

12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

The historical consolidated financial information for the FYE 31 December 2022, 2023 and 2024 presented below have been extracted from the Accountants' Report included in Section 13 of this Prospectus ("**Consolidated Financial Statements**"). Our Consolidated Financial Statements are prepared in accordance with MFRS and IFRS.

The following selected historical consolidated financial information should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Section 12.2 of this Prospectus together with the Accountants' Report in Section 13 of this Prospectus.

Selected financial information from the historical consolidated statements of comprehensive income

	FYE 31 December		
	Audited		
	2022	2023	2024
	RM'000	RM'000	RM'000
Revenue	266,565	288,844	276,715
Cost of sales	(203,313)	(215,740)	(199,200)
GP	63,252	73,104	77,515
Other operating income	2,108	5,413	16,605
Selling and distribution expenses	(4,389)	(4,890)	(5,012)
Administrative and general expenses	(25,731)	(29,004)	(32,708)
(Loss)/Reversal of impairment of financial assets	(1,478)	1,285	(410)
Other net (losses)/gains	(52)	72	(154)
Profit from operations	33,710	45,980	55,836
Finance costs	(1,113)	(903)	(2,277)
Share of results of joint venture	447	571	66
PBT	33,044	45,648	53,625
Tax expense	(7,894)	(10,707)	(14,585)
PAT	25,150	34,941	39,040
PAT attributable to:			
- Owners of our Company	22,333	29,781	34,308
- Non-controlling interests	2,817	5,160	4,732

Other selected financial data

	FYE 31 December		
	2022	2023	2024
GP margin (%) ⁽¹⁾	23.7	25.3	28.0
EBITDA (RM'000) ⁽²⁾	35,028	46,575	56,987
EBITDA margin (%) ⁽³⁾	13.1	16.1	20.6
PBT margin (%) ⁽⁴⁾	12.4	15.8	19.4
PAT margin (%) ⁽⁵⁾	9.4	12.1	14.1
Basic and diluted EPS (sen) ⁽⁶⁾	0.19	0.26	0.30

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) Computed based on GP divided by revenue.
- (2) EBITDA is calculated as PAT plus: (i) tax expense; (ii) finance costs; (iii) depreciation of PPE and (iv) depreciation of right-of-use assets, less (v) share of profit of joint venture and (vi) interest income.

	FYE 31 December		
	2022	2023	2024
	RM'000	RM'000	RM'000
PAT	25,150	34,941	39,040
Add/(Less):			
Tax expense	7,894	10,707	14,585
Finance costs	1,113	903	2,277
Depreciation of PPE	2,114	2,349	2,768
Depreciation of right-of-use assets	67	67	335
Share of profit of joint venture	(447)	(571)	(66)
Interest income	(863)	(1,821)	(1,952)
EBITDA	35,028	46,575	56,987

- (3) Computed based on EBITDA divided by revenue.
- (4) Computed based on PBT divided by revenue.
- (5) Computed based on PAT divided by revenue.
- (6) Computed based on PATAMI divided by the weighted average number of Shares in issue as described under Note 2.28 of the Accountants' Report in Section 13 of this Prospectus.

EBITDA and the related ratios presented in this Prospectus are supplemental measures of our performance and liquidity that are not required by or presented in accordance with IFRS and MFRS. Furthermore, EBITDA is not a measure of our financial performance or liquidity under IFRS and MFRS and should not be considered as an alternative to net profit, operating profit or any other performance measures derived in accordance with IFRS or MFRS or as an alternative to cash flows from operating activities or as a measure of liquidity. In addition, EBITDA is not a standardised term and hence, direct comparisons of EBITDA between companies may not be possible. Other companies may calculate EBITDA differently from us, limiting its usefulness as a comparative measure.

12. FINANCIAL INFORMATION (Cont'd)**Selected financial information from the historical consolidated statements of financial position**

	As at 31 December		
	Audited		
	2022	2023	2024
	RM'000	RM'000	RM'000
Total non-current assets	78,016	116,579	120,369
Total current assets	191,029	229,065	193,122
Total assets	269,045	345,644	313,491
Total non-current liabilities	15,398	7,865	43,913
Total current liabilities	104,465	201,909	95,392
Total liabilities	119,863	209,774	139,305
Net assets	149,182	135,870	174,186
Net current assets	86,564	27,156	97,730
Share capital	-	10	115,000
Invested equity ⁽¹⁾	9,900	-	-
Reserves	128,553	121,059	39,653
Equity attributable to owners of our Company	138,453	121,069	154,653
Non-controlling interests	10,729	14,801	19,533
Total equity	149,182	135,870	174,186
Other selected financial data			
Total borrowings (RM'000)	20,000	14,000	45,396
Cash and cash equivalents (RM'000)	32,960	52,078	54,782
Net (cash)/borrowings (RM'000) ⁽²⁾	(12,960)	(38,078)	(9,386)
Gearing ratio (times) ⁽³⁾	0.13	0.10	0.26
Net gearing ratio (times) ⁽⁴⁾⁽⁵⁾	(0.09)	(0.28)	(0.05)

Notes:

- (1) Represents the notional share capital of our Company prior to its incorporation. The invested equity for our Group comprised of the aggregation of the share capitals of WATSB and WTSB. Following the incorporation of our Company on 5 December 2023, the carrying amount of invested equity was transferred to retained earnings.
- (2) Computed based on total borrowings less cash and cash equivalents as at the end of the financial year.
- (3) Computed based on total borrowings divided by total equity as at the end of the financial year.
- (4) Computed based on net (cash)/borrowings divided by total equity as at the end of the financial year.
- (5) Negative net gearing ratio denotes a net cash position.

12. FINANCIAL INFORMATION (Cont'd)**12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our Group's financial condition and results of operations is based on our consolidated financial information for the Financial Years Under Review, which have been extracted from the Accountants' Report in Section 13 of this Prospectus.

12.2.1 Overview**(i) Business overview**

We operate in the renewable energy sector where we are involved in the engineering, procurement, construction and commissioning (EPCC) of steam energy systems and auxiliary facilities, the supply of steam turbine generator systems, as well as after-sales services for these systems, including repair and maintenance services, and parts sales.

Our other business activities include the design and manufacture of palm oil milling equipment, sale of externally sourced palm oil milling equipment and after-sale services for such equipment.

Based on our Group's revenue for the FYE 31 December 2024, we are the largest provider of steam turbine generator systems and second largest provider of biomass steam energy systems in Malaysia. In Indonesia, we are among the top industry players in the steam turbine market. *(Source: IMR Report)*

As at the LPD, our Group has 34 on-going steam energy system projects in progress with design capacities ranging from 4.5 TPH to 90.0 TPH, and 70 on-going orders for steam turbine generator systems with capacities ranging from 0.50 MW to 3.50 MW. Our headquarters and operational facilities are located in Shah Alam, Selangor, Malaysia, and are supported by three service centres in Malaysia, and two service centres in Indonesia.

For further information on our business, see Section 7 of this Prospectus.

12.2.2 Significant factors affecting our financial condition and results of operations

Please refer to Section 5 of this Prospectus for the details of risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

(i) Our business relies on our ability to secure new projects and orders to sustain and grow our operations

Our customer base primarily consists of companies in the palm oil industry, followed by other sectors such as pulp and paper production, and sugar refining. Our revenue from steam energy systems and auxiliary facilities is typically generated through fixed lump-sum contracts, whereas revenue from steam turbine generator systems, palm oil milling equipment, and after-sales services is derived from confirmed purchase orders and/or equivalent agreements. These services are typically non-recurring after installation and handover, or delivery to customers. Failure to secure new contracts or orders to replenish our order book may adversely affect our financial performance and business growth.

12. FINANCIAL INFORMATION (Cont'd)**(ii) Our business and financial performance also depend on our ability to retain existing customers and expand our customer base**

During the Financial Years Under Review, we served a broad customer base of more than 1,400 customers across Malaysia, Indonesia and other foreign markets. Our customers primarily consist of end users of our products, including operators of palm oil mills and other industrial plants such as oleochemical facilities, sugar refineries, and pulp and paper mills. In addition, we also provide products and services to contractors engaged by main contractors for steam energy systems and auxiliary facilities in palm oil mills and industrial plants.

There can be no assurance that we will be able to maintain or grow our customer base in the future. This risk may arise from various factors such as changes in demand, increased competition, and evolving market trends. Furthermore, economic downturns or unfavourable market conditions could lead to reduced customer investment or lower demand for our products and services. Our inability to implement effective sales and marketing strategies to retain existing customers or attract new ones may adversely affect our business and results of operations.

(iii) Our business and financial performance may be affected by delays in project implementation and completion, delivery of orders or early termination or suspension of projects

We are generally required to adhere to specific milestones and delivery timelines for our EPCC projects, particularly those involving steam energy systems and auxiliary facilities. Any delay in meeting these timelines arising from, among others, inefficiencies in project planning and/or shortcomings in execution, may result in adverse consequences, including delays in revenue recognition and project cost overruns. Such delays may also lead to reductions in our contracted scope of work or the termination of contracts and orders by customers, which may adversely impact our results of operations and financial conditions.

Certain contracts and secured orders also contain provisions for liquidated ascertained damages (LAD) in the event of project completion or delivery delays beyond stipulated deadlines or agreed extensions. If such delays occur due to planning inefficiencies or execution issues, we may become liable for LAD. Furthermore, delays may affect customer satisfaction and tarnish our reputation, potentially limiting our ability to secure future projects and thereby adversely impacting our financial performance. While we did not incur any LAD claims for our EPCC projects during the Financial Years Under Review, there is no assurance that such claims will not arise in the future.

Additionally, we may be subject to early termination or suspension of work before the full completion of our contractual scope. Such events may result from various causes, including on-site accidents, safety issues, non-performance by either party, insolvency, payment defaults, changes in customer plans, economic downturns, our inability to fulfil contractual obligations, mutual agreement, or events beyond the control of either party. In such cases, we may not be able to recover the costs incurred or revenue billed, which could lead to a loss of revenue and profit, and may adversely affect our overall financial performance.

12. FINANCIAL INFORMATION (Cont'd)**(iv) Warranty claims**

Our EPCC projects for steam energy systems and auxiliary facilities, as well as the supply of steam turbine generator systems, typically include a warranty. Depending on the terms of each contract or purchase orders, the warranty period is generally the earlier of 12 months from the date of project handover or on completion of testing and commissioning, or 18 months from the date of delivery. During this warranty period, we are responsible for rectifying any defects at our own costs. Additionally, certain contracts may require a performance bond or bank guarantee ranging between 5% to 10% of the total contract value for our EPCC projects.

While we procure input materials, equipment, and related products from third-party suppliers who provide their own warranties, we may still incur additional expenses related to rectification works. Such costs include labour, machinery rental, and logistics when carrying out rectification works during the warranty period.

Our accounting policies include the recognition of warranty provisions to cover anticipated labour and related costs for potential repair or replacements for products sold under warranty. These provisions are estimated based on the expected costs to fulfil our warranty obligations and apply to our two main product categories, namely steam energy systems and auxiliary facilities, as well as steam turbine generator systems. The provision for warranty as at the FYE 31 December 2022, 2023 and 2024, were RM1.2 million, RM1.8 million and RM2.0 million respectively. For the Financial Years Under Review, the net warranty provisions recognised in the accounts amounted to RM0.4 million, RM0.8 million and RM0.5 million for the FYE 31 December 2022, 2023 and 2024, respectively.

(v) Our business and financial performance are influenced by fluctuations in steel material prices and our ability to manage input material costs effectively

Steel-based materials such as steel plates, tubes, pipes and bars are one of the major input materials used in our EPCC projects. For the Financial Years Under Review, the purchases of steel materials, control valves and fittings accounted for 13.1%, 16.6%, and 15.3% of our total costs incurred for input materials, products and services for the FYE 31 December 2022, 2023, and 2024, respectively.

As a globally traded commodity, steel prices are subject to volatility driven by factors such as global economic conditions, trade tariffs, geopolitical developments, demand from end-user industries and supply of steel from steel manufacturers. Such fluctuations in the prices of steel may adversely affect the results of our operations and financial performance.

Beyond steel, our cost of sales also includes other material costs, labour costs, project related expenses, logistics costs, factory overhead costs and others. In the event of any increase in these costs that we are unable to pass on to our customers, our financial performance will be adversely affected.

(vi) We may not be able to invoice our customers or receive the full amount due under our contract assets

Our steam energy systems and auxiliary facilities segment recognises revenue based on the percentage of work completed or services performed. Depending on the terms of each contract, we typically submit progress claims and reports to our customers in accordance with the progress of the work completed. Some progress claims are subject to validation or certification by customers or their representatives. Upon approval or validation of these claims, we issue invoices for progress payments corresponding to the percentage of work completed.

12. FINANCIAL INFORMATION (Cont'd)

Contract assets represent the value of work performed and recognised as revenue for which we are yet to be entitled to invoice our customers for the completed work. There is generally a time gap between the completion of contract work, the submission of our payment claims, obtaining payment certificates from our customers, issuance of invoices and receipt of payment from our customers.

The value of contract assets may fluctuate between reporting periods due to timing of milestone completions and the subsequent certification of the completed work by our customers. There is no assurance that we will be able to invoice and/or collect the full amount of contract assets, as disputes may arise with our customers over the value or status of the completed work. Failure to invoice and collect the full amount from our customers could materially and adversely impact our financial performance, position, and liquidity.

Furthermore, if our customers were to encounter financial difficulties or are unable to pay our invoices, we may be unable to recover the full value of our contract assets.

For the Financial Years Under Review, the impairment loss of contract assets recognised was RM1.2 million in FYE 31 December 2023, with no impairment losses of contract assets recorded in the FYE 31 December 2022 and 2024.

(vii) Foreign currency risk

Foreign currency risk refers to the risk that the fair value or future cash flows of a financial instrument may fluctuate due to changes in foreign exchange rates. Our Group is exposed to foreign currency risk arising from sales and purchases denominated in currencies other than our functional currencies, RM and IDR, primarily involving the USD, JPY and EUR.

However, our Group's primary exposure is to fluctuations in the USD against the RM. Our Group considers that the foreign currency risk attributable to foreign currencies other than the USD to be insignificant. The table below illustrates the sensitivity of our PBT to a 5% change in the USD exchange rate against the RM.

	FYE 31 December		
	2022	2023	2024
	RM'000	RM'000	RM'000
Effects on PBT			
USD strengthened 5%	598	346	149
USD weakened 5%	(598)	(346)	(149)

For the Financial Years Under Review, details of our foreign exchange gains or losses are set out below:

	FYE 31 December		
	2022	2023	2024
	RM'000	RM'000	RM'000
Foreign exchange gains/(losses)			
Foreign exchange:			
- realised gain/(loss)	(1,072)	788	(476)
- unrealised gain/(loss)	(185)	(236)	520
Total net gain/(loss)	(1,257)	552	44

12. FINANCIAL INFORMATION (Cont'd)

The impact of such currency fluctuations on our Group's GP margin was not material, with the estimated effect ranging from 0.1% to 2.0%.

Our Group seeks to maintain a natural hedge, where feasible, by maintaining sales and purchases in matching foreign currencies. We continuously monitor our foreign exchange exposure and endeavour to keep net exposures within acceptable limits.

In addition, we enter into forward currency contracts to hedge foreign currency risk for anticipated receipts or payments occurring more than one month after our Group has committed to a firm sale or purchase. It is our Group's policy to match the terms of these forward contracts with the underlying hedged transactions to maximise hedging effectiveness.

(viii) Our business depends on the market demand for renewable energy systems, which is subject to political, economic, social, market and regulatory factors

For the Financial Years Under Review, revenue from our renewable energy segment accounted for 89.0%, 85.9%, and 85.3% of our Group's total revenue for the FYE 31 December 2022, 2023, and 2024, respectively. In this respect, a slowdown or decline in demand for renewable energy systems, particularly from key user industries we serve such as the palm oil industry and pulp and paper production, may materially and adversely impact our business operations and financial performance.

Demand for renewable energy systems, including steam energy systems and steam turbine generator systems, is driven by factors such as environmental compliance requirements, operating cost considerations, availability of government incentives or subsidies, as well as environmental pressures and certification requirements, such as those established by the Roundtable on Sustainable Palm Oil (RSPO). Unfavourable developments in the socio-political landscape in Malaysia and/or the foreign markets we serve could also materially and adversely affect our business operations, financial performance and future prospects.

12.2.3 Critical accounting estimates and judgements

(i) Changes in estimates

Estimates are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Our Directors are of the opinion that there are no significant changes in estimates at the end of each reporting period.

(ii) Critical judgements made in applying accounting policies

There are no critical judgements made by management in the process of applying the accounting policies of our Group that have a significant effect on the amounts recognised in the financial statements of our Group.

(iii) Key sources of estimation uncertainty

There are no critical accounting estimates applied during the Financial Years Under Review.

12. FINANCIAL INFORMATION (Cont'd)**12.2.4 Results of operations****(a) Revenue**

We generate our revenue mainly from the following:

- (i) EPCC of steam energy systems and auxiliary facilities where we offer renewable energy systems including biomass steam energy systems and heat recovery steam generator (HRSG) systems. In addition, we also offer gas-fired steam energy systems. The EPCC projects are based on lump sum contracts. The revenue of the EPCC projects is recognised over time based on proportion of work done and/or completed, and may be certified by our customers and/or their representatives;
- (ii) After-sales services comprise the provision of repair and maintenance services including sales of parts. The revenue of this segment is recognised at a point in time when the control of the goods has been transferred to the customer upon delivery or services rendered; and
- (iii) Supply of steam turbine generator systems where sales are based on purchase orders. The revenue from this segment is recognised at a point in time when the control of the goods has been transferred to the customer upon delivery.

Our revenue increased by 8.3% to RM288.8 million for the FYE 31 December 2023, followed by a slight decrease of 4.2% to RM276.7 million for the FYE 31 December 2024. Our revenue from the renewable energy segment accounted for 89.0%, 85.9%, and 85.3% of our Group's total revenue for the FYE 31 December 2022, 2023, and 2024, respectively.

The following table sets out our revenue breakdown by segments:

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Renewable energy segment	237,113	89.0	248,007	85.9	235,994	85.3
After-sales services ⁽¹⁾	88,595	33.2	80,526	27.9	94,099	34.0
EPCC of steam energy systems and auxiliary facilities ⁽²⁾	93,446	35.1	94,212	32.6	78,800	28.5
Supply of steam turbine generator systems ⁽³⁾	55,072	20.7	73,269	25.4	63,095	22.8
Industrial energy and equipment segment⁽⁴⁾	29,452	11.0	40,837	14.1	40,721	14.7
Total revenue	266,565	100.0	288,844	100.0	276,715	100.0

Notes:

- (1) Include repair and maintenance, and sales of parts for steam turbine generator systems, steam energy systems and auxiliary facilities, and palm oil milling equipment.
- (2) Include biomass steam energy systems, and auxiliary facilities including emission control systems, efficiency enhancement systems, water treatment systems, and boiler process control and automation, and HRSG. In FYE 31 December 2022, it included a supply and installation project for palm oil milling equipment.

12. FINANCIAL INFORMATION (Cont'd)

- (3) For the Financial Years Under Review, the number of steam turbine generator systems sold is as follows:

	FYE 31 December		
	2022	2023	2024
Indonesia	59	85	79
Malaysia	11	13	9
North And South America ^(a)	-	1	1
Others ^(b)	3	2	-
Total supply of steam turbine generator systems	73	101	89

(a) Includes countries from North and South America, namely Colombia and Honduras.

(b) Others include countries from Africa, namely Uganda, Ghana, Ivory Coast, Cameroon and Nigeria.

- (4) Include the EPCC of gas-fired energy systems and the sales of palm oil milling equipment which are in-house manufactured and externally sourced.

For the Financial Years Under Review, revenue from the domestic market in Malaysia accounted for 45.9%, 42.9%, and 43.6% of our total revenue for the FYE 31 December 2022, 2023, and 2024, respectively. The remainder was contributed by export sales, which accounted for 54.1%, 57.1%, and 56.4% of our total revenue for the FYE 31 December 2022, 2023, and 2024, respectively.

Revenue contribution by the location of customers (based on our customers' delivery and/or project site address) is further set out below:

Revenue by customers' locations	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Indonesia	113,666	42.6	138,030	47.8	136,799	49.4
Malaysia	122,182	45.9	123,797	42.9	120,510	43.6
North and South America ⁽¹⁾	22,490	8.4	21,099	7.3	13,732	5.0
Others ⁽²⁾	8,227	3.1	5,918	2.0	5,674	2.0
Total revenue	266,565	100.0	288,844	100.0	276,715	100.0

Notes:

- (1) Includes countries from North and South America, such as Colombia, Mexico, Ecuador, Guatemala, and Honduras.
- (2) Others include countries from Africa such as Uganda, Liberia, Ghana, Gabon, Ivory Coast, Cameroon and Nigeria; and Asia Pacific countries such as Thailand, Singapore, Bangladesh, Japan and Myanmar.

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12. FINANCIAL INFORMATION (Cont'd)

The table below sets out a breakdown of our revenue by both business segments and customers' location (based on delivery and/or project site address):

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Renewable energy segment	237,113	89.0	248,007	85.9	235,994	85.3
After-sales services ⁽¹⁾	88,595	33.2	80,526	27.9	94,099	34.0
Indonesia	44,848	16.8	41,404	14.3	40,500	14.6
Malaysia	31,603	11.9	26,231	9.1	42,529	15.4
North and South America	8,783	3.3	9,634	3.4	6,689	2.4
Others	3,361	1.2	3,257	1.1	4,381	1.6
EPCC of steam energy systems and auxiliary facilities ⁽²⁾	93,446	35.1	94,212	32.6	78,800	28.5
Indonesia	19,955	7.5	25,198	8.7	20,217	7.3
Malaysia	67,169	25.2	60,988	21.1	55,937	20.2
North and South America	6,239	2.4	8,026	2.8	2,155	0.8
Others	83	*	-	-	491	0.2
Supply of steam turbine generator systems	55,072	20.7	73,269	25.4	63,095	22.8
Indonesia	42,764	16.0	59,193	20.5	54,713	19.8
Malaysia	8,616	3.3	11,879	4.1	7,597	2.7
North and South America	-	-	655	0.2	706	0.3
Others	3,692	1.4	1,542	0.6	79	*
Industrial energy and equipment segment⁽³⁾	29,452	11.0	40,837	14.1	40,721	14.7
Indonesia	6,099	2.3	12,235	4.3	21,369	7.7
Malaysia	14,794	5.5	24,699	8.5	14,447	5.2
North and South America	7,468	2.8	2,784	1.0	4,182	1.5
Others	1,091	0.4	1,119	0.3	723	0.3
Total revenue	266,565	100.0	288,844	100.0	276,715	100.0

Notes:

* Less than 0.1%.

- (1) Include repair and maintenance, and sales of parts for steam turbine generator systems, steam energy systems and auxiliary facilities, and palm oil milling equipment.
- (2) Include biomass steam energy systems, and auxiliary facilities including emission control systems, efficiency enhancement systems, water treatment systems, and boiler process control and automation, and HRSG. In FYE 31 December 2022, it included a supply and installation project for palm oil milling equipment.
- (3) Include the EPCC of gas-fired energy systems and the sales of palm oil milling equipment which are in-house manufactured and externally sourced.

12. FINANCIAL INFORMATION (Cont'd)**(b) Cost of sales****(i) Cost of sales by components**

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Material costs	135,807	66.8	145,014	67.3	134,718	67.6
- Input materials and finished goods	134,915	66.4	144,033	66.8	133,791	67.1
- Consumables	892	0.4	981	0.5	927	0.5
Labour costs	36,113	17.8	36,771	17.0	36,798	18.5
- Subcontractor costs	22,928	11.3	22,431	10.4	20,388	10.2
- Direct labour costs	10,550	5.2	11,950	5.5	12,894	6.5
- Others ⁽¹⁾	2,635	1.3	2,390	1.1	3,516	1.8
Project related expenses	23,188	11.4	24,830	11.5	18,545	9.3
- Project costs ⁽²⁾	19,691	9.7	20,912	9.7	14,679	7.4
- Others ⁽³⁾	3,497	1.7	3,918	1.8	3,866	1.9
Logistics costs ⁽⁴⁾	4,157	2.0	4,059	1.9	4,513	2.3
Factory overhead costs ⁽⁵⁾	3,918	1.9	3,714	1.7	3,474	1.7
Others ⁽⁶⁾	130	0.1	1,352	0.6	1,152	0.6
Total	203,313	100.0	215,740	100.0	199,200	100.0

Notes:

- (1) Other labour costs include travelling costs and immigration charges.
- (2) Includes parts and components such as fans, motors, pumps, and instruments used in steam energy systems, as well as project overhead costs such as third-party agent fees for the sale of steam energy systems, site-related expenses and travelling costs.
- (3) Other project related expenses include consultancy and technical fees, handling and printing expenses, and provision of warranties.
- (4) Refers to costs for the transportation of inward logistic charges for the purchase of input materials as well as outward logistic charges for the delivery of goods to customers' sites.
- (5) Factory overhead costs include depreciation and amortisation costs, rental, repair and maintenance costs, utilities, upkeep of factory, and insurance.
- (6) Others costs include sales commissions to third-party agents for the sale of steam turbine generator systems and palm oil milling equipment and spare parts, business and work permit fees, bank charges, and road tax.

12. FINANCIAL INFORMATION (Cont'd)**(ii) Cost of sales by segments**

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Renewable energy system	178,776	87.9	182,096	84.4	169,225	85.0
Steam energy and steam turbine generator systems ⁽¹⁾	120,543	59.3	131,185	60.8	107,972	54.2
After-sales services ⁽²⁾	58,233	28.6	50,911	23.6	61,253	30.8
Industrial energy and equipment segment⁽³⁾	24,537	12.1	33,644	15.6	29,975	15.0
Total	203,313	100.0	215,740	100.0	199,200	100.0

Notes:

- (1) Include biomass steam energy systems, supply of steam turbine generator systems, auxiliary facilities including emission control systems, efficiency enhancement systems, water treatment systems, and boiler process control and automation, and HRSG. In FYE 31 December 2022, it included a supply and installation project for palm oil milling equipment.
- (2) Include repair and maintenance services, and sales of parts for steam turbine generator systems, steam energy systems and auxiliary facilities, and palm oil milling equipment.
- (3) Include the EPCC of gas-fired steam energy systems and the sales of palm oil milling equipment which are in-house manufactured and externally sourced.

Material costs

Material costs mainly consist of input materials used in our business operations, including:

- Metal-based raw materials such as steel plates, tubes, pipes and bars, as well as mechanical parts, instrumentation and electrical components, mainly for the EPCC of steam energy systems and auxiliary facilities;
- Spare parts used for after-sales services, including repair and maintenance; and
- Finished goods such as ESP for our projects and steam turbines purchased for steam turbine generator systems.

For the Financial Years Under Review, our material costs accounted for 66.8%, 67.3%, and 67.6% of our total cost of sales for the FYE 31 December 2022, 2023 and 2024, respectively.

Labour costs

Our labour costs consist of subcontractor costs for fabrication works carried out at our Shah Alam factories, as well as on-site construction and installations. In addition, our labour costs mainly include direct labour costs comprising salaries, bonuses, allowances, and statutory contributions for employees who are involved in the operations of our Group. For the Financial Years Under Review, our labour costs accounted for 17.8%, 17.0%, and 18.5% of our total cost of sales for the FYE 31 December 2022, 2023 and 2024, respectively.

12. FINANCIAL INFORMATION (Cont'd)***Project related expenses***

Our project related expenses comprise the following:

- Project costs, including parts and components for steam energy systems such as fans, motors and pumps, as well as project overhead costs such as site-related expenses and travelling costs; and
- Other expenses, including consultancy and technical fees, handling and printing expenses, and provision of warranties.

For the Financial Years Under Review, our project related costs accounted for 11.4%, 11.5%, and 9.3% of our total cost of sales for the FYE 31 December 2022, 2023 and 2024, respectively.

Logistics costs

Our logistics costs comprise freight and transportation costs including inward logistic charges for the purchase of input materials as well as outward logistic charges for the delivery of goods to our customers' sites. For the Financial Years Under Review, our logistic costs accounted for 2.0%, 1.9%, and 2.3% of our total cost of sales for the FYE 31 December 2022, 2023 and 2024, respectively.

Factory overhead costs

Our factory overhead costs comprise mainly depreciation and amortisation costs, rental, repair and maintenance costs, utilities, upkeep of factory, insurance, and others. For the Financial Years Under Review, our factory overhead costs accounted for 1.9%, 1.7%, and 1.7% of our total cost of sales for the FYE 31 December 2022, 2023 and 2024, respectively.

Other costs

Others costs comprise sales commissions, business and work permit fees, bank commission for utilising bank facilities, and road tax. Our others costs accounted for less than 1.0% of our total cost of sales for each of the Financial Years Under Review.

(c) Other operating income

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of asset held for sale	-	-	-	-	⁽⁴⁾ 11,631	70.0
Interest income ⁽¹⁾	863	40.9	1,821	33.6	1,952	11.8
Gain on foreign exchange	117	5.6	1,200	22.2	965	5.8
Rental income ⁽²⁾	349	16.6	368	6.8	862	5.2
Reversal of allowance for slow-moving goods	311	14.8	950	17.6	128	0.8
Gain on disposal of property, plant and equipment	49	2.3	167	3.1	431	2.6
Scrap sales	271	12.9	627	11.6	285	1.7
Others ⁽³⁾	148	6.9	280	5.1	351	2.1
Total	2,108	100.0	5,413	100.0	16,605	100.0

12. FINANCIAL INFORMATION (Cont'd)**Notes:**

- (1) Refers to interest income on advances to our holding and related companies, as well as interest income on deposits with licensed banks.
- (2) Refers to income received from the rental of factories and offices to our joint venture, external parties, and a related company.
- (3) Others mainly include bad debt recovered, insurance claims, customer deposits forfeited, return on capital of liquidated subsidiary company and sundry income.
- (4) Relating to the disposal of freehold land and building of a non-core property, Lot 1930 in Shah Alam, Selangor.

(d) Selling and distribution expenses

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	3,780	86.1	4,084	83.5	4,373	87.3
Advertisement and promotion expenses	172	3.9	235	4.8	243	4.8
Travelling expenses	218	5.0	293	6.0	184	3.7
Entertainment expenses	83	1.9	97	2.0	87	1.7
Upkeep of motor vehicles	31	0.7	35	0.7	51	1.0
Freight and courier expenses	62	1.4	85	1.7	40	0.8
Others ⁽²⁾	43	1.0	61	1.3	34	0.7
Total	4,389	100.0	4,890	100.0	5,012	100.0

Notes:

- (1) Include all staff-related expenses for the sales department, including salaries, bonuses, statutory contributions, allowances, insurance and medical fees.
- (2) Include parking and toll charges, expenses related to business licenses and work permits, communication expenses, insurance and road tax as well as tender cost.

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12. FINANCIAL INFORMATION (Cont'd)**(e) Administrative and general expenses, and other gains/losses**

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Staff costs and related expenses ⁽¹⁾	13,423	52.2	16,125	55.6	19,133	58.5
Management fees ⁽²⁾	2,297	8.9	3,208	11.1	4,311	13.2
Upkeep expenses ⁽³⁾	1,632	6.3	1,567	5.4	1,881	5.8
Depreciation and write-off of property, plant and equipment, and right-of-use assets	952	3.7	1,032	3.6	1,508	4.6
Professional and related fees	328	1.3	162	0.6	1,015	3.1
Loss on foreign exchange ⁽⁴⁾	1,375	5.3	647	2.2	921	2.8
Rental and related expenses ⁽⁵⁾	1,690	6.6	1,834	6.3	754	2.3
General office expenses ⁽⁶⁾	518	2.0	549	1.9	616	1.9
Director's remuneration	589	2.3	552	1.9	580	1.8
Security expenses	247	1.0	243	0.8	503	1.5
Tax and regulatory expenses	205	0.8	497	1.7	396	1.2
Allowance for slow moving goods and inventory write-off	1,858	7.2	395	1.4	214	0.7
Allowance for Impairment losses on contract assets ⁽⁷⁾	-	-	1,193	4.1	-	-
Donation and gifts	16	0.1	⁽⁸⁾ 532	1.8	56	0.2
Others ⁽⁹⁾	601	2.3	468	1.6	820	2.4
Total	25,731	100.0	29,004	100.0	32,708	100.0
Loss/(Reversal) of impairment of financial assets	1,478		⁽¹⁰⁾(1,285)		410	
Other net losses/(gains)	52		(72)		154	

Notes:

- (1) Include all staff-related expenses for all departments except the sales department, including salaries, bonuses, statutory contributions, allowances, insurance, medical fees, training costs, entertainment and travelling expenses.
- (2) Refers to management fees to our holding and related companies for the provision of corporate functions such as accounting, treasury, corporate strategy, risk management, administrative, payroll and human resource services.
- (3) Include upkeep expenses mainly for factory plant and machinery, tools and equipment, office equipment, as well as building and premises.
- (4) Include realised and unrealised losses on foreign exchange.
- (5) Include rental of office, staff quarters and equipment, as well as other related expenses such as utilities, quit rent and assessment, stamp duty and facility fee.
- (6) Include expenses such as printing and stationery, subscriptions and books, postage and courier services, and communication expenses.
- (7) Refers to the impairment loss on contract assets relating to a gas-fired EPCC project due to project delays.
- (8) Include a donation of RM0.5 million made to a state zakat authority in the FYE 31 December 2023.
- (9) Include freight and handling costs, security expenses, professional fees, bank charges, and project tendering related expenses.
- (10) Mainly attributable to collections received from long-outstanding trade receivables, net of impairment.

12. FINANCIAL INFORMATION (Cont'd)**(f) Finance costs**

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Interest expense on:						
• Term loans	963	86.5	899	99.6	2,098	92.1
• Trade charges	125	11.2	4	0.4	169	7.5
• Revolving credits	25	2.3	-	-	-	-
• Others ⁽¹⁾	-	-	-	-	10	0.4
Total	1,113	100.0	903	100.0	2,277	100.0

Note:

(1) Includes interest expense on advance from our related company.

(g) Share of results of joint venture

	FYE 31 December					
	2022		2023		2024	
	RM'000	%	RM'000	%	RM'000	%
Share of results of joint venture	447	100.0	571	100.0	66	100.0

(h) PBT, PAT and effective tax rate

	FYE 31 December		
	2022	2023	2024
PBT (RM'000)	33,044	45,648	53,625
PBT margin	12.4%	15.8%	19.4%
Tax expenses (RM'000)	7,894	10,707	14,585
Effective tax rate	23.9%	23.5%	27.2%
PAT (RM'000)	25,150	34,941	39,040
PAT margin	9.4%	12.1%	14.1%

12. FINANCIAL INFORMATION (Cont'd)**12.2.5 Review of performance for the FYE 31 December 2023 compared to the FYE 31 December 2022**

The following table presents selected financial information from our consolidated statements of comprehensive income for the financial years indicated:

	FYE 31 December				
	2022		2023		%
	RM'000	% of revenue	RM'000	%of revenue	change (1)
Revenue	266,565	100.0	288,844	100.0	8.3
Cost of sales	(203,313)	(76.3)	(215,740)	(74.7)	6.1
GP	63,252	23.7	73,104	25.3	15.5
Other operating income	2,108	0.8	5,413	1.9	157.1
Selling and distribution expenses	(4,389)	(1.6)	(4,890)	(1.7)	11.4
Administrative and general expenses	(25,731)	(9.7)	(29,004)	(10.0)	12.8
(Loss)/Reversal of impairment of financial assets	(1,478)	(0.6)	1,285	0.4	(186.7)
Other net (losses)/gains	(52)	(0.02)	72	0.02	(200.0)
Profit from operations	33,710	12.6	45,980	15.9	36.5
Finance costs	(1,113)	(0.4)	(903)	(0.3)	(18.2)
Share of results of joint venture	447	0.2	571	0.2	50.0
PBT	33,044	12.4	45,648	15.8	38.2
Tax expense	(7,894)	(3.0)	(10,707)	(3.7)	35.4
PAT	25,150	9.4	34,941	12.1	38.5

Note:

(1) Calculated based on figures rounded to the nearest million.

(i) Revenue

Our revenue increased by RM22.2 million or 8.3% to RM288.8 million in the FYE 31 December 2023 (FYE 31 December 2022: RM266.6 million). The increase was attributed to the revenue contribution from the renewable energy and industrial energy and equipment segment.

Renewable energy segment

Our revenue from the renewable energy segment increased by RM10.9 million or 4.6% to RM248.0 million in the FYE 31 December 2023 (FYE 31 December 2022: RM237.1 million). This was mainly attributed to an increase in revenue from the supply of steam turbine generator systems by RM18.2 million or 33.0% to RM73.3 million in the FYE 31 December 2023 (FYE 31 December 2022: RM55.1 million), mainly due to higher export sales to Indonesia as well as domestic sales in Malaysia. This was also reflected in the higher number of steam turbine generator systems sold, which increased by 38.4% in FYE 31 December 2023.

The increase in revenue was also partially moderated by the lower revenue from after-sales services, which decreased by RM8.1 million or 9.1% to RM80.5 million in the FYE 31 December 2023 (FYE 31 December 2022: RM88.6 million), mainly arising from lower repair and maintenance services rendered for steam energy systems and auxiliary facilities in Malaysia and Indonesia.

12. FINANCIAL INFORMATION (Cont'd)**Industrial energy and equipment segment**

Our revenue from the industrial energy and equipment segment increased by RM11.3 million or 38.3% to RM40.8 million in the FYE 31 December 2023 (FYE 31 December 2022: RM29.5 million), mainly attributed to an increase in revenue from the EPCC of gas-fired steam energy systems by RM10.6 million or 65.8% to RM26.7 million in the FYE 31 December 2023 (FYE 31 December 2022: RM16.1 million). This was mainly contributed by a higher proportion of work completed on three ongoing gas-fired steam energy system projects for customers in the food manufacturing industry in Malaysia, which recorded a weighted average project completion (based on revenue recognition) of approximately 23.9% in the FYE 31 December 2023, compared to 3.6% in the FYE 31 December 2022. In addition, revenue was recognised from the commencement of three new projects during the year, which recorded a weighted average project completion (based on revenue recognition) of approximately 55.9% in the FYE 31 December 2023. The new projects were undertaken for customers including an oleochemical manufacturer and an engineering company in Malaysia.

Geographical markets

On a geographical basis, our revenue from domestic sales increased by RM1.6 million or 1.3% to RM123.8 million in the FYE 31 December 2023 (FYE 31 December 2022: RM122.2 million), which was mainly attributed to the supply of steam turbine generator systems. This was reflected in the increase of 55.6% in the number of steam turbine generator systems sold in Malaysia in the FYE 31 December 2023.

As for foreign countries, Indonesia represented the largest revenue contributor in the FYE 31 December 2023. Revenue from Indonesia increased by RM24.3 million or 21.4% to RM138.0 million in the FYE 31 December 2023 (FYE 31 December 2022: RM113.7 million), mainly attributed to higher revenue from the supply of steam turbine generator systems. This was reflected in the increase of 40.0% in the number of steam turbine generator systems sold in Indonesia in the FYE 31 December 2023. In addition, the increase was also partly contributed by higher revenue from the sales of palm oil milling equipment.

(ii) Cost of sales

Our cost of sales increased by RM12.4 million or 6.1% to RM215.7 million in the FYE 31 December 2023 (FYE 31 December 2022: RM203.3 million), which consists of the following:

(a) Material costs

Our material costs increased by RM9.2 million or 6.8% to RM145.0 million in the FYE 31 December 2023 (FYE 31 December 2022: RM135.8 million). This was mainly attributed to the higher procurement of finished goods to fulfill orders related to the supply of steam turbine generator systems, as reflected in the 38.4% increase in the number of systems sold in the FYE 31 December 2023.

(b) Labour costs

Our labour costs increased by RM0.7 million or 1.9% to RM36.8 million in the FYE 31 December 2023 (FYE 31 December 2022: RM36.1 million). This was mainly attributed to the increase in direct labour costs by RM1.4 million, which was mainly due to an increase in headcount.

(c) Project related expenses

Our project related costs increased by RM1.6 million or 6.9% to RM24.8 million in the FYE 31 December 2023 (FYE 31 December 2022: RM23.2 million), mainly arising from higher project overhead costs for EPCC projects as a result of increased work progress from biomass and gas-fired steam energy systems.

12. FINANCIAL INFORMATION (Cont'd)**(d) Logistics costs**

Our logistics costs decreased by RM0.1 million or 2.4% to RM4.1 million in the FYE 31 December 2023 (FYE 31 December 2022: RM4.2 million), mainly due to higher freight and transportation charges incurred in the FYE 31 December 2022 in relation to export sales to our customers in North and South America.

(e) Factory overhead costs

Our factory overhead costs decreased by RM0.2 million or 5.1% to RM3.7 million in the FYE 31 December 2023 (FYE 31 December 2022: RM3.9 million), mainly attributed to the lower rental of equipment as there were lower requirements for the EPCC projects.

(f) Other costs

Our others costs increased by RM1.3 million or 1,300.0% to RM1.4 million in the FYE 31 December 2023 (FYE 31 December 2022: RM0.1 million), mainly attributed to the reclassification of sales commissions to agents, previously recorded under "Labour costs" to 'Other costs', for the sale of steam turbine generator systems and palm oil milling equipment and spare parts.

(iii) GP

The following table sets out the breakdown of our GP and GP margin by segment for the financial years indicated:

	FYE 31 December					
	2022			2023		
	GP RM'000	%	GP margin %	GP RM'000	%	GP margin %
Renewable energy segment	58,337	92.2	24.6	65,911	90.1	26.6
Steam energy and steam turbine generator systems ⁽¹⁾	27,975	44.2	18.8	36,296	49.6	21.7
After-sales services ⁽²⁾	30,362	48.0	34.3	29,615	40.5	36.8
Industrial energy and equipment segment⁽³⁾	4,915	7.8	16.7	7,193	9.9	17.6
Total	63,252	100.0	23.7	73,104	100.0	25.3

Notes:

- (1) Include biomass steam energy systems, supply of steam turbine generator systems, auxiliary facilities including emission control systems, efficiency enhancement systems, water treatment systems, and boiler process control and automation, and HRSG. In FYE 31 December 2022, it included a supply and installation project for palm oil milling equipment.
- (2) Include repair and maintenance services, and sales of parts for steam turbine generator systems, steam energy systems and auxiliary facilities, and palm oil milling equipment.
- (3) Include the EPCC of gas-fired steam energy systems and the sales of palm oil milling equipment which are in-house manufactured and externally sourced.

Our GP increased by RM9.8 million or 15.5% to RM73.1 million in the FYE 31 December 2023 (FYE 31 December 2022: RM63.3 million), while our GP margin increased from 23.7% in the FYE 31 December 2022 to 25.3% in the FYE 31 December 2023. This was mainly contributed by the increase in GP contribution from our renewable energy segment.

12. FINANCIAL INFORMATION (Cont'd)**Renewable energy segment**

Our GP from the renewable energy segment increased by RM7.6 million or 13.0% to RM65.9 million in the FYE 31 December 2023 (FYE 31 December 2022: RM58.3 million). This was mainly contributed by an increase in GP from the steam energy and steam turbine generator system segment, which increased by RM8.3 million or 29.6% to RM36.3 million in the FYE 31 December 2023 (FYE 31 December 2022: RM28.0 million). The GP growth was primarily attributed to a higher number of steam turbine generator systems sold, as well as a higher proportion of work completed for the EPCC of four ongoing and 16 new biomass steam energy system projects in the FYE 31 December 2023. The four ongoing projects recorded a weighted average project completion (based on revenue recognition) of approximately 67.3% in the FYE 31 December 2023, compared to 5.7% in the FYE 31 December 2022. On the other hand, the 16 new projects recorded a weighted average project completion (based on revenue recognition) of approximately 24.7% in the FYE 31 December 2023. These factors reflected a revenue growth of 33.0% and 25.8% for the supply of steam turbine generator systems and the EPCC of biomass steam energy system projects, respectively, in FYE 31 December 2023.

Our GP margin from the renewable energy systems segment improved to 26.6% in the FYE 31 December 2023 (FYE 31 December 2022: 24.6%), mainly due to an improvement in the GP margin from our steam energy and steam turbine generator system segment to 21.7% in the FYE 31 December 2023 (FYE 31 December 2022: 18.8%).

The improvement in GP margin was mainly from the supply of steam turbine generator systems due to economies of scale resulting from higher number of systems sold. In addition, the GP improvement was partly contributed by higher margins of several biomass steam energy system EPCC projects, arising from increased work progress driven by efficient project execution through better planning, design standardisation, effective team coordination, and improved labour and equipment productivity. These operational improvements enabled higher revenue conversion without a proportional increase in costs of sales, thereby supporting the improvement in our GP margin.

Industrial energy and equipment segment

Our GP from the industrial energy and equipment segment increased by RM2.3 million or 46.9% to RM7.2 million in the FYE 31 December 2023 (FYE 31 December 2022: RM4.9 million). This was mainly attributed to an increase in GP from the EPCC of gas-fired steam energy systems arising from a higher proportion of work completed on ongoing projects as well as the commencement of new projects as described in Section 12.2.5(i) above. This is reflected in the revenue growth of 38.3% recorded for this segment in the FYE 31 December 2023.

The GP margin of the industrial energy and equipment segment increased to 17.6% in the FYE 31 December 2023 (FYE 31 December 2022: 16.7%), mainly due to higher margins of several gas-fired steam energy system EPCC projects arising from increased work progress driven by efficient project execution through better planning, design standardisation, effective team coordination, and improved labour and equipment productivity. These operational improvements enabled higher revenue conversion without a proportional increase in costs of sales, thereby supporting the improvement in our GP margin.

(iv) Other operating income

Our other operating income increased by RM3.3 million or 157.1% to RM5.4 million in the FYE 31 December 2023 (FYE 31 December 2022: RM2.1 million). This was mainly attributed to the following:

- (a) increase in gains on foreign exchange of RM1.1 million, which was mainly attributed to the movement of foreign exchange arising from export sales that were transacted in USD. This was reflected in the increase of 3.6% in the average annual rate to USD4.5606/MYR in the FYE 31 December 2023 (FYE 31 December 2022: USD4.4011/MYR);
- (b) increase in interest income of RM0.9 million, including interest income from advances to our related companies and interest income from deposits with licensed banks;
- (c) increase in the reversal of allowance for impairment of slow-moving goods by RM0.7 million;

12. FINANCIAL INFORMATION (Cont'd)

- (d) increase in scrap sales by RM0.3 million; and
- (e) increase in gain on disposal of property, plant and equipment by RM 0.2 million, mainly in relation to plant and machinery, tools and equipment including separators, gear hobbing machines, lathe machine and milling machine, as well as motor vehicles.

(v) Selling and distribution expenses

Our selling and distribution expenses increased by RM0.5 million or 11.4% to RM4.9 million in the FYE 31 December 2023 (FYE 31 December 2022: RM4.4 million). This was mainly attributed to the increase in staff costs by RM0.3 million due to higher headcount.

In addition, the increase in selling and distribution expenses was partly attributed to travelling expenses related to sales and marketing activities which increased by RM0.1 million in the FYE 31 December 2023.

(vi) Administrative and general expenses, and other gains/losses

Our administrative and general expenses increased by RM3.3 million or 12.8% to RM29.0 million in the FYE 31 December 2023 (FYE 31 December 2022: RM25.7 million). This was mainly due to the following:

- (a) an increase of RM2.7 million in staff costs and related expenses, primarily due to salary increments, higher bonus provision, and an increase in headcount;
- (b) impairment losses of RM1.2 million for contract assets relating to a gas-fired EPCC project due to project delays;
- (c) an increase of RM0.9 million in management fee arising from additional corporate support services provided by our holding and related companies following the internal restructuring undertaken in the FYE 31 December 2023; and
- (d) an increase of RM0.5 million in donation and gift expenses made to a state zakat authority,

which was partially moderated by:

- (a) a decrease of RM1.5 million in allowance for slow moving goods and inventory write-off, mainly attributed to lower allowance for slow moving goods in the FYE 31 December 2023; and
- (b) a decrease of RM0.8 million in loss on foreign exchange, mainly arising from lower realised losses on foreign exchange in the FYE 31 December 2023.

There was a net impairment of financial assets amounting to RM1.5 million in the FYE 31 December 2022, mainly due to the allowance for impairment on receivables amounting to RM3.0 million recognised under expected credit losses, mainly related to biomass steam energy system, which was partially offset by recovery of debts from financial assets impaired previously of RM1.5 million.

There was a net reversal of impairment of financial assets amounting to RM1.3 million in the FYE 31 December 2023, mainly due to the reversal of allowance for impairment on trade receivables amounting to RM 2.0 million, partially offset by a current year impairment of RM 0.7 million. This was mainly attributed to recoveries from the collection of amounts previously provided for under expected credit losses in prior years.

12. FINANCIAL INFORMATION (Cont'd)**(vii) Finance costs**

Our finance cost decreased by RM0.2 million or 18.2% to RM0.9 million in the FYE 31 December 2023 (FYE 31 December 2022: RM1.1 million), mainly attributed to a reduction of RM0.1 million in interest expense on trade charges as there was lesser utilisation of trade facilities in the FYE 31 December 2023.

(viii) Share of results of joint venture

Our share of results of joint venture increased by RM0.2 million or 50.0% in the FYE 31 December 2023, following an increase in profit from the joint venture driven by the higher number of steam turbine generator sets assembled and sold.

(ix) PBT, PAT and effective tax rate

Our PBT increased by RM12.6 million or 38.2% to RM45.6 million in the FYE 31 December 2023 (FYE 31 December 2022: RM33.0 million), while PBT margin improved from 12.4% in the FYE 31 December 2022 to 15.8% in the FYE 31 December 2023. Similarly, our PAT increased by RM9.7 million or 38.5% to RM34.9 million in the FYE 31 December 2023 (FYE 31 December 2022: RM25.2 million), while PAT margin improved from 9.4% in the FYE 31 December 2022 to 12.1% in the FYE 31 December 2023.

The improvements in PBT and PAT were mainly due to the improvement in GP arising from an increase in revenue, as well as an increase in other operating income in FYE 31 December 2023. The increase in our PBT and PAT was partially offset by the increase in administrative and general expenses as well as selling and distribution expenses in the FYE 31 December 2023.

For the FYE 31 December 2022, our effective tax rate was 23.9%, which was marginally lower than the statutory tax rate of 24.0%.

For the FYE 31 December 2023, our effective tax rate was 23.5%, which was generally consistent with the statutory tax rate of 24.0%. The slight variance was mainly attributed to the over provision of current tax in prior years, the impact of different tax rates in other countries, namely Indonesia, the utilisation of unused tax losses and unused capital allowances previously not recognised, as well as a higher share of results from our joint venture.

(a) Underpayment of tax by PT WATI for the 2023 year of assessment ("YA 2023")

PT WATI had, on 3 December 2024, received a Notice of Tax Inspection Result, issued by the Directorate General of Taxes, North Sumatera 1 Regional Office ("DJP") for the YA 2023 ("**Tax Inspection Result Notice**"). The Tax Inspection Result Notice identifies certain discrepancies between the tax liability reported by PT WATI, resulting in additional tax liabilities for the YA 2023 ("**Alleged Tax Underpayment**"), as set out below:

No.	Type of tax	Underpaid tax amounts (IDR)	Administrative fines (IDR)	Total (IDR)	Total (*MYR equivalent)	Remarks
1.	Corporate income tax	766,640,664	151,794,851	918,435,515	239,730	Objected
2.	Payroll tax (PPH 21)	19,372,630	3,835,781	23,208,411	6,058	Paid
3.	Income tax (PPH 26)	1,614,797,635	319,729,932	1,934,527,567	504,950	Objected
4.	Final income tax for service fee and maintenance (PPH 4.2)	6,525,000	1,291,950	7,816,950	2,040	Paid
Total				2,883,988,443	752,778	

* based on the exchange rate of IDR 100.0 = MYR0.026102.

12. FINANCIAL INFORMATION (Cont'd)

A tax adviser has been appointed to assist us with the matter and has on 22 March 2025 filed a letter of objection to the DJP in relation to the DJP's findings for the YA 2023 tax inspection ("**Letter of Objection**"). As at the LPD, the decision of the DJP in relation to the Letter of Objection is pending.

The balance underpaid tax amount of IDR2,852,963,082 (equivalent to RM744,680) has not been provided for in our Group's financial statements as the amount is not material when compared to our Group's FYE 31 December 2024 PBT.

(b) Tax audit on PT WATI for the 2022 year of assessment ("YA 2022")

The DJP issued a Letter of Request for Explanation of Data and/or Information in relation to PT WATI's corporate income tax, withholding tax and value added tax for the YA 2022. According to the minutes of the meeting held on 20 December 2024 between the tax officer and PT WATI regarding the Request for Explanation of Data and/or Information, PT WATI disagreed with the tax officer's analysis of the tax matters discussed. The tax officer subsequently recommended that a special tax audit be undertaken for the YA 2022. The potential tax liability exposure, if any, is up to IDR1,588,660,784 (equivalent to RM414,672, based on the exchange rate of IDR 100.0 = MYR0.026102).

Subsequently, the DJP, via its letters dated 2 June 2025 and 4 June 2025, formally initiated the tax audit process and requested various documents from PT WATI for inspection. A follow-up meeting between PT WATI and the tax officer was held on 12 June 2025 to discuss the requested information and clarify matters relating to the audit and the audit remains ongoing.

Given that the potential tax liability exposure is not material when compared to our Group's FYE 31 December 2024 PBT, such amount has not been provided for in our Group's financial statements.

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12. FINANCIAL INFORMATION (Cont'd)**12.2.6 Review of performance for the FYE 31 December 2024 compared to the FYE 31 December 2023**

The following table presents selected financial information from our consolidated statements of comprehensive income for the financial years indicated:

	FYE 31 December				
	2023		2024		%
	RM'000	% of revenue	RM'000	% of revenue	change (1)
Revenue	288,844	100.0	276,715	100.0	(4.2)
Cost of sales	(215,740)	(74.7)	(199,200)	(72.0)	(7.6)
GP	73,104	25.3	77,515	28.0	6.0
Other operating income	5,413	1.9	16,605	6.0	207.4
Selling and distribution expenses	(4,890)	(1.7)	(5,012)	(1.8)	2.0
Administrative and general expenses	(29,004)	(10.0)	(32,708)	(11.8)	12.8
(Loss)/Reversal of impairment of financial assets	1,285	0.4	(410)	(0.1)	(130.8)
Other net (losses)/gains	72	0.02	(154)	(0.1)	(300.0)
Profit from operations	45,980	15.9	55,836	20.2	21.3
Finance costs	(903)	(0.3)	(2,277)	(0.8)	155.6
Share of results of joint venture	571	0.2	66	0.02	(83.3)
PBT	45,648	15.8	53,625	19.4	17.5
Tax expense	(10,707)	(3.7)	(14,585)	(5.3)	36.4
PAT	34,941	12.1	39,040	14.1	11.7

Note:

(1) Calculated based on figures rounded to the nearest million.

(i) Revenue

Our revenue decreased by RM12.1 million or 4.2% to RM276.7 million in the FYE 31 December 2024 (FYE 31 December 2023: RM288.8 million). The decrease was mainly attributed to the decrease in revenue from the renewable energy segment.

Renewable energy segment

Our revenue from the renewable energy segment decreased by RM12.0 million or 4.8% to RM236.0 million in the FYE 31 December 2024 (FYE 31 December 2023: RM248.0 million). This was mainly attributed to the following:

- (a) a decrease in the revenue from the EPCC of steam energy systems and auxiliary systems by RM15.4 million or 16.3% to RM78.8 million in the FYE 31 December 2024 (FYE 31 December 2023: RM94.2 million). This was mainly attributed to the lower revenue contribution from the EPCC of auxiliary facilities, resulting from the completion and near completion of various projects of auxiliary facilities mainly ESP for emission control systems for customers in the palm oil industry in Malaysia; and
- (b) a decrease in the revenue from the supply of steam turbine generator systems by RM10.2 million or 13.9% to RM63.1 million in the FYE 31 December 2024 (FYE 31 December 2023: RM73.3 million). The decrease was mainly attributed to lower export sales to Indonesia as well as domestic sales in Malaysia, as reflected in the decrease of 11.9% in the number of systems sold in the FYE 31 December 2024.

12. FINANCIAL INFORMATION (Cont'd)

The decrease in revenue from the EPCC of steam energy systems and the supply of steam turbine generator systems was partially offset by the higher revenue generated from after-sales services, which increased by RM13.6 million or 16.9% to RM94.1 million in the FYE 31 December 2024 (FYE 31 December 2023: RM80.5 million). This was mainly due to higher repair and maintenance services rendered for steam energy systems for customers in Malaysia.

Industrial energy and equipment segment

Our revenue from the industrial energy and equipment segment remained relatively consistent at RM40.7 million in the FYE 31 December 2024 (FYE 31 December 2023: RM 40.8 million).

During the year, revenue from the EPCC of gas-fired steam energy systems decreased mainly due to lower revenue contribution from various gas-fired steam energy system projects for customers in the food and oleochemical manufacturing industries, as these projects were near completion. This decrease was largely offset by the increase in revenue from the supply of both in-house and externally sourced palm oil milling equipment, driven by higher customer orders.

Geographical markets

On a geographical basis, our revenue from domestic sales decreased by RM3.3 million or 2.7% to RM120.5 million in the FYE 31 December 2024 (FYE 31 December 2023: RM123.8 million). This was mainly attributed to lower revenue from the EPCC of gas-fired steam energy systems and auxiliary facilities mainly ESP for emission control systems. In addition, the lower revenue was partly attributed to the lower orders of steam turbine generator systems, as reflected in the decrease of 28.6% in the number of systems sold in Malaysia in the FYE 31 December 2024.

As for export sales, revenue from North and South America decreased by RM7.4 million or 35.1% to RM13.7 million in the FYE 31 December 2024 (FYE 31 December 2023: RM21.1 million). This was mainly attributed to lower revenue from the EPCC of biomass steam energy systems following the completion of various projects in FYE 31 December 2024.

(ii) Cost of sales

Our cost of sales decreased by RM16.5 million or 7.6% to RM199.2 million in the FYE 31 December 2024 (FYE 31 December 2023: RM215.7 million), which consists of the following:

(a) Material costs

Our material costs decreased by RM10.3 million or 7.1% to RM134.7 million in the FYE 31 December 2024 (FYE 31 December 2023: RM145.0 million), which were mainly attributed to lower input materials for our EPCC projects arising from lower work done. In addition, there was lower procurement of finished goods to fulfill orders related to the supply of steam turbine generator systems, as reflected in the 11.9% decrease in the number of systems sold in the FYE 31 December 2024.

(b) Labour costs

Our labour costs remained relatively consistent at RM36.8 million in the FYE 31 December 2024 (FYE 31 December 2023: RM36.8 million).

(c) Project related expenses

Our project related expenses decreased by RM6.3 million or 25.4% to RM18.5 million in the FYE 31 December 2024 (FYE 31 December 2023: RM24.8 million), mainly attributed to lower project overhead costs following lower work done for the EPCC projects.

12. FINANCIAL INFORMATION (Cont'd)**(d) Logistics costs**

Our logistics costs increased by RM0.4 million or 9.8% to RM4.5 million in the FYE 31 December 2024 (FYE 31 December 2023: RM4.1 million), mainly attributed to higher freight and transportation charges associated with our EPCC of steam energy systems and auxiliary facilities for the delivery of products to project sites.

(e) Factory overhead costs

Our factory overhead costs decreased by RM0.20 million or 5.4% to RM3.5 million in the FYE 31 December 2024 (FYE 31 December 2023: RM3.7 million), mainly attributed to the lower rental expenses for premises used in our EPCC operations following the acquisition of properties (Lot 1944 and Lot 1945) in Shah Alam, Selangor which were previously leased from our related company.

(f) Other costs

Our other costs decreased by RM0.2 million or 14.3% to RM1.2 million in the FYE 31 December 2024 (FYE 31 December 2023: RM1.4 million), mainly attributed to lower sales commissions to agents for the sale of steam turbine generator systems and palm oil milling equipment and spare parts.

(iii) GP

The following table sets out the breakdown of our GP and GP margin by segment for the financial years indicated:

	FYE 31 December					
	2023			2024		
	GP RM'000	%	GP margin %	GP RM'000	%	GP margin %
Renewable energy segment	65,911	90.1	26.6	66,769	86.1	28.3
Steam energy and steam turbine generator systems ⁽¹⁾	36,296	49.6	21.7	33,923	43.7	23.9
After-sales services ⁽²⁾	29,615	40.5	36.8	32,846	42.4	34.9
Industrial energy and equipment segment⁽³⁾	7,193	9.9	17.6	10,746	13.9	26.4
Total	73,104	100.0	25.3	77,515	100.0	28.0

Notes:

- (1) Include biomass steam energy systems, supply of steam turbine generator systems, auxiliary facilities including emission control systems, efficiency enhancement systems, water treatment systems, and boiler process control and automation, and HRSG.
- (2) Include repair and maintenance services, and sales of parts for steam turbine generator systems, steam energy systems and auxiliary facilities, and palm oil milling equipment.
- (3) Include the EPCC of gas-fired steam energy systems and the sales of palm oil milling equipment which are in-house manufactured and externally sourced.

Our GP increased by RM4.4 million or 6.0% to RM77.5 million in the FYE 31 December 2024 (FYE 31 December 2023: RM73.1 million), while our GP margin increased from 25.3% in the FYE 31 December 2023 to 28.0% in the FYE 31 December 2024. This was mainly contributed by the increase in GP contribution from the industrial energy and equipment segment.

12. FINANCIAL INFORMATION (Cont'd)**Renewable energy segment**

Our GP from the renewable energy segment increased by RM0.9 million or 1.4% to RM66.8 million in the FYE 31 December 2024 (FYE 31 December 2023: RM65.9 million), mainly due to the increase in GP from after-sales services by RM3.2 million or 10.8% to RM32.8 million in the FYE 31 December 2024 (FYE 31 December 2023: RM29.6 million), mainly arising from higher repair and maintenance services rendered for steam energy systems. This was reflected in the growth in revenue of after-sales services by 16.9% in the FYE 31 December 2024.

This was partially offset by the decrease in GP from the steam energy and steam turbine generator systems by RM2.4 million or 6.6% to RM33.9 million in the FYE 31 December 2024 (FYE 31 December 2023: RM36.3 million), mainly attributed to lower number of systems sold. This was reflected in the decrease in revenue from the supply of steam turbine generator systems by 13.9% in the FYE 31 December 2024.

Our GP margin from the renewable energy segment improved to 28.3% in the FYE 31 December 2024 (FYE 31 December 2023: 26.6%), which was mainly attributed to the improvement in GP margin from our steam energy and steam turbine generator systems to 23.9% in the FYE 31 December 2024 (FYE 31 December 2023: 21.7%). The improvement was mainly attributed to the EPCC of biomass steam energy systems, as there were lower project-related costs due to the completion and near completion of various projects.

Industrial energy and equipment segment

Our GP from the industrial energy and equipment segment increased by RM3.5 million or 48.6% to RM10.7 million in the FYE 31 December 2024 (FYE 31 December 2023: RM7.2 million). This was mainly contributed by a higher GP contribution from the EPCC of gas-fired steam energy systems as there were lower project-related costs due to near completion of various projects.

Our Group's GP margin of the industrial energy and equipment segment increased to 26.4% in the FYE 31 December 2024 (FYE 31 December 2023: 17.6%), mainly attributed the higher GP contribution from the EPCC of gas-fired steam energy systems as mentioned above.

(iv) Other operating income

Our other operating income increased by RM11.2 million or 207.4% to RM16.6 million in the FYE 31 December 2024 (FYE 31 December 2023: RM5.4 million). This was mainly attributed to the gains on disposal of a non-core property, Lot 1930 (asset classified as held for sale) in Shah Alam, Selangor, amounting to RM11.6 million.

(v) Selling and distribution expenses

Our selling and distribution expenses increased by RM0.1 million or 2.0% to RM5.0 million in the FYE 31 December 2024 (FYE 31 December 2023: RM4.9 million). This was mainly attributed to the increase in staff costs by RM0.3 million due to higher provision for bonus.

The increase was partially offset by the lower travelling expenses related to sales and marketing activities, freight and courier expenses, and entertainment expenses, which collectively decreased by RM0.2 million in the FYE 31 December 2024.

12. FINANCIAL INFORMATION (Cont'd)**(vi) Administrative and general expenses, and other gains/losses**

Our administrative and general expenses increased by RM3.7 million or 12.8% to RM32.7 million in the FYE 31 December 2024 (FYE 31 December 2023: RM29.0 million). This was mainly due to the following:

- (a) an increase of RM3.0 million in staff costs and related expenses, primarily due to salary increments and higher provision for bonus;
- (b) an increase of RM1.1 million in management fee mainly arising from corporate support services provided by our related companies following an internal restructuring in the FYE 31 December 2023; and
- (c) an increase of RM0.8 million in professional and related fees, mainly consultancy and audit fees.

The increase was partially moderated by the decrease of RM1.2 million in impairment losses for contract assets, as no such losses were recorded in FYE 31 December 2024.

In FYE 31 December 2024, there was a net impairment of financial assets amounting to RM0.4 million, mainly due to an allowance for impairment on trade receivables amounting to RM 1.0 million in relation to steam energy systems, partially offset by recoveries of RM 0.6 million during the financial year.

(vii) Finance costs

Our finance cost increased by RM1.4 million or 155.6% to RM2.3 million in the FYE 31 December 2024 (FYE 31 December 2023: RM0.9 million), mainly attributed to an increase of RM1.2 million in interest expense on term loans following the drawdown in the FYE 31 December 2024.

(viii) Share of results of joint venture

Our share of results of joint venture decreased by RM0.5 million or 83.3% in the FYE 31 December 2024, following a decrease in profit from the joint venture as a result of higher input material costs and increased production overheads.

(ix) PBT, PAT and effective tax rate

Our PBT increased by RM8.0 million or 17.5% to RM53.6 million in the FYE 31 December 2024 (FYE 31 December 2023: RM45.6 million), while PBT margin improved from 15.8% in the FYE 31 December 2023 to 19.4% in the FYE 31 December 2024. Similarly, our PAT increased by RM4.1 million or 11.7% to RM39.0 million in the FYE 31 December 2024 (FYE 31 December 2023: RM34.9 million), while PAT margin improved from 12.1% in the FYE 31 December 2023 to 14.1% in the FYE 31 December 2024.

The improvements in PBT and PAT were mainly attributed to the improvement in GP arising from a decrease in cost of sales, as well as an increase in other operating income in the FYE 31 December 2024. The increase in our PBT and PAT was partially offset by the increase in administrative and general expenses, selling and distribution expenses as well as finance costs in the FYE 31 December 2024.

For the FYE 31 December 2024, our effective tax rate was 27.2%, which was higher than the statutory tax rate of 24.0%. This was mainly attributed to expenses not deductible for tax purposes, as well as the under provision of deferred tax and current tax in the prior years.

12. FINANCIAL INFORMATION (Cont'd)**12.2.7 Liquidity and capital resources****(i) Working capital**

Our working capital is funded through our cash and cash equivalents, cash generated from our operating activities, as well as borrowings from financial institutions.

As at 31 December 2024, we had cash and cash equivalents of RM54.8 million and total bank borrowings of RM45.4 million. As at 31 December 2024, our working capital, calculated as current assets of RM193.1 million minus current liabilities of RM95.4 million, was RM97.7 million.

Based on our cash and cash equivalents, cash generated from our operating activities, bank borrowings and facilities, the gross proceeds that we expect to raise from our Public Issue, planned capital expenditure and the expected dividends to be paid, our Board believes that we have sufficient working capital for a period of 12 months from the date of this Prospectus.

(ii) Cash flows

The following table sets out a summary of our consolidated statements of cash flows for the Financial Years Under Review:

	FYE 31 December		
	Audited		
	2022	2023	2024
	RM'000	RM'000	RM'000
Net cash generated from operating activities	33,937	37,802	8,835
Net cash used in investing activities	(32,146)	(4,708)	(37,031)
Net cash (used in)/generated from financing activities	(21,229)	(13,930)	31,396
Net (decrease)/increase in cash and cash equivalents	(19,438)	19,164	3,200
Cash and cash equivalents at beginning of the financial year	52,276	32,960	52,078
Effects of foreign exchange translation	122	(46)	(496)
Cash and cash equivalents at end of the financial year	32,960	52,078	54,782

All of our cash and cash equivalents are substantially held in RM, USD, JPY, EUR and IDR. There are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

12. FINANCIAL INFORMATION (Cont'd)***Net cash generated from operating activities*****FYE 31 December 2022**

Our net cash generated from operating activities was RM33.9 million for the FYE 31 December 2022. Our PBT for the FYE 31 December 2022 was RM33.0 million, which was adjusted for net non-cash and other items of RM5.7 million and further adjusted for working capital changes which primarily comprised:

- (i) an increase in receivables of RM14.7 million mainly due to higher trade receivables as well as higher contract assets arising from the recognition of revenue for work performed but not yet billed;
- (ii) an increase in payables of RM18.3 million mainly due to higher outstanding trade payables to suppliers of steam turbine generator systems, ESP, input materials and other components for steam energy systems, as well as higher contract liabilities due to billings in excess of work performed for steam energy systems and downpayments received for the steam turbine generator systems; and
- (iii) an increase in inventories of RM6.5 million mainly due to higher purchases during the year.

We paid tax of RM1.8 million for the FYE 31 December 2022.

FYE 31 December 2023

Our net cash generated from operating activities was RM37.8 million for the FYE 31 December 2023. Our PBT for the FYE 31 December 2023 was RM45.6 million, which was adjusted for net non-cash and other items of RM0.3 million and further adjusted for working capital changes which primarily comprised:

- (i) an increase in payables of RM7.9 million mainly due to higher other payables and accruals, including a deposit received from a buyer for the sale of our non-core property (asset classified as held for sale) and the corresponding real property gains tax (RPGT) payable;
- (ii) an increase in inventories of RM7.8 million mainly due to higher inventory of goods in transit, manufactured and trading goods for steam turbine generator systems, as well as higher raw materials to support the planned fabrication and delivery of our EPCC projects; and
- (iii) a decrease in receivables of RM1.6 million mainly due to lower trade receivables arising from timely collections.

We paid tax of RM10.2 million for the FYE 31 December 2023.

FYE 31 December 2024

Our net cash generated from operating activities was RM8.8 million for the FYE 31 December 2024. Our PBT for the FYE 31 December 2024 was RM53.6 million, which was adjusted for non-cash and other items of RM8.4 million and further adjusted for working capital changes which primarily comprised:

- (i) a decrease in payables of RM14.2 million mainly due to lower contract liabilities as a result of lower milestone billings and additional work performed by our Group during FYE 31 December 2024;

12. FINANCIAL INFORMATION (Cont'd)

- (ii) an increase in receivables of RM8.8 million mainly due to higher contract assets of RM19.6 million as at the FYE 31 December 2024 (FYE 31 December 2023: RM13.0 million) arising from the recognition of revenue for work performed pending progress billings and slower collection from trade receivables; and
- (iii) a decrease in inventories of RM1.4 million mainly due to utilisation of inventories (raw materials and work-in-progress) for the recognition in costs of sales and project revenue.

We paid tax of RM14.4 million for the FYE 31 December 2024.

Overall, our net cash generated from operating activities decreased by RM29.0 million or 76.7% to RM8.8 million in the FYE 31 December 2024 (FYE 31 December 2023: RM37.8 million), primarily due to:

- (i) timing differences arising from lower milestone billings, as reflected in the higher contract assets of RM19.6 million as at FYE 31 December 2024, compared to RM13.0 million as at FYE 31 December 2023. The increase in contract assets reflects the higher amount of revenue recognised for work performed in FYE 31 December 2024 but not yet billed, as billing is contingent upon the achievement of specific contractual milestones, such as customer certification and formal acceptance of the work performed;
- (ii) slower collection of receivables, partly due to delays in customers' project schedules, which have led some customers to defer or extend payment timelines, thereby impacting our collections. This also contributed to an increase in past due outstanding net trade receivables to RM27.6 million as at 31 December 2024, from RM18.3 million as at 31 December 2023.

Notwithstanding the above, we have always maintained regular engagement with our customers and recognise that such delays are typically due to project-related factors rather than financial concerns;

- (iii) higher interest paid of RM2.3 million in FYE 31 December 2024 compared to RM0.9 million in FYE 31 December 2023 mainly attributed to the drawdown of a term loan amounting to RM45.4 million during the FYE 31 December 2024, which was used to settle the remaining balance for the acquisition of properties (Lot 1944 and Lot 1945) in Shah Alam, Selangor from our related company; and
- (iv) higher tax payments of RM14.4 million in FYE 31 December 2024 compared to RM10.2 million in FYE 31 December 2023 mainly attributable to additional real property gains tax incurred from the disposal of a non-core property, Lot 1930 (classified as an asset held for sale) located in Shah Alam, Selangor.

Net cash used in investing activities**FYE 31 December 2022**

Our net cash used in investing activities was RM32.1 million for the FYE 31 December 2022, primarily attributable to:

- (i) RM33.6 million of net advances to our holding and related companies for group fund pooling purposes under its financial and/or treasury management services; and
- (ii) RM2.0 million used mainly for the purchase of plant and machinery, tools and equipment, motor vehicles, as well as furniture, fittings, computer, and office equipment,

12. FINANCIAL INFORMATION (Cont'd)

which was partially offset by:

- (iii) RM3.4 million of dividends received from our joint venture associate.
FYE 31 December 2023

Our net cash used in investing activities was RM4.7 million for the FYE 31 December 2023, primarily attributable to:

- (i) RM21.5 million used to fund the purchase of property, plant and equipment. This included the acquisition of properties (Lot 1944 and Lot 1945) in Shah Alam, Selangor from our related company for RM64.9 million, of which RM19.5 million was funded through cash (RM17.5 million paid in FYE 31 December 2023 and RM2.0 million paid in FYE 31 December 2024), while the remaining balance of RM45.4 million was financed through a term loan drawdown in FYE 31 December 2024. Please see transaction no. 11 of Section 10.1.2 of this Prospectus for further details on the acquisition of Lot 1944 and Lot 1945; and

which was partially offset by:

- (ii) RM16.6 million of net repayments from our related companies for group fund pooling purposes under its financial and/or treasury management services.

FYE 31 December 2024

Our net cash used in investing activities was RM37.0 million for the FYE 31 December 2024, primarily attributable to:

- (i) RM53.5 million used to fund the purchase of property, plant and equipment. This mainly included RM45.4 million from the term loan drawdown to settle the remaining balance for the acquisition of properties (Lot 1944 and Lot 1945) in Shah Alam, Selangor from our related company in the FYE 31 December 2023. The remaining amount was used to fund stamp duties for purchase of properties amounting to RM2.6 million, as well as for renovation works at our service centre in Bintulu, Sarawak and our office and factories in Shah Alam, Selangor during the FYE 31 December 2024; and
- (ii) RM40.2 million for the repayment of the debt due to a related company for the acquisition of equity interests in WATSB and WTSB following an internal restructuring exercise. Please see transaction no. 9 of Section 10.1.2 of this Prospectus for further details on the internal restructuring exercise;

which was partially offset by:

- (iii) RM17.1 million of net repayments from our holding and related companies for advances extended; and
- (iv) RM39.4 million from the disposal of a non-core property (asset classified as held for sale) in Shah Alam, Selangor.

Net cash (used in)/generated from financing activitiesFYE 31 December 2022

Our net cash used in financing activities was RM21.2 million for the FYE 31 December 2022, primarily attributable to:

- (i) RM11.3 million used for dividend payment; and

12. FINANCIAL INFORMATION (Cont'd)

(ii) RM10.2 million used mainly for the repayment of term loans.

FYE 31 December 2023

Our net cash used in financing activities was RM13.9 million for the FYE 31 December 2023, primarily attributable to:

(i) RM7.9 million used for dividend payment; and

(ii) RM6.0 million used for the repayment of term loans.

FYE 31 December 2024

Our net cash generated from financing activities was RM31.4 million for the FYE 31 December 2024, primarily attributable to the drawdown of a term loan amounting to RM45.4 million during the year, which was used to settle the remaining balance for the acquisition of properties (Lot 1944 and Lot 1945) in Shah Alam, Selangor from our related company, which was partially offset by RM14.0 million used for the repayment of term loans.

(iii) Borrowings

As at 31 December 2024, our Group's total term loans, all of which were interest bearing based on floating rates, amounted to RM45.4 million as set out in the table below:

	<u>Average effective interest rates</u>	<u>RM'000</u>
Non-current term loans (unsecured)	5.50% to 5.72%	42,236
Current term loans (unsecured)	5.50% to 5.72%	3,160
Total term loans		45,396

The maturity profile of our term loans as at 31 December 2024 are set out below:

	<u>Within 1 year</u>	<u>1 year to 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Term loans	3,160	6,362	35,874	45,396

As at 31 December 2024, all of our term loans are denominated in RM.

In addition to the above, the table below sets out the credit facilities granted to our Group as at the LPD:

	<u>As at the LPD</u>		
	<u>Facilities granted</u>	<u>Utilised</u>	<u>Unutilised</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Term loans	51,160	45,396	5,764
Multi-trade facilities and Overdraft	50,500	19,500	31,000
Total	101,660	64,896	36,764

We have not defaulted on payments of either interest or principal for any of our borrowings during the Financial Years Under Review and up to the LPD. As at the LPD, our Group is not in breach of the terms and conditions or covenants under our credit arrangements or bank loans which would materially affect our financial position and results of operations or the investments in our Shares.

12. FINANCIAL INFORMATION (Cont'd)**12.2.8 Material litigation and contingent liabilities****(i) Material litigation**

Save as disclosed under Section 14.7 of this Prospectus, as at the LPD, we are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings, which may have a material or significant effect on our financial position or profitability in the 12 months immediately following the date of this Prospectus.

(ii) Contingent liabilities

As at the LPD, we do not have any contingent liabilities that, upon becoming enforceable, may have a material adverse effect on our results of operations or financial position.

12.2.9 Key financial ratios

The following table sets out our key financial ratios for the Financial Years Under Review.

	FYE 31 December		
	2022	2023	2024
Trade receivables turnover (days) ⁽¹⁾	54	45	51
Trade payables turnover (days) ⁽²⁾	51	43	44
Inventory turnover (days) ⁽³⁾	109	116	124
Current ratio (times) ⁽⁴⁾	1.8	1.0	2.0
Gearing ratio (times) ⁽⁵⁾	0.1	0.1	0.3
Net gearing ratio (times) ⁽⁶⁾⁽⁷⁾	(0.1)	(0.3)	(0.1)

Notes:

- (1) Computed based on the net trade receivables (excluding contract assets) as at the end of the financial year over revenue for the respective financial years, multiplied by the number of days in the financial year.
- (2) Computed based on the trade payables as at the end of the financial year over cost of sales for the respective financial years, multiplied by the number of days in the financial year.
- (3) Computed based on the inventory as at the end of the financial year over cost of sales for the respective financial years, multiplied by the number of days in the financial year.
- (4) Computed based on current assets over current liabilities as at the end of the financial year.
- (5) Computed based on total borrowings over total equity as at the end of the financial year.
- (6) Computed based on total borrowings less cash and cash equivalents over total equity as at the end of the financial year.
- (7) Negative net gearing ratio denotes a net cash position.

(i) Trade receivables turnover period

The credit period that we typically extend to our customers ranges from 30 to 120 days, calculated from the invoice date. Other credit terms may be granted on a case-by-case basis, taking into account factors such as the customer's financial position and credit history. Our net trade receivables turnover period of 54 days, 45 days and 51 days for the FYE 31 December 2022, 2023 and 2024 respectively, were all within the credit terms extended to our customers.

In the FYE 31 December 2023, our net trade receivables turnover period improved from 54 days in the FYE 31 December 2022 to 45 days, mainly attributable to improvement in collections from customers.

In the FYE 31 December 2024, our net trade receivables turnover period increased to 51 days from 45 days in the prior year, which was still within the credit period granted to our customers. This increase was mainly attributable to slower payments from customers, partly due to delays in customers' project schedules, which have led some customers to defer or extend payment timelines, thereby impacting our collections. This also contributed to an increase in past due outstanding net trade receivables to RM27.6 million as at 31 December 2024, from RM18.3 million as at 31 December 2023.

As at 31 December 2024, our total outstanding net trade receivables amounted to RM38.5 million mainly in relation to amounts owed to us by customers in the renewable energy segment.

12. FINANCIAL INFORMATION (Cont'd)

The table below sets out the ageing analysis for our trade receivables as at 31 December 2024 and the LPD:

	Current	Past due				Total
		1-90 days	91-180 days	181-365 days	More than 365 days	
As at 31 December 2024	RM'000 except percentages					
Trade receivables ⁽¹⁾	10,849	21,498	3,585	3,072	3,108	42,112
Impairment	(10)	(42)	(33)	(1,018)	(2,546)	(3,649)
Net trade receivables	10,839	21,456	3,552	2,054	562	38,463
% of total trade receivables	28.2	55.8	9.2	5.3	1.5	100.0
As at the LPD						
Trade receivables collected	8,433	19,062	1,698	1,175	-	30,368
Trade receivables settled (% of total net trade receivables)	21.9	49.6	4.4	3.1	-	79.0
Net trade receivables outstanding	2,406	2,394	1,854	879	562	8,095

Note:

(1) As at 31 December 2024, our Company does not have any retention sum receivable from customers in relation to our EPCC projects. However, our trade receivables include a retention sum of RM3,800 receivable from a customer in relation to after-sales services provided by our Group.

We do not have any significant exposure to any individual customer which we believe is not recoverable.

(ii) Trade payables turnover period

The normal credit period extended by our trade creditors is generally up to 120 days. Our trade payables turnover period of 51 days, 43 days and 44 days for the FYE 31 December 2022, 2023 and 2024 respectively, were all within the credit terms provided by our trade creditors.

In the FYE 31 December 2023, our trade payables turnover period decreased from 51 days in the FYE 31 December 2022 to 43 days, primarily due to faster payments made to our suppliers.

In the FYE 31 December 2024, our trade payables turnover period remained relatively consistent, increasing slightly to 44 days from 43 days in the prior year.

The table below sets out the ageing analysis of our trade payables, based on the respective invoice posting date, as at 31 December 2024 and the LPD:

	No. of days from invoice posting date					Total
	1-30 days	31-60 days	61-90 days	91-120 days	More than 120 days	
As at 31 December 2024	RM'000 except percentages					
Trade payables ⁽¹⁾	10,818	7,151	4,530	267	1,044	23,810
% of total trade payables	45.4	30.0	19.0	1.1	4.5	100.0
As at the LPD						
Trade payables settled	10,818	7,151	4,521	237	883	23,610
Trade payables settled (% of total trade payables)	45.4	30.0	19.0	1.0	3.7	99.1
Trade payables outstanding	-	-	9	30	161	200

Note:

(1) As at 31 December 2024, our Company does not have any retention sum payable to third-party contractors in relation to our EPCC projects.

We endeavour to pay our suppliers within the credit period granted to us to ensure our supplies are not disrupted. As at the LPD, we do not have any material disputes or legal proceedings for outstanding payment that have been initiated by our suppliers against us.

12. FINANCIAL INFORMATION (Cont'd)**(iii) Inventory turnover period**

The table below sets out a summary breakdown of our inventories for the Financial Years Under Review.

	FYE 31 December		
	2022	2023	2024
	RM'000	RM'000	RM'000
Inventory	60,481	68,831	67,348
Cost of sales	203,313	215,740	199,200
Average inventory turnover (days) ⁽¹⁾	109	116	124

Note:

- (1) Computed based on the inventory as at the end of the financial year over cost of sales for the respective financial years, multiplied by the number of days in the financial year.

Our inventory mainly comprises the following:

- (a) **Raw materials**, including metal-based raw materials such as carbon steel, stainless steel and galvanised steel, as well as parts and components like alternators, pumps, electric motors, inverters, and fans;
- (b) **Work-in-progress**, which comprises products currently undergoing fabrication to become finished goods; and
- (c) **Manufactured and trading goods**, representing finished products that have been fabricated and are held in inventory prior to final delivery to customers or on-site installation. This category also includes finished goods sourced from suppliers, such as steam turbine generator systems and palm oil milling equipment.

Our inventory turnover period increased from 109 days in the FYE 31 December 2022 to 116 days in the FYE 31 December 2023, mainly due to a higher volume of goods purchased from suppliers.

Our inventory turnover period increased from 116 days in the FYE 31 December 2023 to 124 days in the FYE 31 December 2024, mainly due to a decrease in cost of sales. This decrease, particularly material and project-related costs, was driven by slower project activities and revenue recognised from the EPCC of steam energy systems and auxiliary facilities, as well as the supply of steam turbine generator systems.

(iv) Current ratio

Our current ratio decreased from 1.8 in the FYE 31 December 2022 to 1.0 in the FYE 31 December 2023, mainly due to:

- (a) an increase of RM86.8 million in amounts owing to our related companies, mainly for the acquisition of properties (Lot 1944 and Lot 1945) in Shah Alam, Selangor, and the acquisition of equity interests in WATSB and WTSB following a restructuring exercise;
- (b) an increase of RM5.8 million in trade and other payables, mainly attributable to higher other payables and accruals, including a deposit received from a buyer in relation to an asset held for sale as well as real property gains tax payable; and
- (c) an increase of RM4.0 million in amounts owing to our joint venture associate for the purchase of steam turbine generator systems.

12. FINANCIAL INFORMATION (Cont'd)

Our current ratio increased from 1.0 in the FYE 31 December 2023 to 2.0 in the FYE 31 December 2024, mainly due to:

- (a) a decrease of RM85.4 million in amounts owing to our related companies, primarily due to the settlement of the remaining RM45.4 million balance for the acquisition of properties (Lots 1944 and Lot 1945) in Shah Alam, Selangor, and RM40.2 million for the repayment of the debt due to a related company for the acquisition of equity interests in WATSB and WTSB following an internal restructuring exercise; and
- (b) a decrease of RM13.7 million in contract liabilities, following the recognition of revenue from services rendered or deliveries made on prior payments received, mainly for the EPCC steam energy projects, the supply of steam turbine generator systems, and after-sales services.

(v) Gearing ratio

Our gearing ratios was relatively consistent at 0.1 time in the FYE 31 December 2022 and the FYE 31 December 2023.

Our gearing ratio increased to 0.3 time in the FYE 31 December 2024 from 0.1 time in the prior year, mainly attributed to the drawdown of a term loan amounting to RM45.4 million during the FYE 31 December 2024, which was used to settle the remaining balance for the acquisition of properties (Lot 1944 and Lot 1945) in Shah Alam, Selangor from our related company.

12.2.10 Trends information

Save as disclosed in this Section 12 and in Sections 5, 7 and 8 of this Prospectus, and to the best of our Board's knowledge and belief, there are no other known factors, trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on our business, financial condition and results of operations.

12.2.11 Significant changes/events

Save as disclosed in this Prospectus, no significant changes have occurred since the FYE 31 December 2024 which may have a material effect on our financial condition and results of operations.

For the avoidance of doubt, the disposal by WATSB of its entire 49% equity interest in Shinko Wasco Turbine to Shinko Ind. Ltd, which was completed on 7 July 2025, is not expected to have a material adverse impact on the financial performance or operations of our Group. See Sections 6.2 and 14.6 of this Prospectus for further details relating to the Disposal.

12.2.12 Order book

As at the LPD, we have secured orders with a total order book of RM 267.5 million, which are expected to be recognised as revenue progressively over the next three financial years up to the FYE 31 December 2027. The estimated recognition of the order book by financial year is set out below:

	Order book as at the LPD	Expected timeline to be recognised (FYE 31 December)		
		2025	2026	2027
	RM'000	RM'000	RM'000	RM'000
Renewable energy segment	211,358	125,881	71,267	14,210
Provision of after-sales services ⁽¹⁾	19,204	19,204	-	-
EPCC of steam energy systems and auxiliary facilities	137,045	63,558	59,277	14,210
Supply of steam turbine generator systems	55,109	43,119	11,990	-
Industrial energy and equipment segment	56,170	39,148	17,022	-
Total	267,528	165,029	88,289	14,210

12. FINANCIAL INFORMATION (Cont'd)**Note:**

(1) Include maintenance and repair services, and sales of parts for steam turbine generator systems, steam energy systems and auxiliary facilities, and palm oil milling equipment.

The information relating to our order book and the estimated recognition of our order book for each FYE 31 December 2025, 2026 and 2027 is based on our current expectations, estimates, and assumptions regarding the timing of project execution, customer requirements, and other relevant factors. While such estimates were prepared based on information available to us as at the LPD, these are inherently subject to uncertainties and assumptions that may not materialise or may change.

There can be no assurance that the estimated recognition of our order book will be realised in the manner or within the time periods described above, or at all, as such estimates are subject to various factors beyond our control, including, but not limited to, changes in project schedules, delays, variations or cancellations of orders by customers, regulatory or operational developments, and changes in market or economic conditions.

12.2.13 Capital expenditure and material investments and divestures**Capital expenditure**

The following table sets out our capital expenditure for the Financial Years Under Review.

	FYE 31 December		
	2022	2023	2024
	RM'000	RM'000	RM'000
Freehold land	-	48,230	1,908
Buildings	-	16,658	659
Plant and machinery, tools and equipment	1,160	2,161	785
Motor vehicles	475	755	801
Furniture, fittings, computer and office equipment	367	585	617
Capital work in progress	-	296	46
Renovation and store extension	47	135	1,294
Total	2,049	68,820	6,110

Our capital expenditure increased significantly from RM2.0 million for the FYE 31 December 2022 to RM68.8 million for the FYE 31 December 2023, mainly due to the purchase of freehold land and buildings (Lot 1944 and Lot 1945) in Shah Alam, Selangor for RM64.9 million from our related company, for use as factories and office space.

Our capital expenditure decreased from RM68.8 million for the FYE 31 December 2023 to RM6.1 million for the FYE 31 December 2024. Included in this amount, RM1.9 million and RM0.7 million incurred for land and building in FYE 31 December 2024 relates to the stamp duties for the purchase of land and buildings (Lot 1944 and Lot 1945) respectively in Shah Alam, Selangor.

For further details on the capital expenditure breakdown for each of the Financial Years Under Review, see Section 12.2.7(ii) of this Prospectus.

For the Financial Years Under Review, we have mainly funded our capital expenditure via a mixture of internally generated funds and term loans.

12. FINANCIAL INFORMATION (Cont'd)***Material investments and divestitures***

We selectively evaluate opportunities to expand our business. In addition, we may decide to divest certain entities and businesses for strategic or financial reasons.

Save as disclosed above and in Section 14.6 of this Prospectus, we have not undertaken any material investments or divestitures during the Financial Years Under Review and up to the LPD.

12.2.14 Capital commitments and contractual obligations***Capital commitments***

Our capital commitments (being our contracted capital expenditure) as at 31 December 2024 and the LPD are set out below:

	<u>As at 31 December 2024</u>	<u>As at the LPD</u>
	<u>RM'000</u>	<u>RM'000</u>
Contracted but not provided for:		
Acquisition of property, plant and equipment	1,477	338

Our capital commitments as at the LPD primarily comprise approximately RM0.3 million for the purchase of property, plant and equipment. We plan to meet our capital commitments through internally generated funds and/or borrowings.

Save as disclosed above, as at the LPD, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material adverse effect on our result of operations or financial position.

Other contractual obligations

Our contractual cash obligations (excluding capital expenditure commitments) as at 31 December 2024 comprise primarily of repayment obligations for our term loans.

The maturity profile of our undiscounted contractual cash repayment obligations for our borrowings as at 31 December 2024 are as follows:

	<u>Within 1 year</u>	<u>1 year to 2 years</u>	<u>Over 2 years</u>	<u>Total</u>
Payments due by period	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Term loans	3,160	6,362	35,874	45,396

We plan to meet our contractual cash obligations through our cash and cash equivalents on hand, as well as cash generated from future operations and funding from other financing activities (if required).

12.2.15 Off-balance sheet arrangements

We do not have any off-balance sheet arrangements.

12. FINANCIAL INFORMATION (Cont'd)**12.2.16 Financial risk management**

We are exposed to market risks arising from our operations and use of financial instruments. Our key market risk exposures are credit risk, interest rate risk, foreign currency risk and liquidity risk.

(i) Credit risk

Credit risk is the risk of loss if a customer or a counterparty to a financial instrument fails to meet its contractual obligations. Our exposure to credit risk arises mainly from our receivables from customers. We have a credit policy in place and manage our exposure to credit risk by the application of credit evaluations on customers requiring credit over a certain amount, credit limits and monitoring exposure to credit risk on an ongoing basis.

As at 31 December 2024, we have not incurred and do not expect to incur material credit losses on our financial assets or other financial instruments.

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of our financial instruments will fluctuate because of changes in market interest rates. Our exposure to interest rate risk arises mainly from our time deposits and interest bearing borrowings.

As at 31 December 2024, our total bank borrowings owing to financial institutions was RM45.4 million based on floating interest rates. Our finance costs decreased by 18.2% to RM0.9 million in FYE 31 December 2023 (FYE 31 December 2022: RM1.1 million), and increased by 155.6% to RM2.3 million in the FYE 31 December 2024. In this respect, any increase in drawdown of borrowings and/or interest rates may impact on our financial performance.

(iii) Foreign currency risk

For further information on our Group's exposure to foreign currency risk, see Section 12.2.2(vii) of this Prospectus.

(iv) Liquidity risk

Liquidity risk is the risk that we may encounter difficulty in meeting financial obligations as they fall due. Our exposure to liquidity risk arises principally from our various payables and borrowings.

We practise prudent risk management by maintaining a level of cash and cash equivalents and bank facilities deemed adequate by our management to ensure, as far as possible, that we will have sufficient liquidity to meet our liabilities when they fall due.

As at 31 December 2024, we had RM56.7 million in undiscounted financial liabilities due on demand or within one year.

For a summary of the maturity profile of our financial liabilities as at the end of the Financial Years Under Review based on undiscounted contractual payments, see Note 2.32 to the Accountants' Report included in Section 13 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)

12.2.17 Inflation

Our cost of sales mainly consists of material costs including steel-based materials and parts, as well as labour and logistic costs. These costs are subject to various operating environments and conditions such as inflation, changes in government policy relating to minimum wages, and fluctuations in freight rates which may affect the logistics and transportation of input materials and delivery of finished goods to customers.

There has not been a material impact from inflation on our Group's financial condition and results of operations for the Financial Years Under Review. Nonetheless, any increase in inflation rate beyond levels experienced in the past may affect our future operations and financial performance if we are unable to fully offset higher costs through increased revenue.

12.2.18 Government, economic, fiscal and monetary policies

Our Group is subject to the risks of government, economic, fiscal or monetary policies, where any unfavourable change may materially affect our business operations, financial performance and prospects.

For the Financial Years Under Review and up to the LPD, our results have not been materially and adversely affected by any unfavourable changes relating to government, economic, fiscal or monetary policies.

For information on any government, economic, fiscal or monetary policies or factors which could materially affect our Group's operations, see Section 5 of this Prospectus.

12.2.19 Accounting standards issued but not yet effective and not early adopted

For a description of accounting standards issued but not yet effective and not early adopted, see Note 2.1.3 to the Accountants' Report included in Section 13 of this Prospectus.

12.2.20 Accounting policies which are peculiar to our Group

We have not adopted any accounting policies which are peculiar to our Group because of the nature of our business or the industry in which we operate.

12.2.21 Financial instrument, treasury policies and objectives

Save for the short term forward currency contracts used by our Group to hedge foreign currency risk, as disclosed in Section 12.2.2(vii) above, and trade financing arrangements such as multi-trade facilities as disclosed in Section 12.2.7(iii) above, our Group does not use any other financial instruments.

Our principal sources of liquidity are our cash and cash equivalents, cash generated from our operations and external sources of funds. The external source of funds consists of banking facilities from financial institutions.

The main objective of our capital management is to maintain sustainable shareholders' equity to ensure our ability to support and grow our business in order to maximise shareholder value. We continuously review and optimise our capital structure to maintain our gearing ratio at an optimal level based on our business requirements and prevailing economic conditions.

12. FINANCIAL INFORMATION (Cont'd)**12.3 CAPITALISATION AND INDEBTEDNESS**

The table below sets out our capitalisation and indebtedness as at 31 May 2025 and on the assumption that our IPO, Listing and the use of proceeds from our Public Issue as set out in Section 4 of this Prospectus had occurred on 31 May 2025. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at 31 May 2025 and is provided for illustrative purposes only.

	Unaudited As at 31 May 2025 RM'000	Adjustments RM'000	Pro Forma After our IPO, Listing and use of proceeds RM'000
Indebtedness			
Current			
Term loans (unsecured)	6,320	-	6,320
Non-current			
Term loans (unsecured)	39,076	-	39,076
Total indebtedness	45,396	-	45,396
Equity attributable to owners of our Company	159,200	[●] ⁽¹⁾	[●]
Non-controlling interests	20,386	[●]	[●]
Total equity/capitalisation	179,586	[●]	[●]
Total capitalisation and indebtedness	224,982	[●]	[●]

Note:

(1) Calculated after taking into account, amongst others, the gross proceeds raised from our Public Issue based on the Retail Price, and the remaining estimated listing expenses of approximately RM[●] million as at 31 May 2025.

12. FINANCIAL INFORMATION (Cont'd)**12.4 DIVIDEND POLICY**

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by our Board. In considering the level of dividend payments, if any, upon recommendation by our Board, we intend to consider various factors including:

- (i) the level of our cash, gearing, return on equity and retained earnings;
- (ii) our expected financial performance;
- (iii) our projected levels of capital expenditure and other growth/investment plans;
- (iv) applicable restrictive covenants under our financing documents; and
- (v) our working capital requirements.

No inference should be made from any of the foregoing statements as to our actual future profitability or our ability to pay dividends in the future.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends that we receive from our subsidiaries. Distributions by our subsidiaries will depend upon their operating results, earnings, capital requirements, general financial condition and other relevant factors.

We target a payout ratio of approximately 20% to 40% of our PATAMI for each financial year on a consolidated basis after taking into account our Group's working capital requirements, subject to confirmation of our Board as well as any applicable law and contractual obligations and provided that such distribution will not be detrimental to our Group's cash requirements or any plans approved by our Board.

Save for certain banking restrictive covenants which our Company and our subsidiaries are subject to, there are no dividend restrictions imposed on our subsidiaries as at the LPD.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. We cannot assure you that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels. See Section 5 of this Prospectus for factors which may affect or restrict our ability to pay dividends.

The following table sets out the dividends declared and paid for the FYE 31 December 2022 and 2023, and the corresponding dividend payout ratio:

	FYE 31 December	
	2022	2023
	RM'000	RM'000
Dividends declared	11,290	7,930
Dividends paid	11,290	7,930
PATAMI	22,333	29,781
Dividend payout ratio ⁽¹⁾	50.6%	26.6%

Note:

(1) Computed based on dividends declared divided by the PATAMI for the financial year.

12. FINANCIAL INFORMATION (Cont'd)

We have not declared any dividend for the FYE 31 December 2024 as our Company made the repayment of RM40.2 million debt due to Wasco Berhad Group (excluding Greenergy Group) in the FYE 31 December 2024, following an internal restructuring exercise undertaken by Wasco Berhad where our Company had acquired 100% equity interest in WATSB and 60% equity interest in WTSB from WPE (a wholly-owned subsidiary of Wasco Berhad) in the FYE 31 December 2023. We had decided to retain our cash balance for operations and corporate activities. Please see transaction no. 9 of Section 10.1.2 of this Prospectus for further details on the acquisition by our Company of the equity interests in WATSB and WTSB.

Save as disclosed above, we have not declared or paid any other dividends to our shareholders for the past three financial years up to the LPD.

All the dividends mentioned above were funded by internal funds generated from our operations. The dividends paid as described above will not affect the execution and implementation of our future plans and strategies as mentioned in this Prospectus.

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12. FINANCIAL INFORMATION (Cont'd)**12.5 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

The Board of Directors
Wasco Greenery Berhad
Suite 19.01, Level 19
The Garden North Tower
Mid Valley City
Lingkaran Syed Putra
59200 Kuala Lumpur

DRAFT FOR PURPOSE OF INCLUSION IN THE
PROSPECTUS EXPOSURE

[●] 2025

Dear Sirs,

Reasonable Assurance Report on the Compilation of Pro Forma Consolidated Statements of Financial Position of Wasco Greenery Berhad as at 31 December 2024

- 1 We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of Wasco Greenery Berhad ("Company") as at 31 December 2024 (the "Pro Forma Consolidated Statements of Financial Position"). The Pro Forma Consolidated Statements of Financial Position which we have stamped for the purpose of identification, have been compiled by the Directors of the Company ("Directors") for submission to the Securities Commission Malaysia ("SC") in connection with the initial public offering ("IPO") of the ordinary shares in the Company and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Listing").
- 2 The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in the notes thereon to the Pro Forma Consolidated Statements of Financial Position and are specified in paragraphs 9.18 and 9.20 of Chapter 9 Part II Division I: Equity of the Prospectus Guidelines issued by the SC ("Prospectus Guidelines").
- 3 The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Consolidated Statements of Financial Position on the Company's consolidated statement of financial position as at 31 December 2024 presented as if the events or transactions had taken place on that date. As part of this process, information about the Company's consolidated financial position have been extracted by the Directors from the Company's consolidated financial statements for the financial year ended 31 December 2024 as contained in the Company's Accountants' Report, on which an audit opinion was issued on [●] 2025.

Directors' Responsibilities for the Pro Forma Consolidated Statements of Financial Position

- 4 The Directors are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statements of Financial Position, in accordance with the requirements of the Prospectus Guidelines and with the Malaysian Institute of Accountants' ("MIA") Guidance Note for Issuers of Pro Forma Financial Information.

.....
PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, Menara TH 1
Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P O Box 10192, 50706 Kuala Lumpur Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

12. FINANCIAL INFORMATION (Cont'd)

The Board of Directors
Wasco Greenery Berhad
[•] 2025

**DRAFT FOR PURPOSE OF INCLUSION IN THE
 PROSPECTUS EXPOSURE**

Reasonable Assurance Report on the Compilation of Pro Forma Consolidated Statements of Financial Position of Wasco Greenery Berhad as at 31 December 2024 (continued)

Reporting Accountants' Responsibilities

- 5 Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Directors on the basis set out in the notes thereon to the Pro Forma Consolidated Statements of Financial Position, in accordance with the requirements of the Prospectus Guidelines and with the MIA's Guidance Note for Issuers of Pro Forma Financial Information.
- 6 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 MIA. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the notes thereon to the Pro Forma Consolidated Statements of Financial Position, in accordance with the requirements of the Prospectus Guidelines and with the MIA's Guidance Note for Issuers of Pro Forma Financial Information.
- 7 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 Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.
- 8 The purpose of the Pro Forma Consolidated Statements of Financial Position included in the submission to SC is solely to illustrate the impact of a significant event or transaction on the unadjusted consolidated financial information of the Company as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction as at that date would have been as presented.
- 9 A reasonable assurance engagement to report on whether the Pro Forma Consolidated 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 Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provides a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:
 - The related pro forma adjustments give appropriate effect to those criteria; and
 - The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

12. FINANCIAL INFORMATION (Cont'd)

**The Board of Directors
Wasco Greenergy Berhad
[•] 2025**

**DRAFT FOR PURPOSE OF INCLUSION IN THE
PROSPECTUS EXPOSURE**

Reasonable Assurance Report on the Compilation of Pro Forma Consolidated Statements of Financial Position of Wasco Greenergy Berhad as at 31 December 2024 (continued)

Reporting Accountants' Responsibilities (continued)

- 10 The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company and its subsidiaries, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.
- 11 We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our Independence and Quality Management

- 12 We have complied with the independence and other ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA and the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants, which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- 13 Our firm applies International Standard on Quality Management 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements", which requires the firm to design, implement and operate a system of quality management including policies or procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Opinion

- 14 In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Consolidated Statements of Financial Position, in accordance with the requirements of the Prospectus Guidelines and with the MIA's Guidance Note for Issuers of Pro Forma Financial Information.

12. FINANCIAL INFORMATION (Cont'd)



**The Board of Directors
Wasco Greenergy Berhad
[•] 2025**

DRAFT FOR PURPOSE OF INCLUSION IN THE
PROSPECTUS EXPOSURE

**Reasonable Assurance Report on the Compilation of Pro Forma Consolidated Statements
of Financial Position of Wasco Greenergy Berhad as at 31 December 2024 (continued)**

Restriction on Distribution and Use

- 15 This report is issued for the sole purpose of submission to the SC in connection with the IPO and Listing and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

TIANG WOON MENG
02927/05/2026 J
Chartered Accountant

12. FINANCIAL INFORMATION *(Cont'd)*

WASCO GREENERGY BERHAD
(Incorporated in Malaysia)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024



12. FINANCIAL INFORMATION (Cont'd)**WASCO GREENERGY BERHAD**

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024****1 INTRODUCTION**

The Pro Forma Consolidated Statements of Financial Position ("Pro Forma SOFP") of Wasco Greenergy Berhad ("the Company") as at 31 December 2024 with the notes thereon, of which the Directors are solely responsible, have been prepared for purposes for submission to the Securities Commission Malaysia ("SC") in connection with the proposed initial public offering ("Proposed IPO") of the ordinary shares of the Company ("Shares") and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Proposed Listing").

2 PRE-IPO EXERCISE

The Pre-IPO Exercise, comprising the Acquisition as detailed in Note 2.1 and the Proposed Bonus Issue as detailed in Note 2.2 below are undertaken to facilitate the Proposed Listing.

Consequently, the Pre-IPO Exercise has been illustrated in the Pro Forma SOFP to comply with paragraph 9.18(a)(i) and paragraph 9.20(a)(iii) of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines issued by the SC ("Prospectus Guidelines").

The Pre-IPO Exercise and Proposed IPO are inter-conditional with respect to all the relevant regulatory approvals being obtained. The Acquisition will be rescinded or unwound in the event the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities does not take place within nine months from the completion of the sale and purchase. The implementation of the Proposed IPO is conditional upon the completion of the Pre-IPO Exercise.

For purposes of illustration in the Pro Forma SOFP, it is assumed that the Pre-IPO Exercise has been completed as at 31 December 2024.

2.1 Acquisition

The Company entered into a Share Sale Agreement with Tema Energy Ventures Sdn. Bhd. ("Tema Energy") on 19 June 2025 to acquire the remaining 40% equity interest in Wasco Thermal Sdn. Bhd. ("WTSB"), its 60%-owned subsidiary, from Tema Energy, the minority shareholder of WTSB for 14,404,000 new shares in the Company ("Acquisition"), representing 11.13% of the Company's enlarged share capital.

The completion of the Acquisition is conditional on regulatory approvals and the Company's shares being successfully listed on the Main Market of Bursa Securities. For purposes of illustration in the Pro Forma SOFP, it is assumed that all such approvals have been obtained and the Company's shares have been successfully listed.

After the completion of the Acquisition, WTSB will become a wholly-owned subsidiary of the Company and the shareholders of the Company and their resultant shareholdings in the Company will be as follows:

	As at 31 December 2024		After the Acquisition	
	No. of Shares	%	No. of Shares	%
Wasco Berhad	115,000,000	100.00	115,000,000	88.87
Tema Energy	-	-	14,404,000	11.13
Total	115,000,000	100.00	129,404,000	100.00



12. FINANCIAL INFORMATION (Cont'd)**WASCO GREENERGY BERHAD**

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024****2 PRE-IPO EXERCISE (CONTINUED)****2.1 Acquisition (continued)**

The cost of acquiring the 40% equity interest in WTSB is based on the fair value of the consideration issued at the date that the Acquisition is completed. For the purpose of illustrating the Acquisition in the Pro Forma SOFP, the completion of the Acquisition is illustrated as though it had been effected on 31 December 2024 based on a provisional fair value using the indicative share price for the IPO of RM[●] per Issue Share as shown in Note 3.1(i).

As the indicative share price was after the Proposed Bonus Issue as described in Note 2.2 below, the 14,404,000 new shares issued for the Acquisition after the Proposed Bonus Issue will amount to 47,306,900 shares as shown in Note 2.2 below. On this basis, a provisional fair value of RM[●] million has been computed and assumed for the 40% equity interest in WTSB for the purpose of illustration in the Pro Forma SOFP.

2.2 Proposed Bonus Issue

Upon completion of the Acquisition, the Company plans to undertake the Proposed Bonus Issue of 295,596,000 new Shares ("Bonus Shares"). The Proposed Bonus Issue will be credited as fully paid-up on a pro-rata basis to the shareholders of the Company based on their respective shareholdings in the Company after the Acquisition. The Proposed Bonus Issue will be implemented without capitalising the retained earnings or reserves of the Company and the Bonus Shares will be issued at nil consideration.

Upon completion of the Proposed Bonus Issue, the Company's enlarged issued Shares will comprise of 425,000,000 Shares, as follows:

	Before the Proposed Bonus Issue		Number of Bonus Shares issued		After the Proposed Bonus Issue	
	No. of Shares	%	No. of Bonus Shares	%	No. of Shares	%
Wasco Berhad	115,000,000	88.87	262,693,100	88.87	377,693,100	88.87
Tema Energy	14,404,000	11.13	32,902,900	11.13	47,306,900	11.13
Total	129,404,000	100.00	295,596,000	100.00	425,000,000	100.00

The Proposed Bonus Issue is not illustrated as it has no financial impact on the Pro Forma SOFP.

3 THE PROPOSALS

The Company will undertake the following Proposals which are an integral part of the Proposed Listing and are viewed as a single exercise. They are illustrated in accordance with Paragraph 9.18 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

3.1 Proposed IPO**(i) Public Issue**

The Public Issue comprises an issuance of 75,000,000 new Shares ("Issue Shares"), representing approximately 15% of the Company's enlarged issued share capital at the indicative price of RM[●] per Issue Share. The total gross proceeds from the Public Issue totalled RM[●]. Upon completion of the Public Issue, the Company's issued number of Shares will increase from 425,000,000 to 500,000,000 Shares.



12. FINANCIAL INFORMATION (Cont'd)**WASCO GREENERGY BERHAD**

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024****3 THE PROPOSALS (CONTINUED)****3.1 Proposed IPO (continued)****(ii) Offer for Sale**

The Offer for Sale comprises an offer for sale of up to 75,000,000 Shares ("Offer Shares") by Wasco Berhad and Tema Energy ("collectively, referred as the Selling Shareholders"), representing approximately 15% of the Company's enlarged issued share capital at the indicative price of RM[●] per Offer Share.

The Company will not receive any proceeds from the Offer for Sale. The total gross proceeds from the Offer for Sale of up to approximately RM[●] will accrue entirely to the Selling Shareholders.

The Offer for Sale and the expenses relating to the Offer for Sale of RM[●] million are not illustrated as these are borne by the Selling Shareholders and these have no impact on the Pro Forma SOFP.

3.2 Utilisation of proceeds

The gross proceeds from the Public Issue of RM[●] is expected to be utilised as follows:

Details of utilisation	Estimated timeframe for the use of proceeds upon the Proposed Listing	RM'000
Expansion through investments, acquisitions and strategic partnership relating to the ownership and operation of biomass steam power plants ("Asset Ownership") ⁽¹⁾	Within 36 months	[●]
Expansion of operations in Indonesia ⁽²⁾	Within 24 months	[●]
Capital expenditure for new equipment and machinery, and upgrade of headquarters ⁽³⁾	Within 24 months	[●]
Digitalisation of business systems and processes ⁽⁴⁾	Within 36 months	[●]
Research and development ("R&D") ⁽⁵⁾	Within 24 months	[●]
Estimated listing expenses ⁽⁶⁾	Within 3 months	[●]
Total		[●]

Foot Notes :

⁽¹⁾ The Company and its subsidiaries (collectively referred as the "Group") intend to allocate RM[●] million of the IPO proceeds to invest in and/or selectively pursue acquisitions, strategic partnerships and/or joint ventures in respect of project and businesses through an Asset Ownership model. For purposes of illustration in the Pro Forma SOFP, the proceeds earmarked for the expansion have been included in 'cash and bank balances' as the Group has yet to enter into any definitive agreements with any parties.

⁽²⁾ The Group intends to allocate RM[●] million of the IPO proceeds to rent a ready built sales office and two service centres as well as the acquisition of additional service vehicles to support its expansion in Indonesia. For purposes of illustration in the Pro Forma SOFP, the proceeds earmarked for the expansion in Indonesia have been included in 'cash and bank balances' as the Group has yet to enter into any definitive agreements with any parties.



12. FINANCIAL INFORMATION (Cont'd)**WASCO GREENERGY BERHAD**

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024****3 THE PROPOSALS (CONTINUED)****3.2 Utilisation of proceeds (continued)****Foot Notes (continued):**

- (3) The Group intends to allocate RM[●] million of the IPO proceeds to purchase new equipment and machinery include, amongst others, rolling machine, cutting machine, milling machines, drilling machine and welding machines, and upgrade of its headquarters. For purposes of illustration in the Pro Forma SOFP, the proceeds earmarked for the capital expenditure have been included in 'cash and bank balances' as the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the capital expenditure.
- (4) The Group intends to allocate RM[●] million of the IPO proceeds to purchase Artificial Intelligence ("AI") systems and related hardware, together with software and licences for integration into the Group's existing management systems. For purposes of illustration in the Pro Forma SOFP, the proceeds earmarked for the digitalisation have been included in 'cash and bank balances' as the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the digitalisation.
- (5) The Group intends to allocate RM[●] million of the IPO proceeds to develop new equipment and/or design new steam energy systems with improved fuel flexibility, energy efficiency and modularity to meet industrial decarbonisation needs. For purposes of illustration in the Pro Forma SOFP, the proceeds earmarked for the R&D have been included in 'cash and bank balances' as the R&D plan has yet to be drawn and approved by the Board of Directors.
- (6) Comprises professional fees, fees payable to authorities, underwriting commission, brokerage and placement fees, other fees and expenses relating to the Proposed IPO and the Proposed Listing totalling RM[●] million. Out of these, the estimated listing expenses directly attributable to the issuance of new Issue Shares totalled RM[●] million, which will be debited against the share capital of the Company upon completion of the IPO. The remaining estimated listing expenses of RM[●] million will be expensed as incurred by the Company.

As at 31 December 2024, upfront payment of listing expenses of RM0.35 million for services to be rendered subsequent to 31 December 2024 had been made by the Company and was classified as prepayment under 'Trade and Other Receivables'. Accordingly, for the purposes of illustration in the Pro Forma SOFP, the prepayment is capitalised against share capital or expensed to profit or loss based on the nature of the respective expenses which were initially prepaid. The remaining listing expenses of RM[●] million are assumed to be paid for purposes of illustration in the Pro Forma SOFP.



12. FINANCIAL INFORMATION (Cont'd)**WASCO GREENERGY BERHAD**

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024****4 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

The Pro Forma Consolidated Statements of Financial Position ("SOFP") as at 31 December 2024 have been prepared for illustrative purposes only to show the effects of the Pre-IPO Exercise and the Proposals as set out in Note 2 and Note 3 respectively on the audited consolidated statement of financial position of the Company as at 31 December 2024 based on the assumption that the Pre-IPO Exercise and the Proposals had been effected on 31 December 2024, and should be read in conjunction with the notes in this section.

	Audited	Pro	Pro Forma
	Consolidated	Forma I	II
	SOFP as at	After the	After Pro
	31 December	Pre-IPO	Forma I and
	2024	Exercise	the
	RM'000	RM'000	Proposals
			RM'000
ASSETS			
NON-CURRENT ASSETS			
Property, plant and equipment	104,714	104,714	104,714
Right-of-use assets	5,423	5,423	5,423
Investment in joint venture	4,527	4,527	4,527
Goodwill	3,304	3,304	3,304
Deferred tax assets	2,401	2,401	2,401
	<u>120,369</u>	<u>120,369</u>	<u>120,369</u>
CURRENT ASSETS			
Inventories	67,348	67,348	67,348
Contract assets	19,611	19,611	19,611
Trade and other receivables	51,193	51,193	50,846
Amounts owing by fellow subsidiaries	64	64	64
Amount owing by joint venture	4	4	4
Tax recoverable	120	120	120
Time deposits	37,630	37,630	37,630
Cash and bank balances	17,152	17,152	[•]
	<u>193,122</u>	<u>193,122</u>	<u>[•]</u>
TOTAL ASSETS	<u>313,491</u>	<u>313,491</u>	<u>[•]</u>
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
ATTRIBUTABLE TO OWNERS			
OF THE COMPANY			
Share capital	115,000	[•]	[•]
Exchange translation reserve	(12)	(12)	(12)
Capital reserve	-	[•]	[•]
Retained profits	39,665	39,665	[•]
	<u>154,653</u>	<u>[•]</u>	<u>[•]</u>
Non-controlling interests	19,533	232	232
TOTAL EQUITY	<u>174,186</u>	<u>[•]</u>	<u>[•]</u>

12. FINANCIAL INFORMATION (Cont'd)**WASCO GREENERGY BERHAD**

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024****4 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**

	Audited	Pro Forma I	Pro Forma II
	Consolidated SOFP as at 31 December 2024	After the Pre-IPO Exercise	After Pro Forma I and the Proposals
	RM'000	RM'000	RM'000
NON-CURRENT AND DEFERRED LIABILITIES			
Trade and other payables	1,677	1,677	1,677
Borrowings	42,236	42,236	42,236
	<u>43,913</u>	<u>43,913</u>	<u>43,913</u>
CURRENT LIABILITIES			
Contract liabilities	35,663	35,663	35,663
Trade and other payables	43,976	43,976	43,976
Provision for warranties	1,953	1,953	1,953
Amounts owing to fellow subsidiaries	1,671	1,671	1,671
Amount owing to joint venture	5,438	5,438	5,438
Borrowings	3,160	3,160	3,160
Current tax liabilities	3,531	3,531	3,531
	<u>95,392</u>	<u>95,392</u>	<u>95,392</u>
TOTAL LIABILITIES	<u>139,305</u>	<u>139,305</u>	<u>139,305</u>
TOTAL EQUITY AND LIABILITIES	<u>313,491</u>	<u>[●]</u>	<u>[●]</u>
Supplementary information:			
Number of ordinary shares in issue	115,000	425,000 ⁽²⁾	500,000 ⁽³⁾
Net assets per share attributable to owners of the Company (RM) ⁽¹⁾	1.34	[●]	[●]

Note:

⁽¹⁾ Net assets per share attributable to owners of the Company is computed based on the capital and reserves attributable to owners of the Company divided by the number of ordinary shares in issue.

⁽²⁾ After including 14,404,000 shares issued to acquire 40% of WTSB and 295,596,000 Bonus Shares

⁽³⁾ After including 14,404,000 shares issued to acquire 40% of WTSB, 295,596,000 Bonus Shares and 75,000,000 Issue Shares

12. FINANCIAL INFORMATION (Cont'd)**WASCO GREENERGY BERHAD**

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024****4 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)****4.1 Basis of preparation**

The Pro Forma SOFP as at 31 December 2024 have been prepared based on the audited consolidated SOFP of the Company as at 31 December 2024 as contained in the Company's Accountants' Report for the financial year ended 31 December 2024 ("Accountants' Report") on which an unmodified audit opinion has been issued. The Accountants' Report was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines.

The Pro Forma SOFP have been prepared in a manner consistent with the format of financial statements and accounting policies of the Group.

The Pro Forma Consolidated SOFP have been prepared in accordance with the Paragraphs 9.18 and 9.20 of Chapter 9 Part II Division I: Equity of the Prospectus Guidelines and the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information, for illustrative purposes only, to show the effects of the transactions as set out in Note 2 and Note 3 on the Company's audited consolidated SOFP as at 31 December 2024 had the events or transactions been effected on 31 December 2024, and should be read in conjunction with the Notes to the Pro Forma Consolidated SOFP. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transactions or events on the financial information presented had the transaction or event occurred on 31 December 2024. Further, such information does not purport to predict the Group's future financial position.

4.2 Adjustments to the Pro Forma SOFP**4.2.1 Pro Forma I**

Pro Forma I incorporated the effects of the Pre-IPO Exercise as set out in Note 2.1 and Note 2.2.

4.2.2 Pro Forma II

Pro Forma II incorporated the effects of Pro Forma I and the Proposals as set out in Note 3.1 and Note 3.2.



12. FINANCIAL INFORMATION (Cont'd)

WASCO GREENERGY BERHAD
(Incorporated in Malaysia)
Registration No. 202301048372 (1542286-P)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024

4 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**4.3 Notes to the Pro Forma Consolidated Statements of Financial Position****4.3.1 Cash and bank balances**

The movements in cash and bank balances within current assets are as follows:

	RM'000
Audited as at 31 December 2024/Per Pro Forma I	17,152
Add: Proceeds from Public Issue (Note 3.1(i))	[•]
Less: Utilisation of Proceeds:	
- Payment of estimated listing expenses (Note 3.2 - Foot Note 6)	[•]
Per Pro Forma II	[•]

4.3.2 Trade and other receivables

The movement in trade and other receivables within current assets is as follows:

	RM'000
Audited as at 31 December 2024/Per Pro Forma I	51,193
Less: Reversal of prepaid listing expenses (Note 3.2 - Foot Note 6)	(347)
Per Pro Forma II	50,846

4.3.3 Share capital

The movements in share capital within equity are as follows:

	Number of shares '000	RM'000
Audited as at 31 December 2024	115,000	115,000
Add: Effect of Acquisition (Note 2)	14,404	[•]
Effect of Proposed Bonus Issue (Note 2)	295,596	-
Per Pro Forma I	425,000	[•]
Add: Effect of Public Issue (Note 3.1(i))	75,000	[•]
Less: Estimated expenses directly attributable to the new Issue Shares (Note 3.2 - Foot Note 6)	-	[•]
Per Pro Forma II	500,000	[•]

4.3.4 Non-controlling interests

The movement in non-controlling interests within equity is as follows:

	RM'000
Audited as at 31 December 2024	19,533
Less: Effect of Acquisition (Note 2)	(19,301)
Per Pro Forma I/II	232



12. FINANCIAL INFORMATION (Cont'd)

WASCO GREENERGY BERHAD
(Incorporated in Malaysia)
Registration No. 202301048372 (1542286-P)

**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2024**

4 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)**4.3 Notes to the Pro Forma Consolidated Statements of Financial Position (continued)****4.3.5 Capital reserve**

The movement in capital reserve within equity is as follows:

RM'000

Audited as at 31 December 2024

-

Add: Effect of Acquisition (Note 2)

[•]

Per Pro Forma I/II

[•]

The capital reserve arose from the difference between the fair value of the consideration given amounting to RM[•] million as described in Note 2.1, and the net book value of the non-controlling interest comprising 40% equity interest, in WTSB's net assets as at 31 December 2024 amounting to RM19.3 million.

4.3.6 Retained profits

The movement in retained profits within equity is as follows:

RM'000

Audited as at 31 December 2024/Per Pro Forma I

39,665

Less: Estimated listing expenses expensed off (Note 3.2 - Foot Note 6)

[•]

Per Pro Forma II

[•]



12. FINANCIAL INFORMATION (Cont'd)

WASCO GREENERGY BERHAD

(Incorporated in Malaysia)

Registration No. 202301048372 (1542286-P)

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2024

5 APPROVAL BY BOARD OF DIRECTORS

The Pro Forma Consolidated Statements of Financial Position have been approved for issue in accordance with a resolution of the Board of Directors of Wasco Greenergy Berhad on [●] 2025.

Signed on behalf of the Board of Directors.

RAMANATHAN A/L P.R. SINGARAM
DIRECTOR

NG ING PENG
DIRECTOR

