(1)(38)	(2.40)	(1)(122)	(4.34)	-	-
	291	100.00	1,582	100.00	2,808	100.00	9	100.00

Notes:

- (1) Comprised of general impairment losses/(reversal of general impairment losses) on trade receivables after excluding trade receivables which have a low credit risk based on the allowance matrix as explained above.
- (2) Comprised specific impairment losses on trade receivables resulted from 2 customers (who is not major customers) in which our Group had issued demand letters to recover these amounts but did not pursue further legal actions as they were under winding-up petition by their financial bankers.
- (3) Comprised specific impairment loss on trade receivables resulted from a customer (who is not a major customer) in which our Group has issued winding-up petition to demand for the outstanding amount of RM2.81 million and a customer (who is not a major customer) which our Group has no reasonable expectation in recovering the outstanding amount of RM0.08 million as the customer had defaulted in the instalment payments as mandated by a consent judgement issued by the Magistrate Court of Kuala Lumpur, despite follow-up actions by our legal representative.
- (4) Comprised specific impairment loss on trade receivables resulted from a customer (who is not a major customer) in which our Group has no reasonable expectation in recovering the outstanding amount of RM0.01 million.

In order to mitigate potential specific impairment loss on trade receivables, our Group has revised downward the credit limits granted to our customers to RM0.50 million, except for our major customers and project-related customers which will have higher credit limits. In addition, our Group may request for personal guarantees from the directors of new customer companies to minimise the risk of default. Further, our finance team will perform CTOS searches on our existing customers, including its directors and shareholders, on a half-yearly basis to strengthen the credit control monitoring process.

12. FINANCIAL INFORMATION (cont'd)**12.7.2 Trade payables turnover**

Our average trade payables' turnover period (in days) for FYE 2021 to 2023 and FPE 2024 is as follows:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	13,009	7,604	15,574	22,989
Closing trade payables	7,604	15,574	22,989	19,700
Average trade payables	10,307	11,589	19,282	21,345
Cost of sales	54,526	112,523	202,101	179,979
 Average trade payables turnover period (days)	 69	 38	 35	 29

Trade payables comprise amounts outstanding for trade purchases. The credit terms granted to our Group for trade purchases ranged from cash terms 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 2021, FYE 2022, FYE 2023 and FPE 2024 was 69 days, 38 days, 35 days and 29 days respectively, which were within the normal credit terms granted by our suppliers. The higher average trade payable turnover period of 69 days for FYE 2021 was mainly due to longer payment processing time resulting from the imposition of movement restrictions resulting from the COVID-19 pandemic.

Our trade payables turnover period of 38 days for FYE 2022 reduced to 35 days for FYE 2023 mainly due to lower purchases made towards the end of FYE 2023 as compared to FYE 2022.

Our trade payables turnover period decreased from 35 days for FYE 2023 to 29 days for FPE 2024, mainly attributable to lower trade payables as at 31 August 2024, as our Group made payments to some of our suppliers via our trust receipts facility towards the end of FPE 2024.

The ageing analysis of our trade payables as at 31 August 2024 is as follows:

	Trade payables as at 31 August 2024	Percentage of trade payables (a)/total of (a)	Payment from 1 September 2024 to LPD	Balance trade payables as at LPD
	RM'000		RM'000	RM'000
	(a)	(a)	(b)	(c) = (a)-(b)
Within credit period	11,936	60.59	11,936	-
Exceeding credit period:				
- 1 to 30 days	3,582	18.18	3,582	-
- 31 to 60 days	2,621	13.30	2,621	-
- More than 60 days	1,561	7.93	1,561	-
	7,764	39.41	7,764	-
	19,700	100.00	19,700	-

As at LPD, we have fully settled the outstanding trade payables as at 31 August 2024.

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)**12.7.3 Inventory turnover**

Our average inventory turnover period (in days) for FYE 2021 to FYE 2023 and FPE 2024 is set out below:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening inventories	4,781	6,766	11,886	12,477
Trading goods	4,671	6,513	11,750	12,326
Finished goods	110	253	136	151
Closing inventories	6,766	11,886	12,477	15,551
Trading goods	6,513	11,750	12,326	15,413
Finished goods	253	136	151	138
Average inventories ⁽¹⁾	5,774	9,326	12,182	14,014
Cost of sales	54,526	112,523	202,101	179,979
Average inventory turnover period (days)	39	30	22	19

Note:

- (1) Average inventories was derived based on the average of the opening balances and closing balances of inventories of the respective financial years/period.

Our inventories consist of various ranges of pipes, fittings and flanges as well as steel products, such as pipes, B.W. fittings, fittings and flanges as well as steel products, and related part and accessories that we purchased from our suppliers. We constantly endeavour to maintain a sufficient inventory level to avoid instances of stock unavailability at our stores except for raw materials as they can be readily sourced from local suppliers in a timely manner. Our average inventory turnover for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 was 39 days, 30 days, 22 days and 19 days, respectively.

We maintain a stock level for at least 2 months for certain trading goods. A monthly management meeting is conducted to review the stockholding level and inventory ageing analysis. Approval is required from authorised personnel at management level for replenishment of inventories and impairment on slow moving inventories.

We assess whether inventories should be impaired by identifying slow moving inventories during the periodic stock count, obsolete inventories will be written off to their net realisable value which damaged/stolen inventories will be written off.

Our average inventory turnover decreased from 39 days for FYE 2021 to 30 days for FYE 2022, mainly attributable to the increase in demand in the market for pipes, fitting and flanges as well as steel products as the COVID-19 pandemic gradually subsided and the resumption of the process industries during FYE 2022, particularly the oil and gas industry. Despite having a lower average inventory turnover period, our Group maintained a higher inventory level to cater for the growth in demand for pipes, fittings and flanges as well as steel products as well as related part and accessories.

Our average inventory turnover decreased from 30 days for FYE 2022 to 22 days for FYE 2023, mainly due to the increase in demand for our jointly-owned brand products. Despite having a lower average inventory turnover period, our Group maintains inventory level of at least 1 month for jointly-owned brand products to cater to demand from customers.

12. FINANCIAL INFORMATION (cont'd)

Our inventory turnover period for FYE 2023 and FPE 2024 was 22 days and 19 days, respectively, which was relatively consistent.

12.7.4 Current ratio

Our current ratio throughout the Financial Years/Period Under Review is as follows:

	Audited		
	As at 31 December		As at 31 August
	2021	2022	2023
	RM'000	RM'000	RM'000
Current assets	44,182	68,035	106,664
Current liabilities	34,145	54,190	84,737
Net current assets	10,037	13,845	21,927
Current ratio (times)	1.29	1.26	1.26
			1.34

Our current ratio ranges from 1.26 times to 1.34 times for the Financial Years/Period Under Review. 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 1.29 times as at 31 December 2021 to 1.26 times at 31 December 2022, mainly attributable to the following:

- (i) increase in loan and borrowings of RM9.43 million were due to net drawdown of borrowings of RM21.08 million to finance the acquisition of Puchong Premise 3, payments to suppliers and for our Group's working capital purposes; and
- (ii) trade payables increased by RM7.97 million, which increase in tandem with the grew in the purchase of trading goods during FYE 2022 as well as was higher purchases of trading goods towards the last quarter of FYE 2022 as compared to the previous financial year.

The above contributed to the decrease in our current ratio as at 31 December 2022, and were partially narrowed by the following:

- (i) increase in trade receivables by RM19.47 million was mainly due to higher sales made towards the last quarter of FYE 2022 as compared to the previous financial year; and
- (ii) increase in inventories by RM5.12 million, primarily due to higher inventory level of third-party brands products by maintained to cater for the increased demand as well as higher purchases of trading goods towards the end of FYE 2022 as compared to the previous financial year end.

Our current ratio for 31 December 2022 and 31 December 2023 was 1.26 times, respectively which were relatively consistent.

Our current ratio has increased from 1.26 times as at 31 December 2023 to 1.34 times as at 31 August 2024, mainly attributable to the following:

- (i) increase in fixed deposits with licensed banks of RM5.24 million was mainly due to additional fixed deposits pledged to secure new banking facilities for our Group;
- (ii) increase in inventories of RM3.07 million, mainly due to a higher inventory level for third-party brand pipes products due to the higher purchases made towards the last quarter of FPE 2024 as compared to FYE 2023 to cater for the growth in demand for pipes products;

12. FINANCIAL INFORMATION (cont'd)

- (iii) increase in trade receivables of RM2.56 million was mainly due to the higher sales made towards the last quarter of FPE 2024 as compared to FYE 2023;
- (iv) increase in cash and bank balances of RM2.55 million was mainly due to internally generated funds from business operations during FPE 2024; and
- (v) decrease in trade payables of RM3.29 million was mainly attributable to the payments made to some of our suppliers via our trust receipts facility towards the end of FPE 2024;

The above contributed to the increase in our current ratio as at 31 August 2024, and were partially narrowed by the following:

- (i) increase in borrowings of RM5.32 million was mainly due to the net drawdown of invoice financing facilities of RM3.67 million, trust receipts of RM3.19 million for payments to our suppliers as well as drawdown of term loans of RM4.91 million, mainly for refinancing our existing term loan and to finance the premium for keyman insurance contracts purposes, net off by the repayment of term loans of RM5.72 million and decrease in bank overdrafts by RM1.37 million during FPE 2024;
- (ii) increase in current tax liabilities by RM2.02 million was mainly due to higher tax expenses for FPE 2024 as a result of higher PBT recorded; and
- (iii) increase in other payables and accruals by RM1.08 million, mainly due to the increase in accruals of RM3.17 million was mainly due to the increase in accrued purchases of RM2.47 million and accrued sales commissions of RM0.36 million, and such increases were partially offset by the decrease in deposits received/advanced payments from customers of RM2.31 million.

12.7.5 Gearing ratio

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

	Audited			
	As at 31 December			As at 31 August
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Total borrowings ⁽¹⁾	44,808	65,575	84,882	89,089
Total equity	13,549	20,320	30,232	39,525
Gearing ratio (times)	3.31	3.23	2.81	2.25

Note:

- (1) Computed based on total interest-bearing borrowings (excluding lease liabilities for right-of-use assets (workshop, office and warehouse rental)) over total equity as at the end of each financial year.

Our gearing ratio decreased from 3.31 times to 2.25 times throughout the Financial Years/Period Under Review. Our high gearing ratio was attributable to an increase drawdown of our trade facilities to finance the purchase of our pipes, fittings and flanges as well as steel products and related parts and accessories. As a supplier and distributor, we offer an extensive range of pipes, fittings and flanges as well as steel products and related part and accessories and the nature of our business requires us to keep a sufficient level of inventory to provide timely delivery to our customers. We also provide 30 to 120 days credit to our customers. Therefore, we use a significant amount of financing to bridge the gap between our purchasing of inventory until we sell the inventory and collecting the sales proceeds from our customers.

12. FINANCIAL INFORMATION (cont'd)

Our gearing ratio slightly decreased from 3.31 times as at 31 December 2021 to 3.23 times as at 31 December 2022, mainly contributed by the increase in total equity of RM6.77 million mainly as a result of the PAT recorded for FYE 2022. Such improvement in our gearing ratio was partially narrowed by the net drawdown of borrowings of RM21.08 million to finance the acquisition of a Puchong Premise 3 and to cater to the increase in storage of inventories, and payments to suppliers and for our Group's working capital purposes.

Our gearing ratio decreased from 3.23 times as at 31 December 2022 to 2.81 times as at 31 December 2023 mainly contributed by the increase in total equity of RM9.91 million as a result of the PAT recorded for FYE 2023. Such improvement in gearing ratio was partially narrowed by the net drawdown of borrowings of RM20.15 million to finance the increase in purchases, which increases in tandem with increase in sales.

Our gearing ratio decreased from 2.81 times as at 31 December 2023 to 2.25 times as at 31 August 2024, mainly attributable to the increase in our total equity as a result of the increase in our retained earnings arising from PAT of RM9.29 million for FPE 2024. Such improvement in our gearing ratio was partially narrowed by the increase in total borrowings of RM4.21 million, mainly due to net drawdown of invoice financing facilities of RM3.67 million, trust receipts of RM3.19 million for payments to our suppliers as well as drawdown of term loans of RM4.91 million, mainly for refinancing our existing term loan and to finance the premium for keyman insurance contracts purposes, net off by the repayment of term loans of RM5.72 million and decrease in bank overdrafts by RM1.37 million during FPE 2024.

12.8 TREND ANALYSIS

Based on our track record for the past Financial Years/Period Under Review, including our segmental analysis of revenue and profitability, we wish to highlight the following:

- (i) More than 95% of our revenue is derived from the supply and distribution segment. We expect this segment to continue contributing significantly to our revenue in the future;
- (ii) More than 70% of our revenue is derived from Malaysia. We expect sales in Malaysia to continue contributing significantly to our revenue in the future;
- (iii) The main components of our cost of sales are cost of trading goods which constituted more than 95% of our total cost of sales. We expect this trend to continue;
- (iv) We achieved a GP margin of between 16.89% to 22.82% for the past Financial Years/Period Under Review. Moving forward, our GP margin would depend on the level of competition and our continued ability to manage our costs efficiently and price our services competitively;
- (v) Our top 5 major customers contributed more than 35% of our Group's revenue. We expect this trend to continue; and
- (vi) Our top 5 major suppliers constituted more than 30% of our Group's purchases. We expect this trend to continue.

12. FINANCIAL INFORMATION (cont'd)

As at LPD, our financial performance, position and operations are not affected by any of the following:

- (a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in Sections 12.2, 7, 8 and 9 of this Prospectus;
- (b) Material commitments for capital expenditure disclosed in Section 12.13 of this Prospectus;
- (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 9.2.4 and 12.2 of this Prospectus;
- (d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/or profit save for those that had been discussed in Section 12.2 of this Prospectus, business and industry overview as set out in Sections 7 and 8, and business strategies and future plans as set out in Section 7.14 of this Prospectus;
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, save as disclosed in Sections 9 and 12 of this Prospectus; and
- (f) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, save as disclosed in Sections 7, 9 and 12 of this Prospectus.

However, our Board foresees certain risk factors set out in Section 9 of this Prospectus, that may affect our future financial condition and results of operations.

Nevertheless, our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.13 of this Prospectus, the outlook of the pipes, fittings and flanges industry as set out in the IMR Report in Section 8 of this Prospectus and our commitment to implement future plans and strategies as set out in Section 7.14 of this Prospectus.

12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the Financial Years/Period Under Review. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

Risks relating to government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 9 of this Prospectus.

12. FINANCIAL INFORMATION (cont'd)**12.10 MATERIAL INVESTMENT AND MATERIAL DIVESTITURES**

We have undertaken material investments and material divestitures for the Financial Years/Period Under Review and up to the LPD as follows:

(i) Material investments:

	At costs				From 1 September 2024 and up to LPD
	FYE 2021	FYE 2022	FYE 2023	FPE 2024	
	RM'000	RM'000	RM'000	RM'000	RM'000
Investments					
<u>Classified under PPE</u>					
Buildings	-	⁽¹⁾ 3,716	-	-	-
Office and warehouse equipment	565	281	393	4	4
Furniture, fixtures, fittings	98	15	154	-	-
Electrical installation	23	35	10	-	-
Motor vehicles	-	-	114	-	-
Air conditioners	24	5	2	-	-
Renovation	105	7	476	7	-
Signboards	1	-	34	-	-
Computer software	9	-	17	-	-
<u>Classified under investment properties</u>					
Leasehold land	⁽²⁾ 8,750	-	-	-	-
Buildings	⁽²⁾ 4,302	-	-	-	-
<u>Classified under other investments</u>					
Keyman insurance	-	-	-	⁽⁵⁾ 500	-
<u>Classified under right-of-use assets</u>					
Leasehold land	-	⁽¹⁾ 11,000	-	-	-
Motor vehicles	326	137	⁽³⁾ 1,431	161	-
Plant and machinery	⁽⁴⁾ 816	-	494	-	-
Software	-	298	-	-	-
Total	15,019	15,494	3,125	672	4

Notes:

- (1) The addition in leasehold land and buildings during FYE 2022 was related to the acquisition of Puchong Premise 3.
- (2) The additions in leasehold land and buildings during FYE 2021 were related to Investment Property 2.

12. FINANCIAL INFORMATION *(cont'd)*

- (3) The additions in motor vehicles during FYE 2023 were related to the purchase of 4 units of delivery lorries and a motor vehicle for our managing director for replacement of his previous motor vehicle.
- (4) The additions in plant and machinery during FYE 2021 were related to the purchase of 2 processing machinery equipment to accommodate our manufacturing activities expansion.
- (5) The addition in keyman insurance which is pledged as additional security for drawdown of banking facilities.

The above material capital investment was financed via our internally generated funds and borrowings. Our ability to obtain financing and to make timely repayments of our debt obligations are subject to various uncertainties, including our future results of operations, financial condition and cash flows, the condition of the Malaysian and the global economies and the markets for our products and services, the cost of financing, the condition of financial markets and the willingness of banks to provide financing facilities to us.

There were no material divestitures during the Financial Years/Period Under Review.

12.11 IMPACT OF INFLATION

During the Financial Years/Period Under Review, 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.

12.12 ORDER BOOK

We do not enter into long-term contracts with our customers. Due to the nature of our business, we do not maintain an order book.

12.13 MATERIAL CAPITAL COMMITMENTS

As at LPD, we do not have any other material capital commitments.

12. FINANCIAL INFORMATION (cont'd)**12.14 FINANCIAL RISK MANAGEMENT****(i) Foreign currency risk**

Our proportions of sales and purchases transactions denominated in local and foreign currencies are as follows:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:								
(i) MYR	69,273	98.06	136,575	98.52	204,540	84.12	154,865	71.31
(ii) SGD	-	-	6	*	19	0.01	16	*
(iii) USD	1,374	1.94	1,839	1.33	38,601	15.87	62,299	28.69
(iv) EUR	-	-	202	0.15	-	-	-	-
	70,647	100.00	138,622	100.00	243,160	100.00	217,180	100.00
Purchases denominated in:								
(i) MYR	42,069	74.98	94,945	81.01	132,151	65.33	110,633	60.53
(ii) USD	11,407	20.33	18,290	15.60	67,763	33.50	68,866	37.68
(iii) SGD	1,814	3.23	3,751	3.20	2,354	1.16	3,268	1.79
(iv) EUR	664	1.18	114	0.10	29	0.01	-	-
(v) RMB	153	0.27	28	0.02	-	-	-	-
(vi) JPY	-	-	77	0.07	-	-	-	-
(vii) GBP	5	0.01	-	-	-	-	2	*
	56,112	100.00	117,205	100.00	202,297	100.00	182,769	100.00

Note:

* Representing less than 0.01%.

We are exposed to transactional currency exposure as 1.94%, 1.33%, 15.87% and 28.69% of our total revenue were denominated in USD for FYEs 2021, 2022, 2023 and FPE 2024 respectively. In addition, 20.33%, 15.60%, 33.50% and 37.68% of our purchases were denominated in USD for FYEs 2021, 2022, 2023 and FPE 2024 respectively. Therefore, our GP is directly affected by the foreign currency exchange fluctuation.

For FYEs 2021, 2022, 2023 and FPE 2024, our gains and losses from foreign exchange fluctuations are as follows:

	FYE 2021	Audited FYE 2022	FYE 2023	Unaudited FPE 2023	Audited FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Realised (loss) on foreign exchange	(113)	(86)	(372)	(192)	(680)
Unrealised gain/(loss) on foreign exchange	27	-	-	-	(1,823)
Net (loss)	(86)	(86)	(372)	(192)	(2,503)

12. FINANCIAL INFORMATION (cont'd)

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 to foreign exchange low as to minimise the losses resulting from foreign exchange fluctuations. To facilitate this, our Group maintains bank accounts that holds cash and cash equivalents denominated in foreign currencies i.e. USD, for working capital purposes, such that collections can be used to settle payments of the same currency where possible. To a certain extent, this provides a natural hedge against fluctuations in foreign exchange and reduces our exposure to foreign exchange risks.

As at LPD, our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at LPD, we have not entered into any foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchases from our foreign suppliers and revenue from our foreign sales. A depreciation of the RM against the USD will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in costs to our customers in a timely manner, our financial performances may be adversely affected due to the reduced GP margin from higher costs of supplies.

The RM had appreciated against USD for the period from 2 May 2024 of USD1:RM4.7535 to 30 Aug 2024 of USD1:RM4.316. Notwithstanding the appreciating RM against USD, our Group managed to increase our revenue from RM157.34 million for the FPE 2023 to RM217.18 million for the FPE 2024. In addition, our revenue from overseas customers (which are primarily denominated in foreign currency) increased from RM12.12 million for FPE 2023 to RM63.44 million for FPE 2024. This has led to our Group recording realised and unrealised losses on foreign exchange of RM0.68 million and RM1.82 million, respectively, for the FPE 2024.

Subsequent to FPE 2024, in order to minimise the impact of the strengthening of RM against USD, our Group may consider entering into foreign exchange contracts to hedge our exposure to fluctuation in foreign currency exchange rates or may consider selling in RM instead of USD.

Hence, any significant fluctuation in the exchange rate of USD against RM may have a significant impact, whether positively or negatively, on our financial results. Hence, there is no assurance that any significant fluctuation in foreign currency exchange rate moving forward will not have a material adverse impact on our profitability. Kindly refer to Section 9.1.14 of this Prospectus for the impact of foreign exchange fluctuations on our profitability.

(ii) Interest rate risk

Our exposure to changes in interest rate risk relates primarily to our borrowings from banks. We do not generally hedge interest rate risks.

A sensitivity analysis performed on our Group based on the outstanding floating rate of the bank borrowings as at 31 August 2024 indicates that our PAT for FPE 2024 would increase or decrease by approximately RM0.66 million, as a result of increase or decrease in interest rates by 100 basis points on these borrowings.

Our financial results for FYE 2021 to FYE 2023 and FPE 2024 were not materially affected by fluctuations in interest rates.

12. FINANCIAL INFORMATION (cont'd)**12.15 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness as at 31 December 2024 and after adjusting for the effects of the IPO as well as the utilisation of proceeds from the Public Issue (as defined herein):

	Unaudited ⁽¹⁾ As at 31 December 2024 RM'000	Pro forma I After the IPO RM'000	Pro forma II After Pro forma I and Utilisation of Proceeds RM'000
Capitalisation			
Shareholders' equity	43,544	65,252	63,412
Total capitalisation	43,544	65,252	63,412
Indebtedness⁽²⁾			
Current			
<u>Secured and guaranteed</u>			
Bankers' acceptances	1,562	1,562	1,562
Bank overdraft	4,426	4,426	4,426
Invoice financing	28,745	28,745	28,745
Revolving credit	1,308	1,308	1,308
Term loans	2,246	2,246	1,155
Trust receipts	38,497	38,497	38,497
Hire purchase payables	634	634	634
<u>Unsecured and unguaranteed</u>			
Other lease liabilities ⁽³⁾	215	215	215
Non-current			
<u>Secured and guaranteed</u>			
Term loans	30,214	30,214	24,305
Hire purchase payables	1,211	1,211	1,211
<u>Unsecured and unguaranteed</u>			
Other lease liabilities ⁽³⁾	120	120	120
Total indebtedness	109,178	109,178	102,178
Total capitalisation and indebtedness	152,722	174,430	165,590
Gearing ratio (times)⁽⁴⁾	2.50	1.67	1.61

Notes:

- (1) After adjusting for the Acquisition of Saliran Industrial Supplies.
- (2) All of our indebtedness are secured and/or guaranteed except for other lease liabilities on right-of-use assets are unsecured and unguaranteed.
- (3) Refer to lease liabilities on right-of-use assets arising from lease of office and workshop recognised in accordance with MFRS 16.
- (4) Calculated based on total indebtedness (excluded lease liabilities on right-of-use assets) divided by total capitalisation.

12. FINANCIAL INFORMATION (cont'd)**12.16 DIVIDEND POLICY**

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distributions 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. Save for certain restrictive covenants from our credit facilities, which our subsidiaries are subject to, there is no other dividend restriction imposed on our subsidiaries as at LPD.

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:

- (i) the level of cash and level of indebtedness;
- (ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (iii) our expected results of operations and future level of operations;
- (iv) our projected levels of capital expenditure and other investment plans; and
- (v) the prior notifications to our lenders, if any.

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.

For FYE 2021 to 2023 and FPE 2024, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Dividends declared and paid	(1)600	(2)400	-	-

12. FINANCIAL INFORMATION *(cont'd)*

Notes:

- (1) Declared and paid on 22 January 2021, 19 February 2021, 15 March 2021, 15 April 2021, 27 May 2021, 24 June 2021, 23 July 2021, 25 August 2021, 21 September 2021, 20 October 2021, 8 November 2021, 24 November 2021 and 6 December 2021 by Saliran Industrial Supplies, being our direct subsidiary.
- (2) Declared and paid on 6 January 2022, 13 January 2022, 9 February 2022, 7 March 2022 and 29 March 2022 by Saliran Industrial Supplies, being our direct subsidiary.

The dividends above were funded by internal funds sourced from the cash and bank balances of Saliran Industrial Supplies. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

Subsequent to 31 August 2024 and up to the LPD, no dividends were declared. Our Company does not intend to declare any dividends prior to the Listing.

No influence should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

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12. FINANCIAL INFORMATION *(cont'd)*

12.17 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2024



Date : 27 January 2025

The Board of Directors
Saliran Group Berhad
No. 14 & 16, Jalan Industri PBP 5,
Taman Perindustrian Pusat Bandar Puchong,
47100 Puchong, Selangor

SALIRAN GROUP BERHAD

REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 AUGUST 2024

We have completed our assurance engagement to report on the compilation of pro forma combined statements of financial position of Saliran Group Berhad ("**Saliran**" or "**the Company**") and its subsidiary companies (collectively known as "**the Group**") prepared by the Board of Directors of the Company. The pro forma combined statements of financial position as at 31 August 2024 together with the accompanying notes thereon have been stamped for the purpose of identification. The pro forma combined statements of financial position have been prepared for inclusion in the Prospectus of the Company in connection with the listing and quotation of the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing**").

The pro forma combined statements of financial position are prepared by the Board of Directors in accordance with the requirements of Chapter 9 of the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("**Prospectus Guidelines**") and the *Guidance Note for issuers of Pro Forma Financial Information* issued by the Malaysian Institute of Accountants ("**Guidance Note**").

The pro forma combined statements of financial position have been compiled by the Board of Directors solely to illustrate the impact of events or transactions as set out in note 5 to the pro forma combined statements of financial position ("**Applicable Criteria**"), on the Group's financial position as at 31 August 2024 as if the events or transactions have been affected as at that date. As part of this process, information about the Group's financial position has been extracted by the Board of Directors from the Group's audited combined statements of financial position as at 31 August 2024.

The Board of Directors' Responsibilities

The Board of Directors is responsible for compiling the pro forma combined statements of financial position on the basis of the Applicable Criteria and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

Kreston John & Gan

Chartered Accountants • AF 0113

Unit B-10-8, Megan Avenue II, Jalan Yap Kwan Seng, 50450 Kuala Lumpur.

T : + 603 2381 2828 E : assurance@kreston.com.my W : www.kreston.com.my

Audit | Tax | Advisory

12. FINANCIAL INFORMATION (cont'd)**Our Independence and Quality Management**

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

Our firm applies Malaysian Approved Standard on Quality Management, ("**ISQM**") 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the pro forma combined statements of financial position have been compiled, in all material respects, by the Board of Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements ("ISAE") 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. This standard requires that the Reporting Accountants comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors have compiled, in all material respects, the pro forma combined statements of financial position on the basis of the Applicable Criteria and in accordance with the requirements of the Prospectus Guidelines.

For purposes 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 financial information, 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.

The purpose of pro forma combined statements of financial position to be included in the Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the Group as if the events had occurred or transactions had been undertaken at the earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma combined statements of financial position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Board of Directors in the compilation of the pro forma combined statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether the related pro forma adjustments give appropriate effect to those criteria and the pro forma combined statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma combined statements of financial position have 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.

12. FINANCIAL INFORMATION *(cont'd)*



Opinion

In our opinion, the pro forma combined statements of financial position of the Group have been compiled, in all material respects, on the basis of the Applicable Criteria and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

Other Matters

This report is made exclusively and solely for the purpose of inclusion in the Prospectus of Saliran in connection with the Listing of the Company on the ACE Market of Bursa Securities. As such, this report should not be used or referred to, in whole or in part, for any other purposes. 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 'Kreston John & Gan'.

Kreston John & Gan
AF 0113
Chartered Accountants

Kuala Lumpur

A handwritten signature in black ink, appearing to read 'Yong Chung Sin'.

Yong Chung Sin
02892/04/2026 J
Chartered Accountant

12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION****1 ABBREVIATIONS**

The following definitions will apply throughout this report, unless or except where the context or subject matter otherwise indicates or requires:-

Act	: Companies Act, 2016 of Malaysia
Bursa Securities	: Bursa Malaysia Securities Berhad (Registration No.: 200301033577 (635998-W))
FPE	: Financial period ended
FYE	: Financial year ended
Group	: Collectively, Saliran and its subsidiaries
IFRS	: International Financial Reporting Standards
IPO	: Initial Public Offering comprising the Public Issue and the Offer for Sale
IPO Price	: Issue / Offer price of RM0.27 per Share under the Public Issue and Offer for Sale
IPO Share(s)	: Collectively, the Issue Share(s) and the Offer Share(s)
Issue Share(s)	: New Share(s) to be issued under the Public Issue
Listing	: Admission of Saliran to the Official List of Bursa Securities and the listing and quotation of the entire enlarged issued share capital of Saliran comprising 382,900,000 Shares on the ACE Market of Bursa Securities
LPD	: 20 December 2024, being the latest practicable date prior to the issuance of the prospectus of Saliran pursuant to its Listing, to Bursa Securities
Malaysian Public	: Citizens of Malaysia, companies, societies, co-operatives and institutions incorporated or organised under the laws of Malaysia but excludes Directors of the Group, the substantial shareholders and persons connected with them
MFRS	: Malaysian Financial Reporting Standards
NA	: Net assets
NL	: Net liabilities
Offer for Sale	: Offer for sale by the Selling Shareholder of 38,290,000 Offer Shares at the IPO Price
Offer Share(s)	: The existing Shares to be offered by the Selling Shareholder pursuant to the Offer for Sale
Public Issue	: Public issue of 80,400,000 Issue Shares at the IPO Price
RM	: Ringgit Malaysia



12. FINANCIAL INFORMATION *(cont'd)*

SALIRAN GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

1 ABBREVIATIONS (CONT'D)

Saliran or the Company	:	Saliran Group Berhad (Registration No.: 202001022591 (1378911-A))
Saliran Industrial Supplies	:	Saliran Industrial Supplies Sdn Bhd (Registration No.: 201101008001 (936140-T))
Selling Shareholder	:	Maju Alliance Sdn Bhd (Registration No.: 202401018317 (1564166-K))
Shares or Saliran Shares	:	Ordinary shares in Saliran
Vendors	:	Collectively, Mr. Liaw Choon Wei, Mr. Chan Koon Wai and Mr. Lim Bak Teik



12. FINANCIAL INFORMATION *(cont'd)*

SALIRAN GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

2. GENERAL

The Company was incorporated on 7 August 2020 under the name Saliran Group Sdn Bhd, a private company limited by shares in accordance with the Act.

On 19 June 2024, the Company was converted into a public company limited by shares in accordance with the Act and assumed its present name of Saliran Group Berhad.

The registered office of the Company is located at Level 7, Menara Millennium, Jalan Damanlela, Pusat Bandar Damansara, Damansara Heights, 50490 Kuala Lumpur.

The principal place of business of the Company is located at No. 14 & 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor.

The pro forma combined statements of financial position have been prepared solely for inclusion in the Prospectus of the Company connection with the Listing of the Company on the ACE Market of Bursa Securities.

The details of the Listing are entailed in Note 3 below.

3. PRO FORMA GROUP AND BASIS OF PREPARATION

3.1 Acquisition of Saliran Industrial Supplies

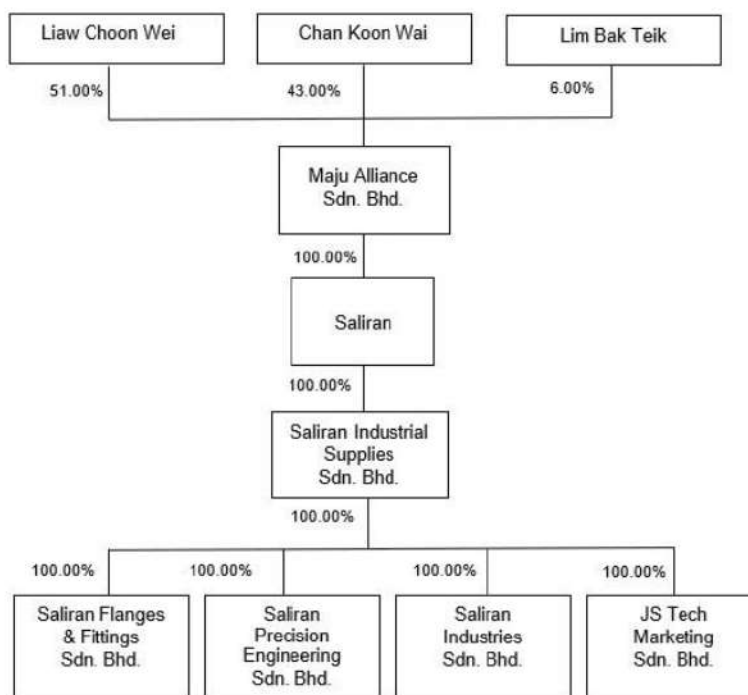
In preparation to the Listing, the Company undertook the acquisition of Saliran Industrial Supplies. On 7 June 2024, the Company entered into a conditional share sale agreement with the Vendors to acquire the entire equity interest in Saliran Industrial Supplies for a purchase consideration of RM30,249,750 which was satisfied entirely by the issuance of 302,497,500 new Shares at RM0.10 per Share to Maju Alliance Sdn Bhd, an investment holding company owned by the Vendors collectively.

The said acquisition of Saliran Industrial Supplies Sdn Bhd was completed on 14 November 2024.



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

Pursuant to the completion of the acquisition of Saliran Industrial Supplies, the group structure of the Group is as follows:-

**3.2. Listing Scheme**

The listing scheme entails the following:-

3.2.1 Public Issue

Public Issue of 80,400,000 Issue Shares at the IPO Price of RM0.27 per Issue Share which will be allocated in the following manner:-

- 19,145,000 Issue Shares to the Malaysian Public (including 9,572,500 Issue Shares to be made available to Bumiputera public investor) (via balloting);
- 7,658,000 Issue Shares to the eligible Directors and employees of the Group;
- 47,862,500 Issue Shares to the selected Bumiputera investors approved by Ministry of Investment, Trade and Industry, Malaysia (via private placement); and
- 5,734,500 Issue Shares to the selected investors (via private placement)

3.2.2 Offer for Sale

Offer for Sale of 38,290,000 Offer Shares by the Selling Shareholder at the IPO Price of RM0.27 per Offer Share by way of private placement to the selected investors.

And

3.2.3 Listing

In conjunction with the above, Saliran will seek the listing and quotation of its entire enlarged issued share capital, comprising 382,900,000 Shares with market capitalisation of RM103,383,000 on the ACE Market of Bursa Securities.

(Collectively known as "Listing")



12. FINANCIAL INFORMATION (cont'd)

SALIRAN GROUP BERHAD

NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

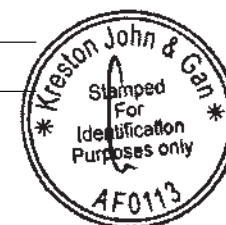
3.3. Basis of Preparation

- 3.3.1 The pro forma combined statements of financial position, of which the Directors of the Company is solely responsible, have been prepared for illustrative purposes only and based on the audited financial statements of the Company for the 8-month FPE 31 August 2024 and also on the assumptions that the events and transactions as stated in Note 5 have been effected as at 31 August 2024, and should be read in conjunction with the notes accompanying thereto.
- 3.3.2 The pro forma combined statements of financial position have been prepared in accordance with the requirements of *Part II Division 1, Chapter 9 of the Prospectus Guidelines* issued by the Securities Commission Malaysia and *Guidance Note for Issuers of Pro Forma Financial Information* issued by Malaysian Institute of Accountants.
- 3.3.3 The pro forma combined statements of financial position have been prepared based on the audited financial statements of the Company for the 8-month FPE 31 August 2024, which have been prepared in accordance with MFRS, IFRS and in a manner consistent with both the format of the financial statements and the material accounting policy information normally adopted by the Company.
- 3.3.4 The audited financial statements of the Company under review have been reported without any audit qualification or modification.
- 3.3.5 The pro forma combined statements of financial position are presented in RM and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.
- 3.3.6 The pro forma combined statements of financial position, because of their nature, may not be reflective of the Group's actual financial position and results. Furthermore, such information does not purport to predict the future financial position and results of the Group.
- 3.3.7 The pro forma combined statements of financial position have been prepared using the merger method to account for the acquisition of Saliran Industrial Supplies. A business combination involves entities or businesses which are commonly controlled by the same parties before and after the business combination, and that control is not transitory.
- (i) Under the merger method of accounting, the results of the subsidiary are presented as if the merger had been effected throughout the current and previous financial years.
 - (ii) The assets and liabilities combined are accounted based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.
 - (iii) When the merger method is used, the difference between the cost of investment recorded by the Company (i.e. the consideration for the acquisition of Saliran Industrial Supplies) and the share capital of Saliran Industrial Supplies accounted for as merger reserve.



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD**
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**4. Pro Forma Combined Statements of Financial Position**

			Pro forma I	Pro forma II	Pro forma III
	Note	Audited as at 31 August 2024 RM'000	After Acquisition of Saliran Industrial Supplies RM'000	After Pro forma I and the Listing RM'000	After Pro forma II and Utilisation of Proceeds RM'000
ASSETS					
Non-current asset					
Property, plant and equipment		-	9,606	9,606	9,606
Investment properties		-	14,473	14,473	14,473
Right-of-use assets		-	13,981	13,981	13,981
Other investments		-	2,612	2,612	2,612
Deferred tax assets		-	480	480	480
		-	41,152	41,152	41,152
Current assets					
Inventories		-	15,551	15,551	15,551
Trade receivables		-	68,527	68,527	68,527
Other receivables, deposits and prepayments	5.2	-	856	856	856
Fixed deposits with a licensed bank		-	14,487	14,487	14,487
Cash and bank balances	5.3	3	20,804	42,512	32,996
		3	120,225	141,933	132,417
Total Assets		3	161,377	183,085	173,569
EQUITY AND LIABILITIES					
Share capital	5.4	3	30,253	51,961	50,235
Merger reserve	5.5	-	(26,770)	(26,770)	(26,770)
(Accumulated losses) / Retained profits	5.6	(1,015)	36,042	36,042	35,252
Total Equity		(1,012)	39,525	61,233	58,717



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD**
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**4. Pro Forma Combined Statements of Financial Position (Cont'd)**

			Pro forma I	Pro forma II	Pro forma III
	Note	Audited as at 31 August 2024 RM'000	After Acquisition of Saliran Industrial Supplies RM'000	After Pro forma I and the Listing RM'000	After Pro forma II and Utilisation of Proceeds RM'000
Non-current liabilities					
Deferred tax liabilities		-	36	36	36
Borrowings	5.7	-	30,335	30,335	24,409
Lease liabilities		-	1,585	1,585	1,585
		-	31,956	31,956	26,030
Current liabilities					
Trade payables		-	19,700	19,700	19,700
Other payables and accruals	5.8	1,015	6,306	6,306	6,306
Borrowings	5.9	-	56,654	56,654	55,580
Lease liabilities		-	925	925	925
Current tax liabilities		-	6,311	6,311	6,311
		1,015	89,896	89,896	88,822
Total Liabilities		1,015	121,852	121,852	114,852
Total Equity and Liabilities		3	161,377	183,085	173,569
No. of shares in issue ('000)		3	302,500	382,900	382,900
(NL)/NA (RM'000)		(1,012)	39,525	61,233	58,717
(NL)/NA per share attributable to the equity holders of the Company (RM)		(337.33)	0.13	0.16	0.15
Gearing ratio		NA	2.25	1.45	1.40

NA = Not Applicable



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5. Effect on The Pro forma Combined Statements of Financial Position**

- 5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:-

Pro forma I

Pro forma I incorporate the effects of the acquisition of Saliran Industrial Supplies which involved acquisition of the entire equity interest in Saliran Industrial Supplies for a purchase consideration of RM30,249,750, which satisfied entirely by the issuance of 302,497,500 Shares at RM0.10 per Share. The said acquisition of Saliran Industrial Supplies Sdn Bhd was completed on 14 November 2024.

The acquisition of the entire equity interest in Saliran Industrial Supplies by the Company is part of the pre-IPO restructuring exercise and will not result in any change in economic substance. Accordingly, the pro forma combined statements of financial position of the Company are accounted as follows:-

- The combined results of the Company are presented as if the acquisition of Saliran Industrial Supplies has been effected throughout the financial year under review; and
- The Company incorporates the assets and liabilities of Saliran Industrial Supplies at their pre-combination carrying amounts. No adjustment is made to reflect their fair values or recognise any new assets or liabilities at the date of combination that would otherwise have been done under the acquisition method.

The consolidated statement of financial position of Saliran Industrial Supplies and its subsidiaries as at 31 August 2024 is as follows:

**Audited as at
31 August 2024
RM'000**

ASSETS**Non-Current Assets**

Property, plant and equipment	9,606
Investment properties	14,473
Right-of-use assets	13,981
Other investments	2,612
Deferred tax assets	480

Total Non-Current Assets	41,152

Current Assets

Inventories	15,551
Trade receivables	68,527
Other receivables, deposits and prepayments	1,856
Fixed deposits with licensed banks	14,487
Cash and bank balances	20,801

Total Current Assets	121,222

Total Assets	162,374



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)**

- 5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:- (Cont'd)

	Audited as at 31 August 2024 RM'000
EQUITY AND LIABILITIES	
Equity attributable to owners of the Company	
Share capital	3,480
Retained profits	37,057
Total Equity	<u>40,537</u>
Non-Current Liabilities	
Deferred tax liabilities	36
Borrowings	30,335
Lease liabilities	1,585
Total Non-Current Liabilities	<u>31,956</u>
Current Liabilities	
Trade payables	19,700
Other payables and accruals	6,291
Borrowings	56,654
Lease liabilities	925
Current tax liabilities	6,311
Total Current Liabilities	<u>89,881</u>
Total Liabilities	<u>121,837</u>
Total Equity and Liabilities	<u>162,374</u>

The above pre-IPO reorganisation exercise will generate a merger reserve of RM26,770,000, computed as follows:

	RM'000
Purchase consideration	30,250
Share capital of Saliran Industrial Supplies	(3,480)
Merger reserve	<u>26,770</u>

Pro forma II

Pro forma II incorporates the effects of Pro forma I and cumulative effects of the Public Issue, Offer for Sale and Listing as described in the Note 3.2 above.



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)**

- 5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:- (Cont'd)

Pro forma III

Pro forma III incorporates the effects of Pro forma II and the utilisation of the proceeds from the Public Issue.

The proceeds from the Public Issue are expected to be utilised as follows:-

	RM'000	Estimated timeframe for utilisation of proceeds upon Listing
Establishment of a sales office in Indonesia@	1,200	Within forty-two (42) months
Purchase of machinery and motor vehicles^	1,440	Within twenty-four (24) months
Repayment of bank borrowings#	7,000	Within twenty-four (24) months
General working capital	8,368	Within twelve (12) months
Estimated listing expenses*	3,700	Within one (1) month
	<u>21,708</u>	

@ As at LPD, the Group has yet to implement the business plan to establish a sales office in Indonesia market. Accordingly, the use of the proceeds of RM1,200,000 intended for the renting of the sales office, hire of sales officers and purchase of office equipment are not reflected in the pro forma combined statements of financial position.

^ As at LPD, the Group has yet to enter into any contractual binding agreement pertaining to the purchase of machinery and motor vehicles. Accordingly, the use of the proceeds of RM1,440,000 intended for the purchase of machinery and motor vehicles are not reflected in the pro forma combined statements of financial position.

As at LPD, the Group intends to utilise RM7,000,000 of its IPO proceeds to partially repay the borrowings. The utilisation of the proceeds is reflected in the pro forma combined financial statements of financial position.

The repayment of bank borrowings is further analysed as follows:-

	RM'000
Non-current portion	5,926
Current portion	1,074
Total	<u>7,000</u>

* The estimated listing expenses totalling RM3,700,000 comprise professional fees, regulatory authority fees, underwriting, placement and brokerage fees and miscellaneous fees incidental to the Listing. A portion of the sum amounting to approximately RM1,726,000 is reckoned as transaction costs directly attributable to the issuance of new shares and therefore will be set off against the share capital in accordance with Para 37 of MFRS 132, *Financial Instruments : Presentation*. The balance of RM1,974,000 is assumed to be non-equity transaction costs in nature and will be charged to the profit or loss.

As at 31 August 2024, approximately RM1,184,000 of the listing expenses had been paid and charged to profit or loss.



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)****5.2 Movement in Other Receivables, Deposits and Prepayments**

	RM'000
Balance as at 31 August 2024	-
Acquisition of Saliran Industrial Supplies	1,856
Elimination of inter-company balance	(1,000)
Pro forma I, II and III	856

5.3 Movement in Cash and Bank Balances

	RM'000
Balance as at 31 August 2024	3
Acquisition of Saliran Industrial Supplies	20,801
Pro forma I	20,804
Proceeds raised from the Listing	21,708
Pro forma II	42,512
Utilisation of proceeds for the repayment of bank borrowings	(7,000)
Utilisation of proceeds for the payment for expenses for the Listing	(2,516)
Pro forma III	32,996

5.4 Movement in Share Capital

	No. of shares'000	RM'000
Balance as at 31 August 2024	3	3
Issuance of Shares pursuant to the acquisition of Saliran Industrial Supplies	302,497	30,250
Pro forma I	302,500	30,253
Issuance of Shares pursuant to the Public Issue	80,400	21,708
Pro forma II	382,900	51,961
Estimated expenses for the Listing	-	(1,726)
Pro forma III	382,900	50,235



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)****5.5 Movement in Merger Reserve**

	RM'000
Balance as at 31 August 2024	-
Acquisition of Saliran Industrial Supplies	(26,770)
Pro forma I, II and III	<u>(26,770)</u>

5.6 Movement in (Accumulated Losses) / Retained Profits

	RM'000
Balance as at 31 August 2024	(1,015)
Acquisition of Saliran Industrial Supplies	37,057
Pro forma I and II	36,042
Estimated expenses for the Listing	(790)
Pro forma III	<u>35,252</u>

5.7 Movement in Bank Borrowings – Non-Current Portion

	RM'000
Balance as at 31 August 2024	-
Acquisition of Saliran Industrial Supplies	30,335
Pro forma I and II	30,335
Repayment of bank borrowings	(5,926)
Pro forma III	<u>24,409</u>

5.8 Movement in Other Payables and Accruals

	RM'000
Balance as at 31 August 2024	1,015
Acquisition of Saliran Industrial Supplies	6,291
Elimination of inter-company balance	(1,000)
Pro forma I, II and III	<u>6,306</u>



12. FINANCIAL INFORMATION (cont'd)**SALIRAN GROUP BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)****5.9 Movement in Bank Borrowings – Current Portion**

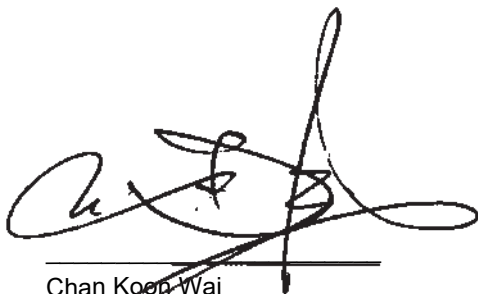
	RM'000
Balance as at 31 August 2024	-
Acquisition of Saliran Industrial Supplies	56,654
Pro forma I and II	56,654
Repayment of bank borrowings	(1,074)
Pro forma III	55,580

Approved by the Board of Directors

Signed on behalf of the Board in accordance with a resolution of the Directors of Saliran Group Berhad dated **27 JAN 2025**



Liaw Choon Wei
Managing Director



Chan Koon Wai
Executive Director



13. ACCOUNTANTS' REPORT



Date: 27 January 2025

The Board of Directors
Saliran Group Berhad
 No.14 &16, Jalan Industri PBP 5,
 Taman Perindustrian Pusat Bandar Puchong,
 47100 Puchong, Selangor.

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Saliran Group Berhad ("the Company" or "Saliran")

Opinion

We have audited the accompanying combined financial statements of Saliran Group Berhad and its combining entities (collectively known as "**the Group**") which comprises the combined statements of financial position of the Group as at 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the 8-month financial period ended 31 August 2024, financial years ended 31 December 2023, 31 December 2022 and 31 December 2021, including material accounting policy information and notes to the combined financial statements, as set out on pages 4 to 108.

The historical combined financial statements have been prepared for inclusion in the prospectus of Saliran, in connection with the listing and quotation of the entire enlarged issued ordinary shares of Saliran on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**"). This report is required by the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("**the Prospectus Guidelines**") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021 and of its combined financial performance and combined cash flows for the 8-month financial period ended 31 August 2024, financial years ended 31 December 2023, 31 December 2022 and 31 December 2021 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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.

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.

13. ACCOUNTANTS' REPORT (cont'd)*Responsibilities of the Directors for the Combined Financial Statements*

The directors of the Group are responsible for the preparation of combined financial statements of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of combined financial information of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial information 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.

Reporting Accountants' Responsibilities for the Audit of 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 an 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 risk 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.
- 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

13. ACCOUNTANTS' REPORT (cont'd)



Reporting Accountants' Responsibilities for the Audit of Combined Financial Statements (Cont'd.)

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:- (Cont'd.)

- 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 combined financial statements 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 Group audit. We remain solely responsible for our audit opinion.

We communicated 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 identified during our audit.

Restriction on Distribution and Use

This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the prospectus of Saliran in connection with the listing and quotation of the entire enlarged issued ordinary shares of Saliran 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 person for the content of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2026 J
Chartered Accountant

Kuala Lumpur,
Date: 27 January 2025

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

Registration No. 202001022591 (1378911-A)

(Incorporated in Malaysia)

Combined Statements of Financial Position

as at 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		Audited			
	Note	31.8.2024 RM	31.12.2023 RM	31.12.2022 RM	31.12.2021 RM
ASSETS					
Non-Current Assets					
Property, plant and equipment	5	9,606,006	9,519,801	8,950,636	5,228,015
Investment properties	6	14,473,470	14,614,284	14,825,506	15,036,728
Right-of-use assets	7	13,980,839	14,593,933	14,316,163	3,740,389
Other investments	8	2,611,990	2,457,990	1,457,990	1,457,990
Deferred tax asset	9	480,137	-	-	6,484
Total Non-Current Assets		41,152,442	41,186,008	39,550,295	25,469,606
Current Assets					
Inventories	10	15,550,659	12,477,008	11,885,757	6,765,653
Trade receivables	11	68,527,245	65,967,803	44,531,164	25,056,740
Other receivables, deposits and prepayments	12	856,136	719,046	4,714,345	6,600,301
Amount due from directors	13	-	-	-	7,618
Fixed deposits with licensed banks	14	14,486,808	9,246,123	4,822,450	3,304,662
Cash and bank balances		20,803,384	18,253,879	2,082,315	2,445,838
Total Current Assets		120,224,232	106,663,859	68,036,031	44,180,812
Total Assets		161,376,674	147,849,867	107,586,326	69,650,418
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	15(a)	2,500	2,500	2,500	2,500
Invested equity	15(b)	3,480,000	3,480,000	3,480,000	2,480,000
Retained profits	16	36,042,311	26,748,817	16,626,690	10,679,656
		39,524,811	30,231,317	20,109,190	13,162,156
Non-controlling interests	17	-	-	210,478	386,112
Total Equity		39,524,811	30,231,317	20,319,668	13,548,268

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

Registration No. 202001022591 (1378911-A)

(Incorporated in Malaysia)

**Combined Statements of Financial Position
(Cont'd.)**

as at 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		<----- Audited ----->			
	Note	31.8.2024 RM	31.12.2023 RM	31.12.2022 RM	31.12.2021 RM
EQUITY AND LIABILITIES (Cont'd.)					
Non-Current Liabilities					
Deferred tax liabilities	9	36,447	32,980	217,257	138,586
Borrowings	18	30,334,857	31,008,439	31,148,063	19,361,339
Lease liabilities	21	1,584,751	1,839,757	1,711,026	2,457,512
Total Non-Current Liabilities		31,956,055	32,881,176	33,076,346	21,957,437
Current Liabilities					
Trade payables	22	19,699,674	22,989,091	15,574,097	7,603,820
Other payables and accruals	23	6,306,229	5,226,750	2,171,032	896,798
Amount due to directors	13	-	-	251,470	-
Borrowings	18	56,654,215	51,334,213	32,474,056	23,042,241
Lease liabilities	21	925,183	894,529	1,244,143	1,111,999
Current tax liabilities		6,310,507	4,292,791	2,475,514	1,489,855
Total Current Liabilities		89,895,808	84,737,374	54,190,312	34,144,713
Total Liabilities		121,851,863	117,618,550	87,266,658	56,102,150
Total Equity and Liabilities		161,376,674	147,849,867	107,586,326	69,650,418

The accompanying accounting policies and explanatory notes form an integral part of the financial statement.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)

Combined Statements of Profit or Loss and Other Comprehensive Income

for the financial period/year ended 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited -----> 1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
	Note					
Revenue	24	217,180,395	157,344,147	243,159,905	138,622,071	70,646,876
Cost of sales		(179,978,744)	(129,634,298)	(202,101,310)	(112,522,647)	(54,526,053)
Gross profit		37,201,651	27,709,849	41,058,595	26,099,424	16,120,823
Other operating income	25	523,582	1,175,607	1,526,018	482,544	281,423
Administrative expenses		(19,508,233)	(13,185,964)	(23,629,536)	(14,895,470)	(8,936,702)
Profit from operations		18,217,000	15,699,492	18,955,077	11,686,498	7,465,544
Finance costs	26	(4,421,440)	(2,809,811)	(4,864,981)	(2,641,683)	(1,395,186)
Profit before taxation	27	13,795,560	12,889,681	14,090,096	9,044,815	6,070,358
Taxation	31	(4,502,066)	(3,925,692)	(3,940,774)	(2,773,418)	(1,488,275)
Profit for the financial year, representing total comprehensive income for the financial period/year		9,293,494	8,963,989	10,149,322	6,271,397	4,582,083

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT *(cont'd)*
Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)

Combined Statements of Profit or Loss and Other Comprehensive Income (Cont'd.)

for the financial period/year ended 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited -----> 1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
	Note					
Profit for the financial year, representing total comprehensive income for the financial period/year attributable to : -						
- Owner of the Company		9,293,494	8,880,583	9,919,949	5,953,341	4,439,521
- Non-controlling interests		-	83,406	229,373	318,056	142,562
		9,293,494	8,963,989	10,149,322	6,271,397	4,582,083
Earnings per share (RM)						
- Basic	32	2.67	2.55	2.85	1.71	1.79
- Diluted*	32	2.67	2.55	2.85	1.71	1.79

* There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)**Combined Statements of Changes in Equity**

for the financial period/year ended 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		<i>Non- Distributable</i>	<i>Distributable</i>			
	<u>Share capital</u>	<u>Invested equity</u> RM	<u>Retained profits</u> RM	<u>Total</u> RM	<u>Non- controlling interests</u> RM	<u>Total equity</u> RM
At 1 January 2021	2,500	2,000,000	6,840,135	8,842,635	243,550	9,086,185
Issuance of shares (Note 15(b))	-	480,000	-	480,000	-	480,000
Dividend paid (Note 28)	-	-	(600,000)	(600,000)	-	(600,000)
Total comprehensive income for the financial year	-	-	4,439,521	4,439,521	142,562	4,582,083
At 31 December 2021	2,500	2,480,000	10,679,656	13,162,156	386,112	13,548,268
Acquisition of non-controlling interests	-	-	393,693	393,693	(493,690)	(99,997)
Issuance of shares (Note 15(b))	-	1,000,000	-	1,000,000	-	1,000,000
Dividend paid (Note 28)	-	-	(400,000)	(400,000)	-	(400,000)
Total comprehensive income for the financial year	-	-	5,953,341	5,953,341	318,056	6,271,397
At 31 December 2022	2,500	3,480,000	16,626,690	20,109,190	210,478	20,319,668

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)

Combined Statements of Changes in Equity (Cont'd.)

for the financial period/year ended 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

	<i>Non-Distributable</i>		<i>Distributable</i>			
	<u>Share capital</u>	<u>Invested equity</u> RM	<u>Retained profits</u> RM	<u>Total</u> RM	<u>Non-controlling interests</u> RM	<u>Total equity</u> RM
At 1 January 2023	2,500	3,480,000	16,626,690	20,109,190	210,478	20,319,668
Acquisition of non-controlling interests	-	-	202,178	202,178	(439,851)	(237,673)
Total comprehensive income for the financial year	-	-	9,919,949	9,919,949	229,373	10,149,322
At 31 December 2023	2,500	3,480,000	26,748,817	30,231,317	-	30,231,317
Total comprehensive income for the financial period	-	-	9,293,494	9,293,494	-	9,293,494
At 31 August 2024	2,500	3,480,000	36,042,311	39,524,811	-	39,524,811
<u>Unaudited</u>						
At 1 January 2023	2,500	3,480,000	16,626,690	20,109,190	210,478	20,319,668
Total comprehensive income for the financial period	-	-	8,880,583	8,880,583	83,406	8,963,989
At 31 August 2023	2,500	3,480,000	25,507,273	28,989,773	293,884	29,283,657

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)

Combined Statements of Cash Flows

for the financial period/year ended 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		Audited	Unaudited	<----- Audited ----->		
		1.1.2024 to	1.1.2023 to	1.1.2023 to	1.1.2022 to	1.1.2021 to
		31.8.2024	31.8.2023	31.12.2023	31.12.2022	31.12.2021
	Note	RM	RM	RM	RM	RM
Cash flows from operating activities						
Profit before taxation		13,795,560	12,889,681	14,090,096	9,044,815	6,070,358
Adjustments for : -						
Bad debt written off		-	-	31,556	-	32,826
Depreciation of property, plant and equipment	5	359,659	291,318	456,572	330,995	269,979
Depreciation of investment properties	6	140,814	140,814	211,222	211,222	144,825
Depreciation of right-of-use assets	7	675,804	804,459	1,181,849	1,090,976	862,950
Gain on disposal of rights-of-use assets		-	(307,396)	(307,396)	-	-
Loss on disposal of other investment		91,461	-	-	-	-
Loss/(Gain) on disposal of property, plant and equipment		2,500	-	-	(30,072)	(63,585)
(Gain)/Loss on lease modification		-	(26,236)	(32,128)	-	7,162
Impairment loss on trade receivables		9,160	-	2,807,699	1,582,126	290,799
Interest expense		4,421,440	2,809,811	4,864,981	2,641,683	1,395,186
Interest income		(23,698)	(1,562)	(27,910)	(1,119)	(27,056)
Property, plant and equipment written off		-	4,280	174,412	684	-
Unrealised loss/(gain) on foreign exchange		1,822,879	-	-	-	(27,354)
Operating profit before working capital changes		21,295,579	16,605,169	23,450,953	14,871,310	8,956,090
Balance carried forward		21,295,579	16,605,169	23,450,953	14,871,310	8,956,090

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)

Combined Statements of Cash Flows (Cont'd.)

for the financial period/year ended 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		Audited 1.1.2024 to 31.8.2024	Unaudited 1.1.2023 to 31.8.2023	<----- Audited -----> 1.1.2023 to 31.12.2023	1.1.2022 to 31.12.2022	1.1.2021 to 31.12.2021
	Note	RM	RM	RM	RM	RM
Cash flows from operating activities (Cont'd.)						
Balance brought forward		21,295,579	16,605,169	23,450,953	14,871,310	8,956,090
Changes in working capital : -						
Inventories		(3,073,651)	(2,921,753)	(591,251)	(5,120,104)	(1,985,013)
Trade receivables		(4,564,504)	(32,140,409)	(24,275,894)	(21,056,550)	(3,811,274)
Other receivables, deposit and prepayment		(137,090)	4,096,187	3,995,299	1,885,956	(4,713,101)
Trade payables		(3,116,394)	8,123,763	7,414,994	7,970,277	(5,314,936)
Other payables and accruals		1,079,479	12,219,018	3,055,718	1,274,234	398,998
Net cash generated from/(used in) operations		11,483,419	5,981,975	13,049,819	(174,877)	(6,469,236)
Income tax paid		(2,961,020)	(1,366,953)	(2,307,774)	(1,702,604)	(1,233,247)
Interest paid		(4,421,440)	(2,809,811)	(4,864,981)	(2,641,683)	(1,395,186)
Interest received		23,698	1,562	27,910	1,119	27,056
Net cash from/(used in) operating activities		4,124,657	1,806,773	5,904,974	(4,518,045)	(9,070,613)
Cash flows from investing activities						
Acquisition of non-controlling interest		-	-	(237,673)	(99,997)	-
Addition on property, plant and equipment	5	(10,896)	(1,077,124)	(1,200,149)	(4,058,555)	(824,818)
Addition on investment properties	6	-	-	-	-	(13,052,087)
Addition on right-of-use assets	33	(45,365)	(249,021)	(271,495)	(11,131,880)	(91,078)
Purchase of other investment	8	(500,000)	-	(1,000,000)	-	(1,000,000)
Proceeds from disposal of other investment		254,539	-	-	-	-
Proceeds from disposal of property, plant and equipment		20,000	-	-	34,327	249,712
Proceeds from disposal of right-of-use assets		-	370,839	370,839	-	-
Net cash used in investing activities		(281,722)	(955,306)	(2,338,478)	(15,256,105)	(14,718,271)
Balance brought forward		3,842,935	851,467	3,566,496	(19,774,150)	(23,788,884)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
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Combined Statements of Cash Flows (Cont'd.)

for the financial period/year ended 31 August 2024, 31 December 2023, 31 December 2022 and 31 December 2021

		Audited	Unaudited	<----- Audited ----->	
		1.1.2024 to	1.1.2023 to	1.1.2023 to	1.1.2022 to
		31.8.2024	31.8.2023	31.12.2023	31.12.2022
	Note	RM	RM	RM	RM
Balance brought forward		3,842,935	851,467	3,566,496	(19,774,150)
Cash flow from financing activities					
(Repayment to)/Advance from directors		-	2,418,096	(251,470)	259,088
Increase in fixed deposits pledged		(5,240,685)	(3,851,159)	(4,423,673)	(1,517,788)
Dividend paid	28	-	-	-	(400,000)
Drawdown of term loans		4,910,000	920,000	2,013,230	13,598,750
Repayment of term loans		(5,721,179)	(1,329,189)	(1,844,316)	(1,240,313)
Net drawdown/(repayment) of bankers' acceptances		38,000	266,000	458,000	(11,843,000)
Net drawdown of invoice financing		3,667,318	3,529,737	6,895,596	7,840,380
Net (repayment)/drawdown of revolving credit		(70,555)	(9,812)	(4,654)	1,400,000
Net drawdown of trust receipts		3,192,940	2,453,122	12,636,639	11,320,878
Repayment of lease liabilities		(699,165)	(1,074,134)	(1,440,322)	(1,149,212)
Proceeds from issuance of shares		-	-	-	1,000,000
Net cash from financing activities		76,674	3,322,661	14,039,030	19,268,783
Net increase/(decrease) in cash and cash equivalents		3,919,609	4,174,128	17,605,526	(505,367)
Cash and cash equivalents at beginning of the financial period/year		13,292,492	(4,313,034)	(4,313,034)	(3,807,667)
Cash and cash equivalents at end of the financial period/year	35	17,212,101	(138,906)	13,292,492	(4,313,034)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
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ACCOUNTANTS' REPORT

1. General information

a) Introduction

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of Saliran Group Berhad in connection with the listing and quotation of the entire enlarged issued ordinary shares of Saliran on the ACE Market of Bursa Securities (hereinafter defined as “**the Listing**”), and should not be relied upon for any other purposes.

b) Background

The Company was incorporated on 7 August 2020 as Saliran Group Sdn. Bhd., a private company limited by shares in accordance with the Companies Act, 2016 of Malaysia.

On 19 June 2024, the Company was converted into a public company limited by shares in accordance with the Companies Act, 2016 of Malaysia and assumed its present name of Saliran Group Berhad.

The registered office of the Company is located at Level 7, Menara Millennium, No. 8, Jalan Damanlela, Bukit Damansara, 50490 Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur.

The principal place of business of the Company is located at No. 14 & 16, Jalan Industri PBP 5, Taman Perindustrian Pusat Bandar Puchong, 47100 Puchong, Selangor.

c) Acquisition of Saliran Industrial Supplies Sdn. Bhd.

In preparation to the Listing, the Company had entered into a conditional share sale agreement on 7 June 2024 with Mr. Liaw Choon Wei, Mr. Chan Koon Wai and Mr. Lim Bak Teik (collectively, referred to as the “**Vendors**”) to acquire the entire issued share capital of Saliran Industrial Supplies Sdn. Bhd. comprising 3,480,000 ordinary shares (“**Acquisition**”) prior to the Listing.

The purchase consideration for the above Acquisition is RM30,249,750 which shall be satisfied by the issuance of 302,497,500 new ordinary shares in the Company at RM0.10 per share to Maju Alliance Sdn. Bhd., an investment holding company owned by the Vendors collectively.

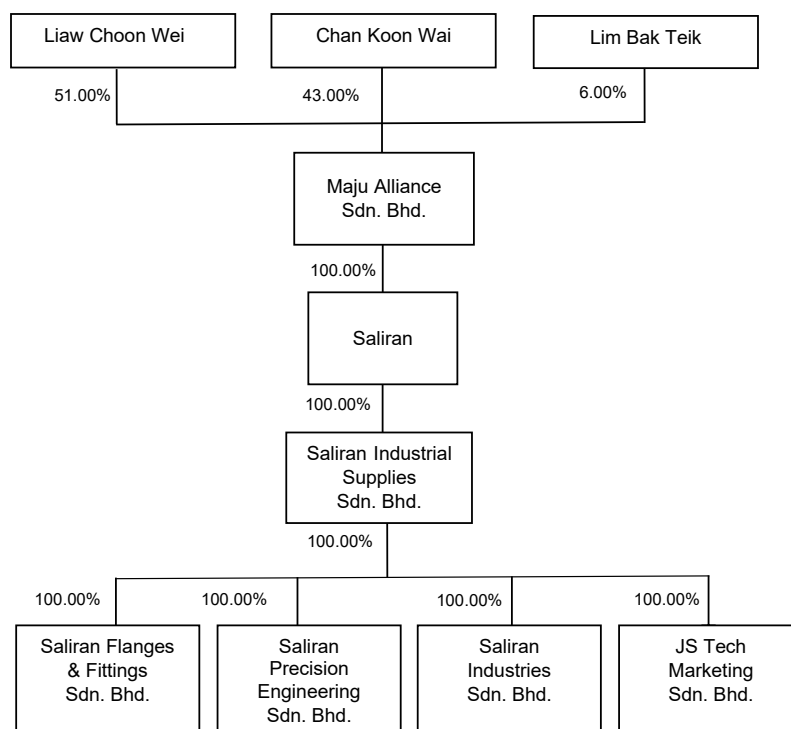
The said acquisition of Saliran Industrial Supplies Sdn. Bhd. was completed on 14 November 2024.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**1. General information (Cont'd.)****c) Acquisition of Saliran Industrial Supplies Sdn. Bhd. (Cont'd.)**

Pursuant to the Acquisition, the group structure of Saliran Group Berhad is as follows : -



13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**1. General information (Cont'd.)****d) Principal activities**

The Company's principal activity is investment holding company.

Details of the combining entities of the Company for the relevant financial years are as follows:

Name of company	Effective ownership	Principal activities	Date of incorporation	Country of incorporation
Saliran Industrial Supplies Sdn. Bhd.	100%	Supply and distribution of pipes, fittings and flanges as well as steel products	14 March 2011	Malaysia
Saliran Flanges & Fittings Sdn. Bhd.	100%	Supply and distribution of pipes, fittings and flanges as well as steel products	18 July 2014	Malaysia
Saliran Precision Engineering Sdn. Bhd.	100%	Manufacturing of fittings and flanges	8 October 2014	Malaysia
Saliran Industries Sdn. Bhd.	100%	Supply and distribution of pipes, fittings and flanges as well as steel products	1 November 2022	Malaysia
JS Tech Marketing Sdn. Bhd.	100%	Supply and distribution of pipes, fittings and flanges as well as steel products	9 February 2023	Malaysia

2. Relevant financial years

For the purpose of inclusion in the prospectus of Saliran Group Berhad in connection with the listing and quotation of its entire enlarged number of issued ordinary shares on the ACE Market of Bursa Malaysia Securities Berhad in accordance with Chapter 10 of Prospectus Guidelines issued by Securities Commission Malaysia, the combined financial statements of the Group, which are the combination or aggregation of the financial statements of the following combining entities, have been prepared based on the separate financial statements for the relevant reporting periods as follows:-

Company	Relevant financial years	Auditors
Saliran Group Berhad	FPE 31 August 2024 FYE 31 December 2023 FPE 31 December 2022 * FYE 31 January 2022	Kreston John & Gan Kreston John & Gan Kreston John & Gan HSL & Co
Saliran Industrial Supplies Sdn. Bhd.	FPE 31 August 2024 FYE 31 December 2023 FYE 31 December 2022 FYE 31 December 2021	Kreston John & Gan Kreston John & Gan Kreston John & Gan HSL & Co

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

Registration No. 202001022591 (1378911-A)
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ACCOUNTANTS' REPORT**2. Relevant financial years (Cont'd.)**

Company	Relevant financial years	Auditors
Saliran Flanges & Fittings Sdn. Bhd.	FPE 31 August 2024 FYE 31 December 2023 FYE 31 December 2022 FYE 31 December 2021	Kreston John & Gan Kreston John & Gan Kreston John & Gan HSL & Co
Saliran Precision Engineering Sdn.Bhd.	FPE 31 August 2024 FYE 31 December 2023 FYE 31 December 2022 FYE 31 December 2021	Kreston John & Gan Kreston John & Gan Kreston John & Gan HSL & Co
Saliran Industries Sdn. Bhd.	FPE 31 August 2024 FPE 31 December 2023	Kreston John & Gan Kreston John & Gan
JS Tech Marketing Sdn. Bhd.	FPE 31 August 2024 FPE 31 December 2023	Kreston John & Gan Kreston John & Gan

- * The financial year end was changed to 31 December to be coterminous with the financial year end of the acquired group of companies for the purpose of preparation of combined financial statements.

MFRSs – Malaysian Financial Reporting Standards

The combined financial statements were prepared in a manner similar to the “pooling-of interest” method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest period covered by the relevant reporting periods. Such manner of presentation reflects the economic substance of the combining companies, which were under common control throughout the relevant reporting periods.

Entities under common control are entities which are ultimately controlled by the same parties and the control is not transitory. 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 combining entities so as to obtain benefits from their activities, and the ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs. All material intra-group transactions and balances are eliminated upon combination, where applicable.

The combined financial statements comprising the combined statements of financial position, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows for the relevant reporting periods, are prepared under the historical cost convention and in compliance with Malaysian Financial Reporting Standards including related interpretations which are effective for accounting periods on or before 1 January 2023.

3. Basis of preparation**a) Statement of compliance**

The combined financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“**MFRSs**”), International Financial Reporting Standards (“**IFRSs**”) and the requirements of the Companies Act, 2016 of Malaysia.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

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ACCOUNTANTS' REPORT

3. Basis of preparation (Cont'd.)

a) Statement of compliance (Cont'd.)

MFRSs and amendments effective for annual periods beginning on or after 1 January 2024

- Amendments to MFRS 16, Leases – Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101, Presentation of Financial Statements – Non-current Liabilities with Covenants and Classification of Liabilities as Current or Non-current
- Amendments to MFRS 107, Statement of Cash Flows and MFRS 7, Financial Instruments: Disclosures – Supplier Finance Arrangements

The initial application of the accounting standards and amendments are not expected to have any material financial impacts to the current period and prior period combined financial statements upon their first adoption.

The following are accounting standards and amendments of the MFRS framework that have been issued by the Malaysian Accounting Standards Board ("MASB") but have not been adopted by the Group.

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2025

- Amendments to MFRS 121, The Effects of Changes in Foreign Exchange Rates – Lack of Exchangeability

Amendments to MFRSs effective for annual periods beginning on or after 1 January 2026

- Amendments to MFRS 7, Financial Instruments : Disclosures and MFRS 9, Financial Instruments – Amendments to the Classification and Measurement of Financial Instruments

Annual Improvements to MFRS Accounting Standards – Volume 11 effective for annual periods beginning on or after 1 January 2026

- MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards – Hedge Accounting By A First-time Adopter
- MFRS 7, Financial Instruments : Disclosure – Gain Or Loss on Derecognition
- MFRS 9, Financial Instruments – Derecognition of Lease Liabilities and Transaction Price
- MFRS 10, Consolidated Financial Statements – Determination of a 'de facto agent'
- MFRS 107, Statement of Cash Flows – Cost Method

MFRSs effective for annual periods beginning on or after 1 January 2027

- MFRS 18, Presentation and Disclosures in Financial Statements
- MFRS 19, Subsidiaries without Public Accountability : Disclosures

MFRSs, Interpretations and amendments effective for annual periods beginning on or after a date yet to be confirmed

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

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

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ACCOUNTANTS' REPORT

3. Basis of preparation (Cont'd.)

a) Statement of compliance (Cont'd.)

The Group plans to apply the abovementioned accounting standards, interpretations and amendments in the respective financial period when the above accounting standards, interpretations and amendments become effective, if applicable.

b) Basis of measurement

The combined financial statements have been prepared on the historical cost basis unless otherwise as disclosed in Note 4.

c) Functional and presentation currency

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Group's functional currency.

d) Adoption of new standards/amendments/improvements to MFRSs

The Group has consistently applied the accounting policies set out in Note 4 to all periods presented in these combined financial statements.

At the beginning of the current financial period/years, the combining entities adopted new standards/amendments/improvement to MFRSs which have been applied using the full retrospective approach.

Initial application of the new standards/amendments/improvements to MFRSs did not have material impact on the combined financial statements of the Group.

e) Significant accounting estimates and judgements

The preparation of the combined financial statements in conformity with MFRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : -

i) Depreciation of property, plant and equipment

Property, plant and equipment are depreciated in a straight-line basis over their estimated useful life. Management estimated that useful lives of these assets are disclosed in Note 4(d). Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

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

Saliran Group Berhad

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ACCOUNTANTS' REPORT

3. Basis of preparation *(Cont'd.)*

e) Significant accounting estimates and judgements *(Cont'd.)*

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : - *(Cont'd.)*

ii) Depreciation of right-of-use assets

Right-of-use assets are depreciated in a straight-line basis over their estimated useful life or the end of the lease term. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iii) Depreciation of investment properties

Investment properties are depreciated in a straight-line basis over their estimated useful life or the end of the lease term. Changes in the expected level of usage and technological developments could impact the economic useful life and the residual values of these assets, therefore future depreciation charges could be revised.

iv) Allowance for slow moving inventories and write down of inventories to net realisable value

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews are required judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories is disclosed in Note 10 to the financial statements.

v) Measurement of Expected Credit Loss ("**ECL**") allowance for financial assets

The loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation based on the Group's past history, existing market conditions as well as forward looking estimates at the end of reporting period.

vi) Deferred tax assets

Deferred tax assets are recognised for all unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance to the extent that it is probable that taxable profit will be available against which the unabsorbed tax losses, unabsorbed capital allowances and unutilised reinvestment allowance can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

vii) Income tax expense

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax and deferred tax provisions in the period in which such determination is made.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
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ACCOUNTANTS' REPORT

3. Basis of preparation (Cont'd.)

e) Significant accounting estimates and judgements (Cont'd.)

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than the following items : - (Cont'd.)

viii) Discount rates used in leases

Where the interest rate implicit in the lease cannot be readily determined, the Group uses the incremental borrowing rate to measure the lease liabilities. The incremental borrowing rate is the interest rate that the Group would have pay to borrow over a similar term, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. Therefore, the incremental borrowing rate requires estimation particularly when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the incremental borrowing rate using observable inputs when available and is required to make certain entity-specific estimates.

4. Material accounting policy information

The accounting policies set out below have been applied consistently to the periods presented in these financial statements and have been applied consistently by the Group, unless otherwise stated.

a) Basis of combination

i) Business combination under common control

The combined financial statements comprise the financial statements of the Company and its combining entities which are under common control as disclosed in Note 1 and 2. The financial statements used in the preparation of the combined financial statements are prepared as of the same reporting date as the Company.

A business combination involving entity under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accountings, the results of the subsidiaries are presented as if the merger 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. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

Registration No. 202001022591 (1378911-A)

(Incorporated in Malaysia)

ACCOUNTANTS' REPORT**4. Material accounting policy information (Cont'd.)****a) Basis of combination (Cont'd.)****i) Business combination under common control (Cont'd.)**

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial years.

ii) Subsidiaries

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The Group controls an entity when it is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

iii) Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the combined financial statements.**iv) Acquisition of non-controlling interests**

The Group accounts all changes in its ownership interest in a subsidiary company that do not result in a loss of control as equity transactions between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

v) Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary company not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary company are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

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

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)
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ACCOUNTANTS' REPORT

4. Material accounting policy information (Cont'd.)

b) Foreign currency transactions

i) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies are not retranslated at the end of the reporting date, except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss.

ii) Operations denominated in functional currencies other than Ringgit Malaysia

The assets and liabilities of operations denominated in functional currencies other than RM, including goodwill and fair value adjustments arising on acquisition, are translated to RM at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to RM at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve ("FCTR") in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of, such that control or significant influence is lost, the cumulative amount in the FCTR related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

Saliran Group Berhad

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ACCOUNTANTS' REPORT

4. Material accounting policy information (Cont'd.)

c) Financial instruments

i) Initial recognition and measurement

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the instruments.

A financial asset (unless it is trade receivables without significant financing component) or a financial liability is initially measured at fair value plus or minus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issuance. A trade receivable without a significant financing component is initially measured at the transaction price.

An embedded derivative is recognised separately from the host contract where the host contract is not a financial asset, and accounted for separately if, and only if, the derivative is not closely related to the economic characteristics and risks of the host contract and the host contract is not measured at fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with policy applicable to the nature of the host contract.

ii) Financial instrument categories and subsequent measurement

Financial assets

Categories of financial assets are determined on initial recognition and are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

(a) Amortised cost

Amortised cost category comprises financial assets that are held within a business model whose objective is to hold assets to collect contractual cash flows and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The financial assets are not designated as fair value through profit or loss. Subsequent to initial recognition, these financial assets are measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 4(i)(i)) where the effective interest rate is applied to the amortised cost.

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ACCOUNTANTS' REPORT**4. Material accounting policy information (Cont'd.)****c) Financial instruments (Cont'd.)****ii) Financial instrument categories and subsequent measurement (Cont'd.)****Financial assets (Cont'd.)****(b) Fair value through other comprehensive income****(i) Debt investments**

Fair value through other comprehensive income category comprises debt investment where it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, and its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The debt investment is not designated as at fair value through profit or loss. Interest income calculated using the effective interest method, foreign exchange gains and losses and impairment are recognised in profit or loss. Other net gains and losses are recognised in other comprehensive income. On derecognition, gains and losses accumulated in other comprehensive income are reclassified to profit or loss.

Interest income is recognised by applying effective interest rate to the gross carrying amount except for credit impaired financial assets (see Note 4(i)(i)) where the effective interest rate is applied to the amortised cost.

(ii) Equity investments

This category comprises investment in equity that is not held for trading, and the Group irrevocably elects to present subsequent changes in the investment's fair value in other comprehensive income. This election is made on an investment-by-investment basis. Dividends are recognised as income in profit or loss unless the dividend clearly represents a recovery of part of the cost of investment. Other net gains and losses accumulated in other comprehensive income are not reclassified to profit or loss.

(c) Fair value through profit or loss

All financial assets not measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss. This includes derivative financial assets (except for a derivative that is a designated and effective hedging instrument). On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at fair value through other comprehensive income as at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets categorised as fair value through profit or loss are subsequently measured at their fair value. Net gains or losses, including any interest or dividend income, are recognised in the profit or loss.

All financial assets, except for those measured at fair value through profit or loss and equity investments measured at fair value through comprehensive income, are subject to impairment assessment (see Note 4(i)(i)).

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4. Material accounting policy information (Cont'd.)

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities

The categories of financial liabilities at initial recognition are as follows : -

(a) Fair value through profit or loss

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

On initial recognition, the Group may irrevocably designate a financial liability that otherwise meets the requirements to be measured at amortised cost as at fair value through profit or loss: -

- (i) if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise;
- (ii) a group of financial liabilities or assets and financial liabilities is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the Group's key management personnel; or
- (iii) if a contract contains one or more embedded derivatives and the host is not a financial asset in the scope of MFRS 9, where the embedded derivative significantly modifies the cash flows and separation is not prohibited.

Financial liabilities categorised as fair value through profit or loss are subsequently measured at their fair value with gains or losses, including any interest expense are recognised in the profit or loss.

For financial liabilities where it is designated as fair value through profit or loss upon initial recognition, the Group recognised the amount of change in fair value of the financial liability that is attributable to change in credit risk in the other comprehensive income and remaining amount of the change in fair value in the profit or loss, unless the treatment of the effects of changes in the liability's credit risk would create or enlarge an accounting mismatch.

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4. Material accounting policy information (Cont'd.)

c) Financial instruments (Cont'd.)

ii) Financial instrument categories and subsequent measurement (Cont'd.)

Financial liabilities (Cont'd.)

(b) Amortised cost

Other financial liabilities not categorised as fair value through profit or loss are subsequently measured at amortised cost using the effective interest method.

Interest expense and foreign exchange gains and losses are recognised in the profit or loss. Any gains or losses are also recognised in the profit or loss.

iii) 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 is recognised and derecognised, as applicable, using trade date accounting in the current year.

Trade date accounting refers to : -

- a) the recognition of an asset to be received and the liability to pay for it on the trade date; and
- b) 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.

iv) 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 in incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at higher of : -

- a) The amount of the loss allowance; and
- b) The amount initially recognised loss, when appropriate, the cumulative amount of income recognised in accordance to the principles of MFRS 15, *Revenue from Contracts with Customers*.

Liabilities arising from financial guarantees are presented together with other provisions.

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ACCOUNTANTS' REPORT**4. Material accounting policy information (Cont'd.)****c) Financial instruments (Cont'd.)****v) Derecognition**

A financial asset or part of it is derecognised when, and only when the contractual rights to the cash flows from the financial asset expire or control of the asset is not retained or substantially all of the risks and rewards of ownership of the financial asset are transferred to another party. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the 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. A financial liability is also derecognised when its terms are modified and the cash flows of the modified liability are substantially different, in which case, a new financial liability based on modified terms is recognised at fair value. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

d) Property, plant and equipment**i) Recognition and measurement**

Items of plant and equipment are measured at cost less any accumulated depreciation and any accumulated impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes the cost of materials and direct labour. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs. Costs also may include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between knowledgeable willing parties in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items when available and replacement cost when appropriate.

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

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and is recognised net within "other income" and "other expenses" respectively in profit or loss.

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ACCOUNTANTS' REPORT**4. Material accounting policy information (Cont'd.)****d) Property, plant and equipment (Cont'd.)****ii) Subsequent costs**

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group and to the Company, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised to profit or loss. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed, and if a component has a useful life that is different from the remainder of that asset, then that component is depreciated separately.

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment from the date that they are available for use. Freehold land is not depreciated.

The principal annual rate of depreciation for other plant and equipment are as follows:

	Rate (%)
Air-conditioners	10
Buildings	2
Computer software	10
Electrical installation	10
Furniture and fittings	10
Motor vehicles	20
Office and warehouse equipment	10
Plant and machinery	10
Renovation	10
Signboards	10

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

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ACCOUNTANTS' REPORT**4. Material accounting policy information (Cont'd.)****e) Investment properties****i) Investment properties carried at cost**

Investment properties are properties which are owned or right-of-use asset held under a lease contract to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in Note 4(d). Depreciation is charged to profit or loss on a straight-line basis over the estimated useful lives of the investment properties. The principal annual rate of depreciation is as follows : -

	Rate (%)
Land	Over the remaining lease periods
Buildings	2

ii) Reclassification from/to investment property

When an item of property, plant and equipment is transferred to investment property following a change in its use, the carrying amount of the item immediately prior to transfer is recognised as the deemed cost of the investment property for subsequent accounting.

When the use of a property changes such that it is reclassified as property, plant and equipment, its carrying amount at the date of reclassification becomes its deemed cost for subsequent accounting.

f) Leases**i) Definition of a lease**

A contract is, or contains, a lease if the contract conveys a 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 – this may be specified explicitly or implicitly, and should be physically distinct or represent substantially all of the capacity of a physically distinct asset. If the supplier has a substantive substitution right, then the asset is not identified;
- the customer has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and

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4. Material accounting policy information (Cont'd.)

f) Leases (Cont'd.)

i) Definition of a lease (Cont'd.)

A contract is, or contains, a lease if the contract conveys a 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 : - (Cont'd.)

- the customer has the right to direct the use of the asset. The customer for this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used in predetermined, the customer has the right to direct the use of the asset if either the customer has the right to operate the asset, or the customer designed the asset in a way that predetermines how and for what purpose it will be used.

At inception or reassessment of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease and non-lease component on the basis of their relative stand-alone prices. However, for lease of properties in which the Group is a lessee, it has elected not to separate non-lease components and will instead account for the lease and non-lease components as a single lease component.

ii) Initial recognition and measurement

(a) As a lessee

The Group recognise a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured 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 lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the respective Group's entities incremental borrowing rate. Generally, the Group uses their incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following : -

- fixed payments, including in-substance fixed payments less any incentives receivable;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee;
- the exercise price under a purchase option that the Group is reasonably certain to exercise; and

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4. Material accounting policy information (Cont'd.)

f) Leases (Cont'd.)

ii) Initial recognition and measurement (Cont'd.)

(a) As a lessee (Cont'd.)

Lease payments included in the measurement of the lease liability comprise the following : - (Cont'd.)

- penalties for early termination of a lease unless the Group is reasonable certain not to terminate early.

The Group excludes variable lease payments that linked to future performance or usage of the underlying asset from the lease liability. Instead, these payments are recognised in profit or loss in the period in which the performance or use occurs.

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognise the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(b) As a lessor

When the Group act as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not then it is an operating lease.

If an arrangement contains lease and non-lease components, the Group applies MFRS 15 to allocate the consideration in the contract based on the stand-alone selling prices.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sublease separately. It assesses the lease classification of a sublease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sublease as an operating lease.

iii) Subsequent measurement

(a) As a lessee

The right-of-use asset is a subsequently 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. The estimated useful lives of the right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

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ACCOUNTANTS' REPORT**4. Material accounting policy information (Cont'd.)****f) Leases (Cont'd.)****iii) Subsequent measurement (Cont'd.)****(a) As a lessee (Cont'd.)**

The lease liability is measure at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a revision of in-substance fixed lease payments, or if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(b) As a lessor

The Group recognise lease payments received under operating leases as income on a straight-line basis over the lease term as part of "other income".

g) Inventories

Inventories are measured at the lower of cost and estimated selling price less costs to complete and sell. Cost of inventories comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Cost of inventories is measured by using the First-in First-Out method.

h) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in fair value with original maturities of three months or less, and are used by the Company in the management of their short-term commitments. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

i) Impairment of assets**i) Financial assets**

The Group recognise loss allowances for expected credit losses on financial assets measured at amortised cost, debt investments measured at fair value through other comprehensive income, contract assets and lease receivables. Expected credit losses are a probability-weighted estimate of credit losses.

The Group measure loss allowances at an amount equal to lifetime expected credit loss, except for debt securities that are determined to have low credit risk at the reporting date, cash and bank balance and other debt securities for which credit risk has not increased significantly since initial recognition, which are measured as 12 months expected credit loss.

Loss allowances for trade receivable are always measured at an amount equal to lifetime expected credit loss.

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4. Material accounting policy information (Cont'd.)

i) Impairment of assets (Cont'd.)

i) Financial assets (Cont'd.)

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit loss, the Group consider 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, where available.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument, while 12 months expected credit losses are the portion of expected credit losses that result from default events 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.

The Group estimate the expected credit losses on trade receivables using a provision matrix with reference to historical credit loss experience.

An impairment loss in respect of financial assets measured at amortised cost is recognised in profit or loss and the carrying amount of the asset is reduced through the use of an allowance account.

An impairment loss in respect of debt investments measured at fair value through other comprehensive income is recognised in profit or loss and the allowance account is recognised in other comprehensive income.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at fair value through other comprehensive income 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 the financial asset have occurred.

The gross carrying amount of a financial assets is written off (either partially or full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determine that the debtor does not have assets or sources 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 procedures for recovery amounts due.

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ACCOUNTANTS' REPORT**4. Material accounting policy information (Cont'd.)****i) Impairment of assets (Cont'd.)****ii) Other assets**

The carrying amounts of other assets (except for contract assets, deferred tax asset, assets arising from employee benefits, investment property measured at fair value and non-current assets (or disposal group) classified as held for sale) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each period at the same time.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generate cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash-generating units. Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, cash-generating units to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to group of cash-generating units that are expected to benefit from the synergies of the combination.

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

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

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit (group of cash-generating units) and then to reduce the carrying amounts of the other assets in the cash-generating unit (group of cash-generating units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at the end of each reporting period for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount since the last impairment loss was recognised. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to profit or loss in the financial year in which the reversals are recognised.

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4. Material accounting policy information (Cont'd.)

j) Equity instruments

Instruments classified as equity are measured at cost on initial recognition and are not remeasured subsequently.

i) Issue expenses

Costs directly attributable to the issue of instruments classified as equity are recognised as a deduction from equity.

ii) Ordinary shares

Ordinary shares are classified as equity.

k) Provisions

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

l) Revenue and other income

i) Revenue from contract with customers

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset.

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- the customer simultaneously receives and consumes the benefits provided as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- the Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

If control of the assets is transferred over time, revenue is recognised over the period of the contract by reference to the progress towards the satisfaction of each of those performance obligations. Otherwise, revenue is recognised at a point in time when the customer obtain control over the goods or service.

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4. Material accounting policy information (Cont'd.)

l) Revenue and other income (Cont'd.)

i) Revenue from contract with customers (Cont'd.)

Sale of goods

Revenue from the sale of goods is recognised upon delivery of goods where the control of the goods has been passed to the customers, net of goods and services taxes and discounts.

Deferred costs are recognised when the goods delivered to customers but pending installation and/or testing rendered to customers.

ii) Rental income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Rental income from sub-leased property is recognised as other income.

iii) Interest income

Interest income is recognised as it accrues using the effective interest method in profit or loss except for interest income arising from temporary investment of borrowings taken specifically for the purpose of obtaining a qualifying asset which is accounted for in accordance with accounting policy on borrowing costs

m) Borrowing costs

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.

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets.

The capitalisation of borrowing costs as part of the cost of a qualifying asset commences when expenditure for the asset is being incurred, borrowing costs are being incurred and activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalisation of borrowing costs is suspended or ceases when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are interrupted or completed.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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4. Material accounting policy information (Cont'd.)

n) Taxes

Income taxes

Income tax expense comprises current and deferred tax. Current tax 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.

i) Current income tax

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

ii) Deferred tax

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised to the extent that is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Unutilised reinvestment allowance and investment tax allowance, being tax incentives that is not a tax base of an asset, is recognised as a deferred tax asset to the extent that it is probable that future taxable profits will be available against which the unutilised tax incentive can be utilised.

Sales and Service Tax ("SST")

Revenue is recognised net of the amount of SST as it is payable to the taxation authority. SST payable to the taxation authority is included as part of payables in the statements of financial position.

When SST is incurred, SST is recognised as part of the expense or cost of acquisition of the asset as SST is not recoverable.

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4. Material accounting policy information (Cont'd.)

o) Employee benefits

i) Short-term employee benefits

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

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present or constructive obligation can be estimated reliably.

ii) State plans

The Group's contributions to statutory pension funds are charged to profit or loss in the financial year to which they relate. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

p) Operating segments

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segments results are reviewed regularly by the chief operating decision maker, which in this case is the Managing Director of the Group, to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

q) Earnings per ordinary shares

The Group presents basic and diluted earnings per share data for its ordinary shares ("**EPS**").

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.

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

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ACCOUNTANTS' REPORT

4. Material accounting policy information (Cont'd.)

r) Contingent liabilities

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is not recognised in the statement of financial position and is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events, are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

s) 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.

For 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 use 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.

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment

	At 1 January RM	Additions RM	Disposals RM	Reclassification RM	Written off RM	At 31 August RM
Audited						
31.8.2024						
At cost						
Freehold land	2,690,000	-	-	-	-	2,690,000
Buildings	4,693,251	-	-	-	-	4,693,251
Air-conditioners	51,486	-	-	-	-	51,486
Computer software	26,333	-	-	-	-	26,333
Electrical installation	120,331	-	-	-	-	120,331
Furniture and fittings	417,379	-	-	-	-	417,379
Motor vehicles	314,106	-	-	121,685	-	435,791
Office and warehouse equipment	1,602,246	3,516	(25,000)	-	-	1,580,762
Plant and machineries	512,368	-	-	939,000	-	1,451,368
Renovation	754,214	7,380	-	-	-	761,594
Signboards	20,750	-	-	-	-	20,750
	11,202,464	10,896	(25,000)	1,060,685	-	12,249,045

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment (Cont'd.)

	At 1 January RM	Charge for the financial period RM	Disposals RM	Reclassification RM	Written off RM	At 31 August RM
31.8.2024						
Accumulated depreciation						
Buildings	218,509	62,577	-	-	-	281,086
Air-conditioners	11,100	3,433	-	-	-	14,533
Computer software	4,758	1,136	-	-	-	5,894
Electrical installation	35,464	8,023	-	-	-	43,487
Furniture and fittings	133,486	25,548	-	-	-	159,034
Motor vehicles	179,397	21,067	-	121,684	-	322,148
Office and warehouse equipment	428,980	105,444	(2,500)	-	-	531,924
Plant and machineries	411,469	84,725	-	481,533	-	977,727
Renovation	257,856	46,275	-	-	-	304,131
Signboards	1,644	1,431	-	-	-	3,075
	1,682,663	359,659	(2,500)	603,217	-	2,643,039

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment (Cont'd.)

	At 1 January RM	Additions RM	Disposals RM	Reclassification RM	Written off RM	At 31 December RM
<u>Audited</u> 31.12.2023						
At cost						
Freehold land	2,690,000	-	-	-	-	2,690,000
Buildings	4,693,251	-	-	-	-	4,693,251
Air-conditioners	35,940	1,550	-	13,996	-	51,486
Computer software	9,288	17,045	-	-	-	26,333
Electrical installation	120,331	10,036	-	-	(10,036)	120,331
Furniture and fittings	263,355	154,024	-	-	-	417,379
Motor vehicles	200,106	114,000	-	-	-	314,106
Office and warehouse equipment	1,210,375	393,431	-	-	(1,560)	1,602,246
Plant and machineries	512,368	-	-	-	-	512,368
Renovation	451,846	475,563	-	(13,996)	(159,199)	754,214
Signboards	8,510	34,500	-	-	(22,260)	20,750
	10,195,370	1,200,149	-	-	(193,055)	11,202,464

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment (Cont'd.)

	At 1 January RM	Charge for the financial year RM	Disposals RM	Reclassification RM	Written off RM	At 31 December RM
31.12.2023						
Accumulated depreciation						
Buildings	124,644	93,865	-	-	-	218,509
Air-conditioners	6,379	3,788	-	933	-	11,100
Computer software	3,715	1,043	-	-	-	4,758
Electrical installation	23,430	12,954	-	-	(920)	35,464
Furniture and fittings	97,480	36,006	-	-	-	133,486
Motor vehicles	145,785	33,612	-	-	-	179,397
Office and warehouse equipment	281,129	149,151	-	-	(1,300)	428,980
Plant and machineries	360,232	51,237	-	-	-	411,469
Renovation	199,878	72,242	-	(933)	(13,331)	257,856
Signboards	2,062	2,674	-	-	(3,092)	1,644
	1,244,734	456,572	-	-	(18,643)	1,682,663

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment (Cont'd.)

	At 1 January RM	Additions RM	Disposals RM	Reclassification RM	Written off RM	At 31 December RM
<u>Audited</u> 31.12.2022						
At cost						
Freehold land	2,690,000	-	-	-	-	2,690,000
Buildings	977,471	3,715,780	-	-	-	4,693,251
Air-conditioners	30,610	5,330	-	-	-	35,940
Computer software	9,288	-	-	-	-	9,288
Electrical installation	85,036	35,295	-	-	-	120,331
Furniture and fittings	248,845	14,510	-	-	-	263,355
Motor vehicles	319,646	-	(119,540)	-	-	200,106
Office and warehouse equipment	935,357	280,440	(4,327)	-	(1,095)	1,210,375
Plant and machineries	512,368	-	-	-	-	512,368
Renovation	444,646	7,200	-	-	-	451,846
Signboards	8,510	-	-	-	-	8,510
	6,261,777	4,058,555	(123,867)	-	(1,095)	10,195,370

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment (Cont'd.)

	At 1 January RM	Charge for the financial year RM	Disposals RM	Reclassification RM	Written off RM	At 31 December RM
31.12.2022						
Accumulated depreciation						
Buildings	58,648	65,996	-	-	-	124,644
Air-conditioners	3,007	3,372	-	-	-	6,379
Computer software	1,858	1,857	-	-	-	3,715
Electrical installation	12,509	10,921	-	-	-	23,430
Furniture and fittings	72,195	25,285	-	-	-	97,480
Motor vehicles	239,179	26,146	(119,540)	-	-	145,785
Office and warehouse equipment	176,961	104,651	(72)	-	(411)	281,129
Plant and machineries	308,995	51,237	-	-	-	360,232
Renovation	159,269	40,609	-	-	-	199,878
Signboards	1,141	921	-	-	-	2,062
	1,033,762	330,995	(119,612)	-	(411)	1,244,734

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment (Cont'd.)

	At 1 January RM	Additions RM	Disposals RM	Reclassification RM	Written off RM	At 31 December RM
<u>Audited</u> 31.12.2021						
At cost						
Freehold land	2,690,000	-	-	-	-	2,690,000
Buildings	977,471	-	-	-	-	977,471
Air-conditioners	6,850	23,760	-	-	-	30,610
Computer software	-	9,288	-	-	-	9,288
Electrical installation	61,736	23,300	-	-	-	85,036
Furniture and fittings	150,777	98,068	-	-	-	248,845
Motor vehicles	644,445	-	(324,799)	-	-	319,646
Office and warehouse equipment	377,095	565,332	(7,070)	-	-	935,357
Plant and machineries	512,368	-	-	-	-	512,368
Renovation	340,276	104,370	-	-	-	444,646
Signboards	7,810	700	-	-	-	8,510
	5,768,828	824,818	(331,869)	-	-	6,261,777

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
5. Property, plant and equipment (Cont'd.)

	At 1 January RM	Charge for the financial year RM	Disposals RM	Reclassification RM	Written off RM	At 31 December RM
31.12.2021						
Accumulated depreciation						
Buildings	39,099	19,549	-	-	-	58,648
Air-conditioners	1,370	1,637	-	-	-	3,007
Computer software	-	1,858	-	-	-	1,858
Electrical installation	5,525	6,984	-	-	-	12,509
Furniture and fittings	53,715	18,480	-	-	-	72,195
Motor vehicles	310,386	72,001	(143,208)	-	-	239,179
Office and warehouse equipment	118,905	60,590	(2,534)	-	-	176,961
Plant and machineries	257,758	51,237	-	-	-	308,995
Renovation	122,442	36,827	-	-	-	159,269
Signboards	325	816	-	-	-	1,141
	909,525	269,979	(145,742)	-	-	1,033,762

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**5. Property, plant and equipment (Cont'd.)**

	-----Audited----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
<u>Carrying amounts</u>				
Freehold land	2,690,000	2,690,000	2,690,000	2,690,000
Buildings	4,412,165	4,474,742	4,568,607	918,823
Air-conditioners	36,953	40,386	29,561	27,603
Computer software	20,439	21,575	5,573	7,430
Electrical installation	76,844	84,867	96,901	72,527
Furniture and fittings	258,345	283,893	165,875	176,650
Motor vehicles	113,643	134,709	54,321	80,467
Office and warehouse equipment	1,048,838	1,173,266	929,246	758,396
Plant and machineries	473,641	100,899	152,136	203,373
Renovation	457,463	496,358	251,968	285,377
Signboards	17,675	19,106	6,448	7,369
	9,606,006	9,519,801	8,950,636	5,228,015

The freehold land and buildings of the Group at carrying amount of RM7,102,165 (31.12.2023 - RM7,164,742; 31.12.2022 - RM7,258,607; 31.12.2021 - RM3,608,823) have been pledged to licensed banks as securities for credit facilities granted to the Group as disclosed in Notes 19 and 20 to the combined financial statements.

6. Investment properties

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
<u>Audited</u>				
31.8.2024				
At costs				
At 1 January/31 August	1,600,000	8,750,000	4,903,752	15,253,752
Accumulated depreciation				
At 1 January	-	301,725	337,743	639,468
Charge for the financial period	-	75,431	65,383	140,814
At 31 August	-	377,156	403,126	780,282
Carrying amount	1,600,000	8,372,844	4,500,626	14,473,470

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)**ACCOUNTANTS' REPORT****6. Investment properties (Cont'd.)**

	Freehold land RM	Leasehold land RM	Buildings RM	Total RM
<u>Audited</u> 31.12.2023				
At costs				
At 1 January/31 December	1,600,000	8,750,000	4,903,752	15,253,752
Accumulated depreciation				
At 1 January	-	188,578	239,668	428,246
Charge for the financial year	-	113,147	98,075	211,222
At 31 December	-	301,725	337,743	639,468
Carrying amount	1,600,000	8,448,275	4,566,009	14,614,284
<u>Audited</u> 31.12.2022				
At costs				
At 1 January/31 December	1,600,000	8,750,000	4,903,752	15,253,752
Accumulated depreciation				
At 1 January	-	75,431	141,593	217,024
Charge for the financial year	-	113,147	98,075	211,222
At 31 December	-	188,578	239,668	428,246
Carrying amount	1,600,000	8,561,422	4,664,084	14,825,506
<u>Audited</u> 31.12.2021				
At costs				
At 1 January	1,600,000	-	601,665	2,201,665
Additions	-	8,750,000	4,302,087	13,052,087
At 31 December	1,600,000	8,750,000	4,903,752	15,253,752
Accumulated depreciation				
At 1 January	-	-	72,199	72,199
Charge for the financial year	-	75,431	69,394	144,825
At 31 December	-	75,431	141,593	217,024
Carrying amount	1,600,000	8,674,569	4,762,159	15,036,728

The freehold land, leasehold land and buildings of the Group at carrying amount of RM14,473,470 (31.12.2023 – RM14,614,284, 31.12.2022 – RM14,825,506, 31.12.2021 – RM15,036,728) have been pledged to licensed banks as securities for credit facilities granted to the Group as disclosed in Notes 19 and 20 to the combined financial statements.

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT
7. Right-of-use assets

	At 1 January RM	Additions RM	Reclassification RM	Derecognition due to lease modification RM	At 31 August RM
Audited					
31.8.2024					
At costs					
Leasehold land	11,000,000	-	-	-	11,000,000
Motor vehicles	2,775,795	161,365	(121,685)	-	2,815,475
Office and warehouse equipment	298,470	-	-	-	298,470
Plant and machineries	2,557,912	-	(939,000)	-	1,618,912
Use of workshop	360,911	-	-	-	360,911
Use of office and warehouse	559,468	358,813	-	-	918,281
	17,552,556	520,178	(1,060,685)	-	17,012,049
	At 1 January RM	Charge for the financial period RM	Reclassification RM	Derecognition due to lease modification RM	At 31 August RM
Accumulated depreciation					
Leasehold land	199,535	81,860	-	-	281,395
Motor vehicles	1,134,016	315,594	(121,684)	-	1,327,926
Office and warehouse equipment	34,821	19,897	-	-	54,718
Plant and machineries	853,040	119,961	(481,533)	-	491,468
Use of workshop	221,624	34,811	-	-	256,435
Use of office and warehouse	515,587	103,681	-	-	619,268
	2,958,623	675,804	(603,217)	-	3,031,210

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT
7. Right-of-use assets (Cont'd.)

	At 1 January RM	Additions RM	Disposal RM	Derecognition due to lease modification RM	At 31 December RM
Audited					
31.12.2023					
At costs					
Leasehold land	11,000,000	-	-	-	11,000,000
Motor vehicles	2,214,096	1,431,399	(869,700)	-	2,775,795
Office and warehouse equipment	298,470	-	-	-	298,470
Plant and machineries	2,063,432	494,480	-	-	2,557,912
Use of workshop	215,930	144,981	-	-	360,911
Use of office and warehouse	1,639,587	-	-	(1,080,119)	559,468
	<u>17,431,515</u>	<u>2,070,860</u>	<u>(869,700)</u>	<u>(1,080,119)</u>	<u>17,552,556</u>
	At 1 January RM	Charge for the financial year RM	Disposal RM	Derecognition due to lease modification RM	At 31 December RM
Accumulated depreciation					
Leasehold land	76,744	122,791	-	-	199,535
Motor vehicles	1,504,294	435,979	(806,257)	-	1,134,016
Office and warehouse equipment	4,974	29,847	-	-	34,821
Plant and machineries	615,894	237,146	-	-	853,040
Use of workshop	172,204	49,420	-	-	221,624
Use of office and warehouse	741,242	306,666	-	(532,321)	515,587
	<u>3,115,352</u>	<u>1,181,849</u>	<u>(806,257)</u>	<u>(532,321)</u>	<u>2,958,623</u>

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT
7. Right-of-use assets (Cont'd.)

	At 1 January RM	Additions RM	Disposal RM	Derecognition due to lease modification RM	At 31 December RM
<u>Audited</u> 31.12.2022					
At costs					
Leasehold land	-	11,000,000	-	-	11,000,000
Motor vehicles	2,077,286	136,810	-	-	2,214,096
Office and warehouse equipment	-	298,470	-	-	298,470
Plant and machineries	2,063,432	-	-	-	2,063,432
Use of workshop	215,930	-	-	-	215,930
Use of office and warehouse	1,408,117	231,470	-	-	1,639,587
	<u>5,764,765</u>	<u>11,666,750</u>	<u>-</u>	<u>-</u>	<u>17,431,515</u>
	At 1 January RM	Charge for the financial year RM	Disposal RM	Derecognition due to lease modification RM	At 31 December RM
Accumulated depreciation					
Leasehold land	-	76,744	-	-	76,744
Motor vehicles	1,102,832	401,462	-	-	1,504,294
Office and warehouse equipment	-	4,974	-	-	4,974
Plant and machineries	409,551	206,343	-	-	615,894
Use of workshop	124,025	48,179	-	-	172,204
Use of office and warehouse	387,968	353,274	-	-	741,242
	<u>2,024,376</u>	<u>1,090,976</u>	<u>-</u>	<u>-</u>	<u>3,115,352</u>

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT
7. Right-of-use assets (Cont'd.)

	At 1 January RM	Additions RM	Disposal RM	Derecognition due to lease modification RM	At 31 December RM
<u>Audited</u> 31.12.2021					
At costs					
Motor vehicles	1,751,395	325,891	-	-	2,077,286
Plant and machineries	1,247,171	816,261	-	-	2,063,432
Use of workshop	218,868	-	-	(2,938)	215,930
Use of office and warehouse	918,685	652,327	-	(162,895)	1,408,117
	<u>4,136,119</u>	<u>1,794,479</u>	<u>-</u>	<u>(165,833)</u>	<u>5,764,765</u>
	At 1 January RM	Charge for the financial year RM	Disposal RM	Derecognition due to lease modification RM	At 31 December RM
Accumulated depreciation					
Motor vehicles	747,121	355,711	-	-	1,102,832
Plant and machineries	203,208	206,343	-	-	409,551
Use of workshop	76,889	48,498	-	(1,362)	124,025
Use of office and warehouse	180,819	252,398	-	(45,249)	387,968
	<u>1,208,037</u>	<u>862,950</u>	<u>-</u>	<u>(46,611)</u>	<u>2,024,376</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
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	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
<u>Carrying amounts</u>				
Leasehold land	10,718,605	10,800,465	10,923,256	-
Motor vehicles	1,487,549	1,641,779	709,802	974,454
Office and warehouse equipment	243,752	263,649	293,496	-
Plant and machineries	1,127,444	1,704,872	1,447,538	1,653,881
Use of workshop	104,476	139,287	43,726	91,905
Use of office and warehouse	299,013	43,881	898,345	1,020,149
	13,980,839	14,593,933	14,316,163	3,740,389

The leasehold land of the Group at carrying amount of RM10,718,605 (31.12.2023 – RM10,800,465, 31.12.2022 – RM10,923,256, 2021 – RM Nil) have a remaining lease period of 87 years (31.12.2023 – 88 years, 31.12.2022 – 89 years, 31.12.2021 – 90 years) expiring in year of 2111 and it has been pledged to licensed banks as securities for credit facilities granted to the Group as disclosed in Notes 19 and 20 to the combined financial statements.

8. Other investments

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
<u>At fair value through profit or loss :-</u>				
At beginning of the financial period/year	2,457,990	1,457,990	1,457,990	457,990
Additions	500,000	1,000,000	-	1,000,000
Disposal	(346,000)	-	-	-
At end of the financial period/year	2,611,990	2,457,990	1,457,990	1,457,990

The other investments comprise :-

Keyman insurance contracts	2,611,990	2,457,990	1,457,990	1,457,990

Keyman insurance contracts relates to life insurance policies insured for all Directors of the Group.

The keyman insurance contracts represent the expected cash value from the life insurance policies which have been assigned to licensed banks as security for banking facilities granted to Saliran Industrial Supplies Sdn. Bhd. as disclosed in Notes 19 and 20 to the combined financial statements.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**9. Deferred tax assets/(liabilities)**

The components of deferred tax assets and liabilities during the financial period/year prior to offsetting are as follows : -

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Deferred tax assets				
Accelerated capital allowance	42,646	-	-	6,484
Unrealised loss on foreign exchange	437,491	-	-	-
	<u>480,137</u>	<u>-</u>	<u>-</u>	<u>6,484</u>
Deferred tax liabilities				
Accelerated capital allowance	<u>(36,447)</u>	<u>(32,980)</u>	<u>(217,257)</u>	<u>(138,586)</u>

The movements of deferred tax assets and liabilities during the financial period/year prior to offsetting are as follows : -

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Deferred tax assets				
At beginning of the financial period/year	-	-	6,484	4,035
Recognised in profit or loss	<u>480,137</u>	<u>-</u>	<u>(6,484)</u>	<u>2,449</u>
At end of the financial period/year	<u>480,137</u>	<u>-</u>	<u>-</u>	<u>6,484</u>
Deferred tax liabilities				
At beginning of the financial period/year	<u>(32,980)</u>	<u>(217,257)</u>	<u>(138,586)</u>	<u>(52,121)</u>
Recognised in profit or loss	<u>(3,467)</u>	<u>184,277</u>	<u>(78,671)</u>	<u>(86,465)</u>
At end of the financial period/year	<u>(36,447)</u>	<u>(32,980)</u>	<u>(217,257)</u>	<u>(138,586)</u>

As at the reporting period, the Group has the following temporary differences which are not recognised as deferred tax assets in the financial statements as it is not probable that future taxable income will be available to allow the assets to be utilised : -

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Unrecognised deferred tax assets				
Unabsorbed capital allowances	115,570	92,695	-	-
Unutilised tax losses	1,556,130	1,026,209	-	-
Temporary differences	<u>(44,804)</u>	<u>(68,424)</u>	<u>-</u>	<u>-</u>
	<u>1,626,896</u>	<u>1,050,480</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**10. Inventories**

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
At lower of cost and net realisable value : -				
Trading goods	15,413,156	12,325,851	11,749,526	6,512,765
Finished goods	137,503	151,157	136,231	252,888
	15,550,659	12,477,008	11,885,757	6,765,653

11. Trade receivables

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Trade receivables	73,217,029	70,648,427	46,404,089	25,347,539
Less: Impairment losses (Note 37(b)(i))	(4,689,784)	(4,680,624)	(1,872,925)	(290,799)
	68,527,245	65,967,803	44,531,164	25,056,740

The normal credit terms of trade receivables range from 30 to 120 days (31.12.2023 – 30 to 120 days, 31.12.2022 – 30 to 120 days, 31.12.2021 – 30 to 120 days). Other credit terms are assessed and approved on a case-by-case basis.

12. Other receivables, deposits and prepayments

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Other receivables	79,622	48,033	127,946	157,596
Deposits	615,517	544,941	4,476,512	6,390,720
Prepayments	160,997	126,072	109,887	51,985
	856,136	719,046	4,714,345	6,600,301

13. Amount due from/(to) directors

The non-trade balances of amount due from/(to) directors were in respect of payments made on behalf and advances, which were unsecured, interest free (31.12.2021 – interest free) and repayable on demand by cash and cash equivalent.

14. Fixed deposit with a licensed bank

Included in fixed deposit with licensed bank of the Group is a sum of RM14,486,808 (31.12.2023 – RM9,246,123, 31.12.2022 – RM4,822,450, 31.12.2021 – RM3,304,662) which have been pledged to licensed bank as security for bank credit facilities granted to the Group.

The interest rates of fixed deposits with licensed bank during the financial period/year range from 2.00% to 3.00% (31.12.2023 – 1.50% to 2.85%, 31.12.2022 – 1.50% to 2.65%, 31.12.2021 – 1.50% to 2.65%) per annum.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)**ACCOUNTANTS' REPORT****15. Share capital and invested equity****a) Share capital**

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	Unit	Unit	Unit	Unit

Issued and fully paidOrdinary shares with no
par value : -At beginning/end of the
financial period/year

2,500	2,500	2,500	2,500

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM

Issued and fully paidOrdinary shares with no
par value : -At beginning/end of the
financial period/year

2,500	2,500	2,500	2,500

On 7 August 2020, the Company was incorporated with an issued and paid-up share capital of RM2,500, comprising 2,500 ordinary shares. The holders of ordinary shares are entitled to receive dividend as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank pari passu with regard to the Company's residual assets.

b) Invested equity

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	Unit	Unit	Unit	Unit

Issued and fully paidOrdinary shares with no
par value : -At beginning of the
financial period/year

3,480,000	3,480,000	2,480,000	2,000,000

Issuance during the
financial period/year

-	-	1,000,000	480,000

At end of the financial
period/year

3,480,000	3,480,000	3,480,000	2,480,000

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**15. Share capital and invested equity (Cont'd.)****b) Invested equity (Cont'd.)**

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Issued and fully paid				
Ordinary shares with no par value : -				
At beginning of the financial period/year	3,480,000	3,480,000	2,480,000	2,000,000
Issuance during the financial period/year	-	-	1,000,000	480,000
At end of the financial period/year	3,480,000	3,480,000	3,480,000	2,480,000

For the purpose of preparing the combined financial statements, the invested equity throughout the relevant reporting periods is the share capital of the Company's combining entity, Saliran Industrial Supplies Sdn. Bhd.

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 pari passu with regard to the Group's residual assets.

16. Retained profits

The Group may distribute dividends out of its retained profits under the single tier system which are tax exempt in the hands of shareholders.

17. Non-controlling interests

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
At 1 January	-	210,478	386,112	243,550
Acquisition of non-controlling interests	-	(439,851)	(493,690)	-
Transferred from profit and loss	-	229,373	318,056	142,562
At 31 August/31 December	-	-	210,478	386,112

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**17. Non-controlling interests (Cont'd.)**

The Group's combining entities that have non-controlling interest ("NCI") is as follows : -

	Unaudited 31.8.2023	<----- Audited -----> 31.12.2023 31.12.2022 31.12.2021
Saliran Precision Engineering Sdn. Bhd.		
NCI percentage of ownership and voting interest (%)	70	NA 70 70
Carrying amount of NCI (RM)	293,884	- 210,478 106,326
Profit allocated to NCI (RM)	83,406	229,373 104,152 33,043
Saliran Flanges & Fittings Sdn Bhd		
NCI percentage of ownership and voting interest (%)	NA	NA NA 70
Carrying amount of NCI (RM)	-	- - 279,786
Profit allocated to NCI (RM)	-	- 213,904 109,519

Summarised financial information for each combining entity that has non-controlling interests before inter-group elimination : -

	Unaudited 31.8.2023 RM	<----- Audited -----> 17.11.2023 31.12.2022 31.12.2021 RM RM RM
Saliran Precision Engineering Sdn. Bhd.		
Non-current assets	1,491,002	1,530,749 1,700,854 2,011,971
Current assets	2,728,364	1,442,310 2,548,122 1,251,366
Non-current liabilities	(788,580)	(721,872) (1,071,987) (1,071,760)
Current liabilities	(2,364,843)	(698,690) (2,389,065) (1,750,828)
Net assets	<u>1,065,943</u>	<u>1,552,497</u> <u>787,924</u> <u>440,749</u>
Revenue	2,491,234	3,032,051 3,258,758 1,975,424
Profit for the financial period/year, representing total comprehensive income for the financial period/year	<u>278,019</u>	<u>764,575</u> <u>347,175</u> <u>110,145</u>
Profit attributable to owners of the Company	194,613	535,202 243,023 77,102
Non-controlling interest	<u>83,406</u>	<u>229,373</u> <u>104,152</u> <u>33,043</u>
	<u>278,019</u>	<u>764,575</u> <u>347,175</u> <u>110,145</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**17. Non-controlling interests (Cont'd.)**

Summarised financial information for each combining entity that has non-controlling interests before inter-group elimination : - (Cont'd.)

	31.8.2023 RM	17.11.2023 RM	31.12.2022 RM	31.12.2021 RM
Saliran Precision Engineering Sdn. Bhd. (Cont'd.)				
Cash flows from operating activities	113,090	277,093	461,176	411,088
Cash flows from/(used in) investing activities	6,888	6,888	-	(79,055)
Cash flows used in financing activities	(399,072)	(592,819)	(191,293)	(292,726)
Net (decrease)/increase in cash and cash equivalents	(279,094)	(308,838)	269,883	39,307
Dividend paid to NCI	-	-	-	-
			1.11.2022 RM	31.12.2021 RM
Saliran Flanges and Fittings Sdn. Bhd.				
Non-current assets			89,231	128,266
Current assets			6,912,083	4,658,260
Non-current liabilities			(1,426,771)	(946,822)
Current liabilities			(3,617,238)	(2,995,410)
Net assets			1,957,305	844,294
Revenue			13,087,121	9,495,632
Profit for the financial period/year representing total comprehensive income for the financial period/year			713,012	365,063
Profit attributable to owners of the Company			499,108	255,544
Non-controlling interest			213,904	109,519
			713,012	365,063
Cash flows used in operating activities			(2,503,989)	(661,994)
Cash flows used in investing activity			(70,000)	(700)
Cash flows from financing activities			2,657,606	600,053
Net increase/(decrease) in cash and cash equivalents			83,617	(62,641)
Dividend paid to NCI			-	-

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**18. Borrowings**

	----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Non-Current Liabilities				
<u>Secured</u>				
Term loans	30,334,857	31,008,439	31,148,063	19,361,339
Current Liabilities				
<u>Secured</u>				
Bankers' acceptances	1,489,000	1,451,000	993,000	12,836,000
Bank overdraft	3,591,283	4,961,387	6,395,349	6,253,505
Invoice financing	19,131,294	15,463,976	8,568,380	728,000
Revolving credit	1,324,791	1,395,346	1,400,000	-
Term loans	2,162,390	2,299,987	1,991,449	1,419,736
Trust receipts	28,955,457	25,762,517	13,125,878	1,805,000
	56,654,215	51,334,213	32,474,056	23,042,241
Total Borrowings				
<u>Secured</u>				
Bankers' acceptances (Note 19(b))	1,489,000	1,451,000	993,000	12,836,000
Bank overdraft (Note 19(a))	3,591,283	4,961,387	6,395,349	6,253,505
Invoice financing (Note 19(d))	19,131,294	15,463,976	8,568,380	728,000
Revolving credit	1,324,791	1,395,346	1,400,000	-
Term loans (Note 20)	32,497,247	33,308,426	33,139,512	20,781,075
Trust receipts (Note 19(c))	28,955,457	25,762,517	13,125,878	1,805,000
	86,989,072	82,342,652	63,622,119	42,403,580

Revolving credit is secured by the followings : -

- i) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Pemulih Government Guarantee Scheme (PGGS);
- ii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements;
- iii) corporate guarantee by Saliran Industries Supplies Sdn. Bhd.; and
- iv) joint and severally guaranteed by all directors of the Company.

Interest of revolving credit is charged at 1.50% (31.12.2023 – 1.50%, 31.12.2022 – 1.50%, 31.12.2021 - Nil) per annum above the licensed bank's prevailing Base Financing Rate on daily rest.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**19. Bank overdrafts, bankers' acceptances, invoice financing and trust receipts****a) Bank overdrafts**

	----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Bank overdraft 1	1,474,957	1,428,199	1,411,031	1,392,428
Bank overdraft 2	-	-	1,161,397	1,136,890
Bank overdraft 3	482,932	281,831	451,211	382,696
Bank overdraft 4	903,564	853,260	873,581	320,074
Bank overdraft 5	264,438	416,898	365,878	122,963
Bank overdraft 6	143,160	389,487	407,749	689,809
Bank overdraft 7	-	1,099,571	631,031	912,499
Bank overdraft 8	-	24,413	711,201	961,854
Bank overdraft 9	59,006	109,518	157,183	233,983
Bank overdraft 10	216,180	237,571	225,087	100,309
Bank overdraft 11	47,046	120,639	-	-
	3,591,283	4,961,387	6,395,349	6,253,505

Secured

Bank overdraft 1 is secured by the followings : -

- i) first party legal charge over the investment properties, freehold land and buildings as disclosed in Notes 5 and 6 to the combined financial statements;
- ii) jointly and severally guaranteed by certain directors;
- iii) Level term assurance under the name of certain directors; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of bank overdraft 1 is charged at 1.25% per annum above the licensed bank's prevailing Base Lending Rate. Interest of bank overdraft 1 was charged at BNM's Funding Rate of 6.00% (31.12.2022 – 6.00%, 31.12.2021 – 6.00%) per annum.

Bank overdraft 2 was secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) group level term assurance under the name of all directors; and
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Working Capital Guarantee Scheme Extension (WCG5).

Interest of bank overdraft 2 was charged at 3.00% (31.12.2021 – 3.00%) per annum above the licensed bank's prevailing Islamic Base Rate in previous financial years.

Bank overdraft 3 is secured by the followings : -

- i) jointly and severally guaranteed by certain directors;
- ii) life insurance under the name of a director; and
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Working Capital Guarantee Scheme; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

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ACCOUNTANTS' REPORT

19. Bank overdrafts, bankers' acceptances, invoice financing and trust receipts (Cont'd.)

a) Bank overdrafts (Cont'd.)

Secured (Cont'd.)

Interest of bank overdraft 3 is charged at 0.50% (31.12.2023 – 0.50%, 31.12.2022 – 0.50%, 31.12.2021 – 0.50%) per annum above the licensed bank's prevailing Base Lending Rate.

Bank overdraft 4 is secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Working Capital Guarantee Scheme; and
- iii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of bank overdraft 4 is charged at 1.50% (31.12.2023 – 1.50%, 31.12.2022 – 1.50%, 31.12.2021 – 1.50%) per annum above the licensed bank's prevailing Base Lending Rate.

Bank overdraft 5 is secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Government Guarantee Scheme; and
- iii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of bank overdraft 5 is charged at 1.00% (31.12.2023 – 1.00%, 31.12.2022 – 1.00%, 31.12.2021 – 1.00%) per annum above the licensed bank's prevailing Base Financing Rate.

Bank overdraft 6 is secured by the followings : -

- i) jointly and severally guaranteed by all directors of the Company; and
- ii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of bank overdraft 6 is charged at 1.50% (31.12.2023 – 1.50%, 31.12.2022 – 1.50%, 31.12.2021 – 1.50%) per annum above the licensed bank's prevailing Base Lending Rate.

Bank overdraft 7 is secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) level term assurance under the name of all directors;
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Government Guarantee Scheme; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of bank overdraft 7 is charged at 1.00% (31.12.2023 – 1.00%, 31.12.2022 – 1.00%, 31.12.2021 – 1.00%) per annum above the licensed bank's prevailing Base Lending Rate.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

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ACCOUNTANTS' REPORT

19. Bank overdraft, bankers' acceptances, invoice financing and trust receipts (Cont'd.)

a) Bank overdrafts (Cont'd.)

Secured (Cont'd.)

Bank overdraft 8 is secured by the followings : -

- i) first party legal charge over the freehold land, leasehold lands and buildings as disclosed in Notes 5 and 6 to the combined financial statements;
- ii) level term assurance under the name of all directors;
- iii) joint and severally guaranteed by all directors; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of bank overdraft 8 is charged at 1.25% (31.12.2023 – 1.25%, 31.12.2022 – 1.25%, 31.12.2021 – 1.25%) per annum above the licensed bank's prevailing Base Lending Rate.

Bank overdraft 9 is secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) corporate guaranteed by Saliran Industrial Supplies Sdn. Bhd.; and
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under Working Capital Scheme-i.

Interest of bank overdraft 9 is charged at 3.00% (31.12.2023 – 3.00%, 31.12.2022 – 3.00%, 31.12.2021 – 3.00%) per annum above the licensed bank's prevailing Base Financing Rate.

Bank overdraft 10 is secured by the followings : -

- i) corporate guarantee by Saliran Industrial Supplies Sdn. Bhd.; and
- ii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of bank overdraft 10 is charged at 1.50% (31.12.2023 – 1.50%, 31.12.2022 – 1.50%, 31.12.2021 – 1.50%) per annum above the licensed bank's prevailing Base Financing Rate on daily rest.

Bank overdraft 11 is secured by the followings : -

- i) Pemulih Government Guarantee Scheme (PGGS);
- ii) life assurance under the name of a director;
- iii) joint and severally guaranteed by certain directors; and
- iv) monthly sinking fund.

Interest of bank overdraft 11 is charged at 1.50% (31.12.2023 – 1.50%, 31.12.2022 – Nil, 31.12.2021 – Nil) per annum above the licensed bank's prevailing Base Lending Rate.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**19. Bank overdraft, bankers' acceptances, invoice financing and trust receipts (Cont'd.)****b) Bankers' acceptances**

		<----- Audited ----->		
	31.8.2024	31.12.2023	31.12.2022	2021
	RM	RM	RM	RM
Bankers' acceptance 1	-	-	-	3,211,000
Bankers' acceptance 2	1,186,000	1,451,000	993,000	676,000
Bankers' acceptance 3	-	-	-	3,152,000
Bankers' acceptance 4	-	-	-	3,641,000
Bankers' acceptance 5	-	-	-	2,156,000
Bankers' acceptance 6	303,000	-	-	-
	1,489,000	1,451,000	993,000	12,836,000

Bankers' acceptance 1 was secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Working Capital Guarantee Scheme; and
- iii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Bankers' acceptance 2 is secured by the followings : -

- i) jointly and severally guaranteed by certain directors;
- ii) life insurance under the name of a director;
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Working Capital Guarantee Scheme; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Bankers' acceptance 3 was secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) level term assurance under the name of all directors;
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Government Guarantee Scheme; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Bankers' acceptance 4 was secured by the followings : -

- i) first party legal charge over the leasehold land and buildings as disclosed in Note 6 to the combined financial statements;
- ii) level term assurance under the name of all directors;
- iii) joint and severally guaranteed by all directors; and

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)**ACCOUNTANTS' REPORT****19. Bank overdraft, bankers' acceptances, invoice financing and trust receipts (Cont'd.)****b) Bankers' acceptances (Cont'd.)**

Bankers' acceptance 4 was secured by the followings : - (Cont'd.)

iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Bankers' acceptance 5 was secured by the followings : -

i) jointly and severally guaranteed by all directors;

ii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Government Guarantee Scheme; and

iii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Bankers' acceptance 6 is secured by the followings : -

i) jointly and severally guaranteed by certain directors;

ii) corporate guarantee by Saliran Industrial Supplies Sdn. Bhd.; and

iii) guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP).

The bankers' acceptances of the Group bear interest rate ranging from 5.61% to 5.63% (31.12.2023 – 5.55% to 5.80%, 31.12.2022 – 5.06% to 5.55%, 31.12.2021 – 1.91% to 5.57%) per annum respectively.

c) Trust receipts

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Trust receipt 1	1,746,000	1,572,000	1,305,000	1,114,000
Trust receipt 2	3,334,641	3,396,605	3,082,000	-
Trust receipt 3	-	-	-	691,000
Trust receipt 4	16,701,339	14,058,092	8,738,878	-
Trust receipt 5	2,344,875	1,972,000	-	-
Trust receipt 6	4,828,602	4,763,820	-	-
	28,955,457	25,762,517	13,125,878	1,805,000

Trust receipt 1 is secured by the followings : -

i) first party legal charge over the investment properties, freehold land and buildings of the Company as disclosed in Notes 5 and 6 to the combined financial statements;

ii) joint and several guarantee by certain directors; and

iii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Trust receipt 2 is secured by the followings : -

i) jointly and severally guaranteed by all directors;

ii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Working Capital Guarantee Scheme; and

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

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ACCOUNTANTS' REPORT

19. Bank overdraft, bankers' acceptances, invoice financing and trust receipts (Cont'd.)

c) Trust receipts (Cont'd.)

Trust receipt 2 is secured by the followings : - (Cont'd.)

iii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Trust receipt 3 was secured by the followings : -

- i) jointly and severally guaranteed by certain directors;
- ii) life insurance under the name of a director;
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Working Capital Guarantee Scheme; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Trust receipt 4 is secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) level term assurance under the name of all directors;
- iii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Government Guarantee Scheme; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Trust receipt 5 is secured by the followings : -

- i) Pemulih Government Guarantee Scheme (PGGS);
- ii) life assurance under the name of a director;
- iii) joint and severally guaranteed by certain directors; and
- iv) monthly sinking fund.

Trust receipt 6 is secured by the followings : -

- i) jointly and severally guaranteed by all directors; and
- ii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

The trust receipts of the Group bear interest rates ranging from 6.85% to 8.35% (31.12.2023 – 7.81% to 8.35%, 31.12.2022 – 7.06% to 7.99%, 31.12.2021 – 2.48% to 4.11%) per annum respectively.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**19. Bank overdraft, bankers' acceptances, invoice financing and trust receipts (Cont'd.)****d) Invoice financing**

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Invoice financing 1	2,867,000	2,922,000	2,743,000	728,000
Invoice financing 2	13,451,800	9,709,081	4,326,740	-
Invoice financing 3	2,812,494	2,832,895	1,498,640	-
	19,131,294	15,463,976	8,568,380	728,000

Invoice financing 1 is secured by the followings : -

- i) jointly and severally guaranteed by all directors;
- ii) Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) guarantee under Government Guarantee Scheme; and
- iii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of invoice financing 1 is charged at 1.00% (31.12.2023 – 1.00%, 31.12.2022 – 1.00%, 31.12.2021 – 1.00%) per annum above the licensed bank's Cost of Funds.

Invoice financing 2 is secured by the followings : -

- i) first party legal charge over the freehold land, leasehold lands and buildings as disclosed in Notes 5 and 6 to the combined financial statements;
- ii) level term assurance under the name of all directors;
- iii) joint and severally guaranteed by all directors; and
- iv) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of invoice financing 2 is charged at 1.25% (31.12.2023 – 1.25%, 31.12.2022 – 1.25%, 31.12.2021 – Nil) per annum above the licensed bank's Cost of Funds.

Invoice financing 3 is secured by the followings : -

- i) corporate guarantee by Saliran Industries Supplies Sdn. Bhd.; and
- ii) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of invoice financing 3 is charged at 1.50% (31.12.2023 – 1.50%, 31.12.2022 – 1.50%, 31.12.2021 – Nil) per annum above the licensed bank's Cost of Funds.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**20. Term loans**

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Repayable as follows:				
Non-Current Liabilities				
Later than one year and not later than two years	1,977,983	2,544,501	2,111,936	1,352,246
Later than two years and not later than five years	4,713,285	5,889,189	6,068,027	4,179,528
Later than five years	23,643,589	22,574,749	22,968,100	13,829,565
	30,334,857	31,008,439	31,148,063	19,361,339
Current Liabilities				
Not later than one year	2,162,390	2,299,987	1,991,449	1,419,736
	32,497,247	33,308,426	33,139,512	20,781,075
Total				
Term loan 1	-	1,451,279	1,502,674	1,518,092
Term loan 2	-	73,520	83,666	93,081
Term loan 3	476,990	561,634	680,372	752,665
Term loan 4	-	171,058	192,546	212,310
Term loan 5	-	2,930,245	3,031,399	3,062,910
Term loan 6	364,106	568,138	827,652	1,046,617
Term loan 7	20,849	37,032	60,037	82,144
Term loan 8	908,980	914,610	953,488	979,610
Term loan 9	404,698	468,447	573,670	665,383
Term loan 10	10,187,581	10,242,575	10,652,981	11,002,306
Term loan 11	12,064,633	12,266,686	12,572,808	-
Term loan 12	195,007	225,300	-	-
Term loan 13	78,128	85,770	-	-
Term loan 14	949,253	995,854	-	-
Term loan 15	602,445	721,882	885,218	1,017,031
Term loan 16	596,763	642,855	-	-
Term loan 17	396,959	435,470	491,302	-
Term loan 18	72,534	100,539	138,994	170,534
Term loan 19	357,746	415,532	492,671	-
Term loan 20	-	-	34	178,392
Term loan 21	468,003	-	-	-
Term loan 22	4,352,572	-	-	-
	32,497,247	33,308,426	33,139,512	20,781,075

Secured

The term loans 1, 2, 4 and 5 were secured by the followings : -

- a) first party legal charge over the investment properties, freehold land and buildings of the Company as disclosed in Notes 5 and 6 to the combined financial statements; and
- b) joint and several guarantee by certain directors.

The term loans 1, 2, 4 and 5 were fully settled during the financial period ended 31 August 2024.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**20. Term loans (Cont'd.)**Secured (Cont'd.)

Interest of term loan 1 was charged at 1.75% (31.12.2022 – 1.75%, 31.12.2021 – 1.75%) per annum below the licensed bank's prevailing Base Lending Rate. Interest of term loan 2 was charged at 1.00% (31.12.2022 – 1.00%, 31.12.2021 – 1.00%) per annum above the licensed bank's prevailing Base Lending Rate. Interest of term loan 4 was charged at 1.00% (31.12.2022 – 1.00%, 31.12.2021 – 1.00%) per annum above the licensed bank's prevailing Base Lending Rate. Interest of term loan 5 was charged at 2.00% (31.12.2022 – 2.00%, 31.12.2021 – 2.00%) per annum below the licensed bank's prevailing Base Lending Rate.

The term loan 3 is secured by the followings : -

- a) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad;
- b) joint and several guarantee by all the directors; and
- c) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of term loan 3 is charged at 2.00% (31.12.2023 – 2.00%, 31.12.2022 – 2.00%, 31.12.2021 – 2.00%) per annum above the licensed bank's prevailing Base Lending Rate.

The term loan 6 is secured by the followings : -

- a) corporate guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under the Working Capital Guarantee Scheme (WCG5);
- b) fixed deposit pledged as disclosed in Note 14 to the combined financial statements; and
- c) joint and several guarantee by all the directors.

Interest of term loan 6 is charged at 3.00% (31.12.2023 – 3.00%, 31.12.2022 – 3.00%, 31.12.2021 – 3.00%) per annum above the licensed bank's prevailing Islamic Base Rate.

The term loan 7 is secured by the followings : -

- a) corporate guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under Working Capital Guarantee Scheme;
- b) life insurance under name of a director;
- c) fixed deposit pledged as disclosed in Note 14 to the combined financial statements; and
- d) joint and several guarantee by all the directors.

Interest of term loan 7 is charged at the licensed bank's prevailing Base Lending Rate per annum on daily rest.

The term loans 8, 11 and 14 are secured by the followings : -

- a) corporate guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under Government Guarantee Scheme;
- b) fixed deposit pledged as disclosed in Note 14 to the combined financial statements;
- c) first party legal charge over the leasehold land and buildings as disclosed in Notes 5 and 7 to the combined financial statements; and
- d) joint and several guarantee by all the directors.

13. ACCOUNTANTS' REPORT (cont'd)

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20. Term loans (Cont'd.)

Interest of term loan 8 is charged at the licensed bank's prevailing Base Lending Rate per annum on monthly rest. Interest of term loan 11 is charged at 1.95% (31.12.2023 – 1.95%, 31.12.2022 – 1.95%, 31.12.2021 – Nil) per annum below the licensed bank's prevailing Base Lending Rate on monthly rest. Interest of term loan 14 is charged at the licensed bank's prevailing Base Lending Rate per annum on monthly rest.

The term loan 9 is secured by the followings : -

- a) guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under the Government Guarantee Scheme COVID19 (GGS Prihatin); and
- b) joint and several guarantee by all the directors.

Interest of term loan 9 is charged at 4.00% (31.12.2023 – 4.00%, 31.12.2022 – 4.00%, 31.12.2021 – 4.00%) per annum above the licensed bank's prevailing Base Financing Rate.

The term loans 10, 21 and 22 are secured by the followings : -

- a) first party legal charge over the freehold lands, leasehold land and buildings as disclosed in Notes 5 and 6 to the combined financial statements;
- b) level term assurance under the name of all directors;
- c) joint and severally guaranteed by all directors; and
- d) fixed deposit pledged as disclosed in Note 14 to the combined financial statements.

Interest of term loan 10 is charged at 2.25% (31.12.2023 – 2.25%, 31.12.2022 – 2.25%, 31.12.2021 – 2.25%) per annum below the licensed bank's prevailing Base Lending Rate on monthly rest. Interest of term loan 21 is charged at the licensed bank's prevailing Base Lending Rate on monthly rest. Interest of term loan 22 is charged at the 1.25% (31.12.2023 – Nil, 31.12.2022 – Nil, 31.12.2021 – Nil) above the licensed bank's Effective Cost Of Fund.

The term loan 12 is secured by the followings : -

- a) life insurance under name of a director;
- b) joint and severally guaranteed by certain directors; and
- c) PGGS Guarantee by Government of Malaysia - PGGS.

Interest of term loan 12 is charged at the licensed bank's prevailing Base Lending Rate per annum.

The term loan 13 is secured by the followings : -

- a) fixed deposit pledged as disclosed in Note 14 to the combined financial statements; and
- b) joint and several guarantee by all the directors.

Interest of term loan 13 is charged at 1.00% (31.12.2023 – 1.00%, 31.12.2022 – Nil, 31.12.2021 – Nil) per annum above the licensed bank's prevailing Base Lending Rate.

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT

20. Term loans (Cont'd.)

The term loans 15,16 and 19 are secured by the followings : -

- a) corporate guarantee by Credit Guarantee Corporation Malaysia Berhad; and
- b) joint and several guarantee by all the directors.

Interest of term loan 15 is charged at 5.05% (31.12.2023 – 5.05%, 31.12.2022 – 5.05%, 31.12.2021 – 5.05%) per annum above the licensed bank's prevailing Base Lending Rate on monthly rest. Interest of term loan 16 is charged at 4.30% (31.12.2023 – Nil, 31.12.2022 – Nil, 31.12.2021 – Nil) per annum above the licensed bank's prevailing Base Lending Rate on monthly rest. Interest of term loan 19 is charged at 5.75% (31.12.2023 – 5.75%, 31.12.2022 – 5.75%, 31.12.2021 – Nil) per annum above licensed bank's prevailing Base Lending Rate on daily rest.

The term loan 17 is secured by the followings : -

- a) joint and several guarantee by all the directors
- b) Guarantee by Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP) under PEMULIH Government Guarantee Scheme ("PGGS");
- c) Earmark of 6 months instalment from the disbursement amount until full settlement financing; and
- d) corporate guarantee by Saliran Industrial Supplies Sdn. Bhd.

Interest of term loan 17 is charged at 2.00% (31.12.2023 – 2.00%, 31.12.2022 – 2.00%, 31.12.2021 – Nil) per annum above the licensed bank's prevailing Base Financing Rate.

The term loan 18 is secured by the followings : -

- a) Asset sale agreement;
- b) Letter of Guarantee from Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP);
- c) joint and several guarantee by all the directors; and
- d) corporate guarantee by Saliran Industrial Supplies Sdn. Bhd.

Interest of term loan 18 is charged at 4.50% (31.12.2023 – 4.50%, 31.12.2022 – 4.50%, 31.12.2021 – 4.50%) per annum above the licensed bank's prevailing Base Financing Rate on monthly rest.

Term loan 20

The term loan was secured by the followings : -

- a) Government Guarantee issued by Syarikat Jaminan Pembiayaan Perniagaan Bhd (SJPP); and
- b) Sinking fund.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**21. Lease liabilities**

<u>Audited</u>	Workshop rental RM	Office and warehouse rental RM	Hire Purchase RM	Total RM
31.8.2024				
Minimum lease payments : -				
- not later than one year	45,400	192,000	820,153	1,057,553
- later than one year and not later than two years	30,000	128,000	529,027	687,027
- later than two years and not later than five years	40,000	-	889,041	929,041
- later than five years	-	-	148,837	148,837
	<u>115,400</u>	<u>320,000</u>	<u>2,387,058</u>	<u>2,822,458</u>
Less: Future interest charges	(7,529)	(17,758)	(287,237)	(312,524)
Present value of lease liabilities	<u>107,871</u>	<u>302,242</u>	<u>2,099,821</u>	<u>2,509,934</u>
Repayable as follows : -				
Non-Current Liabilities				
- later than one year not and later than two years	27,579	124,889	454,082	606,550
- later than two years and not later than five years	38,753	-	794,073	832,826
- later than five years	-	-	145,375	145,375
	<u>66,332</u>	<u>124,889</u>	<u>1,393,530</u>	<u>1,584,751</u>
Current liabilities				
- not later than one year	41,539	177,353	706,291	925,183
	<u>107,871</u>	<u>302,242</u>	<u>2,099,821</u>	<u>2,509,934</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**21. Lease liabilities (Cont'd.)**

<u>Audited</u>	Workshop rental RM	Office and warehouse rental RM	Hire Purchase RM	Total RM
31.12.2023				
Minimum lease payments : -				
- not later than one year	56,400	53,600	926,597	1,036,597
- later than one year and not later than two years	36,600	-	698,678	735,278
- later than two years and not later than five years	60,000	-	977,587	1,037,587
- later than five years	-	-	298,901	298,901
	<u>153,000</u>	<u>53,600</u>	<u>2,901,763</u>	<u>3,108,363</u>
Less: Future interest charges	(11,129)	(729)	(362,219)	(374,077)
Present value of lease liabilities	<u>141,871</u>	<u>52,871</u>	<u>2,539,544</u>	<u>2,734,286</u>
Repayable as follows : -				
Non-Current Liabilities				
- later than one year not and later than two years	33,317	-	607,037	640,354
- later than two years and not later than five years	57,277	-	855,186	912,463
- later than five years	-	-	286,940	286,940
	<u>90,594</u>	<u>-</u>	<u>1,749,163</u>	<u>1,839,757</u>
Current liabilities				
- not later than one year	51,277	52,871	790,381	894,529
	<u>141,871</u>	<u>52,871</u>	<u>2,539,544</u>	<u>2,734,286</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**21. Lease liabilities (Cont'd.)**

<u>Audited</u>	Workshop rental RM	Office and warehouse rental RM	Hire Purchase RM	Total RM
31.12.2022				
Minimum lease payments : -				
- not later than one year	44,800	458,400	874,083	1,377,283
- later than one year and not later than two years	4,400	332,200	609,421	946,021
- later than two years and not later than five years	-	249,500	574,630	824,130
- later than five years	-	-	62,780	62,780
	49,200	1,040,100	2,120,914	3,210,214
Less: Future interest charges	(1,156)	(85,697)	(168,192)	(255,045)
Present value of lease liabilities	48,044	954,403	1,952,722	2,955,169
Repayable as follows : -				
Non-Current Liabilities				
- later than one year not and later than two years	4,375	306,895	560,268	871,538
- later than two years and not later than five years	-	239,636	539,032	778,668
- later than five years	-	-	60,820	60,820
	4,375	546,531	1,160,120	1,711,026
Current liabilities				
- not later than one year	43,669	407,872	792,602	1,244,143
	48,044	954,403	1,952,722	2,955,169

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**21. Lease liabilities (Cont'd.)**

<u>Audited</u>	Workshop rental RM	Office and warehouse rental RM	Hire Purchase RM	Total RM
31.12.2021				
Minimum lease payments : -				
- not later than one year	54,000	386,800	838,757	1,279,557
- later than one year and not later than two years	44,800	392,400	793,021	1,230,221
- later than two years and not later than five years	4,400	405,700	941,953	1,352,053
- later than five years	-	-	59,549	59,549
	103,200	1,184,900	2,633,280	3,921,380
Less: Future interest charges	(4,560)	(118,376)	(228,933)	(351,869)
Present value of lease liabilities	98,640	1,066,524	2,404,347	3,569,511
Repayable as follows : -				
Non-Current Liabilities				
- later than one year not and later than two years	43,669	354,427	726,790	1,124,886
- later than two years and not later than five years	4,375	385,553	885,738	1,275,666
- later than five years	-	-	56,960	56,960
	48,044	739,980	1,669,488	2,457,512
Current liabilities				
- not later than one year	50,596	326,544	734,859	1,111,999
	98,640	1,066,524	2,404,347	3,569,511

a) Workshop rental

The workshop rental I is for 2 years with the option for renewal of one term of 1 year up to 14 March 2025 (31.12.2023 – 14 March 2025, 31.12.2022 – 28 February 2024, 31.12.2021 – 28 February 2024). The workshop rental II is for 2 years with the option for renewal of one term of 2 years up to 31 December 2025 (31.12.2023 – 31 December 2025, 31.12.2022 – 31 August 2024, 31.12.2021 – 31 August 2024). The Group applied the incremental borrowing rate of the lease liabilities of 4.50% (31.12.2023 – 4.50%, 31.12.2022 – 4.50%, 31.12.2021 – 4.50%) per annum.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**21. Lease liabilities (Cont'd.)****b) Office and warehouse rental**

The offices and warehouses rental are for 2 years with the option for renewal of one term of 1 to 2 years. The Group applied the incremental borrowing rate of the lease liabilities ranging from 5.45% to 6.60% (31.12.2023 – 5.45% to 6.60%, 31.12.2022 – 5.45% to 6.60%, 31.12.2021 – 5.45% to 6.60%) per annum.

c) Hire purchase liabilities

The hire purchase liabilities of the Group bear interest rates ranging from 2.18% to 4.75% (31.12.2023 – 2.18% to 4.74%, 31.12.2022 – 2.18% to 3.63%, 31.12.2021 – 2.18% to 3.63%) per annum.

22. Trade payables

The normal credit terms of trade payables granted to the Group ranged from cash term to 90 days (31.12.2023 – cash term to 90 days, 31.12.2022 – cash term to 90 days, 31.12.2021 – cash term to 90 days). However, the credit terms may vary dependent on negotiation with the suppliers.

23. Other payables and accruals

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Other payables	650,298	4,806	32,355	148,702
Deposits	595,235	2,896,979	1,708,209	257,928
Accruals	5,060,696	2,324,965	430,468	490,168
	<u>6,306,229</u>	<u>5,226,750</u>	<u>2,171,032</u>	<u>896,798</u>

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

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Sales of goods	217,180,395	157,344,147	243,159,905	138,622,071	70,646,876
Timing of revenue:					
- at point in time	217,180,395	157,344,147	243,159,905	138,622,071	70,646,876
Geographical markets :					
- Malaysia	153,745,438	145,221,910	203,045,471	137,614,448	69,284,061
- Indonesia	62,253,304	11,823,365	37,598,320	623,375	1,206,565
- Singapore	1,136,027	287,967	1,809,524	328,939	2,600
- China	1,469	10,622	690,796	-	153,650
- Korea	-	-	-	55,309	-
- Vietnam	44,157	283	15,794	-	-
	217,180,395	157,344,147	243,159,905	138,622,071	70,646,876

13. ACCOUNTANTS' REPORT *(cont'd)*
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ACCOUNTANTS' REPORT
25. Other operating income

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Gain on disposal of property, plant and equipment	-	-	-	30,072	63,585
Gain on disposal of right-of-use assets	-	307,396	307,396	-	-
Gain on foreign exchange : -					
- Realised	42	-	-	-	-
- Unrealised	-	-	-	-	27,354
Gain on lease modification	-	26,236	32,128	-	1,661
Interest income	23,698	1,562	27,910	1,119	27,056
Interest income on late charges	-	254,965	281,750	1,041	-
Other income	19,149	17,734	22,480	939	567
Recovery of bad debts	-	-	-	-	15,050
Rectification back charge to suppliers	1,469	14,840	63,868	64,535	-
Rental income	479,224	552,874	790,486	315,198	83,750
Wages subsidy	-	-	-	69,640	62,400
	523,582	1,175,607	1,526,018	482,544	281,423

13. ACCOUNTANTS' REPORT (cont'd)

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26. Finance costs

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Interest expenses on : -					
- bankers' acceptances	54,331	56,281	78,317	403,806	409,040
- bank overdrafts	501,010	353,461	577,277	440,858	340,965
- invoice financing	764,520	473,413	931,262	206,791	-
- lease liabilities	110,170	118,928	147,153	180,276	225,573
- revolving credit	94,906	96,117	95,942	-	-
- term loans	1,437,148	937,732	1,609,151	1,182,463	419,608
- trust receipts	1,459,355	773,879	1,425,879	227,489	-
	4,421,440	2,809,811	4,864,981	2,641,683	1,395,186

13. ACCOUNTANTS' REPORT (cont'd)

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27. Profit before taxation

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
This is arrived after charging : -					
Auditors' remuneration : -					
- statutory audit : -					
- current periods/years	-	-	133,000	106,000	63,000
- prior years	47,200	-	-	-	-
- non-statutory audit : -					
- current periods/years	60,000	66,500	108,000	2,800	2,800
- prior years	5,000	-	-	-	-
- non-audit service	164,000	-	38,000	-	-
Bad debts written off	-	-	31,556	-	32,826
Depreciation of property, plant and equipment	359,659	291,318	456,572	330,995	269,979
Depreciation of right-of-use assets	675,804	804,459	1,181,849	1,090,976	862,950
Depreciation of investment properties	140,814	140,814	211,222	211,222	144,825
Employee benefits expenses (Note 29)	7,149,930	6,992,718	10,106,439	6,669,953	4,401,550
Finance costs (Note 26)	4,421,440	2,809,811	4,864,681	2,641,683	1,395,186
Impairment loss on trade receivables	9,160	-	2,807,699	1,582,126	290,799
Loss on disposal of other investment	91,461	-	-	-	-
Loss on disposal of property, plant and equipment	2,500	-	-	-	-
Loss on lease modification	-	-	-	-	8,823
Property, plant and equipment written off	-	4,280	174,412	684	-
Realised loss on foreign exchange	680,324	192,133	371,559	85,511	112,937
Short-term lease on : -					
- office and warehouse	13,300	148,500	254,558	-	-
- office and warehouse equipment	3,168	7,424	5,200	-	-
Unrealised loss on foreign exchange	1,822,879	-	-	-	-

13. ACCOUNTANTS' REPORT (cont'd)

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27. Profit before taxation (Cont'd.)

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
and crediting : -					
Gain on disposal of property, plant and equipment	-	-	-	(30,072)	(63,585)
Gain on disposal of right-of-use assets	-	(307,396)	(307,396)	-	-
Gain on lease modification	-	(26,236)	(32,128)	-	(1,661)
Interest income	(23,698)	(1,562)	(27,910)	(1,119)	(27,056)
Recovery of bad debts	-	-	-	-	(15,050)
Rental income	(479,224)	(552,874)	(790,486)	(315,198)	(83,750)
Realised gain on foreign exchange	(42)	-	-	-	-
Unrealised gain on foreign exchange	-	-	-	-	(27,354)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

28. Dividend paid

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Single tier final dividend paid in respect of the financial year ended 2021 of RM0.1612 per ordinary share on 6 January 2022, 13 January 2022, 9 February 2022, 7 March 2022 and 29 March 2022.	-	-	-	400,000	-
Single tier interim dividend paid in respect of the financial year ended 2021 of RM0.30 per ordinary share, on 22 January 2021, 19 February 2021, 15 March 2021, 15 April 2021, 27 May 2021, 24 June 2021, 23 July 2021, 25 August 2021, 21 September 2021, 20 October 2021, 8 November 2021, 24 November 2021 and 6 December 2021.	-	-	-	-	600,000
	<u>-</u>	<u>-</u>	<u>-</u>	<u>400,000</u>	<u>600,000</u>

13. ACCOUNTANTS' REPORT (cont'd)

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29. Employee benefits expense

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Salaries, bonus and allowance	5,971,091	6,018,888	8,580,524	5,581,654	3,828,686
Defined contribution plan	845,701	671,429	1,083,463	708,737	431,411
Others	333,138	302,401	442,452	379,562	141,453
	7,149,930	6,992,718	10,106,439	6,669,953	4,401,550

Employee benefits expense included directors' remuneration (exclude benefits-in-kind) amounting to RM1,381,969 (31.8.2023 – RM1,111,945; 31.12.2023 – RM1,314,699; 31.12.2022 – RM1,239,487; 31.12.2021 – RM1,159,506) as disclosed in Note 30 to the combined financial statements.

30. Directors' remuneration

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Fees	490,470	678,125	548,961	490,929	580,098
Salaries, bonus and allowances	798,578	414,568	611,980	606,200	504,400
Employees provident fund	89,831	11,652	70,752	65,280	56,520
Employment insurance system	317	79	475	411	379
Social security costs	2,773	693	4,159	3,596	3,314
Other benefits	-	6,828	78,372	73,071	14,795
	1,381,969	1,111,945	1,314,699	1,239,487	1,159,506

13. ACCOUNTANTS' REPORT (cont'd)

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31. Taxation

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Income tax expense : -					
- current year	4,505,516	3,630,977	3,808,600	2,369,738	1,442,854
- under/(over) provision in prior years	473,219	294,715	316,451	318,525	(38,595)
- deferred tax (Note 9)	(476,669)	-	(184,277)	85,155	84,016
	4,502,066	3,925,692	3,940,774	2,773,418	1,488,275

Income tax is calculated at the Malaysian statutory tax rates of 24% (31.8.2023 – 24%, 31.12.2023 – 24%, 31.12.2022 – 24%, 31.12.2021 – 24%) of the estimated assessable profit for the financial period/years.

The numerical reconciliation between the effective tax rate and the applicable tax rate is as follows:

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Profit before taxation	13,795,560	12,889,681	14,090,096	9,044,815	6,070,358
Applicable tax rate at 24% (31.8.2023 – 24%, 31.12.2023 – 24%, 31.12.2022 – 24%, 31.12.2021 – 24%)	3,310,933	3,093,523	3,381,623	2,170,756	1,456,886
Tax savings	-	-	-	(84,000)	(41,954)
Non-deductible expenses	689,519	537,454	213,527	283,009	165,956
Non-taxable income	-	-	(68,348)	(27)	(59,243)
Utilisation of capital allowance	(21,224)	-	-	-	-
Deferred tax assets not recognised	133,262	-	259,532	-	-
Under/(Over) provision of taxation in prior years	473,219	294,715	316,451	318,525	(38,595)
(Over)/Under provision of deferred tax in prior years	(83,643)	-	(162,011)	85,155	34,164
Tax incentive	-	-	-	-	(28,939)
	4,502,066	3,925,692	3,940,774	2,773,418	1,488,275

13. ACCOUNTANTS' REPORT (cont'd)

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32. Earnings per share

Basic : -

Basic earnings per share is calculated by dividing the profit for the financial periods/years attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the financial periods/years.

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Profit for the financial period/year attributable to ordinary equity holders of the Company (RM)	9,293,494	8,880,583	9,919,949	5,953,341	4,439,521
Weighted average number of ordinary shares in issue (Unit)	3,482,500	3,482,500	3,482,500	3,482,500	2,482,500
Basic earnings per share (RM)	2.67	2.55	2.85	1.71	1.79

Diluted : -

The basic and diluted earnings per share are equal as the Company has no dilutive potential ordinary share.

33. Additions of right-of-use assets

	Audited 1.1.2024 to 31.8.2024 RM	Unaudited 1.1.2023 to 31.8.2023 RM	<----- Audited ----->		
			1.1.2023 to 31.12.2023 RM	1.1.2022 to 31.12.2022 RM	1.1.2021 to 31.12.2021 RM
Additions on right-of-use assets (Note 7)	520,178	1,779,405	2,070,860	11,666,750	1,794,479
Financed by lease agreement (Note 34)	(474,813)	(1,530,384)	(1,799,365)	(534,870)	(1,703,401)
Cash payment on additions of right-of-use assets	45,365	249,021	271,495	11,131,880	91,078

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**34. Changes in liabilities arising from financing activities**

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes as follows : -

	At beginning of the financial period/year RM	Acquisition of new lease RM	Derecognition of lease RM	Net change from financing cash flow RM	At end of the financial period/year RM
Audited					
31.8.2024					
Bankers' acceptances	1,451,000	-	-	38,000	1,489,000
Invoice financing	15,463,976	-	-	3,667,318	19,131,294
Lease liabilities	2,734,286	474,813	-	(699,165)	2,509,934
Revolving credit	1,395,346	-	-	(70,555)	1,324,791
Term loans	33,308,426	-	-	(811,179)	32,497,247
Trust receipts	25,762,517	-	-	3,192,940	28,955,457
	80,115,551	474,813	-	5,317,359	85,907,723

Unaudited
31.8.2023

Bankers' acceptances	993,000	-	-	266,000	1,259,000
Invoice financing	8,568,380	-	-	3,529,737	12,098,117
Lease liabilities	2,955,169	1,530,384	(405,254)	(1,074,134)	3,006,165
Revolving credit	1,400,000	-	-	(9,812)	1,390,188
Term loans	33,139,512	-	-	(409,189)	32,730,323
Trust receipts	13,125,878	-	-	2,453,122	15,579,000
	60,181,939	1,530,384	(405,254)	4,755,724	66,062,793

Audited
31.12.2023

Bankers' acceptances	993,000	-	-	458,000	1,451,000
Invoice financing	8,568,380	-	-	6,895,596	15,463,976
Lease liabilities	2,955,169	1,799,365	(579,926)	(1,440,322)	2,734,286
Revolving credit	1,400,000	-	-	(4,654)	1,395,346
Term loans	33,139,512	-	-	168,914	33,308,426
Trust receipts	13,125,878	-	-	12,636,639	25,762,517
	60,181,939	1,799,365	(579,926)	18,714,173	80,115,551

Audited
31.12.2022

Bankers' acceptances	12,836,000	-	-	(11,843,000)	993,000
Invoice financing	728,000	-	-	7,840,380	8,568,380
Lease liabilities	3,569,511	534,870	-	(1,149,212)	2,955,169
Revolving credit	-	-	-	1,400,000	1,400,000
Term loans	20,781,075	-	-	12,358,437	33,139,512
Trust receipts	1,805,000	-	-	11,320,878	13,125,878
	39,719,586	534,870	-	19,927,483	60,181,939

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**34. Changes in liabilities arising from financing activities (Cont'd.)**

The table below details changes in the liabilities of the Group arising from financing activities, including both cash and non-cash changes as follows : - (Cont'd.)

	At beginning of the financial period/year RM	Acquisition of new lease RM	Derecognition of lease RM	Net change from financing cash flow RM	At end of the financial period/year RM
Audited 31.12.2021					
Bankers' acceptances	4,397,000	-	-	8,439,000	12,836,000
Invoice financing	-	-	-	728,000	728,000
Lease liabilities	3,189,626	1,703,401	(112,060)	(1,211,456)	3,569,511
Term loans	8,284,254	-	-	12,496,821	20,781,075
Trust receipts	-	-	-	1,805,000	1,805,000
	<u>15,870,880</u>	<u>1,703,401</u>	<u>(112,060)</u>	<u>22,257,365</u>	<u>39,719,586</u>

35. Cash and cash equivalents

Cash and cash equivalents included in the statements of cash flows comprise the following amounts : -

	Audited 31.8.2024 RM	Unaudited 31.8.2023 RM	<----- Audited -----> 31.12.2023 RM	31.12.2022 RM	31.12.2021 RM
Cash and bank balances	20,803,384	4,896,288	18,253,879	2,082,315	2,445,838
Fixed deposits with licensed banks	14,486,808	8,673,609	9,246,123	4,822,450	3,304,662
Bank overdraft	(3,591,283)	(5,035,194)	(4,961,387)	(6,395,349)	(6,253,505)
	<u>31,698,909</u>	<u>8,534,703</u>	<u>22,538,615</u>	<u>509,416</u>	<u>(503,005)</u>
Less: Pledged deposits (Note 14)	(14,486,808)	(8,673,609)	(9,246,123)	(4,822,450)	(3,304,662)
	<u>17,212,101</u>	<u>(138,906)</u>	<u>13,292,492</u>	<u>(4,313,034)</u>	<u>(3,807,667)</u>

36. Segmental information**Business segments**

The management determines the business segments based on the reports reviewed and used by the directors for strategic decisions making and resources allocation.

The Group operates in two primary business segments, which include trading and manufacturing. The Group is involved in trading of industrial products, manufacturing and distribute flanges, fittings, and component parts.

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ACCOUNTANTS' REPORT**36. Segmental information****Business segments (Cont'd.)**

31.8.2024	Investment holding RM	Trading RM	Manufacturing RM	Total RM
Revenue from external customers	-	215,431,002	1,749,393	217,180,395
Finance income	-	(23,698)	-	(23,698)
Depreciation of property, plant and equipment	-	(291,001)	(68,658)	(359,659)
Depreciation of investment properties	-	(140,814)	-	(140,814)
Depreciation of right-of-use asset	-	(535,440)	(140,364)	(675,804)
Finance costs	-	(4,362,011)	(59,429)	(4,421,440)
Taxation	-	(4,419,434)	(82,632)	(4,502,066)
Others	(46,116)	18,850,094	612,997	19,416,975
Segment results	(46,116)	9,077,696	261,914	9,293,494
Segment assets	2,500	158,980,790	2,393,384	161,376,674
Segment liabilities	14,681	120,139,415	1,697,767	121,851,863
31.12.2023				
Revenue from external customers	-	239,471,422	3,688,483	243,159,905
Finance income	-	27,855	55	27,910
Depreciation of property, plant and equipment	-	(429,509)	(27,063)	(456,572)
Depreciation of investment properties	-	(211,222)	-	(211,222)
Depreciation of right-of-use asset	-	(898,250)	(283,599)	(1,181,849)
Finance costs	-	(4,741,537)	(123,444)	(4,864,981)
Taxation	-	(3,925,188)	(15,586)	(3,940,774)
Others	(9,710)	19,914,162	872,358	20,776,810
Segment results	(9,710)	9,736,311	422,721	10,149,322
Segment assets	2,500	145,997,828	1,849,539	147,849,867
Segment liabilities	10,000	115,716,182	1,892,368	117,618,550

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ACCOUNTANTS' REPORT**36. Segmental information (Cont'd.)****Business segments (Cont'd.)**

	Investment holding RM	Trading RM	Manufacturing RM	Total RM
31.12.2022				
Revenue from external customers	-	134,907,839	3,714,232	138,622,071
Finance income	-	1,035	84	1,119
Depreciation of property, plant and equipment	-	(302,235)	(28,760)	(330,995)
Depreciation of investment properties	-	(211,222)	-	(211,222)
Depreciation of right-of-use asset	-	(808,618)	(282,358)	(1,090,976)
Finance costs	-	(2,537,054)	(104,629)	(2,641,683)
Taxation	-	(2,592,836)	(180,582)	(2,773,418)
Others	(5,850)	12,381,002	943,420	13,318,572
Segment results	(5,850)	5,930,072	347,175	6,271,397
Segment assets	2,500	104,470,303	3,113,523	107,586,326
Segment liabilities	10,640	83,794,966	3,461,052	87,266,658
31.12.2021				
Revenue from external customers	-	68,460,240	2,186,636	70,646,876
Finance income	-	27,056	-	27,056
Depreciation of property, plant and equipment	-	(241,365)	(28,614)	(269,979)
Depreciation of investment properties	-	(144,825)	-	(144,825)
Depreciation of right-of-use asset	-	(580,273)	(282,677)	(862,950)
Finance costs	-	(1,244,305)	(150,881)	(1,395,186)
Taxation	-	(1,449,298)	(38,977)	(1,488,275)
Others	(7,390)	8,112,338	611,294	8,716,242
Segment results	(7,390)	4,479,328	110,145	4,582,083
Segment assets	2,500	67,103,802	2,544,116	69,650,418
Segment liabilities	7,390	53,272,172	2,822,588	56,102,150

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ACCOUNTANTS' REPORT**36. Segmental information (Cont'd.)****Geographical segments**

Revenue information based on the geographical location of the customers are disclosed in Note 24 to the combined financial statements.

Location of assets

The Group's non-current assets are maintained entirely in Malaysia.

Information of major customers

The following are major customers from the Group's trading segment with revenue equal to or more than 10% of the Group's total revenue for the relevant reporting periods : -

	31.8.2024	31.8.2023	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM	RM
Customer A	80,072,015	68,477,523	90,559,666	26,158,376	*
Customer B	58,205,067	*	37,129,835	*	*

* Less than 10% of the Group's total revenue

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**37. Financial instruments**

a) Categories of financial instruments

The table below provides an analysis of financial instruments categorised as follows:

- i) Financial assets measured at amortised cost ("FAAC");
- ii) Financial assets measured at fair value through profit or loss ("FVTPL"); and
- iii) Financial liabilities measured at amortised cost ("FLAC").

<u>Audited</u>	Carrying Amount RM	FAAC RM	FLAC RM	FVTPL RM
31.8.2024				
Financial assets				
Other investment	2,611,990	-	-	2,611,990
Trade receivables	68,527,245	68,527,245	-	-
Other receivables and deposits	695,139	695,139	-	-
Fixed deposit with licensed banks	14,486,808	14,486,808	-	-
Cash and bank balances	20,803,384	20,803,384	-	-
	107,124,566	104,512,576	-	2,611,990
Financial liabilities				
Trade payables	19,699,674	-	19,699,674	-
Other payables and accruals	6,306,229	-	6,306,229	-
Borrowings	86,989,072	-	86,989,072	-
Lease liabilities	2,509,934	-	2,509,934	-
	115,504,909	-	115,504,909	-

Audited

31.12.2023

Financial assets				
Other investment	2,457,990	-	-	2,457,990
Trade receivables	65,967,803	65,967,803	-	-
Other receivables and deposits	592,974	592,974	-	-
Fixed deposit with licensed bank	9,246,123	9,246,123	-	-
Cash and bank balances	18,253,879	18,253,879	-	-
	96,518,769	94,060,779	-	2,457,990
Financial liabilities				
Trade payables	22,989,091	-	22,989,091	-
Other payables and accruals	5,226,750	-	5,226,750	-
Borrowings	82,342,652	-	82,342,652	-
Lease liabilities	2,734,286	-	2,734,286	-
	113,292,779	-	113,292,779	-

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**37. Financial instruments (Cont'd.)****a) Categories of financial instruments (Cont'd.)**

The table below provides an analysis of financial instruments categorised as follows: (Cont'd.)

<u>Audited</u>	Carrying Amount RM	FAAC RM	FLAC RM	FVTPL RM
31.12.2022				
Financial assets				
Other investment	1,457,990	-	-	1,457,990
Trade receivables	44,531,164	44,531,164	-	-
Other receivables and deposits	4,604,458	4,604,458	-	-
Fixed deposit with licensed banks	4,822,450	4,822,450	-	-
Cash and bank balances	2,082,315	2,082,315	-	-
	57,498,377	56,040,387	-	1,457,990
Financial liabilities				
Trade payables	15,574,097	-	15,574,097	-
Other payables and accruals	2,171,032	-	2,171,032	-
Amount due to directors	251,470	-	251,470	-
Borrowings	63,622,119	-	63,622,119	-
Lease liabilities	2,955,169	-	2,955,169	-
	84,573,887	-	84,573,887	-
<u>Audited</u>				
31.12.2021				
Financial assets				
Other investment	1,457,990	-	-	1,457,990
Trade receivables	25,056,740	25,056,740	-	-
Other receivables and deposits	6,548,316	6,548,316	-	-
Amount due from directors	7,618	7,618	-	-
Fixed deposit with licensed banks	3,304,662	3,304,662	-	-
Cash and bank balances	2,445,838	2,445,838	-	-
	38,821,164	37,363,174	-	1,457,990
Financial liabilities				
Trade payables	7,603,820	-	7,603,820	-
Other payables and accruals	896,798	-	896,798	-
Borrowings	42,403,580	-	42,403,580	-
Lease liabilities	3,569,511	-	3,569,511	-
	54,473,709	-	54,473,709	-

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

Registration No. 202001022591 (1378911-A)
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ACCOUNTANTS' REPORT**37. Financial instruments (Cont'd.)****b) Financial risk management**

The Group has exposure to the following risks from its use of financial instruments : -

- Credit risk
- Liquidity risk
- Market risk
- Operational risk

i) Credit risk

Credit risk is the risk of a financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group's exposure to credit risk arises principally from its receivables from customers.

Trade receivables*Risk management objectives, policies and processes for managing the risk*

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit valuations are performed on customers requiring credit over a certain amount.

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

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

There are no significant changes as compared to previous year.

Exposure to credit risk, credit quality and collateral

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

The trade receivables are not secured by any collateral or supported by any other credit enhancements.

Concentration of credit risk

The following shows the total amount due from top five receivables as at the reporting date which represents approximately 74% (31.12.2023 – 70%, 31.12.2022 – 59%, 31.12.2021 – 38%) of the total trade receivables.

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM
Trade receivables	50,705,614	45,904,593	26,262,511	9,631,391

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)**ACCOUNTANTS' REPORT****37. Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)*Concentration of credit risk* (Cont'd.)

Management has taken reasonable steps to ensure that receivables that are neither past due nor impaired are measured at their realisable value. A significant portion of these receivables are regular customers that have been transacting with the Group. The Group uses ageing analysis to monitor the credit quality of the receivables. Any past due receivables having significant balances, which are deemed to have higher credit risk, are monitored individually.

Recognition and measurement of impairment losses

The Group uses an allowance matrix to measure the ECL of trade receivables from individual customers, which comprise a very large number of insignificant balances outstanding.

To measure the ECLs, trade receivables have been grouped based on credit risk and days past due.

Where a trade receivable has a low credit risk, it is excluded from the allowance matrix and its ECL is assessed individually by considering historical payment trends and financial strength of the receivable.

The following tables provides information about the exposure to credit risk and ECLs for trade receivables : -

<u>Audited</u>	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
31.8.2024				
Not past due	55,610,736	-	-	55,610,736
1 – 30 days past due	6,963,555	-	-	6,963,555
31 – 60 days past due	2,750,034	-	-	2,750,034
Past due over 60 days	7,892,704	(4,559,080)	(130,704)	3,202,920
	73,217,029	(4,559,080)	(130,704)	68,527,245

Audited

31.12.2023

Not past due	28,140,201	-	-	28,140,201
1 – 30 days past due	13,557,248	-	-	13,557,248
31 – 60 days past due	10,712,949	-	-	10,712,949
Past due over 60 days	18,238,029	(4,549,920)	(130,704)	13,557,405
	70,648,427	(4,549,920)	(130,704)	65,967,803

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)**ACCOUNTANTS' REPORT****37. Financial instruments (Cont'd.)****b) Financial risk management (Cont'd.)****i) Credit risk (Cont'd.)**Trade receivables (Cont'd.)*Recognition and measurement of impairment losses (Cont'd.)*

The following tables provides information about the exposure to credit risk and ECLs for trade receivables : - (Cont'd.)

	Gross RM	Individual impairment RM	Collective impairment RM	Net RM
<u>Audited</u>				
31.12.2022				
Not past due	25,556,694	-	-	25,556,694
1 – 30 days past due	6,857,912	-	-	6,857,912
31 – 60 days past due	4,508,402	-	-	4,508,402
Past due over 60 days	9,481,081	(1,619,719)	(253,206)	7,608,156
	<u>46,404,089</u>	<u>(1,619,719)</u>	<u>(253,206)</u>	<u>44,531,164</u>

Audited

31.12.2021

Not past due	13,014,849	-	-	13,014,849
1 – 30 days past due	1,664,649	-	-	1,664,649
31 – 60 days past due	1,438,677	-	-	1,438,677
Past due over 60 days	9,229,364	-	(290,799)	8,938,565
	<u>25,347,539</u>	<u>-</u>	<u>(290,799)</u>	<u>25,056,740</u>

The movements in the allowance for impairment in respect of trade receivables during the financial period/year are shown below : -

	Lifetime ECL RM	Credit impaired RM	Total RM
<u>Audited</u>			
31.8.2024			
At 1 January	130,704	4,549,920	4,680,624
Addition	-	9,160	9,160
At 31 August	<u>130,704</u>	<u>4,559,080</u>	<u>4,689,784</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**Registration No. 202001022591 (1378911-A)
(Incorporated in Malaysia)**ACCOUNTANTS' REPORT****37. Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

i) Credit risk (Cont'd.)

Trade receivables (Cont'd.)

The movements in the allowance for impairment in respect of trade receivables during the financial period/year are shown below : - (Cont'd.)

<u>Audited</u>	Lifetime ECL RM	Credit impaired RM	Total RM
31.12.2023			
At 1 January	253,206	1,619,719	1,872,925
Addition	-	2,930,201	2,930,201
Reversal	(122,502)	-	(122,502)
At 31 December	<u>130,704</u>	<u>4,549,920</u>	<u>4,680,624</u>
<u>Audited</u>			
31.12.2022			
At 1 January	290,799	-	290,799
Addition	-	1,619,719	1,619,719
Reversal	(37,593)	-	(37,593)
At 31 December	<u>253,206</u>	<u>1,619,719</u>	<u>1,872,925</u>
<u>Audited</u>			
31.12.2021			
At 1 January	-	-	-
Addition	290,799	-	290,799
At 31 December	<u>290,799</u>	<u>-</u>	<u>290,799</u>

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record with the Group. None of the Group's trade receivables that are either past due nor impaired have been renegotiated during the financial period/year.

Trade receivables that are past due but not impaired are due to the management is of the view that these debts will be collected in due course and the probability of default by these trade receivables were negligible.

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

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ACCOUNTANTS' REPORT

37. Financial instruments (Cont'd.)

c) Financial risk management (Cont'd.)

ii) Credit risk (Cont'd.)

Other receivables

As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position.

As at the end of the reporting period, the Group did not recognise any allowance for impairment loss as there was no indication that the other receivables are not recoverable.

Cash and cash equivalents

The cash and cash equivalents are held with banks and financial institutions. As at the end of the reporting period, the maximum exposure to credit risk is represented by their carrying amounts in the combined statements of financial position.

These banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by government agencies. Consequently, the Group is of the view that the loss allowance is not material and hence, it is not provided for.

iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as they fall due. The Group's exposure to liquidity risk arises principally from its various payables and borrowings.

The Group maintains a level of cash and cash equivalents deemed adequate by the management to ensure, as far as possible, that it will have sufficient liquidity to meet their liabilities when they fall due.

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier or at significantly different amounts.

13. ACCOUNTANTS' REPORT (cont'd)

Saliran Group Berhad

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ACCOUNTANTS' REPORT

37. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

ii) Liquidity risk (Cont'd.)

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flow : -

<u>Audited</u>	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
31.8.2024							
<i>Non-derivative financial liabilities</i>							
Trade payables	19,699,674	-	19,699,674	19,699,674	-	-	-
Other payables and accruals	6,306,229	-	6,306,229	6,306,229	-	-	-
Bankers' acceptances	1,489,000	5.61 – 5.63	1,489,000	1,489,000	-	-	-
Bank overdraft	3,591,283	6.00 – 9.65	3,591,283	3,591,283	-	-	-
Invoice financing	19,131,294	4.70 – 6.83	19,131,294	19,131,294	-	-	-
Revolving credit	1,324,791	8.50	1,324,791	1,324,791	-	-	-
Term loans	32,497,247	4.64 – 12.51	50,354,365	3,890,919	3,546,949	8,662,675	34,253,822
Trust receipts	28,955,457	6.85 – 8.35	28,955,457	28,955,457	-	-	-
Lease liabilities	2,509,934	2.18 – 6.60	2,822,458	1,057,553	687,027	929,041	148,837
	115,504,909		133,674,551	85,446,200	4,233,976	9,591,716	34,402,659

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT

37. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

iii) Liquidity risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flow : - (Cont'd.)

<u>Audited</u>	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
31.12.2023							
<i>Non-derivative financial liabilities</i>							
Trade payables	22,989,091	-	22,989,091	22,989,091	-	-	-
Other payables and accruals	5,226,750	-	5,226,750	5,226,750	-	-	-
Bankers' acceptances	1,451,000	5.55 – 5.80	1,451,000	1,451,000	-	-	-
Bank overdraft	4,961,387	6.00 – 9.65	4,961,387	4,961,387	-	-	-
Invoice financing	15,463,976	4.00 – 5.13	15,463,976	15,463,976	-	-	-
Revolving credit	1,395,346	8.50	1,395,346	1,395,346	-	-	-
Term loans	33,308,426	4.64 – 12.51	43,687,492	3,505,569	3,457,908	8,653,050	28,070,965
Trust receipts	25,762,517	7.81 – 8.35	25,762,517	25,762,517	-	-	-
Lease liabilities	2,734,286	2.18 – 6.60	3,108,363	1,036,597	735,278	1,037,587	298,901
	<u>113,292,779</u>		<u>124,045,922</u>	<u>81,792,233</u>	<u>4,193,186</u>	<u>9,690,637</u>	<u>28,369,866</u>

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT

37. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

ii) Liquidity risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flow : - (Cont'd.)

<u>Audited</u>	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years RM	More than 5 years RM
31.12.2022							
<i>Non-derivative financial liabilities</i>							
Trade payables	15,574,097	-	15,574,097	15,574,097	-	-	-
Other payables and accruals	2,171,032	-	2,171,032	2,171,032	-	-	-
Amount owing to directors	251,470	-	251,470	251,470	-	-	-
Bankers' acceptances	993,000	5.06 – 5.55	993,000	993,000	-	-	-
Bank overdraft	6,395,349	6.00 – 9.45	6,395,349	6,395,349	-	-	-
Invoice financing	8,568,380	3.75 – 4.88	8,568,380	8,568,380	-	-	-
Revolving credit	1,400,000	8.35	1,400,000	1,400,000	-	-	-
Term loan	33,139,512	4.39 – 12.26	44,303,656	3,310,633	3,310,599	8,965,764	28,716,660
Trust receipts	13,125,878	7.06 – 7.99	13,125,878	13,125,878	-	-	-
Lease liabilities	2,955,169	1.88 – 6.60	3,210,214	1,377,283	946,021	824,130	62,780
	<u>84,573,887</u>		<u>95,993,076</u>	<u>53,167,122</u>	<u>4,256,620</u>	<u>9,789,894</u>	<u>28,779,440</u>

13. ACCOUNTANTS' REPORT (cont'd)

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ACCOUNTANTS' REPORT

37. Financial instruments (Cont'd.)

b) Financial risk management (Cont'd.)

ii) Liquidity risk (Cont'd.)

Maturity analysis (Cont'd.)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on contractual undiscounted cash flow : - (Cont'd.)

<u>Audited</u>	Carrying amount RM	Contractual interest rate %	Contractual undiscounted cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 5 years	More than 5 years RM
31.12.2021							
Trade payables	7,603,820	-	7,603,820	7,603,820	-	-	-
Other payables and accruals	896,798	-	896,798	896,798	-	-	-
Bankers' acceptances	12,836,000	1.91 – 5.57	12,836,000	12,836,000	-	-	-
Bank overdraft	6,253,505	6.00 – 8.45	6,253,505	6,253,505	-	-	-
Invoice financing	728,000	2.75	728,000	728,000	-	-	-
Term loan	20,781,075	3.14 – 10.50	27,981,020	2,232,804	2,166,273	6,128,650	17,453,293
Trust receipts	1,805,000	2.48 – 4.11	1,805,000	1,805,000	-	-	-
Lease liabilities	3,569,511	1.88 – 6.60	3,921,380	1,279,557	1,230,221	1,352,053	59,549
	<u>54,473,709</u>		<u>62,025,523</u>	<u>33,635,484</u>	<u>3,396,494</u>	<u>7,480,703</u>	<u>17,512,842</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**37. Financial instruments (Cont'd.)****b) Financial risk management (Cont'd.)****iii) Market risk**

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and other prices that will affect the Group's financial position or cash flows.

Interest rate risk

The Group's fixed rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. The Group's variable rate borrowings are exposed to a risk of change in cash flows due to changes in interest rates. Short-term investments such as deposits with licensed bank are not significantly exposed to interest rate risk.

Risk management objectives, policies and processes for managing the risk

The Group's policy is to borrow principally on the floating rate basis but to retain a proportion of fixed rate debt. The objectives for the mix between fixed and floating rate borrowings are set to reduce the impact of an upward change in interest rates while enabling benefits to be enjoyed if interest rates fall.

Exposure to interest rate risk

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of each reporting period are as follows : -

<u>Audited</u>	RM	Interest rate (%)
31.8.2024		
<u>Fixed rate instruments</u>		
Fixed deposits with licensed banks	14,486,808	2.00 – 3.00
Lease liabilities	2,509,934	2.18 – 6.60
<u>Floating rate instruments</u>		
Bankers' acceptances	1,489,000	5.61 – 5.63
Bank overdraft	3,591,283	6.00 – 9.65
Invoice financing	19,131,294	4.70 – 6.83
Revolving credit	1,324,791	8.50
Term loans	32,497,247	4.64 – 12.51
Trust receipts	28,955,457	6.85 – 8.35
<u>Audited</u>		
31.12.2023		
<u>Fixed rate instruments</u>		
Fixed deposits with licensed banks	9,246,123	1.50 – 2.85
Lease liabilities	2,734,286	2.18 – 6.60
<u>Floating rate instruments</u>		
Bankers' acceptances	1,451,000	5.55 – 5.80
Bank overdraft	4,961,387	6.00 – 9.65
Invoice financing	15,463,976	4.00 – 5.13
Revolving credit	1,395,346	8.50
Term loans	33,308,426	4.64 – 12.51
Trust receipts	25,762,517	7.81 – 8.35

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**37. Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Interest rate risk (Cont'd.)*Exposure to interest rate risk*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of each reporting period are as follows : -

<u>Audited</u>	RM	Interest rate (%)
31.12.2022		
<u>Fixed rate instruments</u>		
Fixed deposits with licensed banks	4,822,450	1.50 – 2.65
Lease liabilities	2,955,169	1.88 – 6.60
<u>Floating rate instruments</u>		
Bankers' acceptances	993,000	5.06 – 5.55
Bank overdraft	6,395,349	6.00 – 9.45
Invoice financing	8,568,380	3.75 – 4.88
Revolving credit	1,400,000	8.35
Term loans	33,139,512	4.39 – 12.26
Trust receipts	13,125,878	7.06 – 7.99
<u>Audited</u>		
31.12.2021		
<u>Fixed rate instruments</u>		
Fixed deposits with licensed banks	3,304,662	1.50 – 2.65
Lease liabilities	3,569,511	1.88 – 6.60
<u>Floating rate instruments</u>		
Bankers' acceptances	12,836,000	1.91 – 5.57
Bank overdraft	6,253,505	6.00 – 8.45
Invoice financing	728,000	2.75
Term loans	20,781,075	3.14 – 10.50
Trust receipts	1,805,000	2.48 – 4.11

Interest rate risk sensitivity analysis : -

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

At the reporting date, if interest rate had been 100 basis points lower/higher, with all other variables held constant, the Group's profit net of tax would have been RM661,117 (31.12.2023 – RM625,804, 31.12.2022 – RM483,528; 31.12.2021 – RM322,267) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**37. Financial instruments (Cont'd.)**

c) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group entities. The currencies giving rise to this risk are primarily Euro ("EUR"), China Renminbi ("RMB"), Singapore Dollar ("SGD") and US Dollar ("USD").

Risk management objectives, policies and processes for managing the risk

The exposure to currency risk is monitored by the management and it is not expected to have a material impact on the financial performance of the Group and the Company.

Exposure to foreign currency risk

The Group's exposure to foreign currency (a currency which is other than the functional currency of the Group entities) risk based on carrying amounts as at the end of the reporting period was : -

	Denominated in SGD RM	USD RM
Balance recognised in the statements of financial position : -		
<u>Audited</u> 31.8.2024		
Trade receivables	16,559	31,104,321
Trade payables	(1,540,412)	(1,837,034)
	<u>(1,523,853)</u>	<u>29,267,287</u>
<u>Audited</u> 31.12.2023		
Trade receivables	-	18,315,983
Trade payables	(677,367)	(3,193,618)
	<u>(677,367)</u>	<u>15,122,365</u>
<u>Audited</u> 31.12.2022		
Trade receivables	4,558	280,246
Trade payables	(1,077,576)	-
	<u>(1,073,018)</u>	<u>280,246</u>
<u>Audited</u> 31.12.2021		
Trade receivables	-	45,745
Trade payables	(408,232)	(275,773)
	<u>(408,232)</u>	<u>(230,028)</u>

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

Registration No. 202001022591 (1378911-A)
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ACCOUNTANTS' REPORT**37. Financial instruments (Cont'd.)**

b) Financial risk management (Cont'd.)

iii) Market risk (Cont'd.)

Currency risk (Cont'd.)*Exposure to foreign currency risk (Cont'd.)*

A 5% (31.12.2023 – 5%, 31.12.2022 – 5%, 31.12.2021 – 5%) strengthening of the RM against the following currencies at the end of the reporting period would have decreased equity and post-tax profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remained constant.

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
		RM	RM	RM
Changes in equity	1,054,250	548,910	30,125	24,254
Changes in post-tax profit	1,054,250	548,910	30,125	24,254

A 5% (31.12.2023 – 5%, 31.12.2022 – 5%, 31.12.2021 – 5%) weakening of RM against the above currencies at the end of the reporting period would have had equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remained constant.

iii) Operational risk

The operational risk arises from the daily activities of the Group which includes legal, credit reputation and financing risk and other risk associated to daily running of its business operations.

Such risks are mitigated through proper authority levels of approval limits, clear reporting structure, segregation of duties, policies and procedures implemented and periodic management meetings.

In dealing with its stewardship, the directors recognise that effective risk management is an integral part of good business practice.

The directors will pursue on ongoing process of identifying, assessing and managing key business areas, overall operational and financial risk faced by the business units as well as regularly reviewing and enhancing risk mitigating strategies with its appointed and key management personnel.

c) Fair value information

The carrying amounts of the Group's financial assets and financial liabilities as at the end of the reporting period approximate their fair values due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of the lease liabilities are reasonable approximation of their fair value due to the insignificant impact of discounting.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**38. Capital management (Cont'd.)**

The Group manages its capital to ensure that the Group will be able to maintain an optimal capital structure so as to support their businesses and maximise shareholders' value. To achieve this objective, the Group may take adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as total borrowings from financial institutions divided by total equity.

	<----- Audited ----->			
	31.8.2024	31.12.2023	31.12.2022	31.12.2021
Total borrowings (RM)	86,989,072	82,342,652	63,622,119	42,403,580
Total lease liabilities (RM)	2,099,821	2,539,544	1,952,722	2,404,347
	89,088,893	84,882,196	65,574,841	44,807,927
Total equity (RM)	39,524,811	30,231,317	20,319,668	13,548,268
Debt-to-equity ratio (times)	2.25	2.81	3.23	3.31

39. Related partiesIdentity of related parties

For the purpose of these combined financial statements, 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 operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

Related parties also include key management personnel defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include all the directors of the Group, and certain members of the senior management of the Group.

13. ACCOUNTANTS' REPORT (cont'd)**Saliran Group Berhad**

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ACCOUNTANTS' REPORT**39. Related parties (Cont'd.)****a) Significant related party transactions**

Related party transactions entered into the normal course of business under normal trade terms. The significant related party transactions of the Group are shown below. The related party balances are shown in Note 13 to the combined financial statements.

	Audited	Unaudited	<-----Audited----->		
	1.1.2024 to	1.1.2023 to	1.1.2023 to	1.1.2022 to	1.1.2021 to
	31.8.2024	31.8.2023	31.12.2023	31.12.2022	31.12.2021
	RM	RM	RM	RM	RM
Transactions with a related party in which the director and shareholder connected to a director of the Group : -					
- Purchase of goods	-	-	-	2,509,299	-

b) Compensation of key management personnel

The remuneration paid by the Group to key management personnel during the financial year are disclosed in Note 30 in the combined financial statements.

40. Significant events during the relevant reporting periods

- a) On 11 March 2020, the World Health Organisation declared the Coronavirus ("**COVID-19**") outbreak as a pandemic in recognition of its rapid spread across the globe. On 16 March 2020, the Malaysian Government has imposed the Movement Control Order ("**MCO**") starting from 18 March 2020 to curb the spread of the COVID-19 outbreak in Malaysia. The COVID-19 outbreak also resulted in travel restriction, lockdown and other precautionary measures imposed in various countries. The emergence of the COVID-19 outbreaks since early 2020 has brought significant economic uncertainties in Malaysia and market in which the Group operates.

The Malaysian Government had re-introduced the MCO and Conditional MCO ("**CMCO**") in several states from 13 January 2021 to 11 May 2021, nationwide MCO from 12 May 2021 to 31 May 2021, Full MCO ("**FMCO**") from 1 June 2021 to 28 June 2021, Enhanced MCO ("**EMCO**") in several states from 3 July 2021 to 17 July 2021. Besides, the Malaysia King declared state of emergency for the country until 1 August 2021 to curb the spread of COVID-19 on 12 January 2021. In addition, the Malaysian Government had announced a four phase National Recovery Plan ("**NRP**") on 15 June 2021 to transition Malaysia out of the COVID-19. In March 2022, the Malaysia Government announced that the country will enter into the "Transition to Endemic" phase starting 1 April 2022, which include the opening of national borders for tourism and the abolishment of limitation to capacity and operating hours of business premises.

The COVID-19 pandemic has significantly disrupted many business operations around the world. The Group has performed an assessment of the overall impact of the situation on the Group's operations, including the recoverability of the carrying amount of assets and measurements of assets and liabilities and concluded that there are no material adverse effects on the combined financial statements for the financial years under review.

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

Saliran Group Berhad

Registration No. 202001022591 (1378911-A)

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ACCOUNTANTS' REPORT

40. Significant events during the relevant reporting periods (Cont'd.)

- b) In preparation to the Listing, the Company had entered into a conditional share sale agreement on 7 June 2024 with Mr. Liaw Choon Wei, Mr. Chan Koon Wai and Mr. Lim Bak Teik (collectively, referred to as the **"Vendors"**) to acquire the entire issued share capital of Saliran Industrial Supplies Sdn. Bhd. comprising 3,480,000 ordinary shares (**"Acquisition"**) prior to the Listing.

The purchase consideration for the above Acquisition is RM30,249,750 which shall be satisfied by the issuance of 302,497,500 new ordinary shares in the Company at RM0.10 per share to Maju Alliance Sdn. Bhd., an investment holding company owned by the Vendors collectively.

The said acquisition of Saliran Industrial Supplies Sdn. Bhd. was completed on 14 November 2024.

- c) On 19 June 2024, the Company was converted into a public company limited by shares in accordance with the Companies Act, 2016 of Malaysia and assumed its present name of Saliran Group Berhad.

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

Saliran Group Berhad

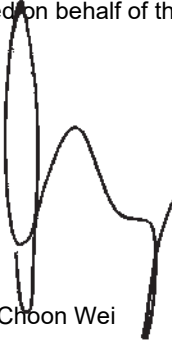
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ACCOUNTANTS' REPORT

STATEMENT BY DIRECTORS

We, Liaw Choon Wei and Chan Koon Wai, being two of the directors of Saliran Group Berhad, state in the opinion of the directors, the combined financial statements set out on pages 4 to 108 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines – Equity issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 31 August 2024 and of the financial performance and cash flows for the relevant reporting years/period ended on those dates.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.



Liaw Choon Wei



Chan Koon Wai

Kuala Lumpur,

Date: **27 JAN 2025**

14. STATUTORY AND OTHER INFORMATION

14.1 SHARE CAPITAL

- (i) As at LPD, our Company has only 1 class of shares, namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (ii) None of the share capital of our Company or our subsidiaries are under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (iii) Save for the Pink Form Allocations as disclosed in Section 4.3.1(ii) of this Prospectus,
 - (a) no Director or employee of our Group has been or is entitled to be given or has exercised any options to subscribe for any share of our Company or our subsidiaries; and
 - (b) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (iv) Save as disclosed in Sections 4.5 and 6.1 of this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Company have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the past 2 years immediately preceding the date of this Prospectus.
- (v) As at LPD, our Company does not have any outstanding convertible debt securities, options, warrants or uncalled capital.

14.2 EXTRACTS OF OUR CONSTITUTION

The following provisions are extracted from our Constitution and are qualified in its entirety by the remainder of the provisions of our Constitution and by applicable law. Terms defined in our Constitution shall have the same meaning when used here unless they are otherwise defined here or the context otherwise requires.

(i) Remuneration, voting and borrowing powers of Directors

Remuneration of Directors

Clause 111 Remuneration

The fees and any benefits payable to the Directors shall be such sum as shall from time to time be determined by an ordinary resolution of the Company and is subject to annual shareholder approval at a general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office provided Always that:-

111.1 fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

111.2 salaries payable to executive Directors may not include a commission on or percentage of turnover;

111.3 fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

111.4 any fee paid to an Alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

Clause 112 Reimbursement and special remuneration

112.1 The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of the Company in the course of the performance of their duties as Directors.

112.2 If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.

Power and duties of Directors

Clause 114 General power of Directors to manage Company's business

The business of the Company shall be managed by the Directors who may exercise all such powers of the Company as are not by the Act or by this Constitution required to be exercised by the Company in general meeting, subject nevertheless to any of this Constitution and the provisions of the Act, and to such regulations not being inconsistent with these Constitution or the provisions of the Act as may be prescribed by the Company in general meeting, but no regulations so made by the Company shall invalidate any prior act of the Directors which would have been valid if such regulation had not been made. The general powers given by this Clause shall not be limited or restricted by any special authority or power given to the Directors by this Constitution. Any sale or disposal by the Directors of a substantial portion of the Company's main undertaking or property shall be subject to the prior approval of shareholders in general meeting.

Clause 115 Approval of the Company required

The Directors shall not without the prior approval of the Company in general meeting:-

115.1 Carry into effect any proposal or execute any transaction for the acquisition of an undertaking or property of a substantial value, or the disposal of a substantial portion of or a controlling interest in the Company's undertaking or property;

115.2 exercise any power of the Company to issue shares unless otherwise permitted under the Act; or

115.3 subject to Section 228 of the Act, enter into any arrangement or transaction with a Director or a director of the holding company or a subsidiary of the Company, or with a person connected with such a Director to acquire from or dispose to such a Director or person any non-cash assets of the requisite value.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

Clause 116 Directors' borrowing powers

- 116.1 The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party Provided Always that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.
- 116.2 The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for payment of money, the performance of contracts or obligations or for the benefit or interest of the Company or its Subsidiaries.
- 116.3 The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.
- 116.4 Subject to the Act, if the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

Clause 117 Pensions

The Directors shall have power to pay and agree to pay pensions or other retirement, superannuation, death or disability benefits to any Director or ex-Director who may hold or have held any executive office or any office of profit under the Company or any subsidiary company, and for the purpose of providing any such pensions or other benefits, to contribute to any scheme or fund or to pay premiums.

Clause 118 Directors' power to appoint attorney of the Company

The Directors may from time to time, and at any time, by power of attorney under the Seal, 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 the Company for such purposes and with such powers, authorities and discretion (including the power to sub-delegate but not exceeding those vested in or exercisable by the Directors under this Constitution) and for such period and subject to such conditions as the Directors may from time to time think fit, and any such power of attorney may contain such provisions for the protection or convenience of persons dealing with any such attorney as the Directors think fit.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

Clause 119 Cheques, bills etc.

All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipt for money paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as the Directors may from time to time determine by resolution.

Clause 120 Right to hold other office under the Company

A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director for such period and on such terms (as to remuneration and otherwise) as the Directors may determine. No Director or intending Director shall be disqualified by his office from contracting with the Company with regard to his tenure of any such office or place of profit in any other respect nor shall any such contract, or any contract or arrangement entered into by or on behalf of any company in which any Director is in any way interested, be liable to be avoided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement by reason of such Director holding that office or of the fiduciary relation thereby established provided always that Sections 221 and 228 and all other relevant provisions of the Act and this Constitution are complied with.

Clause 121 Right to payment for professional services

Any Director may act by himself or his firm in a professional capacity for the Company, and he or his firm shall be entitled to remuneration for professional services as if he were not a Director, provided that nothing herein contained shall authorise a Director or his firm to act as auditor of the Company.

Clause 122 As to the duty and liability of the Director

A Director shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office and shall not make use of any information acquired by virtue of his position to gain, directly or indirectly, an improper advantage for himself or for any other person or cause detriment to the Company.

Clause 123 General duty to make disclosure

Every Director shall give notice to the Company of such events and matters relating to himself as may be necessary or expedient to enable the Company and its officers to comply with the requirements of the Act.

Clause 124 Meetings of Directors

The Directors may meet together for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Subject to this Constitution, questions arising at any meeting shall be determined by a majority of votes. Directors may participate in a meeting of the Directors by means of a conference telephone or similar electronic tele-communicating equipment by means of which all persons participating in the meeting can hear each other and participates throughout the duration of the communication between the Directors and participates in a meeting pursuant to this provision shall constitute presence in person at such meeting. The venue of meeting held by means of a conference telephone or similar electronic tele-communicating equipment shall be decided by the Directors.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

Clause 125 Calling of meetings

A Director may at any time summon a meeting of the Directors, and the Secretary, upon the request of the Chairman or any one (1) Director, shall convene a meeting of the Directors. Unless otherwise determined by the Directors, a seven (7) days' notice of all Directors' meetings shall be given to all Directors and their Alternate Directors, except in the case of an emergency, where reasonable notice of the meeting shall be sufficient. Such notice shall include the date, time and place of the meeting and the matters to be discussed.

Clause 133 Directors retained from voting in interested transactions

Every Director shall comply with the provisions of Sections 221 and 219 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

(ii) Changes to share capital and variation of class rights

Clause 10 Purchase of own shares

Subject to the provisions of the Act and the Listing Requirements and the approval of the Members and any other relevant authority, the Company shall have the power to purchase its own shares and to deal with the shares so purchased in the manner provided by the Act, the Listing Requirements and any other relevant authority.

Clause 55 Increase of share capital

Without prejudice to the rights attached to any existing shares or class of shares, the Company in general meeting may by ordinary resolution increase its capital by the allotment of shares carrying such rights and restrictions, as the resolution specifies provided that where the capital of the Company consists of shares of different voting rights (if specified in such resolution) shall be prescribed in such a manner that a unit of capital in each class, shall carry such different voting power when such right is exercisable.

Clause 56 Issue of new shares to existing members

Subject to any direction to the contrary that may be given by the Company in general meeting any new shares or other convertible securities from time to time to be created shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the 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. 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 the Company. The Directors may in like manner dispose of any such new shares or securities as aforesaid which, by reason of the ratio borne by them to the number of shares or securities held by persons entitled to such offer of new shares or securities cannot, in the opinion of the Directors be conveniently offered in the manner herein provided.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Clause 57 New Capital to be considered as part of the current share capital of the Company unless otherwise provided

Except so far as otherwise provided by the conditions of issues in this Constitution, any share capital raised by the creation of new shares shall be considered as part of the original share capital of the Company, and such shares shall be subject to the same provisions contained in this Constitution with reference to the payment of calls, lien, transfer, transaction, forfeiture and otherwise as the original share capital and shall also be subject to the Rules.

Clause 58 Alteration of Capital

58.1 The Company may by Special Resolution:-

- (i) consolidate and divide all or any of its share capital the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (ii) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or
- (iii) subdivide its shares or any of the shares, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

58.2 The Company may, subject to the provision of the Act, by Special Resolution reduce its share capital in any manner authorised by law.

58.3 The Company may cancel any shares, which at the date of the passing of the resolution, which have been forfeited, and diminish the amount of its share capital by the amount of the shares so cancelled.

Clause 20 Alteration of class rights

Whenever the capital of the Company is divided into different classes of shares or groups, the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class) and Section 91 of the Act, either with the consent in writing of the holders of three-quarters (3/4) of the issued shares of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 91 of the Act, shall, with such adaptations as are necessary, apply.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

Clause 21 Ranking of class rights

The special rights conferred upon the holders of the shares of any class with preferred or other preferential rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking as regards participation in the profits or assets of the Company in some or in all respects pari-passu therewith but in no respect in priority thereto.

(iii) Transfer of securities

Clause 43 Transfer of securities

The transfer of any Listed Security or class of Listed Security in 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, subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Security.

Clause 44 Transferor's right

The instrument of transfer of any share shall be executed by or on behalf of the transferor, and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the Record of Depositors in respect thereof.

Clause 45 Instrument of transfer

Every instrument of transfer (for any share not being a deposited security) must be left for registration at the office of the Company's Registrar accompanied by the certificate of the shares comprised therein (if any) and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the transfer, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.

A fee not exceeding RM3.00 (excluding the stamp duty) or any amount as shall be determined from time to time by the Exchange may be charged for each transfer and shall if required by the Directors be paid before the registration thereof.

Clause 46 Person under disability

No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 47 Refusal to transfer

Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a deposited security, to a person of whom they shall not approve.

If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

Clause 48 Non-liability of the Company, its Directors and officers in respect of transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

(iv) Proceedings at general meetings

Clause 65 Business at meetings of Members

Subject always to the provisions of the Act, no business shall be transacted at an extraordinary general meeting except business of which notice has been given in the notice convening the meeting. An annual general meeting shall be held to transact the business in accordance with the Act. The followings are deemed to be ordinary business of an annual general meeting:-

- (a) laying of the audited financial statements and the reports of the Directors and auditors;
- (b) election of Directors in the place of those retiring;
- (c) appointment of Directors;
- (d) fixing of the Directors' fees or benefits payable; and
- (e) appointment of auditors and fixing of the remuneration of the auditors in accordance with the Act.

Clause 71 Special Business

All business transacted at any annual general meeting, other than business stated in Clause 65, and all business transacted at an extraordinary general meeting shall be deemed special.

Clause 72 Quorum

No business shall be transacted at any general meeting unless a quorum is present at the time when the meeting proceeds, to business. For all purposes, two (2) members present in person or by proxy, or, in the case of corporations which are members, present by their representatives appointed pursuant to the provision of this Constitution and entitled to vote shall be a quorum.

Clause 76 Voting by show of hands

Voting by show of hands on a resolution to be decided on show of hand, a Member who is personally present or by proxy or attorney or by a duly authorised representative and entitled to vote, or a holder of preference shares or proxy or attorney or by a duly authorised representative shall be entitled to one (1) vote.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

Clause 78 Voting by poll

- (a) Subject to any express requirements under the Listing Requirements, any resolution set out in the notice of any meeting of Members, or in any notice of resolution which may properly be moved and is intended to be moved at any meeting of Members, shall be voted by poll. A poll shall be taken in such manner and either forthwith or after an interval or adjournment or otherwise as the chairman directs and the result of the poll shall be the resolution of the meeting at which the poll was taken, but a poll demanded on the election of chairman or on a question of adjournment shall be taken immediately. The Company shall appoint at least one (1) scrutineer if so required under the Listing Requirements, for the purpose of verifying the results of the poll and may, in addition to the power of adjourning meetings as contained in this Constitution, adjourn the meeting to some place and time fixed for the purpose of declaring the result of the poll.
- (b) On a poll, votes may be given either personally or by proxy. A proxy shall be any person appointed by a Member and who shall not necessarily be a Member and such proxy shall be entitled to vote on a poll provided he is the only proxy appointed by the Member. Where a Member entitled to vote on a resolution has appointed more than one (1) proxy, the proportion of shareholdings to be represented by each proxy must be specified in the instrument appointing the proxies, otherwise, the appointment shall not be valid.

Clause 86 Chairman's casting vote

In the case of an equality of votes on a show of hands, the Chairman of the meeting at which the show of hands takes place, shall not be entitled to a second or casting vote but not when a poll is demanded.

Clause 87.1 Members' vote

Subject to the provision of this Constitution and any rights or restrictions for the time being attached to any class or classes of shares, at meetings of members or classes of members, each member shall be entitled to be present and to vote at any general meeting of the Company either personally or by proxy or by attorney and to be reckoned in a quorum in respect of shares fully paid and in respect of partly paid shares where calls are not due and unpaid.

(v) Minutes and registers

Clause 148 Register of Directors, Managers and Secretaries

The Company shall in accordance with the provisions of Section 57 of the Act, keep at the Office or such other place provided notice has been given to the Registrar of Company, a register containing such particulars with respect to the Directors, managers and secretaries of the Company as are required by and shall from time to time notify the Registrar of Companies of any change in such register and of the date of such change in manner prescribed by that section.

(vi) Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

As at the date of this Prospectus, we only have one (1) class of shares, being ordinary shares, all of which rank equally with each other. There are no special rights attached to our Shares. Please refer to Section 4.5 of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities. Dealing in our Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("Depositor") by means of entries in the securities account of that Depositor. A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, arising from, such Shares.

14.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to Section 14.3 above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares, which is imposed by Malaysian law or by our Constitution.

14.5 PUBLIC TAKE-OVERS

During the last financial year and up to LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Group in respect of other companies' securities.

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14. STATUTORY AND OTHER INFORMATION *(cont'd)***14.6 MATERIAL CONTRACTS**

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the Financial Years/Period Under Review up to the date of this Prospectus:

- (i) OEM Agreement dated 4 January 2021, entered into by Saliran Industrial Supplies with Tae Heung whereby Tae Heung is engaged by Saliran Industrial Supplies to manufacture, test, deliver and provide support for the sale of fittings and flanges under Saliran Industrial Supplies' private marking, rebranding and own brand as annexed in the OEM Agreement, effective from 4 January 2021 to 3 January 2031. As at the LPD, the said agreement remains valid and subsisting;
- (ii) Sale and Purchase Agreement dated 21 April 2021 entered into by Saliran Industrial Supplies (as purchaser) with Khai Lien Silk Screen Suppliers (M) Sdn Bhd (as vendor) for the purchase of Investment Property 1 for a total cash consideration of RM12,500,000.00. The said transaction has been completed on 29 October 2021;
- (iii) Sale and Purchase Agreement dated 17 May 2022 entered into by Saliran Industrial Supplies (as purchaser) with P.E. Setia Construction Sdn Bhd (as vendor) for the purchase of Puchong Premise 3 for a total cash consideration of RM14,000,000.00. The said transaction has been completed on 21 October 2022;
- (iv) Share Sale Agreement dated 17 November 2023, entered into by Saliran Industrial Supplies (as purchaser) with Tan Peng Choon (as vendor), in relation to the acquisition of 30,000 ordinary shares constituting 30% of the total ordinary shares in Saliran Precision Engineering. Tan Peng Choon agrees to sell, and Saliran Industrial Supplies agrees to purchase the aforementioned amount of shares for a total cash consideration of RM237,672.90. The said transaction has been completed on 17 November 2023;
- (v) Collaboration Agreement dated 2 May 2024, entered in to by Saliran Industrial Supplies with Harmoni whereby Harmoni collaborates with Saliran Industrial Supplies to jointly pursue project bids concerning the provision of pipes, fittings, and flanges. The said agreement is not subject to a fixed tenure whereby it shall continue and subsist unless otherwise terminated by the parties to the said agreement. As at the LPD, the said agreement remains valid and subsisting;
- (vi) Share Sale Agreement dated 7 June 2024, entered into by Saliran (as purchaser) with Vendors, in relation to the acquisition of 3,480,000 ordinary shares constituting the entire equity interest in Saliran Industrial Supplies. Vendors agree to sell, and Saliran agrees to purchase the aforementioned amount of shares at the purchase consideration of RM30,249,750 to be satisfied via the issuance of 302,497,500 ordinary shares in Saliran to Maju Alliance, a company owned by the Vendors. The said transaction has been completed on 14 November 2024; and
- (vii) the Underwriting Agreement.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

14.7 MATERIAL LITIGATION

Save as disclosed below, our Group is not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus:

- (i) Shah Alam High Court Winding-Up Petition No. BA-28NCC-548-10/2023 ("**Petition**")

Saliran Industrial Supplies

Orient Arotek Engineering & Trading Sdn Bhd ("**Respondent**")

On 27 June 2023, Saliran Industrial Supplies through its solicitor, issued a letter of demand to the Respondent, demanding the sum of RM2,813,139.93 which represents the outstanding sum for the goods sold and delivered by Saliran Industrial Supplies to the Respondent during the period between 14 December 2022 to 1 June 2023 ("**Owing Sum**"). The Respondent failed, neglected, and refused to pay the Owing Sum or any part thereof. Consequently, on 9 November 2023, Saliran Industrial Supplies filed a winding-up petition against the Respondent for the Owing Sum. Saliran Industrial Supplies is claiming for the following:

- (a) the winding up of the Respondent;
- (b) the appointment of the official receiver as liquidator of the Respondent;
- (c) the allowance of costs and incidentals to the Petition to be paid out of the assets of the Respondent; and
- (d) any other orders the High Court deems fit.

On 8 January 2024, the Respondent's solicitors filed a notice of intention to appear on petition for and on behalf of the Respondent. On the same day, the Respondent filed its affidavit in reply and denied the amount claimed by Saliran Industrial Supplies and stated the following:

- (aa) Saliran Industrial Supplies had failed to fulfill the replacement request by the Respondent in relation to the damaged and defective goods supplied by Saliran Industrial Supplies;
- (bb) the amount claimed in the Petition is wrong and not bona fide; and
- (cc) the Petition is flawed as the Respondent had obtained an order from the High Court on 23 November 2023 for a scheme of arrangement and obtained a draft restraining order from the High Court on 4 January 2024 to restrain all creditors, including Saliran Industrial Supplies, from proceeding with legal action against the Respondent.

For information, the Respondent was wound up on 15 May 2024 in relation to a petition filed by third-party. In relation thereto, the Petition was struck-out by the High Court on 1 July 2024 with liberty to file afresh with no order as to cost and the deposit of RM3,000.00 paid to the Director of General of Insolvency Department is to be refunded to Saliran Industrial Supplies.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

- (ii) Shah Alam High Court Suit No. BA-22NCVC-29-01/2024 ("**Suit**")

Saliran Industrial Supplies

Orient Arotek Engineering & Trading Sdn Bhd ("**Defendant**")

On 13 June 2023, Saliran Industrial Supplies entered into a sales and purchase agreement ("**SPA**") with the Defendant for the acquisition of a freehold property located at No. 17, Jalan Kasuarina 7/KS7, Ambang Botanic, 41200 Klang, Selangor ("**Property**") for a purchase price of RM1,100,000.00 ("**Purchase Price**").

On 24 October 2023, Saliran Industrial Supplies received a letter from the chargee of the Property i.e. Public Bank Berhad, stating that the redemption sum for the Property is RM1,602,000.00. Pursuant to the SPA, the Defendant confirms and warrants that the redemption sum due to the Saliran Industrial Supplies shall not exceed the Purchase Price. In the event that the redemption sum exceeds the Purchase Price, the Defendant shall deposit the shortfall between the redemption sum and the Purchase Price to Saliran Industrial Supplies ("**Shortfall**"). Failure to do so will entitle the Saliran Industrial Supplies to commence legal proceedings for specific performance of the SPA.

On 30 January 2024, Saliran Industrial Supplies initiated civil proceedings against the Defendant for breach of the SPA. Saliran Industrial Supplies is claiming for the followings:

- (a) a specific performance order to compel the Defendant to fulfill its obligations under the SPA;
- (b) the Property's assessment tax and quit rent, totaling RM7,682.10;
- (c) in the event of the Defendant's failure to remit the Shortfall payment, Saliran Industrial Supplies shall be entitled to discharge said shortfall and offset said amount from the Purchase Price;
- (d) costs; and
- (e) any other relief that the High Court deems fit.

The Defendant filed an application for judicial management on 9 April 2024. The aforementioned application for judicial management had been withdrawn by the High Court on 10 May 2024.

On 5 June 2024, the Defendant's solicitors had informed the court that the Defendant had been wound up on 15 May 2024 and a liquidator has since been appointed over the Defendant's assets. In relation to the aforementioned matter, the Suit was withdrawn by Saliran Industrial Supplies on 2 July 2024.

The sum demanded by Saliran Industrial Supplies in connection to (i) above has been fully impaired during FYE 2023. In view that Orient Arotek Engineering & Trading Sdn Bhd was wound up on 15 May 2024 and a liquidator has been appointed to manage the settlement of claims based on the priority of its debts, Saliran Industrial Supplies is in a position to recover the amount demanded. While the exact timeline for settlement remains uncertain, the liquidation process provides a clear and orderly path for resolving claims related to Saliran Industrial Supplies.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

14.8 CONSENTS

- (i) The written consent of our Principal Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Issuing House and Company Secretaries as set out in the Corporate Directory of this Prospectus to the inclusion in this Prospectus of their names in the form and context in which such names appear, have been given before the issuance of this Prospectus and have not been subsequently withdrawn.
- (ii) The written consent of our Auditors and Reporting Accountants for the inclusion of its name, the Accountants' Report and the Reporting Accountants' Report on Pro forma Combined Statements of Financial Position, and all references thereto in the form and context in which they are included in this Prospectus, have been given before the issuance of this Prospectus and have not been subsequently withdrawn.
- (iii) The written consent of our IMR for the inclusion of its name, the IMR Report and all references thereto in the form and context in which they are included in this Prospectus, have been given before the issuance of this Prospectus and have not been subsequently withdrawn.

14.9 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report referred to in Section 8 of this Prospectus;
- (iii) the Accountants' Report as included in Section 13 of this Prospectus;
- (iv) the Reporting Accountants' Report on the Compilation of Pro Forma Combined Statements of Financial Position as at 31 August 2024 as included in Section 12.17 of this Prospectus;
- (v) the audited financial statements of Saliran for the FYEs 2021, 2022, 2023 and FPE 2024;
- (vi) the audited financial statements of Saliran Industrial Supplies for the FYEs 2021, 2022, 2023 and FPE 2024;
- (vii) the audited financial statements of Saliran Precision Engineering for the FYEs 2021, 2022, 2023 and FPE 2024;
- (viii) the audited financial statements of Saliran Industries for the financial period from 1 November 2022 (being the date of incorporation) to 31 December 2023 and FPE 2024;
- (ix) the audited financial statements of Saliran Flanges & Fittings for the FYEs 2021, 2022, 2023 and FPE 2024;
- (x) the audited financial statements of JS Tech Marketing for the financial period from 9 February 2023 (being the date of incorporation) to 31 December 2023 and FPE 2024;
- (xi) our material contracts referred to in Section 14.6 of this Prospectus;
- (xii) cause papers of the material litigations as set out in Section 14.7 of this Prospectus; and
- (xiii) the letters of consent referred to in Section 14.8 of this Prospectus.

14. STATUTORY AND OTHER INFORMATION *(cont'd)*

14.10 RESPONSIBILITY STATEMENTS

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

Malacca Securities, being our Principal Adviser, Sponsor, Underwriter and Placement Agent 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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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT 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.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 19 FEBRUARY 2025

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 28 FEBRUARY 2025

Applications for our IPO Shares will open and close at the dates stated above.

In the event there is any change to the dates stated above, we will advertise the notice of the 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.

15.2 METHODS OF APPLICATIONS**15.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Persons**

Applications must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed.

Types of Application and category of investors	Application Method
Applications by the Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)***15.2.2 Application by selected investors and Bumiputera investors approved by the MITI via placement**

Types of Application	Application Method
Applications by:	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Bumiputera investors approved by the MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Eligible Persons, selected investors and Bumiputera investors approved by the MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY**15.3.1 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 Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts will not be accepted** for the Applications.

Only **ONE** 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.

15.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or
 - (b) 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

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) 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
- (iii) You must submit Applications by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

15.3.3 Application by the Eligible Persons

The Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, Malacca Securities, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 PROCEDURES FOR 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 RM0.27 for each IPO Share.

Payment must be made out in favour of “**TIH SHARE ISSUE ACCOUNT NO. 794**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
 (Registration No. 197101000970 (11324-H))
 Unit 32-01, Level 32, Tower A
 Vertical Business Suite, Avenue 3
 Bangsar South
 No. 8, Jalan Kerinchi
 59200 Kuala Lumpur

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in box provided at the following address:

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 28 February 2025 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.

15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions or Participating Securities Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Malaysia Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malacca Securities Sdn Bhd, Malayan Banking Berhad, Moomoo Securities Malaysia Sdn Bhd and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firms (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions or Participating Securities Firms.

15.7 AUTHORITY OF OUR BOARD AND OUR ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) 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 15.9 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.

15.8 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 Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of Issue Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <http://tiih.online> within 1 business day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25.00% 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 Persons, subject to the clawback and reallocation provisions as set out in Section 4.3.3 of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

15.9 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.

15.9.1 For applications by way of Application Form

- (i) 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 registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

- (ii) 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 documents 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.
- (iii) 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 (i) and (ii) above (as the case may be).
- (iv) 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 registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions or Participating Securities Firms 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 Institutions or Internet Participating Financial Institutions or Participating Securities Firms (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) 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 Institutions or Internet Participating Financial Institutions or Participating Securities Firms (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 Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) Our IPO Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your last registered or correspondence address last maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (iii) In accordance with Section 14(1) of the SICDA, 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 SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No 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.

15.11 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, Participating Securities Firms and Authorised Financial Institution

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website at <https://tiih.online>, **1 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 as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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NOTICE ACCOMPANYING THE ELECTRONIC PROSPECTUS OF SALIRAN GROUP BERHAD (“SALIRAN” OR THE “COMPANY”) DATED 19 FEBRUARY 2025 (“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, Malacca Securities Sdn Bhd ("Malacca 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, Malacca Securities and Saliran 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 19 February 2025 and will close at 5.00 p.m. on 28 February 2025.

In the event the Closing Date is extended, Saliran 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, and make an announcement on Bursa Securities' website.

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.