

11. FINANCIAL INFORMATION

The historical financial information presented below should be read in conjunction with the management's discussion and analysis of financial condition and results of operations as set out in **Section 11.3** of this Prospectus and the Accountants' Report, together with its related notes and assumptions as set out in **Section 12** of this Prospectus. There has been no audit qualification on our audited financial statements for the financial years under review.

11.1 Historical combined financial statements

Historical combined statements of comprehensive income

The following table sets out a summary of the audited combined statements of comprehensive income for the financial years under review:-

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	18,973	20,314	26,549
Cost of sales	(9,826)	(11,767)	(9,315)
GP	9,147	8,547	17,234
Other income	588	769	646
Selling expenses	(1,104)	(887)	(1,294)
Administrative expenses	(2,659)	(2,932)	(3,960)
Other operating expenses	(1,962)	(2,282)	(3,527)
Operating profit	4,010	3,215	9,099
Finance income	137	86	49
Finance costs	(1,185)	(1,326)	(1,145)
PBT	2,962	1,975	8,003
Income tax (expense) / credit	(703)	426	(1,946)
PAT	2,259	2,401	6,057
PAT attributable to:-			
- Owners of our Group	2,265	2,405	6,057
- Non-controlling interest	(6)	(4)	-
	2,259	2,401	6,057
EBITDA (RM'000) ⁽¹⁾	6,031	5,741	11,966
GP margin (%) ⁽²⁾	48.21	42.07	64.91
EBITDA margin (%) ⁽³⁾	31.79	28.26	45.07
PBT margin (%) ⁽⁴⁾	15.61	9.72	30.14
PAT margin (%) ⁽⁵⁾	11.91	11.82	22.81
Effective tax rate (%)	23.73	-	24.32
No. of shares in issue after our IPO ('000)	400,000	400,000	400,000
Basic and diluted EPS (sen) ⁽⁶⁾	0.57	0.60	1.51

11. FINANCIAL INFORMATION (cont'd)**Notes:-**

(1) The table below sets out the reconciliation of our PBT to EBITDA:-

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
PBT	2,962	1,975	8,003
<i>Adjusted for:-</i>			
<i>Finance costs</i>	1,185	1,326	1,145
<i>Depreciation</i>	1,886	2,242	2,505
<i>Amortisation</i>	135	284	362
<i>Finance income</i>	(137)	(86)	(49)
EBITDA	6,031	5,741	11,966

(2) GP margin is computed based on the GP over revenue of our Group.

(3) EBITDA margin is computed based on the EBITDA over revenue of our Group.

(4) PBT margin is computed based on the PBT over revenue of our Group.

(5) PAT margin is computed based on the PAT over revenue of our Group.

(6) Basic and diluted EPS is computed based on PAT attributable to the owners of our Group divided by the number of issued Shares of 400,000,000 after our IPO. There are no dilutive instruments as at the end of the respective financial years.

Historical combined statements of financial position

The following table sets out a summary of the audited combined statements of financial position for the financial years under review:-

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
ASSETS			
Non-current assets			
Property, plant and equipment ⁽¹⁾	5,225	5,140	4,869
Right-of-use assets	5,608	4,604	5,921
Intangible assets ⁽²⁾	881	1,653	1,291
Deferred tax assets	-	432	173
Other investment	165	165	-
Total non-current assets	11,879	11,994	12,254
Current assets			
Inventories	642	649	203
Trade and other receivables ⁽³⁾	8,966	11,876	10,012
Contract assets	2,788	3,796	3,412
Current tax assets	10	-	-
Cash and short-term deposits	1,829	2,509	9,105
Total current assets	14,235	18,830	22,732
TOTAL ASSETS	26,114	30,824	34,986

11. FINANCIAL INFORMATION (cont'd)

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
EQUITY AND LIABILITIES			
Equity attributable to owners of our Group			
Invested equity/share capital	(4)2,000	(4)2,000	(5)13,310
Reorganisation reserve	-	-	(6)(11,310)
Retained earnings	2,761	5,154	8,711
	4,761	7,154	10,711
Non-controlling interest	(8)	-	-
Total equity	4,753	7,154	10,711
Non-current liabilities			
Loans and borrowings	9,547	10,546	11,210
Deferred tax liabilities	320	289	176
Total non-current liabilities	9,867	10,835	11,386
Current liabilities			
Loans and borrowings	6,169	6,507	5,421
Trade and other payables ⁽⁷⁾	3,503	4,670	6,090
Contract liabilities	1,531	1,531	968
Current tax liabilities	291	127	410
Total current liabilities	11,494	12,835	12,889
Total liabilities	21,361	23,670	24,275
TOTAL EQUITY AND LIABILITIES	26,114	30,824	34,986

Notes:-

- (1) The breakdown of IT infrastructure owned by our Group (comprising computer and software, furniture and fittings, office equipment, renovation and tools and equipment) under the Zero Capex model, which formed part of our property, plant and equipment, is set out below:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Computer and software	68	45	8
Furniture and fittings	63	43	23
Office equipment	17	15	10
Renovation	48	101	96
Tools and equipment	1,704	1,431	1,144
Total	1,900	1,635	1,281

- (2) Relates to the development costs recognised by our Group when the software developed by our Group is expected to generate future economic benefits in accordance to the recognition criteria set out in the MFRS 138 Intangible Assets.
- (3) The breakdown of trade and non-trade receivables during the financial years under review are set out as follows:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Trade receivables	6,660	9,514	6,642
Non-trade receivables	2,306	2,362	3,370

11. FINANCIAL INFORMATION (cont'd)

The overall increase in non-trade receivables during the financial years under review was mainly attributable to the following:-

- (i) increase in the amount to be transferred by the licensed merchants to our Group arising from the increased transaction amounts received relating to our CTS for our rail and bus segments ("**Settlement Amount**"). This was due to the increase in rail ridership and high utilisation rate of TOS facility at our Existing Specified Bus Terminals; and
 - (ii) increase in deposits paid to our suppliers in respect of the rental of BOS tablets.
- (4) For the purposes of combined statements of financial position, the invested equity as at the end of the respective FYE 2020 and FYE 2021 represents the aggregate share capital of the combined entities constituting our Group prior to the Acquisitions given that our current Group structure was only formed on 22 December 2022.
- (5) Share capital represents the nominal value of the Shares issued by GOHUB.
- (6) Due to the completion of the Acquisitions (which were part of the Pre-IPO Restructuring and Transactions) on 21 December 2022 and 22 December 2022, respectively.
- (7) The breakdown of trade and non-trade payables during the financial years under review are set out as follows:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Trade payables	1,156	1,363	1,514
Non-trade payables	2,347	3,307	4,576

The increase in non-trade payables during the financial years under review was mainly attributable to the increase in the amount to be transferred by our Group to our customers following the receipt of the increased Settlement Amount (arising from the increased transaction amounts received relating to our CTS for our rail and bus segments).

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11. FINANCIAL INFORMATION (cont'd)

11.2 Reporting Accountants' letter on the pro forma consolidated statements of financial position



21 September 2023

The Board of Directors
Go Hub Capital Berhad
08-G-01, 08-01-01, 08-02-01 & 08-05-01
Corporate Park, Star Central
Lingkar Cyber Point Timur, Cyber 12
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Dear Sirs,

GO HUB CAPITAL BERHAD

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of Go Hub Capital Berhad ("GOHUB" or the "Company") and its subsidiaries, namely NSS IT Solution Sdn. Bhd., NSS IT Philippines Sdn. Bhd. and TCT Apps Solution Sdn. Bhd. (collectively referred to as the "Group") for which the directors of GOHUB are solely responsible. The pro forma consolidated statements of financial position consist of the pro forma consolidated statements of financial position as at 31 December 2022 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of GOHUB have compiled the pro forma consolidated statements of financial position are as described in Note 2 to the pro forma consolidated statements of financial position and in accordance with the Chapter 9 of the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines"), where applicable ("Applicable Criteria").

The pro forma consolidated statements of financial position of the Group has been compiled by the directors of GOHUB, for illustrative purposes only, for inclusion in the prospectus of GOHUB ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of GOHUB comprising 400,000,000 ordinary shares in GOHUB on the ACE Market of Bursa Malaysia Securities Berhad ("Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated statements of financial position of the Group as at 31 December 2022 adjusted for the internal restructuring exercises and transactions undertaken prior to the Listing ("Pre-IPO Restructuring and Transactions") as described in Note 1.2, the Public Issue as described in Note 1.3 and utilisation of proceeds set out in Note 3.2.2.

11. FINANCIAL INFORMATION (cont'd)



GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

Reporting Accountants' Report on the Compilation of the Pro Forma Consolidated Statements of Financial Position as at 31 December 2022 Included in a Prospectus

As part of this process, information about the Group's pro forma consolidated statements of financial position has been extracted by the directors of GOHUB from the audited consolidated financial statements of the Group for the Financial Year Ended ("FYE") 31 December 2022, on which a reporting accountants' report dated 21 September 2023 has been issued.

The audited consolidated financial statements of the Group for the FYE 31 December 2022 were reported by us to the members without any modifications.

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

The directors of GOHUB are responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the directors of GOHUB based on the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements (ISAE) 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of GOHUB have compiled, in all material respects, the pro forma consolidated statements of financial position based on the Applicable Criteria.

11. FINANCIAL INFORMATION (cont'd)



GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 31 December 2022 Included in a Prospectus

Reporting Accountants' Responsibilities (Continued)

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma 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.

The purpose of the pro forma consolidated statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transactions had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of GOHUB in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to Listing Scheme as described in Note 1.3 to the pro forma consolidated statements of financial position, and to obtain sufficient appropriate evidence about whether:

- (a) The pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited consolidated financial statements of the Group for the FYE 31 December 2022, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 31 December 2022; and
- (b) Each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

11. FINANCIAL INFORMATION (cont'd)



GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES
Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 31 December 2022 Included in a Prospectus

Opinion

In our opinion:

- (a) the pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of the Group for the FYE 31 December 2022 and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its financial statements for the FYE 31 December 2022; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

Other matter

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

Yours faithfully,

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Paul Tan Hong
No. 03459/11/2023 J
Chartered Accountant

11. FINANCIAL INFORMATION (cont'd)

GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statements of financial position of Go Hub Capital Berhad (“GOHUB” or the “Company”) and its subsidiaries, namely NSS IT Solution Sdn. Bhd. (“NSS”), NSS IT Philippines Sdn. Bhd. and TCT Apps Solution Sdn. Bhd. (“TCT Apps”) (hereinafter collectively referred to as the “Group”) has been compiled by the directors of GOHUB, for illustrative purposes only, for inclusion in the prospectus of GOHUB in connection with the listing of and quotation for the entire enlarged issued share capital of GOHUB comprising 400,000,000 ordinary shares in GOHUB (“GOHUB Share(s)” or “Share(s)”) on the ACE Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

- 1.1 In conjunction with the admission of GOHUB to the Official List of Bursa Securities and Listing, GOHUB had undertaken the following transactions:

1.2 Pre-IPO Restructuring and Transactions

The internal restructuring exercises and transactions undertaken in respect of the Group prior to the Listing involves the following:

1.2.1 Subscription of Shares

Tan Cherng Thong, the Group's Promoter, substantial shareholder and Executive Director/Chief Executive Officer had, on 16 March 2023, subscribed for 56 new Shares at an issue price of RM6.00 each, representing approximately 0.0004% of the enlarged issued share capital of GOHUB at that point of time of 13,310,000 Shares. The issue price of RM6.00 per GOHUB Share was determined based on, amongst others, the intention to increase the issued share capital of GOHUB to RM13,310,280 comprising 13,310,000 GOHUB Shares for the purposes of the Listing.



11. FINANCIAL INFORMATION (cont'd)**GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES****PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(CONTINUED)**

1. (Continued)

1.2 (Continued)

1.2.2 Entry of investors prior to the Listing (“Entry of Pre-IPO Investors”)

On 21 March 2023, Tan Cherng Thong had entered into share sale agreements with investors (namely, Dato’ Sri Robin Tan Yeong Ching, Alief Iskandar Bin Mohd Zuhri, Ong Beng Hooi and Ong Beng Chong) (collectively, the “Pre-IPO Investors”) to dispose an aggregate of 1,996,500 Shares, representing approximately 15.00% of the issued share capital of GOHUB at that point of time of 13,310,000 Shares, to the Pre-IPO Investors for a total cash consideration of RM12,000,000. The total cash consideration of RM12,000,000 was determined based on a “willing-buyer willing-seller” basis, taking into account, amongst others, the valuation of GOHUB of RM80,000,000 based on the management’s pro forma consolidated profit after tax of the Group of approximately RM6.22 million for the FYE 31 December 2022 which represents a price-earnings-multiple of approximately 12.86 times.

1.2.3 Share Split

Subsequent to the Entry of Pre-IPO Investors, the Company had, on 9 August 2023, undertaken a subdivision of all the existing GOHUB Shares in issue comprising 13,310,000 GOHUB Shares into 292,820,000 GOHUB Shares (i.e. subdivision of every one (1) existing Share into twenty-two (22) subdivided Shares). The purpose of the Share Split is to enlarge the share base of the Company prior to the Initial Public Offering (“IPO”). Upon completion of the Share Split, the issued share capital of GOHUB will increase from 13,310,000 Shares to 292,820,000 Shares.

11. FINANCIAL INFORMATION (cont'd)

GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1. (Continued)

1.3 Listing Scheme

1.3.1 Public Issue

A total of 107,180,000 Shares ("IPO Share(s)"), representing approximately 26.80% of the enlarged issued share capital of GOHUB after the IPO are offered at RM[●] per IPO Share ("IPO Price"), will be allocated in the following manner:

- (i) 20,000,000 IPO Shares, representing 5.00% of the enlarged issued share capital of GOHUB, will be made available for application by the Malaysian public through a balloting process, of which 10,000,000 IPO Shares, representing 2.50% of the enlarged issued share capital of the Company, are set aside for Bumiputera investors. Any IPO Shares not subscribed for by such Bumiputera investors will be made available for application by other Malaysian public;
- (ii) 12,000,000 IPO Shares, representing 3.00% of the enlarged issued share capital of GOHUB, will be reserved and set aside for application by the eligible Directors and employees of the Group as well as persons who have contributed to the success of the Group; and
- (iii) 75,180,000 IPO Shares, representing approximately 18.80% of the enlarged issued share capital will be allotted by way of private placement to identified institutional and/or selected investors.

(Collectively hereinafter referred to as "Public Issue").

1.3.2 Listing

Upon completion of the Public Issue, the entire enlarged issued share capital of GOHUB of approximately RM[●]million comprising 400,000,000 Shares will be listed on the ACE Market of Bursa Securities.

11. FINANCIAL INFORMATION (cont'd)

GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

- 2.1 The pro forma consolidated statements of financial position have been prepared to illustrate the pro forma consolidated financial position of the Group as at 31 December 2022, adjusted for the Pre-IPO Restructuring and Transactions, Public Issue and utilisation of proceeds as described in Notes 1.2, 1.3 and 3.2.2 respectively.
- 2.2 The pro forma consolidated statements of financial position have been prepared based on the audited consolidated financial statements of the Group for the financial year ended (“FYE”) 31 December 2022.
- 2.3 The audited consolidated financial statements of the Group for the FYE 31 December 2022 were reported by the auditors to the members without any modifications.
- 2.4 The pro forma consolidated statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.
- 2.5 The pro forma consolidated statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma consolidated statements of financial position based on the audited consolidated financial statements of the Group for the FYE 31 December 2022, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

Pro Forma Consolidated Statements of Financial Position



11. FINANCIAL INFORMATION (cont'd)**GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP**

- 3.1 The pro forma consolidated statements of financial position of the Group as set out below, for which the directors of GOHUB are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statement of financial position of the Group as at 31 December 2022, had the transactions as described in Note 1.2, the Public Issue as described in Note 1.3 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Consolidated Statements of Financial Position as at 31 December 2022 RM'000	Pro Forma I After the Pre-IPO Restructuring and Transactions RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the utilisation of proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	4,869	4,869	4,869	4,869
Right-of-use assets	5,921	5,921	5,921	5,921
Intangible assets	1,291	1,291	1,291	1,291
Deferred tax assets	173	173	173	173
Total non-current assets	12,254	12,254	12,254	12,254
Current assets				
Inventories	203	203	203	203
Trade and other receivables	10,012	10,012	10,012	10,012
Contract assets	3,412	3,412	3,412	3,412
Cash and short-term deposits	9,105	9,105	[•]	[•]
Total current assets	22,732	22,732	[•]	[•]
TOTAL ASSETS	34,986	34,986	[•]	[•]
EQUITY AND LIABILITIES				
Equity attributable to owners of the Group				
Share capital	13,310	13,310	[•]	[•]
Reorganisation reserve	(11,310)	(11,310)	(11,310)	(11,310)
Retained earnings	8,711	8,711	8,711	[•]
TOTAL EQUITY	10,711	10,711	[•]	[•]

Pro Forma Consolidated Statements of Financial Position

11. FINANCIAL INFORMATION (cont'd)**GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.1 (Continued)

	Audited Consolidated Statements of Financial Position as at 31 December 2022 RM'000	Pro Forma I After the Pre-IPO Restructuring and Transactions RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the utilisation of proceeds RM'000
Non-current liabilities				
Loans and borrowings	11,210	11,210	11,210	[•]
Deferred tax liabilities	176	176	176	176
Total non-current liabilities	11,386	11,386	11,386	[•]
Current liabilities				
Loans and borrowings	5,421	5,421	5,421	[•]
Current tax liabilities	410	410	410	410
Trade and other payables	6,090	6,090	6,090	6,090
Contract liabilities	968	968	968	968
Total current liabilities	12,889	12,889	12,889	[•]
TOTAL LIABILITIES	24,275	24,275	24,275	[•]
TOTAL EQUITY AND LIABILITIES	34,986	34,986	[•]	[•]
Number of ordinary shares assumed to be in issue ('000)	13,310	292,820	400,000	400,000

NA [^] (RM'000)	10,711	10,711	[•]	[•]
NA per ordinary share (RM)	0.80	0.04	[•]	[•]
[^] attributable to owners of the Group				

Pro Forma Consolidated Statements of Financial Position

11. FINANCIAL INFORMATION (cont'd)**GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 Notes to the pro forma consolidated statements of financial position are as follows:

3.2.1 The pro forma consolidated statements of financial position of the Group, for which the directors of GOHUB are solely responsible, have been prepared for illustrative purposes only, to show the effects on the consolidated audited statements of financial position of the Group as at 31 December 2022, had the Pre-IPO Restructuring and Transactions as described in Note 1.2, the Public Issue as described in Note 1.3 and utilisation of proceeds as described in Note 3.2.2 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

3.2.2 The proceeds from the Public Issue would be used in the following manner:

Details of use	RM'000	%	Estimated timeframe for use upon Listing
Not reflected in pro forma consolidated statements of financial position			
Business expansion ⁽¹⁾			
• Expansion of workforce ⁽¹⁾	[●]	[●]	Within 24 months
• Capital expenditure on equipment and tools ⁽¹⁾	[●]	[●]	Within 36 months
• Design and development ⁽¹⁾	[●]	[●]	Within 36 months
• Set-up of new integrated centre ⁽¹⁾	[●]	[●]	Within 12 months
• Business development and marketing ⁽¹⁾	[●]	[●]	Within 24 months
Working capital	[●]	[●]	Within 12 months
Reflected in pro forma consolidated statements of financial position			
Repayment of bank borrowings	[●]	[●]	Within 6 months
Estimated listing expenses	[●]	[●]	Within 1 month
Gross proceeds	[●]	[●]	

(1) As at the latest practicable date, the Group has yet to enter into any contractual binding agreement, issue any offer letters to employees for the business expansion or issue and/or accept any purchase order in relation to the business expansion. Premised thereof, accordingly, the utilisation of proceeds earmarked for the business expansion of RM[●]million are hence not reflected in the pro forma consolidated statements of financial position.

11. FINANCIAL INFORMATION (cont'd)

GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 The pro forma consolidated statements of financial position should be read in conjunction with the notes below:

(a) Pro Forma I

Pro Forma I incorporate the effects of the Subscription of Shares and the Share Split (both of which are part of the Pre-IPO Restructuring and Transactions as described in Note 1.2) on the audited consolidated statements of financial position of the Group as at 31 December 2022. The Entry of Pre-IPO Investors will not have impact on the audited consolidated statements of financial position of the Group as at 31 December 2022.

The Subscription of Shares and the Share Split will have the following impact on the audited consolidated statements of financial position of the Group as at 31 December 2022:

	Increase	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Share capital	-	*
Cash and short-term deposits	*	-
	*	*

* *Less than RM1,000*

11. FINANCIAL INFORMATION (cont'd)**GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.3 (Continued)

(b) Pro Forma II

Pro Forma II incorporates the cumulative effects of Pro Forma I and Public Issue as described in Note 1.3.

The Public Issue will have the following impact on the pro forma consolidated statements of financial position of the Group as at 31 December 2022:

	Increase	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	[●]	-
Share capital	-	[●]
	<u>[●]</u>	<u>[●]</u>

(c) Pro Forma III

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM[●]million. The utilisation of proceeds from the Public Issue of RM[●]million will be used in the manner as described in Note 3.2.2.

The proceeds arising from the Public Issue earmarked for the business expansion and Group's working capital purposes of RM[●]million will be included in the Cash and Short-Term Deposits Account.

The proceeds arising from the Public Issue earmarked for repayment of bank borrowings of RM[●]million will be reflected in Loans and Borrowings Account under current and non-current liabilities.

The estimated listing expenses of RM[●]million are directly attributable expenses relating to the new issuance of shares and will be capitalised in Share Capital Account while the remaining estimated listing expenses of RM[●]million will be expensed off in Retained Earnings Account.



11. FINANCIAL INFORMATION (cont'd)

GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 (Continued)

(c) Pro Forma III (Continued)

The utilisation of proceeds will have the following impact on the pro forma consolidated statements of financial position of the Group as at 31 December 2022:

	Decrease	
	Effects on Total Assets RM'000	Effects on Total Equity RM'000
Cash and short-term deposits	[●]	-
Share capital	-	[●]
Retained earnings	-	[●]
Loans and borrowings		
- Current	-	[●]
- Non-current	-	[●]
	<u>[●]</u>	<u>[●]</u>

11. FINANCIAL INFORMATION (cont'd)

GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.4 Movements in share capital and reserves are as follows:

	Share capital RM'000	Reorganisation reserve RM'000	Retained earnings RM'000
Audited consolidated statements of financial position of the Group as at 31 December 2022	13,310	(11,310)	8,711
Arising from the Pre-IPO Restructuring and Transactions	*	-	-
Per Pro Forma I	13,310	(11,310)	8,711
Arising from the Public Issue	[●]	-	-
Per Pro Forma II	[●]	(11,310)	8,711
Arising from the defrayment of estimated listing expenses in relation to the Listing	[●]	-	[●]
Per Pro Forma III	[●]	(11,310)	[●]

* *Less than RM1,000*

11. FINANCIAL INFORMATION (cont'd)**GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES****3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.5 Movements in cash and short-term deposits are as follows:

	RM'000
Audited consolidated statements of financial position of the Group as at 31 December 2022	9,105
Arising from the Pre-IPO Restructuring and Transactions	*
Per Pro Forma I	9,105
Arising from the Public Issue	[●]
Per Pro Forma II	[●]
Arising from the utilisation of proceeds in relation to the Listing	
- Repayment of bank borrowings	[●]
- Estimated listing expenses	[●]
Per Pro Forma III	[●]

* *Less than RM1,000*

11. FINANCIAL INFORMATION (cont'd)

GO HUB CAPITAL BERHAD AND ITS SUBSIDIARIES

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Go Hub Capital Berhad in accordance with a resolution dated 21 September 2023.

.....
Tan Cherng Thong
Director

.....
Lee Li Yee
Director

Pro Forma Consolidated Statements of Financial Position



11. FINANCIAL INFORMATION (cont'd)

11.3 Management’s discussion and analysis of financial condition and results of operations

The following management’s discussion and analysis of our financial condition and results of operations for the financial years under review should be read in conjunction with the accompanying notes, assumptions and bases included in the Accountants’ Report set out in **Section 12** of this Prospectus. There are no accounting policies which are peculiar to our Group in regards to the nature of the business or the industry which our Group is involved in.

This discussion and analysis contain forward-looking statements that reflect our current views with respect to future events and our financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out under risk factors in **Section 4** of this Prospectus.

11.3.1 Overview of our operations

We are principally involved in the provision of enterprise IT services, focusing on providing transportation IT solutions (including customised software development systems and integration of hardware and software systems) with an established track record in the bus and rail segments. Our offerings also extend to include maintenance and support services as well as terminal management services for the IT solutions that we deliver to our customers.

Our Group’s business model is summarised in the diagram below:-

	Transportation IT solutions	Other IT solutions		
Primary solutions	<ul style="list-style-type: none"> TOS (comprising TMS and CTS) BOS AFC Maintenance and support services as well as terminal management services 	GoPartner (an integrated cloud-based inventory and reservation management system)	GoHub.com.my (an online marketplace catering for ticketing needs)	Customised IT solutions
Principal segments that our Group serves	<u>Rail segment</u> <ul style="list-style-type: none"> Rail operator 	Enterprises that require inventory and reservation management systems such as:- <ul style="list-style-type: none"> Bus operators Campsite operators Homestay operators Sports centre operators 	<ul style="list-style-type: none"> Online marketplace customers of GoHub.com.my Merchants such as customers of GoPartner 	Various industries that primarily require reservations, booking and management solutions
	<u>Bus segment</u> <ul style="list-style-type: none"> Bus terminal operators Stage and express bus operators 			
	Others*			
Business engagements	<ul style="list-style-type: none"> Zero Capex Outright Purchase 	Transaction fees	Outright Purchase	
Geographical markets	<ul style="list-style-type: none"> Principally in Malaysia Overseas sales – the Philippines (less than 2% of our total revenue for the financial years under review) 			

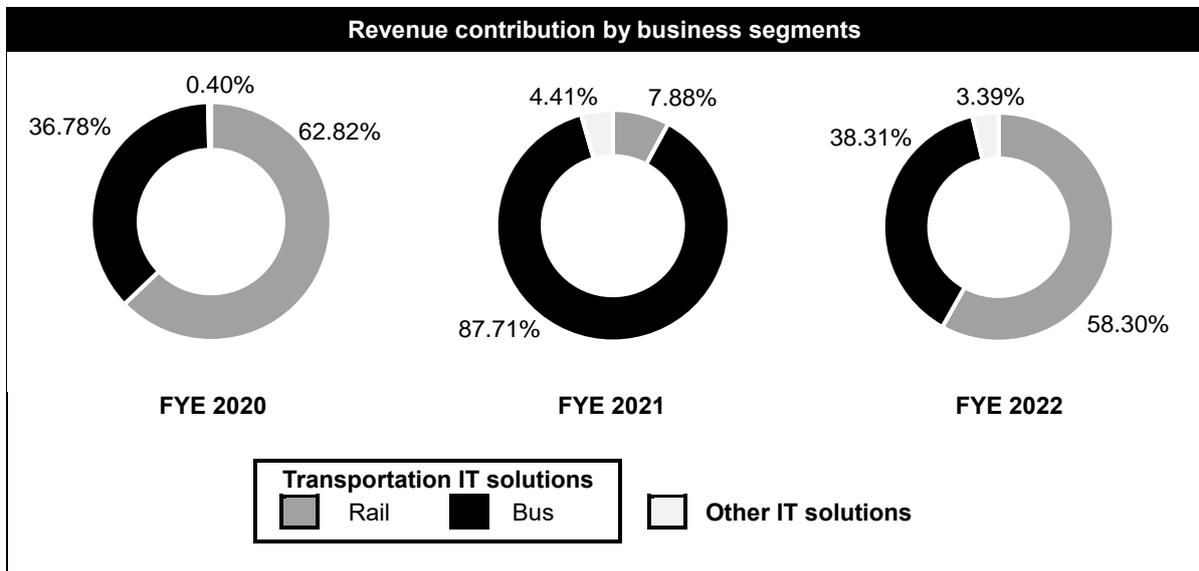
11. FINANCIAL INFORMATION (cont'd)

Note:-

* Refers to other segments within the transportation sector (apart from bus and rail segments) as our solutions are adaptable and can be applied to other segments within the transportation sector (which includes sea segment (i.e. ferry terminals, a segment which our Group is presently venturing into as disclosed in **Section 6.24.1** of this Prospectus)).

We provide our enterprise IT services predominantly in Peninsular Malaysia with local sales accounting for more than 98% for the financial years under review. Our overseas sales solely relate to our TOS for Parañaque Integrated Terminal Exchange, located in Manila, the Philippines (which caters for the bus segment) and such sales accounted for less than 2% in the financial years under review.

Our customers primarily operate in the public transportation sector, in particular, the rail and bus segments, comprising rail operator, bus terminal operators as well as stage and express bus operators. A snapshot of our revenue segments in the financial years under review is set out below:-



We intend to grow our business by leveraging on our competitive strengths set out in **Section 6.3** of this Prospectus and through the following future plans and business strategies:-

- (i) leveraging on our market presence and established track record to expand our Group’s footprint in the bus and rail segments to locations where we currently do not have any presence in;
- (ii) widening our Group’s transportation IT solutions to include ferry segment; and
- (iii) strengthening our operational capabilities, which includes expansion of our workforce, setting up D&D department and enhancing our customer maintenance and support services.

Further details on our future plans and business strategies are set out in **Section 6.24** of this Prospectus.

11. FINANCIAL INFORMATION (cont'd)

11.3.2 Components of financial performance

(i) Revenue

We recorded revenue of approximately RM18.97 million, RM20.31 million and RM26.55 million for the FYE 2020, FYE 2021 and FYE 2022 respectively.

We recognise our revenue based on the following revenue recognition methods:-

- at a point in time when the performance obligation is satisfied, i.e. when control has transferred to our customers which typically occurs when the software and/or hardware are installed at our customers' sites, risk of loss has been transferred to our customers and we have a present right to payment for the solutions (which may be hardware and/or software); and/or
- over time when the services (in respect of hardware and/or software) are rendered, and for contracts, based on the services provided in accordance with the project milestones set out in the contracts.

Our orders are typically secured by way of contracts and/or purchase orders, where:-

Contracts	<ul style="list-style-type: none"> • Typically, a formal contract will be prepared and signed by both parties for large-scale projects in respect of:- <ul style="list-style-type: none"> (a) customisation and installation of our solutions; (b) maintenance and support services; and (c) terminal management services. • The duration of the projects is typically more than 1 year. • The scope of the projects typically entails multitude of services and higher level of technical complexity.
Purchase orders	<ul style="list-style-type: none"> • Typically, purchase orders will be issued by our customers for maintenance and support services or hardware component replacement projects. • The duration of the projects is typically up to 1 year only. • The work request is typically for a specific service (as opposed to multitude of services).

Our revenue from the transportation IT Solutions are derived from the following solutions:-

- (i) customisation and integration of our IT solutions (i.e. TMS, CTS and/or AFC) with the customers' system infrastructure and installation of our solutions at the customers' site ("**Set-Up**");
- (ii) provide maintenance and support services to our customers in respect of our solutions (post solutions Set-Up) ("**Maintenance**"). Such support services are critical to our customers (being the public transportation service providers) as they are expected by the government and the general public to operate with minimal disruptions/breakdowns and be equipped and prepared to respond swiftly to emergencies, should the need arise;

11. FINANCIAL INFORMATION (cont'd)

- (iii) terminal management services (upon request of our customers), where we are required to undertake the function of system operator to manage and operate our solutions (i.e. TMS and/or CTS) at bus terminals on behalf of our customers as well as perform ancillary terminal management services at bus terminals, which includes, amongst others, managing terminal counters, scheduling and coordinating arrival and departure of buses, maintenance and repair of IT systems as well as managing the operational safety and security at the terminal bays ("**System Operator**"); and
- (iv) leasing of our BOS to stage bus operators for real time tracking and ticketing solutions;

where our customers have the option to undertake the following business engagements (i.e. payment model):-

Outright Purchase of our solutions	Zero Capex option on our solutions
Payments are based on project milestones set out in our purchase orders and/or contracts, with the billing for the last project milestone to be issued upon completion of the project.	Our Group will charge our customers and end-users on a pay-per-use basis, which includes a percentage of ticket sales and terminal facility charges. In this regard, our customers are not required to make any upfront payments for the installation of the solutions (involving hardware and/or software) or maintenance of the installed solutions.

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11. FINANCIAL INFORMATION (cont'd)

Our sources of revenue based on our transportation IT solutions are set out in the table below (“Sources of Revenue Table”):-

Solutions	TMS			CTS						BOS	AFC	
Type of customers	Express bus terminal operators and/or bus operators			Express bus terminal operators and/or bus operators			Rail operator			Stage bus operators	Rail operator	
Solutions component	Hardware and software			Hardware and software			Hardware	Software		Hardware and software	Hardware and software	
Business engagement	Zero Capex	Outright Purchase		Zero Capex	Outright Purchase		Outright Purchase		Zero Capex	Outright Purchase		
Project type ⁽¹⁾	System operator	Set-Up	Maintenance	System operator	Set-Up	Maintenance	Set-Up	Maintenance	Maintenance	Leasing	Set-Up and maintenance	
Sources of revenue	Revenue sharing charges ^{*(2)}	One-off^	Monthly fixed maintenance charges*	Revenue sharing Charges ^{*(2)}	One-off^	Monthly fixed maintenance charges*	One-off^	Revenue sharing charges ^{*(2)}	Revenue sharing charges ^{*(2)}	Monthly fixed subscription fees*	One-off^	Monthly fixed maintenance charges*

11. FINANCIAL INFORMATION (cont'd)

Notes:-

- * Recurring revenue.
- ^ Non-recurring revenue.
- (1) The descriptions of the project types are set out in **Section 11.3.2(i)** of this Prospectus.
- (2) The revenue sharing charges encompasses the following:-

Type of charges	Descriptions
Bus segment	
<u>Bus operators*</u>	
Fixed fee charges on a pay-per-use basis	A fixed fee will be charged to bus operators in respect of pick-up/entry into the Specified Bus Terminals and parking at bus bays.
Percentage of ticket sales	A predetermined percentage of the ticket sales will be charged to bus operators.
<u>Express bus passengers*</u>	
Fixed fee charges to passengers (on top of the ticket sale)	A fixed fee will be charged to the passengers at the Specified Bus Terminals in respect of boarding passes issuance and/or facility services provided at the boarding area.
Rail segment	
<u>Rail operator</u>	
Fixed fee on ticket sales	A fixed fee will be charged to rail operator based on the daily number of ticket sales (regardless of destination).

Note:-

- * Such fees are charged by our Group based on the grading of the bus terminals as stipulated in the APAD guidelines.

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11. FINANCIAL INFORMATION (cont'd)

We also derive revenue from the following solutions:-

- (i) GoPartner, an integrated cloud-based inventory and reservation management system;
- (ii) GoHub.com.my, an online marketplace catering for ticketing needs; and
- (iii) customised IT solutions (which are non-transportation IT based) to our customers.

Our sources of revenue based on other IT solutions are as follows:-

Solutions	GoPartner	GoHub.com.my	Customised IT solutions on ad hoc basis
Type of customers	B2B, Merchant partners	B2C	Various industries that primarily require reservations, booking and management solutions
Business engagement	Transaction fee	Transaction fee	Outright Purchase
Sources of revenue	(i) percentage-fee based model involving charging a percentage of transaction value; and/or (ii) fixed fee model involves charging a predetermined amount for each transaction, regardless of the transaction value.	(i) percentage-fee based model involving charging a percentage of transaction value; and/or (ii) fixed fee model involves charging a predetermined amount for each transaction, regardless of the transaction value.	One-off

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11. FINANCIAL INFORMATION (cont'd)

The segmental analysis of our revenue for the financial years under review is set out in the following tables:-

(a) Revenue by business segments

Our revenue by business segments is illustrated in the table below:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Transportation IT solutions						
- Rail	11,920	62.82	1,601	7.88	15,477	58.30
• TOS ⁽¹⁾	11,920	62.82	1,601	7.88	7,829	29.49
• AFC	-	-	-	-	7,648	28.81
- Bus	6,978	36.78	17,817	87.71	10,171	38.31
• TOS	4,847	25.55	14,512	71.44	6,863	25.85
• BOS	2,131	11.23	3,305	16.27	3,308	12.46
	18,898	99.60	19,418	95.59	25,648	96.61
Others	75	0.40	896	4.41	901	3.39
Total revenue	18,973	100.00	20,314	100.00	26,549	100.00

Note:-

(1) Relates to only CTS.

Our revenue for the financial years under review was mainly derived from our transportation IT solutions segment, which accounted for more than 95% of our total revenue for the financial years under review.

Our TOS for both our rail and bus segments was the largest revenue contributor to our Group for the FYE 2020, FYE 2021 and FYE 2022, which accounted for 88.37%, 79.32% and 55.34%, respectively of our total revenue. The lower revenue contribution from our TOS particularly in the FYE 2022 was primarily due to the following:-

- (i) decrease in contribution from TOS in the bus segment due to the absence of new contracts for the customisation and installation of TOS for the bus segment following the completion of the customisation and installation works for the integrated bus terminal project in Gombak; and
- (ii) substantial contribution of revenue generated from our new revenue stream (i.e. our AFC), where our Group secured the AFC contract in the third quarter of 2022 and commenced customisation and installation works in the fourth quarter of 2022.

The TOS for our bus segment had also decreased from RM14.51 million in the FYE 2021 to RM6.86 million in the FYE 2022. This was mainly attributable to the completion of the customisation and installation works by our Group in the FYE 2022 in respect of the integrated bus terminal project in Gombak and no new projects secured for the customisation and installation of TOS for our bus segment in the FYE 2022.

Our BOS for the bus segment was the second largest revenue contributor to our transportation IT solutions segment and accounted for 11.23%, 16.27% and 12.46% to our total revenue for the FYE 2020, FYE 2021 and FYE 2022, respectively.

11. FINANCIAL INFORMATION (cont'd)

The decrease in revenue from transportation IT solutions from the rail segment is RM11.92 million in the FYE 2020 to RM1.60 million in the FYE 2021 was mainly due to the completion of the installation of CTS for a rail operator in the FYE 2020 and the absence on new projects for the rail segment in the FYE 2021.

(b) Revenue by geographical location

Our revenue by geographical location is illustrated in the table below:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Malaysia	18,953	99.89	19,979	98.35	26,519	99.89
Overseas	20	0.11	335	1.65	30	0.11
Total revenue	18,973	100.00	20,314	100.00	26,549	100.00

Our revenue for the financial years under review was mainly derived from Malaysia (being the primary market in which our Group operates), which accounted for more than 98% of our total revenue for the financial years under review.

Our overseas revenue solely relates to our TOS for Parañaque Integrated Terminal Exchange, the Philippines (which caters for the bus segment) and such sales accounted for only 0.11%, 1.65% and 0.11% for the FYE 2020, FYE 2021 and FYE 2022, respectively.

(c) Recurring and non-recurring revenue segments

Our recurring and non-recurring revenue segments are illustrated in the table below:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Recurring ⁽¹⁾	5,741	30.26	7,141	35.15	17,380	65.46
Non-recurring ⁽²⁾	13,232	69.74	13,173	64.85	9,169	34.54
Total revenue	18,973	100.00	20,314	100.00	26,549	100.00

Notes:-

- (1) Primarily relates to BOS, maintenance and support services in relation to TOS and AFC as well as terminal management services. Please refer to the Sources of Revenue Table as set out in **Section 11.3.2(i)** of this Prospectus for further details.
- (2) Primarily relates to new customisation and installation projects in relation to TOS and AFC, customisation of other IT solutions on an ad-hoc basis. Please refer to the Sources of Revenue Table as set out in **Section 11.3.2(i)** of this Prospectus for further details.

The growth in our recurring revenue segment for the financial years under review was mainly due to the following factors:-

- the increase in ridership of ETS, Intercity and Shuttle Tebrau services (collectively referred to as the “**Rail Routes**”) in the financial years under review as the Rail Routes’ ticket issuances had increased from approximately 0.50 million tickets sold in the FYE 2020 (where our Group had only commenced our CTS maintenance services in August 2020) to more than 10 million tickets sold in the FYE 2022 following the gradual recovery from the COVID-19 pandemic and the transition to endemic phase;

11. FINANCIAL INFORMATION (cont'd)

- the overall increase in ridership at the bus terminals where we operate as system operators at the Existing Specified Bus Terminals and undertake terminal management services from the FYE 2020 to the FYE 2022, evidenced by the overall increase in the number of total ticket issuances from the FYE 2020 to the FYE 2022:-

	FYE 2020	FYE 2021	FYE 2022
Terminal passengers ('000)	*427	^153	647

Notes:-

* High number of passengers in first quarter of the FYE 2020 (prior to the movement control order (which involves travel restrictions) imposed by the Malaysian Government to curb the outbreak of COVID-19 pandemic).

^ The decrease in the number of passengers was primarily due to the movement control order (which involves travel restrictions) imposed by the Malaysian Government to curb the outbreak of COVID-19 pandemic.

- the increase in revenue from our BOS, evidenced by the overall increase in the number of stage buses adopting our solutions from the FYE 2020 to the FYE 2022:-

	FYE 2020	FYE 2021	FYE 2022
No. of stage buses	383	754	*649

Note:-

* The decrease in the number of stage buses from the FYE 2021 to the FYE 2022 were due to, amongst others, the stage bus operators switching to a new vendor for the BOS, and the stage bus operators having ceased to operate the stage buses due to lack of bus drivers or bus operators failing to renew their permits with APAD.

We recorded a lower non-recurring revenue of RM9.17 million in the FYE 2022 as compared to the revenue of RM13.17 million recorded in the FYE 2021. The decline in non-recurring income was mainly due to absence of new contracts for the customisation and installation of TOS for the bus segment, which was to a certain extent mitigated by the revenue recognised from our customisation and installation of AFC in the fourth quarter of 2022.

(d) Commentary on past performance

FYE 2020 to FYE 2021

Our revenue increased by 7.06% or RM1.34 million to RM20.31 million in the FYE 2021 (FYE 2020: RM18.97 million), primarily attributed to the following:-

- increase in revenue from our BOS, which mainly due to higher subscription fees amounting to RM3.31 million in the FYE 2021 (FYE 2020: RM2.13 million) following the increase in stage buses adopting our solutions from 383 buses as at 1 January 2020 to 754 buses as at 31 December 2021; and
- increase in revenue from our CTS (comprising new projects and existing maintenance contracts) for the bus segment to RM13.67 million in the FYE 2021 (FYE 2020: RM2.88 million). The increase in our CTS for bus segment in the FYE 2021 was mainly due to the revenue recognised for the completion of the customisation and installation works for the integrated bus terminal project in Gombak in accordance to the project milestones set out in the CTS contract;

11. FINANCIAL INFORMATION (cont'd)

which was to a certain extent, mitigated by the decrease in revenue from our CTS for the rail segment to RM1.60 million in the FYE 2021 (FYE 2020: RM11.92 million) following the completion of the installation of our CTS for a rail operator in the FYE 2020.

FYE 2021 to FYE 2022

Our revenue increased by 30.72% or RM6.24 million to RM26.55 million in the FYE 2022 (FYE 2021: RM20.31 million), primarily attributed to the following:-

- increase in revenue from our CTS for rail segment from RM1.60 million in the FYE 2021 to RM7.83 million in the FYE 2022 due to the increase in ridership of the Rail Routes services (where our Group charges for maintenance and support services are in the form of revenue sharing) in the FYE 2022 as Rail Routes' ticket issuances had increased by 399.95% from the FYE 2021 to the FYE 2022;
- new contract secured with a rail operator in respect of our AFC, whereby we have recognised revenue of RM7.65 million in the FYE 2022; and
- increase in ridership at the Existing Specified Bus Terminals where we operate as system operators (where the charges for terminal management services are in the form of revenue sharing and fixed fee basis), evidenced by the increase in the number of total ticket issuances from 0.15 million in the FYE 2021 to 0.65 million in the FYE 2022;

which was to a certain extent, mitigated by the decrease in revenue from our bus segment, in particular, our TOS, due to the absence of new contracts for the customisation and installation of TOS for the bus segment following the completion of the customisation and installation works for the integrated bus terminal project in Gombak.

(ii) Cost of sales, GP and GP margin

The table below sets out our cost of sales, GP and GP margin by business segments for the financial years under review:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Purchases of hardware ⁽¹⁾	5,816	59.19	7,953	67.59	1,496	16.06
Staff costs ⁽²⁾	1,849	18.82	1,891	16.07	3,457	37.11
Subscriptions ⁽³⁾	516	5.25	883	7.50	1,118	12.00
Project cost ⁽⁴⁾	1,162	11.83	435	3.70	502	5.39
Amortisation ⁽⁵⁾	135	1.37	284	2.41	362	3.89
Merchant fees ⁽⁶⁾	39	0.40	174	1.48	1,345	14.44
Terminal operation charges ⁽⁷⁾	166	1.69	93	0.79	648	6.96
Others ⁽⁸⁾	143	1.45	54	0.46	387	4.15
Total cost of sales	9,826	100.00	11,767	100.00	9,315	100.00

11. FINANCIAL INFORMATION (cont'd)

Notes:-

- (1) Comprises amongst others, ACGs, TVMs, barrier gates, handheld devices and POS machines.
- The increase in purchases of hardware from RM5.82 million in the FYE 2020 to RM7.95 million in the FYE 2021 was primarily due to the purchase of a higher number of hardware (which includes ACGs, TVMs, barrier gates, handheld devices and POS machines) in the FYE 2021 for the TOS at the integrated bus terminal project in Gombak. The subsequent decrease in the purchases of hardware to RM1.50 million in the FYE 2022 was primarily due to the lower number of hardware purchased during the financial year. This was mainly attributable to the project requirements of the AFC project (where fewer hardware components are required during the initial phase of the project) and the absence of new installation and customisation projects following the completion of the customisation and installation works for the integrated bus terminal project in Gombak.
- (2) Comprise salaries and allowances for our IT software engineers, project consultants and technicians who are directly involved in the provision of IT solutions as well as our terminal management services staffs.
- The increase in staff costs from RM1.89 million in the FYE 2021 to RM3.46 million in the FYE 2022 was mainly due to:-
- (i) the increase in the workforce of our Group from 74 personnel in the FYE 2021 to 93 personnel in the FYE 2022; and
- (ii) the revision in the overall remuneration package of the workforce in the FYE 2022. Our Group had previously temporarily suspended the overall increment in salaries and payment of bonuses in the FYE 2020 and the FYE 2021 as part of our cash management and conservation strategy in view of the uncertainties due to the COVID-19 pandemic.
- (3) Comprise monthly cloud hosting and data plan subscriptions for terminals and buses.
- The increase in subscriptions from RM0.52 million in the FYE 2020 to RM0.88 million in the FYE 2021 was primarily due to the increase in number of stage buses adopting our BOS, which resulted in the increase in data plan consumption (as the subscription charges are based on usage). The subsequent increase in subscriptions to RM1.12 million in the FYE 2022 was primarily due to the installation of the AFC (which incorporates cloud hosting of the solution in the subscription package of our Group with the service provider).
- (4) Comprises the software development costs and consultant fees incurred for technical advisory and support services.
- The decrease in project cost from RM1.16 million in the FYE 2020 to RM0.44 million in the FYE 2021 was primarily due to the discontinuation of external technical advisory services following the appointment of our CTO, who subsequently assumed and undertake such functions. The project cost incurred of RM0.50 million in the FYE 2022 was relatively consistent with project cost incurred in the previous financial year (FYE 2021: RM0.44 million).
- (5) Comprise amortisation of intangible assets which mainly relates to the capitalisation of the software development cost for the Rail Routes under Zero Capex model.
- (6) Comprise processing fees/handling charges from merchant for e-payment transactions.
- The overall increase in merchant fees from RM0.04 million in the FYE 2020 to RM1.35 million in the FYE 2022 was mainly due to increase in rail ridership and the purchase of rail tickets following the upliftment of the movement control order (which involves travel restrictions) by the Malaysian Government as Malaysia enters the endemic phase in April 2021.
- (7) Comprise insurance premium and cash management solutions for the Existing Specified Bus Terminals.
- (8) Comprise freight and transportation charges for hardware installation and custom duties for oversea purchases.

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	18,973	20,314	26,549
Cost of sales	(9,826)	(11,767)	(9,315)
GP	9,147	8,547	17,234
GP margin (%)	48.21	42.07	64.91

11. FINANCIAL INFORMATION (cont'd)

Rail Segment	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	11,920	1,601	15,477
Cost of sales	(7,659)	(1,327)	(5,637)
GP	4,261	274	9,840
GP margin (%)	35.75	17.11	63.58

Bus Segment	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	6,978	17,817	10,171
Cost of sales	(2,101)	(10,424)	(3,341)
GP	4,877	7,393	6,830
GP margin (%)	69.89	41.49	67.15

Recurring	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	5,741	7,141	17,380
Cost of sales	(1,983)	(2,938)	(4,796)
GP	3,758	4,203	12,584
GP margin (%)	65.46	58.86	72.41

Non-recurring	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Revenue	13,232	13,173	9,169
Cost of sales	(7,843)	(8,829)	(4,519)
GP	5,389	4,344	4,650
GP margin (%)	40.73	32.98	50.71

Commentary on cost of sales, GP and GP margin**FYE 2020 to FYE 2021**

Our overall GP decreased by 6.56% to RM8.55 million in the FYE 2021 (FYE 2020: RM9.15 million), which was mainly due to the decrease in GP of our rail segment (mainly attributable to completion of the installation of CTS contract in the FYE 2020 and the low ridership arising from the travel restrictions imposed to curb the COVID-19 pandemic). The decrease in GP of our rail segment from RM4.26 million to RM0.27 million was to a certain extent mitigated by the increase in GP of our bus segment from RM4.88 million in the FYE 2020 to RM7.39 million in the FYE 2021.

11. FINANCIAL INFORMATION (cont'd)

Our overall GP margin decreased to 42.07% in the FYE 2021 (FYE 2020: 48.21%), which was mainly attributed to the following:-

- lower GP margin for our bus segment of 41.49% in the FYE 2021 (FYE 2020: 69.89%⁽¹⁾). This was due to:-
 - (a) our Group undertaking the TOS project in respect of an integrated bus terminal in Gombak where the project requires lesser customisation and has a lower level of technical complexity given that the existing modules available are suited to be installed at site. For information purposes, the aforesaid TOS project was secured by our Group in December 2020 and commenced development and customisation works in January 2021; and
 - (b) the low utilisation rate of the TOS facility at our Existing Specified Bus Terminals as:-
 - (aa) low utilisation rate will translate to lower revenue for our Group as our revenue sharing charges are based on pay-per-use basis and a percentage of tickets sales; whilst
 - (bb) our costs to operate the Existing Specified Bus Terminals remained fairly fixed (regardless of the utilisation rate) as evidenced by the operating costs of the Existing Specified Bus Terminals incurred were RM1.10 million in the FYE 2020 and RM1.28 million in the FYE 2021; and
- lower GP margin for our rail segment of 17.11% in the FYE 2021 (FYE 2020: 35.75%) due to the completion of the CTS contract for a rail operator and the travelling restrictions imposed by the Malaysian government in its efforts to curb the spread of the COVID-19 virus, which had resulted in a decline in the Rail Routes' ridership. The decline in the Rail Routes' ridership will result in lower revenue for our Group as the revenue sharing charges are based on number of ticket sales, whilst our Group continue to incur fixed operating costs (such as staff and subscriptions costs).

Our GP margin for recurring income segment had decreased to 58.86% in the FYE 2021 (FYE 2020: 65.46%). This was primarily due to the low utilisation rate of TOS facility at our Existing Specified Bus Terminals (which is measured by the number of pick-up/entry of buses and ticket sales at the terminals) whilst incurring fixed operating costs in providing system operator services and terminal management services. Our GP margin for non-recurring income segment had also decreased to 32.98% in the FYE 2021 (FYE 2020: 40.73%), mainly due to our Group undertaking the TOS project in respect of an integrated bus terminal in Gombak (which has a lower project margin due to the project requiring lesser customisation and has a lower level of technical complexity given that the existing modules available are suited to be installed at site).

Note:-

- (1) *The higher GP margin for the bus segment in the FYE 2020 (as compared to the GP margin achieved in the FYE 2021) was mainly attributable to:-*
- (a) *the higher utilisation rate of TOS facility at Terminal Melaka Sentral in the FYE 2020 (prior to the COVID-19 pandemic). For information purposes, the other 2 Existing Specified Bus Terminals had only commenced operations in the FYE 2021 during the COVID-19 pandemic and the low utilisation of the TOS facility of the Existing Specified Bus Terminal further affected the GP margin for the bus segment in the FYE 2021; and*
 - (b) *absence of new projects for the bus segment in the FYE 2020 with GP margins for new projects are typically lower than maintenance-based projects as hardware costs are incorporated as part of the cost of sales for the new projects.*

11. FINANCIAL INFORMATION (cont'd)

Further, it should be noted that the GP margins for the bus segment for the FYE 2020 and the FYE 2022 are relatively consistent (although the GP margin for FYE 2022 takes into account the GP margins for the other 2 Existing Specified Bus Terminals). The GP margins for Specified Bus Terminals will differ from each other due to the terms of the maintenance contracts (which takes into consideration, the tenure of the contact and the level of investment for the hardware as well as the scale and size of the TOS operations).

FYE 2021 to FYE 2022

Our overall GP increased by 101.52% to RM17.23 million in the FYE 2022 (FYE 2021: RM8.55 million), which was mainly due to the increase in GP of our rail segment from RM0.27 million in the FYE 2021 to RM9.84 million in the FYE 2022. This was mainly attributable to the increase in ridership of the Rail Routes and the customisation and installation of the AFC (which commands a higher margin due to advanced customisation required and has a higher level of technical complexity of the project). The increase in the Rail Routes' ridership will result in higher revenue for our Group as the revenue sharing charges are based on number of ticket sales, whilst our Group continue to incur fixed operating costs (such as staff and subscriptions costs).

The increased in GP of our rail segment was to a certain extent offset by the decrease in GP of our bus segment of RM7.39 million in the FYE 2021 to RM6.83 million in the FYE 2022.

Our overall GP margin increased to 64.91% in the FYE 2022 (FYE 2021: 42.07%), which was mainly attributed to the following:-

- higher GP margins for our bus segment of 67.15% in the FYE 2022 (FYE 2021: 41.49%). This was mainly due to high utilisation rate of the TOS facility at the Existing Specified Bus Terminals as:-
 - (a) high utilisation rate will translate to higher revenue for our Group as our revenue sharing charges are based on pay-per-use basis and a percentage of tickets sales; whilst
 - (b) our costs to operate the Existing Specified Bus Terminals remained fairly fixed (regardless of the utilisation rate) as evidenced by the operating costs of the Existing Specified Bus Terminals incurred of RM1.28 million in the FYE 2021 and RM1.53 million in the FYE 2022.
- higher GP margin for our rail segment of 63.58% in the FYE 2022 (FYE 2021: 17.11%) due to the customisation and installation of the AFC and the increased Rail Routes' ridership.

Our GP margin for recurring income segment had increased to 72.41% in the FYE 2022 (FYE 2021: 58.86%). This was mainly due to the increase in both Rail Routes' ridership and high utilisation rate of TOS facility at the Existing Specified Bus Terminals (which is measured by the number of pick-up/entry of buses and ticket sales at the terminals) whilst incurring fixed operating costs in providing system operator services and terminal management services. Our GP margin for non-recurring income segment had also increased to 50.71% in the FYE 2022 (FYE 2021: 32.98%), driven mainly by the higher project margin in respect of the customisation and installation of the AFC. Our project margins will vary depending on the respective project specification, technical complexity and the business engagements (i.e. Outright Purchase or Zero Capex). It should hence be noted that projects which requires advanced customisation and has a higher level of technical complexity, such as AFC, will typically command a higher project margin as compared to projects which require less customisation and lower level of technical complexity (such as BOS or TOS installation for bus terminals as such solutions are existing modules available to be installed at site).

11. FINANCIAL INFORMATION (cont'd)**(iii) Other income**

The following table sets out our other income during the financial years under review:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Gain on lease modification ⁽¹⁾	-	-	-	-	234	36.22
Wages subsidy ⁽²⁾	418	71.09	397	51.63	23	3.56
COVID-19 related rent concession income ⁽³⁾	164	27.89	343	44.60	-	-
Miscellaneous ⁽⁴⁾	6	1.02	29	3.77	389	60.22
Total other income	588	100.00	769	100.00	646	100.00

Notes:-

- (1) Gain on lease modification relates to the financial impact arising from the change in contractual obligations/terms of the revised lease agreement, resulting in favourable financial outcome to our Group as compared to the initial terms of the lease agreement.
- (2) The wages subsidy received by our Group during the financial years under review relates to the monthly financial assistance from the Malaysian Government under the following programmes:-
- (a) *Penjana Kerjaya 1.0 and Penjana Kerjaya 2.0 under the economic recovery plan (PENJANA) implemented by SOCSO;*
- (b) *Program Subsidi Upah (PSU) 1.0, PSU 2.0, PSU 3.0 and PSU 4.0; and*
- (c) *Human Resources Development Fund (HRDF) training claimable allowance.*
- (3) Our COVID-19 related rent concession income relates to the rental reduction granted by our lessors to provide financial relief in response to the economic challenges posed by the COVID-19 pandemic. We obtained rental reduction mainly for our TBS office and Terminal Melaka Sentral for the FYE 2020 and FYE 2021.
- (4) Primarily comprising the receipt of the compensation from a terminal operator in Sepang, Selangor Darul Ehsan in respect of the early termination of CTS contract ("**Terminated CTS Contract**"), gain on disposal of motor vehicles, net unrealised and realised foreign exchange gain and rental income relating to rental of terminal booths and facilities.

Commentary on other income**FYE 2020 to FYE 2021**

Our other income increased by RM0.18 million or 30.51% from RM0.59 million in the FYE 2020 to RM0.77 million in the FYE 2021, mainly due to the higher COVID-19 related rent concession income recorded in the FYE 2021 of RM0.34 million (FYE 2020: RM0.16 million).

FYE 2021 to FYE 2022

Our other income decreased by RM0.12 million or 15.58% from RM0.77 million in the FYE 2021 to RM0.65 million in the FYE 2022, mainly due to the discontinuation of the wages subsidy by the Malaysian Government in March 2022 and the absence of rental concession in the FYE 2022 from our lessors (which was previously granted to our Group in the FYE 2021), and these rental rates have reverted to the initial rates as per the terms of the respective lease agreements. Such decrease was, to a certain extent offset by the receipt of compensation of RM0.25 million from a terminal operator in respect of the Terminated CTS Contract (which has solutions and services tenure of 5 years from 1 January 2021 to 31 December 2025).

11. FINANCIAL INFORMATION (cont'd)**(iv) Selling expenses**

The following table sets out our selling expenses during the financial years under review:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Staff costs ⁽¹⁾	409	37.05	404	45.55	582	44.98
Travelling and accommodation ⁽²⁾	390	35.32	285	32.13	421	32.53
Others ⁽³⁾	305	27.63	198	22.32	291	22.49
Total selling expenses	1,104	100.00	887	100.00	1,294	100.00

Notes:-

- (1) Comprise staff salaries of our business development personnel and wages, bonuses, employees' contributions and other employees' benefits.
- (2) Comprise travelling expenses incurred by our business development personnel to market our IT solutions as well as accommodation expenses.
- (3) Comprise mainly upkeep of motor vehicles, donations and entertainment expenses.

Commentary on selling expenses**FYE 2020 to FYE 2021**

We recorded a lower selling expenses of RM0.89 million in the FYE 2021 (FYE 2020: RM1.10 million), representing a decrease of RM0.21 million or 19.09%. This was mainly due to lower travelling and accommodation expenses of RM0.29 million incurred in the FYE 2021 (FYE 2020: RM0.39 million) as our business development personnel conducted most of the meetings online with our customers in view of the travelling restrictions arising from the COVID-19 pandemic.

FYE 2021 to FYE 2022

We recorded a higher selling expenses of RM1.29 million in the FYE 2022 (FYE 2021: RM0.89 million), representing an increase of RM0.40 million or 44.94%, mainly due to the following:-

- increased in staff costs by 45.00% to RM0.58 million in the FYE 2022 (FYE 2021: RM0.40 million) as a result of the increased staff headcount in our business development team from 5 personnel to 8 personnel in the FYE 2022 to cater for our business expansion; and
- increased in travelling and accommodation expenses by 44.83% to RM0.42 million in the FYE 2022 (FYE 2021: RM0.29 million) as our business development personnel had carried out higher number of physical site visits and meetings in the FYE 2022 to market our solutions and undertake preliminary customer on boarding functions (which includes laying out the key project requirements and parameters) with one of our major customers.

11. FINANCIAL INFORMATION (cont'd)**(v) Administrative expenses**

The following table sets out our administrative expenses during the financial years under review:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Employees' benefits costs ⁽¹⁾	1,875	70.52	2,242	76.47	3,114	78.64
General office and upkeep expenses ⁽²⁾	334	12.56	239	8.15	328	8.28
Office rental ⁽³⁾	⁽⁴⁾ 103	3.87	⁽⁵⁾ -	-	2	0.05
Professional fees ⁽⁶⁾	69	2.59	143	4.88	221	5.58
Others ⁽⁷⁾	278	10.46	308	10.50	295	7.45
Total administrative expenses	2,659	100.00	2,932	100.00	3,960	100.00

Notes:-

- (1) Comprise mainly Directors' remuneration, operational and administrative staff salaries, wages, bonuses, employees' contributions and other employees' benefits.
- (2) Comprise mainly utilities, repair and maintenance, telephone and fax charges.
- (3) Rental of premises, which includes offices.
- (4) The rental expenses incurred in the FYE 2020 relates to short term rental of offices for a tenancy period of less than 1 year with the purpose of conducting training to KTMB's staff in respect of CTS. Our Group has elected to apply the exemption of the MFRS 16 to not recognise short-term leases as right-of-use and lease liabilities. In respect thereof, any lease agreement with rental period of less than 1 year will hence be recognised as rental expenses (as opposed to right-of-use) in accordance with MFRS 16.
- (5) Our Group did not recognise any rental expenses in the FYE 2021 due to:-
- (i) the recognition of the rental of offices (as set out in **Section 6.17.2** of this Prospectus) as right-of-use in accordance with MFRS 16; and
- (ii) our Group did not have any lease agreement with tenancy period of less than 1 year during the financial year.
- (6) Comprise mainly fees payable to our auditors, solicitors and secretarial agents.
- (7) Comprise mainly medical fees, insurance, printing and stationeries and travelling expenses.

Commentary on administrative expenses**FYE 2020 to FYE 2021**

We recorded a higher administrative expense of RM2.93 million in the FYE 2021 (FYE 2020: RM2.66 million), representing an increase of RM0.27 million or 10.15%. This was mainly due to the higher employees' benefits costs of RM2.24 million recorded during the FYE 2021 (FYE 2020: RM1.88 million), resulting from the expansion of staff headcount (where our operational and administrative staff headcount increased from 34 in the FYE 2020 to 39 in the FYE 2021), including the recruitment of 2 senior personnel (both managerial levels), to cater for our business expansion plan.

FYE 2021 to FYE 2022

We recorded a higher administrative expense of RM3.96 million in the FYE 2022 (FYE 2021: RM2.93 million), representing an increase of RM1.03 million or 35.15%. This was mainly due to the following:-

11. FINANCIAL INFORMATION (cont'd)

- higher employees' benefits costs of RM3.11 million recorded in the FYE 2022 (FYE 2021: RM2.24 million) as we continue to increase our operational and administrative staff headcount from 39 in the FYE 2021 to 42 in the FYE 2022 as well as the revision in the overall remuneration package of our employees in the FYE 2022. Our Group had previously temporary suspended the overall increment in salaries and payment of bonuses in the FYE 2020 and the FYE 2021 as part of our cash management and conservation strategy in view of the uncertainties due to the COVID-19 pandemic); and
- the overall increase in general office and upkeep expenses recorded in the FYE 2022.

(vi) Other operating expenses

The following table sets out our other operating expenses during the financial years under review:-

	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Depreciation ⁽¹⁾	1,886	96.13	2,242	98.25	2,505	71.03
Impairment losses on trade receivables	-	-	-	-	441	12.50
Bad debts written off	-	-	-	-	546	15.48
Others ⁽²⁾	76	3.87	40	1.75	35	0.99
Total other operating expenses	1,962	100.00	2,282	100.00	3,527	100.00

Notes:-

- (1) Comprise depreciation on property, plant and equipment and right-of-use assets. This includes the equipment and right-of-use assets in respect of our Zero Capex model.
- (2) Comprise mainly loss on disposal of motor vehicles and property, plant and equipment written off.

Commentary on other operating expenses**FYE 2020 to FYE 2021**

We recorded a higher other operating expenses of RM2.28 million in the FYE 2021 (FYE 2020: RM1.96 million), representing an increase of 16.33% or RM0.32 million. This was primarily attributed to the increase in depreciation expenses of RM2.24 million in the FYE 2021 (FYE 2020: RM1.89 million), in particular, higher depreciation of property, plant and equipment expenses of RM0.89 million recorded in the FYE 2021 (FYE 2020: RM0.68 million) following the purchase of additional IT equipment for BOS operations (such as IT tools, handheld devices and thermal printers) during the financial year.

FYE 2021 to FYE 2022

We recorded higher other operating expense of RM3.53 million in the FYE 2022 (FYE 2021: RM2.28 million), representing an increase of 54.82% or RM1.25 million. This was primarily attributed to the following:-

- impairment losses on trade receivables of RM0.44 million recorded in the FYE 2022, after taking into consideration, amongst others, our Group's credit assessment on the recoverability of the outstanding trade receivables of RM4.45 million owed by 2 major customers, as well as the expected credit loss calculation on the said trade receivables; and

11. FINANCIAL INFORMATION (cont'd)

- bad debts written off of RM0.55 million in the FYE 2022, after our credit assessment on an existing customer, Setara Jaya Sdn Bhd who was placed under winding up proceedings and with no reasonable expectation on the full recovery of the outstanding debt.

(vii) Finance costs – net off finance income

Our finance costs - net off finance income for the financial years under review is set out below:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Finance income			
Interest income from:-			
- short-term deposits	-	-	15
- interest from outstanding trade receivables ⁽¹⁾	137	86	34
	137	86	49
Finance costs			
Interest expense on:-			
- term loans	337	368	510
- lease liabilities	422	374	465
- bank overdrafts	49	34	12
- bank guarantee fee	47	54	64
- revolving credits	330	496	94
	1,185	1,326	1,145
Finance costs – net off finance income	(1,048)	(1,240)	(1,096)

Note:-

- (1) Our Group typically charges interest on the outstanding trade receivables (exceeding credit period of 30 days) with the intention to compel our customers for our BOS to promptly settle the outstanding receivables. Our policy on the charging interest on the outstanding trade receivables is dependent on, amongst others, terms and conditions of the purchase orders/contracts, the credit and financial standing of our customers and the length of our relationship with the customers.

Our finance costs - net off finance income for the financial years under review is relatively consistent as it ranges between RM1.05 million to RM1.24 million.

(viii) PBT and PBT margin

Our PBT and PBT margin for the financial years under review are set out below:-

	Audited		
	FYE 2020	FYE 2021	FYE 2022
PBT (RM'000)	2,962	1,975	8,003
PBT margin (%)	15.61	9.72	30.14

FYE 2020 to FYE 2021

We recorded a lower PBT of RM1.98 million in the FYE 2021 (FYE 2020: RM2.96 million), representing a decrease of 33.11% or RM0.98 million. This was mainly contributed by the decline in our GP and increase in other operating expenses as explained in **Sections 11.3.2(ii) and 11.3.2(vi)** of this Prospectus. As a result, our PBT margin decreased from 15.61% to 9.72%, which resulted from:-

11. FINANCIAL INFORMATION (cont'd)

- the lower GP margin recorded in the FYE 2021 as compared to the previous financial year due to the factors explained in **Section 11.3.2(ii)** of this Prospectus; whilst
- our other expenses (comprising selling, administrative and other operating expenses) incurred in the FYE 2021 of RM6.10 million remained relatively consistent with the previous financial year (FYE 2020: RM5.73 million).

FYE 2021 to FYE 2022

We recorded a higher PBT of RM8.00 million in the FYE 2022 (FYE 2021: RM1.98 million), representing an increase of 304.04% or RM6.02 million. This was mainly contributed by our revenue and GP growth as explained in **Sections 11.3.2(i)** and **11.3.2(ii)** of this Prospectus. As a result, our PBT margin increased from 9.72% to 30.14%, which resulted from the improved GP margin recorded in the FYE 2022 as compared to the previous financial year due to the factors set out in **Section 11.3.2(ii)** of this Prospectus, in particular, the increase in rail ridership and higher utilisation rate of TOS facility at the Existing Specified Bus Terminals (both income of which are revenue sharing in nature). The increase in PBT margin was also to a certain extent mitigated by the increase in other operating expenses of RM8.78 million incurred in the FYE 2022 (FYE 2021: RM6.10 million).

(ix) Income tax expense / (credit)

The effective tax rate and statutory tax rate for the financial years under review are as follows:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Income tax at Malaysian statutory income tax rate	711	474	1,921
Small Medium Enterprise ("SME") tax savings	(35)	-	-
Adjustments:-			
- Income not subject to tax	(97)	(92)	(142)
- Non-deductible expenses	617	605	235
- Deferred tax not recognised on tax losses and temporary differences	6	-	1
- Utilisation of previously unrecognised tax losses and capital allowance	(25)	(117)	-
- Adjustments in respect of current income tax of prior year	1	-	(9)
- Adjustment in respect of deferred tax of prior year	6	(1)	(60)
- Tax exempted ⁽¹⁾	(481)	(1,295)	-
Income tax expense / (credit)	703	(426)	1,946
PBT	2,962	1,975	8,003
Statutory tax rate (%) ⁽²⁾	17.00/24.00	17.00/24.00	17.00/24.00
Effective tax rate (%) ⁽³⁾	23.73	-	24.32

Notes:-

- (1) Our subsidiary, NSS, was granted the Pioneer Status by the Ministry of Investment, Trade and Industry for services under the Promotion Investment Act, 1986, resulting of which that statutory income of NSS is exempted from tax from 3 April 2017 to 30 June 2021.

11. FINANCIAL INFORMATION (cont'd)

- (2) *Income tax rate applicable for SME incorporated in Malaysia with paid up capital of RM2.50 million or below and annual sales that less than RM50.00 million is subject to statutory tax rate of 17.00% on first chargeable income up RM600,000 for the year of assessment 2020, 2021 and 2022.*

For chargeable income in excess of RM600,000 for the year of assessment of 2020, 2021 and 2022, the statutory tax rate of 24.00% is still applicable. For information purposes, our Group will no longer be qualified for the above-mentioned SME tax rate on the year of assessment 2023 onwards. The anticipated yearly tax savings arising from the SME tax savings is less than RM0.10 million. Our management is hence of the view that the absence of such tax savings would not materially impact our PAT moving forward.

- (3) *Calculated based on the income tax expenses over our total PBT for the respective FYE 2020, FYE 2021 and FYE 2022.*

Our effective tax rate during the financial years under review is generally close to the statutory tax rate save for the effective tax rate in the FYE 2021 due to income tax exemptions during the financial year and utilisation of previously unrecognised tax losses and capital allowances.

(x) PAT and PAT margin

Our PAT and PAT margin for the financial years under review are set out below:-

	Audited		
	FYE 2020	FYE 2021	FYE 2022
PAT (RM'000)	2,259	2,401	6,057
PAT margin (%)	11.91	11.82	22.81

FYE 2020 to FYE 2021

We recorded a higher PAT of RM2.40 million in the FYE 2021 (FYE 2020: RM2.26 million), representing an increase of 6.19% or RM0.14 million. The increase in PAT is in line with the growth of our revenue for the FYE 2021. Meanwhile, our PAT margin decreased to 11.82% in the FYE 2021 (FYE 2020: 11.91%) in line with the decrease in our GP margin and PBT margin and was to a certain extent, mitigated by the utilisation of previously unrecognised tax losses of RM0.49 million.

FYE 2021 to FYE 2022

We recorded a higher PAT of RM6.06 million in the FYE 2022 (FYE 2021: RM2.40 million), representing an increase of 152.50% or RM3.66 million. The increase in PAT is in line with the growth in our revenue, GP and PBT for the FYE 2022, mainly driven by the growth in our rail segment. Our PAT margin increased to 22.81% in the FYE 2022 (FYE 2021: 11.82%) in line with the increase in our GP margin and PBT margin.

11.3.3 Significant factors affecting our financial position and results of operations

Our Group's financial condition and financial performance may be affected by the following key factors:-

(i) Dependency on securing projects and purchase orders

We are dependent on our ability to secure and retain contracts for the provision of enterprise IT services particularly from our existing and new customers in the public transportation sector to sustain our continuous growth. Our business model is predominantly contract-based, with contracts varying in length and scope depending on the nature of the project and customer requirements. As such the duration of the projects undertaken would typically range between 1 year to 5 years (with the option to extend), depending on the requirements of our customers' operational needs.

11. FINANCIAL INFORMATION (cont'd)

The potential loss of customers, particularly major ones, or risk of facing difficulties in securing new customers or additional projects from existing customers in a timely manner, could adversely impact our business and financial performance.

The composition of our Group's top 5 customers changes from year-to-year, depending on the type of services and projects undertaken, as well as the length of engagement with our customers.

Please refer to **Section 4.1.3** of this Prospectus for further details of our dependency on securing projects and purchase orders.

(ii) Demand and supply conditions

Our revenue and profitability are primarily dependent on the demand and supply conditions of the public transportation IT solutions provider sector, in particular, the demand conditions arising from the need and necessity for transportation service providers and operators to embrace and migrate to enterprise IT services, automating and efficiently managing its operational process flow (in particular, optimisation of its resource allocation and utilisation as well as ticketing and traffic management) and enhanced customer travelling experiences. This has led to an increase in the need and demand for our solutions and the competitive environment for the supply of IT solutions providers in the sector.

Our financial performance was affected by the travel restrictions imposed by the Malaysian Government during the FYE 2020 and FYE 2021 to curb the spread of COVID-19 pandemic. This was evidenced by the decline in Rail Routes' ridership and demand for both bus and rail services during the MCO period and the subsequent increase in ridership in the FYE 2022 following the gradual recovery from the COVID-19 pandemic related travel restrictions and the transition to endemic phase.

Please refer to **Section 7** of this Prospectus for further details on the demand and supply conditions.

(iii) Dependency on our Executive Directors, key senior management and qualified technicians

Our success depends, to a large extent, on our ability to attract and retain senior management, software engineers, project consultants and technicians with the right technical expertise, professional integrity and commitment that is aligned with our business core values. Hence, our ability to operate and compete could be adversely affected if we are unable to attract, train, motivate and retain qualified individuals. This in turn could negatively impact our business and financial results.

We are also dependent on our terminal management services workforce for the Existing Specified Bus Terminals. As at the LPD, our Group has a total workforce of 175 employees, of which 133 are software engineers, project consultants, technicians and our terminal management services workforce.

11. FINANCIAL INFORMATION (cont'd)

For the financial years under review and up to the LPD, we have not experienced any material turnover in our senior management and our IT development department (comprising of key divisions, namely IT solutions consultation, project management and software development) that has materially impacted our business. As part out strategy to retain our employees, we have put in place competitive remuneration packages and attractive incentives to reward and motivate our performing personnel and to retain their services in our Group. We also believe that effective succession planning such as ensuring effective transfer of knowledge and smooth transitions involving key positions, is vital to the long-term success of our business.

Please refer to **Sections 4.1.6** and **4.1.7** of this Prospectus for further details on our dependency on our Executive Directors, key senior management and technicians.

11.3.4 Order book

As at the LPD, our total secured orders are approximately RM68.41 million, the details of which are as follows:-

	RM'000
Total secured orders as at the LPD	68,407
Billed orders as at the LPD	22,970
Unbilled orders as at the LPD	45,437

With regard to the unbilled orders as at the LPD totaling approximately RM45.44 million, we expect approximately RM10.51 million to be billed (of which RM7.58 million to be recognised) in the FYE 2023 and the balance of RM34.92 million to be billed (of which RM33.72 million to be recognised) in the subsequent financial years as set out below:-

Financial years	Orders to be billed (RM'million)	Revenue to be recognised (RM'million)
FYE 2024	9.07	7.87
FYE 2025	7.80	7.80
FYE 2026	7.33	7.33
FYE 2027	10.72	10.72
Total	34.92	33.72

It is pertinent to note that the above order book excludes the revenue contribution to be derived from our revenue sharing charges from our CTS maintenance solutions for the Rail Routes services (which is dependent on ridership) and our terminal management services at the Existing Specified Bus Terminals (which is dependent on utilisation rate). As at the LPD, we are serving 8 maintenance contracts in respect of CTS for the Rail Routes, Existing Specified Bus Terminals and maintenance for TBS, Terminal Larkin Sentral, a bus terminal located in Pahang and Parañaque Integrated Terminal Exchange in Manila, the Philippines.

11.3.5 Significant changes

There are no significant changes that have occurred, which may have a material effect on our financial position and results subsequent to the FYE 2022 up to the LPD.

11.3.6 Impact of foreign exchange rate

Our financial performance for the financial years under review was not materially affected by the fluctuations in foreign exchange rates as we predominantly provide our services in Malaysia.

11. FINANCIAL INFORMATION (cont'd)**11.3.7 Impact of interest rates**

Our financial performance for the financial years under review was not materially affected by fluctuations in interest rates.

11.3.8 Impact of government, economic, fiscal or monetary policies

There were no government, economic, fiscal or monetary policies or factors which have significant effect on our business operations for the financial years under review, save for the impact of COVID-19 as disclosed in **Section 6.4** of this Prospectus.

11.4 Liquidity and capital resources**11.4.1 Working capital**

Our working capital is funded through a combination of cash generated from our operating activities and borrowings from financial institutions as well as our cash and cash equivalents. Our principal sources of liquidity as at 31 December 2022 are set out below:-

	RM'000
Cash and short-term deposits (including short term deposits not pledged for credit facilities)	9,105
Net cash flows from operating activities	13,943
Term loans	8,104
Lease liabilities	5,995
Revolving credits	2,532

As at the LPD, our Group recorded cash and bank balances of approximately RM1.91 million and unutilised banking facilities of approximately RM6.15 million.

Based on the above and after taking into consideration the cash and cash equivalents, the expected profits to be generated from our operations, the amount that is available under our existing banking facilities, our expected future cash flows from operations as well as proceeds expected to be raised from the Public Issue, our Board is of the opinion that we will have sufficient working capital to meet our present and foreseeable requirements for at least a period of 12 months from the date of this Prospectus.

11.4.2 Cash flow

The table below sets out the summary of our combined statements of cash flows for the financial years under review and should be read in conjunction with the Accountants' Report as set out in **Section 12** of this Prospectus:-

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Net cash (used in)/from operating activities	(2,137)	2,106	13,943
Net cash from/(used in) investing activities	221	(2,210)	(463)
Net cash from/(used in) financing activities	2,202	515	(6,643)
Net increase in cash and cash equivalents	286	411	6,837
Cash and cash equivalents at beginning of the financial year	156	442	853
Cash and cash equivalents at end of the financial year	442	853	7,690

11. FINANCIAL INFORMATION (cont'd)

	Audited		
	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Cash and cash equivalents comprise the following:-			
Short-term deposits	606	1,314	1,415
Less: Pledged deposits	(606)	(1,314)	(1,415)
	-	-	-
Cash and bank balances	1,223	1,195	7,690
Bank overdrafts	(781)	(342)	-
	442	853	7,690

There are no legal, financial or economic restrictions on the ability of our subsidiaries to transfer/receive funds to/from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

Commentary on cash flow**FYE 2020****Net cash used in operating activities**

We recorded net cash used in operating activities of RM2.14 million for the FYE 2020 where cash receipts from our customers were offset by cash payments made to our suppliers, employees as well as income tax payments.

Cash receipts from our customers amounting to RM10.83 million, which was offset by our total cash payments amounting to RM12.97 million, which mainly comprise the following key items:-

- payment of RM7.34 million to our suppliers, for the purchases of IT related hardware of RM5.41 million, mainly for the rail segment; and
- payment of staff costs of RM4.13 million, which includes staff salaries, incentive, employees' EPF and SOCSO contributions, Directors' remuneration and bonus payments.

As a result of higher total cash payments of RM12.97 million, compared to cash receipts from customers amounting to RM10.83 million, we recorded negative cash from operating activities of RM2.14 million in the FYE 2020, attributed to the following:-

- slow in collection of trade receivables of RM2.23 million due to the business impact of COVID-19 pandemic;
- prompt payment of trade payables of RM4.94 million within the credit period; and
- increase in contract assets of RM2.79 million.

11. FINANCIAL INFORMATION (cont'd)**Net cash from investing activities**

We recorded net cash from investing activities of RM0.22 million for the FYE 2020, which primarily attributable to the following:-

- cash payment of RM1.28 million to purchase property, plant and equipment (in particular, IT tools and equipment for the bus segment) and incurred development cost of RM0.92 million in respect of the intangible assets (i.e. the software developed by our Group, which primarily relates to customisation of the CTS for a rail operator during the financial year);
- withdrawal of deposits (which was previously pledged for performance bond purposes in respect of our contract with a rail operator) amounting to RM2.01 million following the revision of the terms and our obligations set out in the CTS contract with the rail operator; and
- proceeds from disposal of right-of-use assets (i.e. motor vehicles) of RM0.35 million.

Net cash from financing activities

We recorded net cash from financing activities of RM2.20 million, mainly attributable to the following:-

- net drawdown of term loans of RM2.71 million (which was used to finance our working capital requirements and sustain our Group's operations during the COVID-19 pandemic period) and revolving credits of RM1.34 million (which was used to finance the purchases of IT related hardware);
- net repayment of lease liabilities of RM1.39 million in respect of the rental payment for the Terminal Melaka Sentral (which we manage as part of our terminal management services), rental payment for TBS office and the scheduled repayments for motor vehicles as set out in the hire purchase arrangements; and
- interest payment of RM1.09 million, relating mainly to term loans, lease liabilities, revolving credits and bank overdrafts.

FYE 2021**Net cash from operating activities**

We recorded net cash from operating activities of RM2.11 million where cash receipts from our customers were offset by cash payments made to our suppliers and employees, as well as income tax payments.

Cash receipts from our customers amounting to RM16.84 million, which was offset by our total cash payments amounting to RM14.73 million, which mainly comprise the following key items:-

- payment of RM9.22 million to our suppliers, for the purchases of IT related hardware of RM7.75 million, mainly for the bus segment; and
- payment of our staff costs of RM4.54 million, which includes staff salaries, incentive, employees' EPF and SOCSO contributions, Directors' remuneration and bonus payments.

11. FINANCIAL INFORMATION (cont'd)**Net cash used in investing activities**

We recorded net cash used in investing activities of RM2.21 million for the FYE 2021, which primarily attributable to the following:-

- cash payment of RM0.81 million to purchase property, plant and equipment (in particular, tools and equipment for bus segment and motor vehicles) and incurred development cost of RM1.06 million in respect of the intangible assets (i.e. the software developed by our Group, which primarily relates to enhancement features of the CTS required by the rail operator throughout the financial year); and
- placement of pledged deposits amounting to RM0.71 million for performance bond purposes in respect of our contract with a rail operator.

Net cash from financing activities

We recorded net cash from financing activities of RM0.51 million in the FYE 2021. The cash was primarily used for the following:-

- net drawdown of term loans of RM2.46 million, which was used to purchase IT related hardware and software equipment and solutions relating to bus segment;
- interest payment of RM1.24 million, relating mainly to term loans, lease liabilities, revolving credits and bank overdrafts; and
- net repayment of lease liabilities of RM1.21 million in respect of the rental payment for Terminal Melaka Sentral and Terminal Klang Sentral (which we manage as part of our management services), rental payment for the TBS office and the scheduled repayments for motor vehicles as set out in the hire purchase arrangements.

FYE 2022**Net cash from operating activities**

We recorded net cash from operating activities of RM13.94 million where cash receipts from our customers were offset by cash payments made to our suppliers and employees, as well as income tax payments.

Cash receipts from our customers amounting to RM29.67 million, which was offset by our total cash payments amounting to RM15.73 million, which mainly comprise the following key items:-

- payment of RM5.50 million to our suppliers for the purchases of IT related hardware of RM1.35 million, mainly for the rail segment;
- payment of our staff costs of RM7.11 million, which includes staff salaries, incentive, employees' EPF and SOCSO contributions, Directors' remuneration and bonus payments; and
- payment of income tax amounting to RM1.52 million.

Net cash used in investing activities

We recorded net cash used in investing activities of RM0.46 million for the FYE 2022, which primarily attributable to the following:-

- cash payment of RM0.55 million to purchase property, plant and equipment (in particular, IT tools and equipment for bus segment);

11. FINANCIAL INFORMATION (cont'd)

- placement of pledged deposits amounting to RM0.10 million; and
- proceeds from the disposal of subsidiary amounting to RM0.17 million as the said subsidiary has ceased its business operations in software application development.

Net cash used in financing activities

We recorded net cash used in financing activities of RM6.64 million in the FYE 2022. The cash was primarily used for the following:-

- net repayment of term loans of RM0.45 million, which was used for working capital;
- repayment of lease liabilities amounting to RM1.34 million in respect of the rental payment for the Existing Specified Bus Terminals (which we manage as part of our management services), rental payment for TBS office and the scheduled repayments for motor vehicles as set out in the hire purchase arrangements;
- net repayment of revolving credits amounting to RM1.09 million, which was used to purchase IT related hardware for TOS for our secured projects;
- interest payment of RM1.07 million, relating mainly to term loans, lease liabilities, revolving credits and bank overdrafts; and
- payment of first single-tier interim dividend of RM2.50 million in respect of the FYE 2022.

11.4.3 Capitalisation and indebtedness

The table below summarises our capitalisation and indebtedness of our Group as at the LPD, and after taking into account the Public Issue as well as the utilisation of proceeds as set out in **Section 3.4** of this Prospectus. The pro forma financial information below does not represent our Group's actual capitalisation and indebtedness as at the LPD and is provided for illustration purposes only.

	As at 31 July 2023 (RM'000)	Pro forma I After the Public Issue (RM'000)	Pro forma II After pro forma I and utilisation of proceeds (RM'000)
Capitalisation			
Share capital	13,310	[•]	⁽¹⁾ [•]
Total capitalisation	13,310	[•]	[•]
Indebtedness			
Current			
<u>Secured and guaranteed</u>			
Term loans	101	101	[•]
Lease liabilities (under hire purchase agreement)	240	240	[•]
<u>Unsecured and guaranteed</u>			
Term loans	995	995	[•]
Revolving credits	1,793	1,793	[•]

11. FINANCIAL INFORMATION (cont'd)

	As at 31 July 2023 (RM'000)	Pro forma I After the Public Issue (RM'000)	Pro forma II After pro forma I and utilisation of proceeds (RM'000)
<u>Unsecured and unguaranteed</u>			
Lease liabilities	1,345	1,345	[●]
	4,474	4,474	[●]
Non-current			
<u>Secured and guaranteed</u>			
Term loans	2,070	2,070	[●]
Lease liabilities (under hire purchase agreement)	124	124	[●]
<u>Unsecured and guaranteed</u>			
Term loans	4,265	4,265	[●]
<u>Unsecured and unguaranteed</u>			
Lease liabilities	6,640	6,640	[●]
	13,099	13,099	[●]
Total indebtedness	17,573	17,573	[●]
Total capitalisation and indebtedness	30,883	65,181	[●]
Gearing ratio (times)	1.32	[●]	[●]

Note:-

- (1) Out of the total estimated listing expenses of RM[●] million, a total of RM[●] million is assumed to be directly attributable to the Public Issue and will be debited against share capital, whilst the remaining RM[●] million will be charged to the profit or loss.

11.4.4 Borrowings

As at 31 December 2022, our Group's total outstanding bank borrowings was RM11.36 million, all of which were interest-bearing with interest ranging from 2.35% to ⁽¹⁾18.00% per annum, and denominated in RM. Details of our bank borrowings are set out below:-

Type of facility	Purpose	Tenure	Effective interest rate per annum (%)	Less than 1 year (RM'000)	Between 1 to 5 years (RM'000)	More than 5 years (RM'000)	Outstanding amount as at 31 December 2022 (RM'000)
Term loans	To finance working capital and the purchase of office buildings for our Group	3 years to 25 years	3.50 – 12.25	1,324	4,265	2,515	8,104
Lease liabilities	To finance the purchase of motor vehicles for our Group	3 years to 9 years	2.35 – 7.22	370	355	-	725

11. FINANCIAL INFORMATION (cont'd)

Type of facility	Purpose	Tenure	Effective interest rate per annum (%)	Less than 1 year (RM'000)	Between 1 to 5 years (RM'000)	More than 5 years (RM'000)	Outstanding amount as at 31 December 2022 (RM'000)
Revolving credits	To finance the purchase of IT related hardware	Up to 1 year	(1)-	2,532	-	-	2,532
Total							11,361

Note:-

- (1) PMB Tijari Berhad has granted an interest-free arrangement to GOHUB from 20 May 2022 until 31 December 2024 on the basis that interest rate for the revolving credit loan is 1.5% per month from 3 July 2020 to 19 May 2022.

We have not defaulted on payments on either interest and/or principal sums in respect of any borrowings throughout the financial years under review and up to the LPD. Our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which could materially affect our financial position or business operations or the investment by holders of our securities.

11.4.5 Historical capital expenditure

The following sets out our capital expenditure incurred over the financial years under review:-

	Audited					
	FYE 2020		FYE 2021		FYE 2022	
	(RM'000)	(%)	(RM'000)	(%)	(RM'000)	(%)
Computer and software	143	4.82	58	2.56	85	15.54
Furniture and fittings	31	1.05	3	0.13	37	6.76
Office equipment	14	0.47	16	0.71	16	2.93
Motor vehicles	4	0.13	370	16.30	-	-
Renovation	80	2.70	53	2.33	65	11.88
Tools and equipment	1,007	33.94	306	13.48	344	62.89
Right-of-use assets	768	25.88	408	17.97	-	-
Intangible assets	920	31.01	1,056	46.52	-	-
Total capital expenditure	2,967	100.00	2,270	100.00	547	100.00

Our capital expenditure mostly relates to purchases of computer and software, furniture and fittings for general upkeep and maintenance of our offices as well as tools and equipment for operating activities. The addition of right-of-use assets were for our staff use and intangible assets in respect of the development of TOS software solutions.

11.4.6 Material capital commitments

There are no material capital commitments incurred or to be incurred by us that have not been provided for which, upon becoming enforceable, may have a material impact on our financial results or financial position as at the LPD.

11. FINANCIAL INFORMATION (cont'd)**11.4.7 Material litigation or claims**

As at the LPD, neither our Company nor our subsidiaries is engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

11.4.8 Contingent liabilities

As at the LPD, there are no material contingent liabilities which upon becoming enforceable may have a material impact on the financial position of our Group.

11.4.9 Key financial ratios

	FYE 2020	FYE 2021	FYE 2022
Trade receivables turnover period (days) ⁽¹⁾	109	145	114
Trade payables turnover period (days) ⁽²⁾	36	39	56
Inventory turnover period (days) ⁽³⁾	18	20	17
Current ratio (times) ⁽⁴⁾	1.24	1.47	1.76
Gearing ratio (times) ⁽⁵⁾	2.41	1.89	1.06

Notes:-

- (1) Computed based on the average closing balance of trade receivables divided by revenue for the respective financial year multiplied by number of days in the respective financial year. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year divided by 2.
- (2) Computed based on the average closing balance of trade payables divided by cost of sales for the respective financial year multiplied by number of days in the respective financial year. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year divided by 2.
- (3) Computed based on the average closing balance of inventory divided by cost of sales for the respective financial year multiplied by number of days in the respective financial year. Average closing balance was derived based on the sum of the closing balance of the previous financial year and closing balance of the financial year divided by 2.
- (4) Computed based on current assets over current liabilities.
- (5) Computed based on total borrowings (excluding lease liabilities recognised under MFRS 16) over total shareholders' equity.

(i) Trade receivables turnover period

Our trade receivables are based on the amount billed to our customers. As such, our trade receivables turnover period is based on the total gross billing to our customers.

A summary of our trade receivables for the financial years under review is set out as follows:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Opening trade receivables	4,611	6,660	9,514
Closing trade receivables	6,660	9,514	7,083
Average trade receivables	5,636	8,087	8,299
Revenue	18,973	20,314	26,549
Trade receivables turnover period (days)⁽¹⁾	109	145	114

11. FINANCIAL INFORMATION (cont'd)**Note:-**

- (1) *Computed based on the average closing balance of trade receivables divided by revenue for the respective financial year multiplied by number of days in the respective financial year.*

The normal credit period granted to our customers ranges from 30 to 90 days. Other credit terms to customers are assessed and approved by our management on a case-by-case basis, taking into consideration factors such as our relationship with the customer, the financial position and payment history as well as the creditworthiness of our customers.

We recorded an average trade receivables turnover period of 109 days, 145 days and 114 days in the FYE 2020, FYE 2021 and FYE 2022 respectively, all of which has exceeded the credit period. Our average trade receivables turnover period increased from 109 days for the FYE 2020 to 145 days for the FYE 2021, mainly due to slow collection of our trade receivables from our customers attributable to:-

- the challenging business operating environment in the FYE 2020 and FYE 2021 arising from the COVID-19 pandemic, which substantially limited travel and our customers' ability to provide mobility services. The demanding business landscape posed significant obstacles for a majority of our customers in meeting their payment obligations; and
- the temporary suspension of the integrated terminal hub project in Gombak ("**Terminal Hub Project**") (in view of the COVID-19 pandemic and the rising construction costs) and the subsequent deferment in the operational launch of the terminal (which was previously targeted to launch in first quarter of 2021). The direct consequences of such suspension resulted in the major customer freezing its payments temporarily in respect of our outstanding billings of RM3.96 million as at 31 December 2022.

Our average trade receivables turnover period subsequently decreased from 145 days for the FYE 2021 to 114 days for the FYE 2022. This was mainly due to the return of travel activities and stringent credit control practices adopted by our management which resulted in the improvement of collections. Such credit control practices include weekly discussions with our operations team on the collection of trade receivables and frequent follow-up and reminders to our customers on the outstanding payments as well as undertaking stringent measures such as suspending ongoing project work, suspend the usage of the system or declining new orders from customers until all outstanding payments are satisfactorily settled.

Our Group is confident that the above implemented credit control practices are deemed adequate and comprehensive for our Group to ensure the timely collectability of our trade receivables within the normal credit period. Our management perceives that the suspension of the Terminal Hub Project was an isolated and one-off incident, which is not a regular occurrence. Hence, by excluding the outstanding trade receivable associated with the said project, it is pertinent to note that the average trade receivables turnover period of our Group for the FYE 2022 is 60 days, which falls within the normal credit period.

Our Group will assess the collectability of trade receivables on an individual and collective customer basis and impairment will be made for customers where recoverability is uncertain, based on our past dealings, current and forward-looking economic conditions. Further, for any trade receivables which have exceeded the credit period, we will follow up with our customers on the outstanding receivables, and where appropriate, provide for specific impairment on those trade receivables where recoverability is uncertain based on our dealings with these customers.

11. FINANCIAL INFORMATION (cont'd)

We have not recorded bad debts for the FYE 2020 and FYE 2021. We subsequently wrote off RM0.55 million in the FYE 2022 after our credit assessment on an existing customer, Setara Jaya Sdn Bhd who was placed under winding up proceedings and with no reasonable expectation on the full recovery of the outstanding debt.

Ageing analysis of our trade receivables as at 31 December 2022

As at 31 December 2022, the trade receivables of our Group amounting to RM7.08 million can be analysed as follows:-

	Within credit period	Exceed credit period				Total
		1-30 days	31-60 days	61-90 days	>90 days	
Trade receivables (RM'000)	553	249	303	263	5,715	7,083
Percentage of total trade receivables (%)	7.81	3.51	4.28	3.71	80.69	100.00
Subsequent collections as at the LPD (RM'000)	310	165	303	263	2,037	3,078
Outstanding trade receivables after subsequent collections (RM'000)	243	84	-	-	3,678	4,005

As at 31 December 2022, our total trade receivables stood at RM7.08 million, of which RM6.53 million or 92.19% exceeded the normal credit term period. This was mainly due to delay in payments from 3 of our customers of RM5.05 million (which are operating in the bus segment) and of which a significant amount of RM3.96 million relates to the Terminal Hub Project.

As at the LPD, RM3.08 million of the total trade receivables outstanding as at 31 December 2022 have been collected, and we have undertaken the following credit control measures on the uncollected trade receivables of RM3.67 million which exceeded the credit period:-

- we have entered into repayment arrangement with a major customer in respect of the Terminal Hub Project in view of the slow collection of our trade receivable since FYE 2020. Under such repayment arrangement, we expected to collect RM1.89 million by end of 2023 and the remaining RM1.36 million by July 2024; and
- we have also entered into repayment arrangements with other customers in respect of the outstanding trade receivables of RM0.42 million, whereby we expect to collect RM0.08 million by end of 2023 and the remaining RM0.34 million by end December 2024.

In addition, it is pertinent to note that we have recorded impairment losses of RM0.44 million of the outstanding trade receivables as at 31 December 2022. Nevertheless, we will closely monitor the recoverability of the above-mentioned outstanding trade receivables on a regular basis and take proactive actions, including constantly following up with our customers on the outstanding debts and performing credit assessments on our customers before undertaking any future projects.

11. FINANCIAL INFORMATION (cont'd)**(ii) Trade payables turnover period**

Our trade payables represent the outstanding amounts payable by us to our suppliers. The normal credit terms granted by our suppliers typically ranges from 30 days to 90 days.

A summary of our trade payables for the financial years under review is set out as follows:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Opening trade payables	798	1,156	1,363
Closing trade payables	1,156	1,363	1,514
Average trade payables	977	1,260	1,439
Cost of sales	9,826	11,767	9,315
Trade payables turnover period (days)⁽¹⁾	36	39	56

Note:-

(1) Computed based on the average closing balance of trade payables divided by cost of sales for the respective financial years multiplied by number of days in the respective financial years.

Our average trade payables turnover period has increased from 36 days for the FYE 2020 to 39 days for the FYE 2021 and 56 days for the FYE 2022, which is within the credit period. The increase in our average trade payables turnover period was mainly due to the following:-

- payment to certain suppliers shall only be fully settled upon the completion of the projects in order to ensure that our suppliers will undertake the necessary rectification works, if required; and
- our new credit control practices adopted by our management, whereby, other than third party off-the-shelf products, payments are only made to our suppliers closer to the end of the credit period with the aim to better manage our cash flows.

As at the LPD, there is no dispute in respect of trade payables and no legal action initiated by our suppliers to demand for payment.

Ageing analysis of our trade payables as at 31 December 2022

As at 31 December 2022, our total trade payables amounting to RM1.51 million which can be analysed as follows:-

	Within credit period	Exceed credit period				Total
		1-30 days	31-60 days	61-90 days	>90 days	
Trade payables (RM'000)	336	541	-	-	637	1,514
Percentage of total trade payables (%)	22.19	35.73	-	-	42.08	100.00
Subsequent payments as at the LPD (RM'000)	336	541	-	-	547	1,424
Outstanding trade payables as at the LPD (RM'000)	-	-	-	-	90	90

11. FINANCIAL INFORMATION (cont'd)

As at 31 December 2022, our total trade payables stood at RM1.51 million, of which RM1.18 million or 77.81% exceeded the normal credit term period and such trade payables are mainly payables of RM0.85 million to 2 of our major suppliers. We delayed our payment to these major suppliers following the payment arrangements agreed between both parties to extend the credit period of the payables from 90 days to 120 days, after taking into consideration, amongst others, the delay in the Terminal Hub Project and pending our verification and certification of the works performed by the suppliers ("**Certification and Verification Works**").

As at the LPD, RM1.42 million of the total outstanding trade payables as at 31 December 2022 have been paid. The remaining unpaid trade payables exceeding the credit period of RM0.01 million was attributed to pending Certification and Verification Works.

(iii) Inventory turnover period

Our inventories primarily comprise computer equipment and accessories. The inventories are typically purchased based on the requirements of our customers and projects, whereby such purchases are made closer to the delivery and installation stage. Given such practices, we generally maintain a minimal level of inventories which we deem sufficient for our projects and to cater for our maintenance and technical support operations.

A summary of our inventory for the financial years under review is set out as follows:-

	FYE 2020	FYE 2021	FYE 2022
	(RM'000)	(RM'000)	(RM'000)
Opening inventory	347	642	649
Closing inventory	642	649	203
Average inventory	495	646	426
Cost of sales	9,826	11,767	9,315
Average inventory turnover period (days)⁽¹⁾	18	20	17

Note:-

(1) Computed based on the average closing balance of inventory divided by cost of sales for the respective financial years multiplied by number of days in the respective financial year.

We recorded inventory turnover period between 17 days to 20 days for the financial years under review as our Group purchases inventories based on specific requirements of our project. Given the nature of our procurement approach, we do not have any policies on inventory ageing and obsolescence.

(iv) Current ratio

Our current assets mainly comprise our inventories, trade and other receivables, contract assets, short-term deposits and cash and bank balances. Meanwhile, our current liabilities mainly comprise trade and other payables, contract liabilities, loans and borrowings and current tax liabilities.

11. FINANCIAL INFORMATION (cont'd)

A summary of our current ratio for the financial years under review is set out as follows:-

	Audited		
	As at 31 December		
	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)
Current assets	14,235	18,830	22,732
Current liabilities	11,494	12,835	12,889
Current ratio (times)⁽¹⁾	1.24	1.47	1.76

Note:-

(1) Computed based on current assets over current liabilities.

Our Group has recorded an improving current ratio during the financial years under review. From a current ratio of 1.24 times as at 31 December 2020, our Group's current ratio increased to 1.47 times and 1.76 times as at 31 December 2021 and 31 December 2022 respectively.

The recent improvement in current ratio was mainly due to the increase in our current assets, in particular, cash and short-term deposits totalling from RM1.83 million as at 31 December 2020, RM2.51 million as at 31 December 2021 to RM9.11 million as at 31 December 2022 (representing an increase of 262.95%), whilst current liabilities position is relatively consistent with the previous financial years.

(v) Gearing ratio

A summary of our gearing ratio for the financial years under review is set out as follows:-

	Audited*		
	As at 31 December		
	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)
Total borrowings ⁽¹⁾	11,472	13,520	11,361
Shareholders' equity	4,761	7,154	10,711
Gearing ratio (times)⁽²⁾	2.41	1.89	1.06

Notes:-

* The gearing ratio is derived based on the audited financial statements for the respective financial years.

(1) Excluding lease liabilities recognised under MFRS 16.

(2) Computed based on our total borrowings over total shareholders' equity.

Despite the increase in our total borrowings (in particular, our term loans), our gearing ratio decreased from 2.41 times as at 31 December 2020 to 1.89 times as at 31 December 2021 due to the increase in our shareholders' equity from RM4.76 million as at 31 December 2020 to RM7.15 million as at 31 December 2021, representing an increase of RM2.39 million or 50.21%.

11. FINANCIAL INFORMATION (cont'd)

Our gearing ratio subsequently decrease to 1.06 times as at 31 December 2022 due to the decrease in our total borrowings (in particular, our revolving credits and bank overdrafts) and the increase in our shareholders' equity to RM10.71 million as at 31 December 2022. Further, it should be noted that the higher gearing ratios recorded as at 31 December 2020 and 31 December 2021 (as compared to the gearing ratio recorded as at 31 December 2022) was primarily due to the increased shareholders' equity following the completion of the Acquisitions in the FYE 2022.

11.4.10 Type of financial instruments used

We do not utilise any financial instrument for hedging purposes during the financial years under review. Our loans and borrowings from financial institutions consists of the following:-

- term loans used for the purchase of our offices and working capital;
- lease liabilities for financing the purchase of motor vehicles and lease obligations for our offices and the Existing Specified Bus Terminals;
- revolving credits for working capital; and
- bank overdrafts facilities for daily operations.

We are not materially exposed to foreign currency risk as the transactions entered into by our Group are predominantly in RM given our operating activities are based in Malaysia.

11.4.11 Treasury policies and objectives

We have been financing our operations with a combination of internal and external sources of funds. Our internal funds comprise of cash generated from operating activities, while our external funds mainly comprise of credit and loan facilities from financial institutions. Our funding policy is to obtain the most suitable type of financing and favourable cost of funding whereas, our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The decision to either utilise banking facilities or internally generated funds for our operations depends on factors such as our cash reserves, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure and the prevailing interest rates of the banking facilities.

11.5 Trend information

As at the LPD, our Board confirms that there are no:-

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, positions and operations, other than those disclosed in this **Section 11**, and **Sections 4** and **6** of this Prospectus;
- (ii) material capital commitments;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclosed in this **Section 11**, and **Section 4** of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our total revenue and/or profits save for those that have been disclosed in this **Section 11**, and **Section 4** of this Prospectus;

11. FINANCIAL INFORMATION (cont'd)

- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, other than those disclosed in this **Section 11**, and **Section 4** of this Prospectus; and
- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, other than those disclosed in this **Section 11**, and **Section 4** of this Prospectus.

11.6 Dividend policy

The dividends declared and paid by us during the financial years under review are set out as follows:-

	FYE 2020	FYE 2021	FYE 2022
Dividend declared and paid in respect of each FYE (RM'000)	-	-	2,500
Dividend payout ⁽¹⁾ (%)	-	-	41.27

Note:-

(1) *Calculated based on the dividend declared divided by our Group's PAT.*

Our Board does not intend to declare any further dividends prior to our Listing. Our ability to pay dividends to our shareholders is dependent upon a number of factors, including our level of cash and retained earnings, gearing, results of our operations, anticipated capital expenditure requirement, financial conditions and any other factors considered relevant by our Board. Actual dividend proposed and declared may vary depending on our financial performance and cash flow and may be waived if the payment of dividends would adversely affect our cash flow and operations.

At this juncture, our Board has not adopted a formal dividend payout policy. Any dividend declared will be subject to the recommendation of our Board, taking into consideration our Group's capital structure and ensuring sufficient funds for future growth. Any final dividends declared will be subject to the approval of our shareholders at our AGM.

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