12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia on 22 November 2023 under the Act as a private limited company under the name of VETECE Holdings Sdn Bhd and was subsequently converted to a public limited company and assumed its present name on 8 December 2023 to facilitate our Listing.

We have completed the Acquisitions on [●]. As such, the historical combined financial statements for the Financial Years Under Review were prepared as if our group structure had been in existence throughout the Financial Years Under Review. All intra-group transactions and balances have been eliminated on combination.

As such, the financial statements of our Group comprise:

(i) the combined statements of financial position as at 31 August 2021, 31 August 2022 and 31 August 2023;

(ii) the combined statements of comprehensive income for the Financial Years Under Review;

(iii) the combined statements of changes in equity for the Financial Years Under Review; and

(iv) the combined statement of cash flows for the Financial Years Under Review.

Our audited combined financial statements were prepared in accordance with the MFRS and IFRS.

You should read the historical financial information presented below together with:

(i) Management's Discussion and Analysis of Financial Conditions and Results of Operations as set out in Section 12.2 of this Prospectus; and

(ii) Accountants' Report, together with its accompanying notes as set out in Section 14 of this Prospectus.

(The rest of this page is intentionally left blank)

12.1.1 Historical combined statements of profit and loss and other comprehensive income

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	20,045	20,842	23,133
Cost of sales	(14,170)	(13,796)	(13,394)
GP	**5,875**	**7,046**	**9,739**
Other income	267	395	395
Administrative expenses	(1,878)	(1,774)	(1,262)
Operating profit	**4,264**	**5,667**	**8,872**
Finance costs	(136)	(138)	(172)
PBT	**4,128**	**5,529**	**8,700**
Income tax expense	(989)	(1,377)	(2,136)
PAT	**3,139**	**4,152**	**6,564**
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss			
Revaluation surplus, net of deferred tax liabilities	582	-	-
Exchange differences on translation of foreign operations	45	240	396
Total comprehensive income for the financial year	**3,766**	**4,392**	**6,960**

EBITDA [(1)]	4,426	5,804	9,030
GP margin (%) [(2)]	29.31	33.81	42.10
PBT margin (%) [(3)]	20.59	26.53	37.61
PAT margin (%) [(3)]	15.66	19.92	28.38
Effective tax rate (%) [(4)]	23.96	24.91	24.55
Basic and diluted EPS (sen) [(5)]			
- After the Acquisitions but before IPO (sen) [(6)]	1.07	1.41	2.23
- After IPO (sen) [(7)]	0.80	1.06	1.67

Notes:

(1) *EBITDA are calculated as follows:*

	Audited		
	FYE 2021	***FYE 2022***	***FYE 2023***
	RM'000	***RM'000***	***RM'000***
PAT	*3,139*	*4,152*	*6,564*
Less:			
Interest income	*(91)*	*(97)*	*(90)*
Add:			
Finance costs	*136*	*138*	*172*
Income tax expense	*989*	*1,377*	*2,136*
Depreciation	*253*	*234*	*248*
EBITDA	***4,426***	***5,804***	***9,030***

(2) *Calculated based on GP divided by revenue.*

(3) *Calculated based on PBT divided by revenue and PAT divided by revenue.*

(4) *Calculated based on income tax expense divided by PBT.*

(5) The basic EPS is the same as the diluted EPS as there were no outstanding convertible securities for the Financial Years Under Review.

(6) Calculated based on the PAT for the financial year over our number of Shares in issue of 294,000,000 Shares after the Acquisitions but before our IPO.

(7) Calculated based on the PAT for the financial year over our enlarged number of Shares in issue of 392,000,000 Shares after our IPO.

12.1.2 Historical combined statements of financial position

	Audited		
	As at 31 August		
	2021	**2022**	**2023**
	RM'000	**RM'000**	**RM'000**
ASSETS			
Non-current assets			
Property, plant and equipment	7,323	7,546	7,418
Total non-current assets	**7,323**	**7,546**	**7,418**
Current assets			
Trade and other receivables	3,715	3,841	8,377
Contract assets	1,657	716	3,680
Fixed deposits placed with licensed banks	5,605	5,700	1,343
Cash and bank balances	11,639	12,741	4,026
Total current assets	**22,616**	**22,998**	**17,426**
TOTAL ASSETS	**29,939**	**30,544**	**24,844**
EQUITY AND LIABILITIES			
Equity attributable to owners of the Company			
Invested equity	2,077	2,077	2,077
Other reserves	1,189	1,429	1,825
Retained profits	18,241	5,952	12,516
Total equity	**21,507**	**9,458**	**16,418**
Non-current liabilities			
Loans and borrowings	4,235	4,107	4,009
Other payables	1,083	-	-
Deferred tax liabilities	287	351	385
Total non-current liabilities	**5,605**	**4,458**	**4,394**
Current liabilities			
Loans and borrowings	126	129	115
Trade and other payables	2,636	16,138	3,256
Current tax liabilities	65	361	661
Total current liabilities	**2,827**	**16,628**	**4,032**
TOTAL LIABILITIES	**8,432**	**21,086**	**8,426**
TOTAL EQUITY AND LIABILITIES	**29,939**	**30,544**	**24,844**

12.1.3 Historical combined statements of cash flows

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Cash flows from operating activities			
PBT	4,128	5,529	8,700
Adjustments for:			
Depreciation of property, plant and equipment	253	234	248
Loss on disposal of property, plant and equipment	38	-	-
Interest income	(91)	(97)	(90)
Interest expense	136	138	172
Unrealised loss/(gain) on foreign exchange	84	83	(101)
Operating profit before changes in working capital	**4,548**	**5,887**	**8,929**
Changes in working capital:			
Receivables	(1,429)	(187)	(4,789)
Contract assets	65	941	(2,964)
Payables	1,056	(1,529)	1,643
	4,240	5,112	2,819
Tax paid, net	(835)	(1,017)	(1,802)
Interest received	91	97	90
Net cash from operating activities	**3,496**	**4,192**	**1,107**
Cash flows from investing activities			
Purchase of property, plant and equipment	(134)	(457)	(120)
Sale proceeds from disposal of property, plant and equipment	78	-	-
Net cash used in investing activities	**(56)**	**(457)**	**(120)**
Cash flows from financing activities			
Fixed deposits pledged as security values	(90)	(95)	(31)
Dividends paid	(1,458)	(2,200)	(14,241)
Interest paid	(136)	(138)	(172)
Repayments of term loans	(107)	(125)	(112)
Drawdown of terms loans	93	-	-
Advances (to)/by related parties	(23)	(22)	354
Advances from/(Repayment to) a director	156	(293)	(284)
Net cash used in financing activities	**(1,565)**	**(2,873)**	**(14,486)**
Net increase/(decrease) in cash and cash equivalents	**1,875**	**862**	**(13,499)**
Cash and cash equivalents at the beginning of the financial year	**13,837**	**15,951**	**17,129**
Effects of exchange rate charges on cash and cash equivalents	239	316	396
Cash and cash equivalents at the end of the financial year[(1)]	**15,951**	**17,129**	**4,026**

Note:

(1) Cash and cash equivalents comprise the following:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Cash and bank balances	11,639	12,741	4,026
Fixed deposits placed with a licensed bank	5,605	5,700	1,343
	17,244	18,441	5,369
Less: Fixed deposits pledged as security values	(1,293)	(1,312)	(1,343)
Total	**15,951**	**17,129**	**4,026**

12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITIONS AND RESULTS OF OPERATIONS

The following management's discussion and analysis should be read together with the Accountant's Report included in Section 14 of this Prospectus.

The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

12.2.1 Overview of our operations

(i) Principal activities

(a) Implementation services

We provide implementation of enterprise IT solutions using our technology partners' software. We have a portfolio of enterprise IT solutions as outlined in Section 7.3 of this Prospectus to support our clients' business operations. Our enterprise IT solutions enable adoption of new business models, automate repetitive processes and reduce reliance on manual intervention. Additionally, it also enables major IT system upgrade which requires re-implementation, as well as continuous improvement and enhancement of our client's IT infrastructure.

The tenure for our implementation contracts ranges between 3 months and 2 years, depending on the scope of work that we are engaged to perform. The fee for our implementation contract is generally a fixed fee, taking into account the costs for implementing the types of software and modules including the costs of procuring relevant hardware and/or software and the professional fees involved. Our fee is payable either in one lump sum for the sales of hardware and/or software after delivery, or by stages of completion of progress milestone set out in the contract.

For certain service contracts entered into with our clients, we are required to provide a performance guarantee in the form of a bank guarantee or contract deposit as a security sum to ensure our due performance during the contract period.

(b) Maintenance, support and professional services

Following the completion of implementation of enterprise IT solutions, our clients may engage us to provide maintenance and support services, either under the same implementation services engagement or a separate engagement specifically for maintenance and support services. We also provide maintenance and support services to companies who do not engage us for implementation of enterprise IT solutions.

The tenure of such maintenance and support contracts range between 6 months and 5 years, whereby the contracts stipulate details such as scope of work, types of support, number of IT professionals needed, support timeframe and fees schedule calculated by man-day rates.

We are also involved in the provision of professional services, where we supply IT professionals to our clients for their internally-managed IT projects and/ or to meet their IT operational needs, on fixed contractual periods. Our clients may require IT professionals with the relevant expertise for their internally-managed IT projects such as enterprise application integration and SSO management solutions and enterprise data engineering and analytic solution, enterprise CRM solution, enterprise software testing and enterprise infrastructure on-premises and cloud solution, on a short-term project basis.

The tenure of such professional services contracts range between 3 months and 1 year, whereby the contracts stipulate details such as scope of work, the number and type of IT professionals needed, period of engagement and price schedule of the IT professionals calculated by man-day rates.

(c) Resale of hardware and software

We are involved in the resale of hardware and software as part of our implementation, maintenance and support services. Our hardware and software resale services involves buying and selling of computer equipment, devices and software licenses, as well as subscription from our technology partners and vendors such as, amongst others, Oracle and WSO2 to our clients. Upon obtaining the order from our clients, we will place an order for the necessary hardware and software to be delivered directly to our clients.

Please refer to Section 7 of this Prospectus for our Group's detailed business overview.

(ii) Revenue

Our Group recognises revenue that depicts the transfer of promised goods or services to clients in an amount that reflects the consideration to which our Group expects to be entitled in exchange for those goods or services.

Our revenue stream can be segregated into three segments, namely implementation services, maintenance, support and professional services and resale of hardware and software.

Implementation services

We are appointed by our clients in implementing the enterprise IT solutions selected for their business operations.

The service fee for our implementation services contract takes into account our clients' requirements, scope of work, costs for carrying out the contract with reference to the costs of procuring the relevant hardware and/or software and whether any third-party technical support or maintenance services are engaged.

Under the terms of the contracts, control is transferred over time as our Group creates or enhances an asset that the client controls as the asset is created or enhanced. Revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation, such as activation of software licences, professional services rendered, warranty and support and training provided. Our Group becomes entitled to invoice clients based on achieving a series of performance-related milestones.

Maintenance, support and professional services

Our maintenance and support services to our clients are on a contract basis, to ensure that their systems remain operational and responsive to changing user requirements, upgrades and on-going enhancements as required by our clients. The payment milestones for our maintenance and support services are typically based on the manpower days.

Our professional services are on a contract basis and the charges vary for each client, depending on the type of services required, as well as the type of IT solution implemented, together with its customisations. Similarly, the payment milestones for our professional services are typically based on the manpower days.

Resale of hardware and software

Our Group's hardware and software resale services involve buying and selling computer equipment, devices and software licenses, as well as software subscription from our technology partners and vendors. Revenue from the sale of hardware and software is recognised upon clients' acceptance.

(iii) Cost of sales

Our cost of sales comprises 2 major components, i.e. staff costs and project-related costs, which consists of licences and software costs, hardware costs, third party contractor costs and other costs.

Our cost of sales amounted to RM14.17 million, RM13.80 million and RM13.39 million representing approximately 70.69%, 66.19%, and 57.90% of our total revenue for FYE 2021, FYE 2022 and FYE 2023, respectively.

(a) Staff costs

Staff cost accounted for approximately 77.12%, 57.78% and 73.91% of our cost of sales for FYE 2021, FYE 2022 and FYE 2023, respectively.

Staff costs are mainly related to the renumeration for employees and director who are involved in the provision of implementation services and maintenance, support and professional services that are relatively fixed in nature, which includes, amongst others, salaries, allowances, bonuses, and employer contribution for Employees Provident Fund (EPF), Social Security Organisation ("**SOCSO**") and Employment Insurance System (EIS).

(b) Project-related costs

Project-related cost accounted for approximately 22.88%, 42.22% and 26.09% of our cost of sales for FYE 2021, FYE 2022 and FYE 2023, respectively.

Project-related costs are mainly costs required and stated in the contracts, comprising the purchase of hardware and software, third party contractors costs, as well as other cost.

- Hardware and software costs

  Hardware and software cost accounted for approximately 19.67%, 39.45% and 20.68% of our cost of sales for the Financial Years Under Review.

  Our hardware and software cost consists of purchases of software licences and hardware for the purposes of reselling them to our clients. We purchase software licences from software vendors and resell them to our clients based on number of software licences, as and when required based on projects awarded, with a percentage mark-up.

  After the purchases of software licences are made upon request based on projects awarded or from our existing clients for licence renewal, these software licences are subsequently resold to our clients. Therefore, we do not hold any software licences as inventories. Our clients have the option to purchase the software licences from us or directly from software vendors. In view of this, not all of our projects will require the need to purchase software licences prior to the implementation stage for the software.

  The cost of software licences is usually incurred before commencement of the implementation projects. The revenue from the resale of software licences which was purchased pertaining to the implementation or support and maintenance projects is recognised based on actual work done and cost incurred. The billings to the clients, however, are done after meeting the project milestone, as the billings for resale of these licences is bundled together with the revenue from implementation or support and maintenance projects. As such, contract assets will be recognised in the statement of financial position on the revenue recognised until the billings are issued. Then, the contract assets will be reclassified as trade receivables.

- Third-party contractors costs

  Third-party contractors cost accounted for approximately 3.16%, 2.35% and 5.01% of our cost of sales for FYE 2021, FYE 2022 and FYE 2023, respectively.

  Our clients may require specialised expertise on an immediate basis and after taking into account their cost and operational efficiencies, we may outsource some specialised implementation works which we may not have the expertise to carry out, to other third-party enterprise IT solution providers.

- Other costs

  Other costs accounted for approximately 0.05%, 0.42% and 0.40% of our cost of sales for FYE 2021, FYE 2022 and FYE 2023, respectively.

  Other costs consist of membership fees (mainly for Oracle) and other miscellaneous costs.

(iv) Other income

Other income comprises mainly realised and unrealised gain on foreign exchange, interest income, rental income and miscellaneous income.

Our other income amounted to approximately RM0.27 million, RM0.39 million and RM0.39 million representing 1.33%, 1.89% and 1.71% of our revenue for FYE 2021, FYE 2022 and FYE 2023, respectively.

(v) Administrative expenses

Administrative expenses comprise mainly director remuneration, staff cost, travelling expenses, depreciation, software expenses, service charges and sinking fund, professional fee, foreign exchange loss and upkeep of office.

Our administrative expenses amounted to approximately RM1.88 million, RM1.77 million and RM1.26 million representing 9.37%, 8.51% and 5.46% of our revenue for FYE 2021, FYE 2022 and FYE 2023, respectively.

(vi) Finance costs

Finance costs arose from the utilisation of our term loans.

Our finance costs amounted to approximately RM0.14 million, RM0.14 million and RM0.17 million representing 0.68%, 0.66% and 0.74% of our revenue for FYE 2021, FYE 2022 and FYE 2023, respectively.

(vii) Changes to accounting policies and estimates

There were no changes to our accounting policies and estimates during the Financial Years Under Review.

(viii) Significant events subsequent to FYE 2023

Save as disclosed in Section 7.23 of this Prospectus, there were no other significant events which may have a material effect on the financial position and results of operations subsequent to our Group's audited combined financial statements for the FYE 2023.

(ix) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Financial Years Under Review. In addition, our audited combined financial statements for the Financial Years Under Review were not subject to any audit qualifications.

(x) Risk relating to out business and operations

There are a number of risk factors relating to our business and industry in which we operate. Some of these risk factors have an impact on our Group's financial condition and result of operations. Please refer to Section 9 of this Prospectus for the full list of risk factors related to our business and industry.

(xi) Our growth and profitability are dependent on our ability to secure new and renewal of contracts

Due to the nature of our business operations, our future profitability and financial performance depend on our ability to consistently secure contracts for the provision of enterprise IT services particularly from existing and new clients. Our contracts with clients vary in length and scope of services depending on the nature of the project. The tenure of our implementation services contracts with our clients ranges from 3 month to 2 years whilst our maintenance, support and professional services contracts with our clients ranges from 6 months to 5 years. We do not enter into long-term contracts with our clients for our implementation services due to the rapid technological changes and market trends of the industry in which our clients operate in, as well as the time required for the implementation process. As for our maintenance, support and professional services contracts, the tenure of the contracts is slightly longer, but we are subject to termination or reduction of our services by the clients in the event that there are changes to the clients' strategies or changes in the IT solutions required for their operations.

The potential loss of clients, especially with our major clients, or risk of facing difficulties in securing new clients or additional projects from existing clients in a timely manner, may adversely affect our business and financial performance. Further, the volume and size of contracts, as well as the revenue generated from them, can be affected by several factors which include, but are not limited to, economic downturns, industry-specific slowdowns and clients' financial constraints. As a result, our revenue may experience fluctuations across different financial years. For the Financial Years Under Review, we have not encountered any termination of contracts with our major clients. However, there have been instances of variations or additions to the scope of services within existing contracts.

(xii) Our enterprise IT solution projects are exposed to unexpected delays or interruption that is beyond our control

Our business operations are subject to unexpected delays or interruptions caused by factors beyond our control. For example, our customers may delay the completion of projects due to unforeseen circumstances such as unavailability of key personnel at the customers' sites, hindering the smooth facilitation of project implementation. Additionally, difficulties in accessing our clients' infrastructure due to sudden breakdowns or unscheduled system maintenance, may contribute to delays.

In the event that project delays are caused by our clients, it has a direct impact on the progress of our projects. This, in turn, affects our delivery timelines, subsequently affecting the timing for revenue recognition and the collection of payment from our clients. As a result, our financial performance is directly tied to the availability and cooperation of our clients. The minimisation of delays in project deliverables is crucial to ensuring timely and successful project outcomes.

(xiii) We are dependent on our Non-Independent Executive Vice Chairman, Non-Independent Executive Director and our Key Senior Management for continued success and growth of our business

The growth and future success of our Group is dependent on the continuous contribution from our Non-Independent Executive Vice Chairman, Tee Chee Chiang. His leadership is instrumental in determining the overall strategic direction and driving the business development and growth of our Group. Additionally, we also attribute our continuous success to the capabilities, skills, experience and efforts of our CEO/ Executive Director, Chan Wai Hoong for overseeing the operational functions, spearheading the execution of the Group's business strategies and leads to the implementation of expansion plans.

Further, we are dependent on the continued service of our other Key Senior Management who possess relevant knowledge in their respective fields of work to ensure smooth operation of our business. Hence, the loss of any of our Vice Chairman, Non-Independent Executive Director and other Key Senior Management, without suitable and timely replacements could have an unfavourable impact on our Group's operations, financial performance and prospects of our Group.

(xiv) We are dependent on Telekom Malaysia Berhad Group as our major client

We are dependent on Telekom Malaysia Berhad Group, the national connectivity and digital technology provider, providing a wide range of communication services and solutions in enterprise digitalisation, fixed (telephone and broadband), mobility content, Wi-Fi, ICT, cloud, data centre, cyber security, Internet of Things (IoT) and smart devices. We have been providing implementation, maintenance, support and professional services to Telekom Malaysia Berhad Group since 2007, accounting for 15.74%, 22.81%, 45.60% of our total revenue for the FYE 2021, FYE 2022 and FYE 2023, respectively.

Although we have not encountered any material disputes with Telekom Malaysia Berhad Group to-date, there is no assurance that our current working relationship with them will not deteriorate or we would continue to secure new projects from Telekom Malaysia Berhad Group in the future upon completion of the existing projects or renew our maintenance and support services contract. As such, our Group's sustainability, revenue and financial performance will be materially and adversely affected if there is any termination of our business relationship with Telekom Malaysia Berhad Group and we are unable to secure any new contracts of similar or greater value to replace the loss of business.

(xv) We are dependent on our skilled IT employees to support our operations

The implementation of the respective IT solutions as well as our maintenance, support and professional services requires the expertise of our IT solution delivery employees. For the Financial Years Under Review, our IT solution employees comprise 90.20%, 90.32% and 91.89% of our total workforce, respectively.

The retention and attraction of skilled IT solution delivery employees are crucial factors for our continued success, future business growth and expansion. The potential loss of these employees and our inability to promptly secure suitable replacements could disrupt project deliverables. Consequently, if our Group is unable to adhere to our project delivery schedules, our billing schedule will be delayed as invoices are issued according to project delivery milestones. Further, based on the contracts for our current on-going projects as at the LPD, our clients are allowed to claim for liquidated damages. In the event that our clients claim for liquidated damages in relation to delays or failures caused by our Group to meet any milestones as specified in the contracts, it will increase our project cost and this may adversely affect our financial performance. Since the commencement of our business, our Group has not received any requests for claims for liquidated damages arising from delays in meeting project milestones.

In addition, based on the contracts for our current on-going maintenance, support and professional services, our clients are allowed to claim for liquidated damages. If our clients claim for liquidated damages in relation to delays or failures caused by our Group to provide such services, it may adversely affect our financial performance.

(xvi) We source our IT solutions from technology partners and vendors for the implementation, maintenance, support and professional services as well as for the resale of hardware and software

As an enterprise IT solutions provider, our services encompass the provision of implementation, maintenance, support and professional services as well as the resale of hardware and software of IT solutions. As we do not develop our own IT solutions, we source our IT solutions from 7 technology partners and/or vendors.

Each of our technology partner specialises in distinct IT solutions, which enables us to recommend the most suitable IT solution based on our clients' requirements and business operations. Nevertheless, we are particularly dependent on our technology partners'/ vendors' products to provide implementation, maintenance, support and professional services as well as resale of hardware and software.

Our technology partners conduct yearly assessment on our Group to ensure that we have sufficient capabilities and resources to maintain as their technology partners. Some of the assessment criteria of our technology partners and/or vendors are as follows:

(i) yearly requirement of our employees to obtain product training and accreditation of their enterprise IT solutions;

(ii) active participation in joint sales activities with the respective technology partners;

(iii) meeting yearly delivery quantity requirement for the deployment of enterprise IT solutions; and

(iv) maintaining financial stability to ensure sufficient resources for business growth, sustaining the partnerships, and investing in technical training for our enterprise IT solution delivery employees to enhance customer support capabilities.

In the event that we are unable to adhere to the yearly assessment of our technology partners, or a decision by technology partners to cease our partnership, we may lose referrals from our technology partners, which may impact our profitability. For clients in which we act as sub-contractors to our technology partners, termination of our contracts with our technology partners would adversely impact our business operations and financial performance. Therefore, maintaining strong partnerships and adhering to the criteria set by our technology partners are vital for the continuity and success of our business.

12.2.2 Review of our results of operations

(i) Revenue

Our revenue by business segment, industry segments and geographical location for the Financial Years Under Review is as follows:

(a) Revenue by business segments

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Implementation services	5,390	26.89	6,514	31.25	10,328	44.65
Maintenance, support and professional services	11,583	57.78	8,640	41.46	9,862	42.63
Resale of hardware and software	3,072	15.33	5,688	27.29	2,943	12.72
Total	**20,045**	**100.00**	**20,842**	**100.00**	**23,133**	**100.00**

(b) Revenue by industry segments

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Telecommunications	6,636	33.10	6,293	30.20	10,854	46.92
Financial services	6,690	33.38	10,436	50.07	5,468	23.64
Technology	3,865	19.28	2,745	13.17	4,326	18.70
Others(1)	2,854	14.24	1,367	6.56	2,485	10.74
Total	**20,045**	**100.00**	**20,842**	**100.00**	**23,133**	**100.00**

Note:

(1) Others include higher education, manufacturing, distribution, public sector, utilities and automotive.

(c) Revenue by geographical location

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Malaysia	15,408	76.87	18,480	88.67	22,300	96.40
Australia	2,259	11.27	1,338	6.42	304	1.31
Singapore	163	0.81	187	0.90	204	0.88
Brunei	638	3.18	173	0.83	-	-
Thailand	583	2.91	28	0.13	-	-
Papua New Guinea	471	2.35	541	2.59	-	-
Others(1)	523	2.61	95	0.46	325	1.41
Total	**20,045**	**100.00**	**20,842**	**100.00**	**23,133**	**100.00**

Note:

(1) Others include Vietnam, Fiji, Hong Kong, India, New Zealand, Japan and South Korea.

(The rest of this page is intentionally left blank)

Comparison between FYE 2021 and FYE 2022

Our revenue increased by approximately RM0.79 million or 3.94% from RM20.05 million in FYE 2021 to RM20.84 million in FYE 2022 due to an increase in revenue from implementation services segment and resale of hardware and software segment which is partially offset by the decrease in revenue for the maintenance, support and professional services segment.

Our revenue from maintenance, support and professional services segment was the main revenue contributor which has contributed approximately RM8.64 million or 41.46% of our revenue for FYE 2022 and approximately RM11.58 million or 57.78% of our revenue for FYE 2021.

In terms of industry segments, financial services industry was the largest revenue contributor, which accounted for approximately RM10.44 million or 50.07% of our revenue in FYE 2022 and RM6.69 million or 33.38% of our revenue in FYE 2021.

The Malaysia market was our primary revenue contributor, which accounted for approximately RM18.48 million or 88.67% of our revenue for FYE 2022 and RM15.41 million or 76.87% of our revenue in FYE 2021. For the FYE 2021, Australia, Brunei and Thailand were our major revenue contributors from the overseas market, which recorded revenue of approximately RM2.26 million, RM0.64 million and RM0.58 million, respectively. For FYE 2022, Australia, Papua New Guinea and Singapore were our major revenue contributors from the overseas market, which recorded revenue of approximately RM1.34 million, RM0.54 million and RM0.19 million, respectively.

Revenue by business segment: Implementation services

Our revenue from the implementation services segment increased by approximately RM1.12 million or 20.78% from RM5.39 million for FYE 2021 to RM6.51 million for FYE 2022, which was mainly due to the following:

(a) increase in revenue from the following existing projects:

   (i) there was an increase in revenue for the deployment of WSO2 enterprise application integration and SSO management solutions from one of our clients in the telecommunications industry by approximately RM1.32 million or 67.69% from RM1.95 million in FYE 2021 to RM3.27 million in FYE 2022. The project commenced in FYE 2021, and more milestones were achieved during the FYE 2022 which translated to higher billings in FYE 2022; and

   (ii) there was an increase in revenue for additional works incurred for enterprise data engineering and analytics solutions from one of our clients from the financial services industry by RM0.46 million or 270.59% from RM0.17 million in FYE 2021 to RM0.63 million in FYE 2022.

(b) revenue contribution of approximately RM0.89 million from a new project secured from one of our clients from the technology industry which commenced in FYE 2022, for the implementation of enterprise data engineering and analytics solutions.

The above increase in revenue for the implementation services segment was partially offset by the following:

(a) the decrease in revenue from one of our clients from the technology industry by RM0.98 million or 96.08% from RM1.02 million in FYE 2021 to RM0.04 million in FYE 2022, mainly due to the completion of two projects (i.e. for enterprise software testing solution and enterprise infrastructure on-premises solution);

(b) completion of three projects in FYE 2021 from the following clients:

(i) two of our clients from the financial services industry which contributed approximately RM0.15 million and RM0.11 million in relation to enterprise data engineering and analytics as well as CRM solutions for the FYE 2021; and

(ii) one of our clients from the utility industry which contributed approximately RM0.16 million in relation to software testing solutions for the FYE 2021.

As the projects were completed in FYE 2021, there was no revenue recognised for these projects in FYE 2022.

Revenue by business segment: Maintenance, support and professional services

Our revenue from the maintenance, support and professional services segment decreased by approximately RM2.94 million or 25.39% from RM11.58 million for FYE 2021 to RM8.64 million for FYE 2022, which was mainly due to the following:

(a) projects that are nearing to completion from the following clients:

(i) the decrease in revenue from one of our clients from the telecommunications industry by RM0.92 million or 40.71% from RM2.26 million in FYE 2021 to RM1.34 million in FYE 2022, due to less work done as the enterprise data engineering and analytic project was nearing completion.

(ii) the decrease in revenue from one of our clients from the technology industry by RM0.36 million or 94.74% from RM0.38 million in FYE 2021 to RM0.02 million in FYE 2022 arising from the cessation of enterprise CRM software solution that was used to support the end client;

(b) completion of two projects in FYE 2022 from following clients:

(i) one of our clients from the telecommunications industry in relation to our professional services engaged to support the enterprise CRM software solution for the end client as the project has ceased. Revenue contribution from this client decreased by approximately RM0.47 million or 73.44% from RM0.64 million in FYE 2021 and RM0.17 million in FYE 2022.

(ii) one of our clients from the technology industry in relation to our professional services engaged to perform software testing for the end client. Revenue contribution from this client decreased by approximately RM0.61 million or 53.98% from RM1.13 million in FYE 2021 to RM0.52 million in FYE 2022.

(c) the decrease in revenue from one of our clients from the financial services industry by approximately RM0.39 million or 61.76% from RM1.02 million in FYE 2021 to RM0.63 million in FYE 2022, in relation to reduced system enhancement projects for enterprise CRM and enterprise data engineering and analytic solution from the said client.

Revenue by business segment: Resale of hardware and software

Our revenue from the resale of hardware and software segment increased by approximately RM2.62 million or 85.34% from RM3.07 million in FYE 2021 to RM5.69 million in FYE 2022, mainly due to the following:

(a) increase in order for WSO2 software licences for enterprise application integration and SSO management solutions from one of our clients in the telecommunications industry by approximately RM0.37 million or 41.11% from RM0.90 million in FYE 2021 to RM1.27 million in FYE 2022; and

(b) new orders of approximately RM0.26 million for hardware products and RM3.75 million for software products in relation to Oracle enterprise infrastructure on-premises solutions from one of our clients in the financial services industry.

Comparison between FYE 2022 and FYE 2023

Our revenue increased by approximately RM2.29 million or 10.99% from RM20.84 million in FYE 2022 to RM23.13 million in FYE 2023 due to the increase in revenue from implementation services segment and maintenance, support and professional services segment which is partially offset by the decrease in revenue from the resale of hardware and software segment.

Our revenue from implementation services segment was the main revenue contributor which has contributed approximately RM10.33 million or 44.65% of our revenue for FYE 2023 and approximately RM6.51 million or 31.25% of our revenue for FYE 2022.

In terms of industry segments, telecommunications industry was the largest revenue contributor, which has recorded approximately RM10.85 million or 46.92% of our revenue in FYE 2023 and RM6.29 million or 30.20% of our revenue in FYE 2022.

The Malaysia market was our primary revenue contributor, which recorded approximately RM22.30 million or 96.40% of our revenue for FYE 2023 and RM18.48 million or 88.67% of our revenue in FYE 2022. For the FYE 2022, Australia, Papua New Guinea and Singapore were our major revenue contributors from the overseas market, which recorded revenue of approximately RM1.34 million, RM0.54 million and RM0.19 million, respectively. For FYE 2023, Hong Kong and Australia were our major revenue contributors from the overseas market, which recorded revenue of approximately RM0.33 million and RM0.30 million, respectively.

Revenue by business segment: Implementation services

Our revenue from the implementation services segment increased by approximately RM3.82 million or 58.68% from RM6.51 million in FYE 2022 to RM10.33 million in FYE 2023, which was mainly due to the following:

(a) increase in revenue from the following existing projects:

(i) there was an increase in revenue for additional works related to design, development and implementation of WSO2 enterprise application integration and SSO management solutions from one of our clients in the telecommunications industry by approximately RM3.40 million or 103.98% from RM3.27 million in FYE 2022 to RM6.67 million in FYE 2023; and

(ii) there was an increase in revenue for additional works in relation to enterprise data engineering and analytics solutions from one of our clients in the technology industry by approximately RM0.66 million or 74.16% from RM0.89 million in FYE 2022 to RM1.55 million in FYE 2023

(b) revenue contribution of approximately RM0.30 million from an enhancement project in relation to enterprise application integration solution secured from one of our clients from the higher education industry.

Revenue by business segment: Maintenance, support and professional services

Our revenue from the maintenance, support and professional services segment increased by approximately RM1.22 million or 14.12% from RM8.64 million in FYE 2022 to RM9.86 million in FYE 2023, which was mainly due to the following

(a) increase in revenue from the following existing projects:

(i) there was an increase in revenue for maintenance and support services provided for Oracle's and WSO2's enterprise application integration and SSO management solution as well as professional services rendered in relation WSO2 solutions from one of our clients from the telecommunications industry by RM1.87 million or 890.48% from RM0.21 million in FYE 2022 to RM2.08 million in FYE 2023; and

(ii) there was an increase in revenue for professional services rendered for our client's IT support functions from one of our clients from the financial services industry by RM0.76 million or 120.63% from RM0.63 million in FYE 2022 to RM1.39 million in FYE 2023.

(b) new project in relation to professional services for provision of enterprise software testing solutions of approximately RM1.46 million from one of our clients from the technology industry; and

(c) new maintenance and support services in relation to enterprise application integration and SSO management solutions of approximately RM0.24 million from one of our clients from the technology industry.

The above increase in revenue for the maintenance, support and professional services segment was partially offset by the following:

(a) completion of three projects in FYE 2022 from the following clients:

(i) one of our clients from the telecommunications industry which contributed approximately RM0.17 million in relation to professional services rendered for clients' IT support function for the FYE 2022;

(ii) one of our clients from the telecommunications industry which contributed approximately RM0.54 million in relation to support and maintenance services rendered for enterprise CRM software solution that was used to support the end client for the FYE 2022; and

(iii) one of our clients from the technology industry which contributed approximately RM0.52 million in relation to to professional services rendered for enterprise CRM solutions for the FYE 2022.

As the projects were completed in FYE 2022, there was no revenue recognised for these projects in FYE 2023.

(b) existing projects with lesser engagement of professional services from the following clients:

   (i) one of our clients from the telecommunications industry by approximately RM1.04 million or 77.61% from RM1.34 million in FYE 2022 to RM0.30 million in FYE 2023, in relation to the client's IT support function; and

   (ii) two of our clients from the financial services industry by approximately RM0.94 million or 36.43% from RM2.58 million in FYE 2022 to RM1.64 million in FYE 2023 and by RM0.21 million or 51.22% from RM0.41 million in FYE 2022 to RM0.20 million in FYE 2023, respectively, in relation to enterprise CRM solution and enterprise data engineering and analytic solution.

Revenue by business segment: Resale of hardware and software

Our revenue from the resale of hardware and software segment decreased by approximately RM2.75 million or 48.33% from RM5.69 million in FYE 2022 to RM2.94 million in FYE 2023, mainly due to the completion in orders from one of our clients from the financial services industry which contributed approximately RM4.01 million in relation to Oracle enterprise infrastructure on-premises solution.

As the projects were completed in FYE 2022, there was no revenue recognised for these projects in FYE 2023.

The above decrease in revenue for the hardware and software segment was partially offset by the increase in orders for WSO2 software licences for enterprise application integration & SSO management solutions from one of our clients in the telecommunications industry by approximately RM0.53 million or 41.73% from RM1.27 million in FYE 2022 to RM1.80 million in FYE 2023, as a result of additional purchases for WSO2 software licences for enterprise application integration & SSO management solutions.

(The rest of this page is intentionally left blank)

12. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales

(a) Cost of sales by components

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Project-related costs	3,242	22.88	5,825	42.22	3,494	26.09
- Hardware and software	2,787	19.67	5,443	39.45	2,769	20.68
- Third party contractors	448	3.16	324	2.35	671	5.01
- Others(1)	7	0.05	58	0.42	54	0.40
Staff costs	10,928	77.12	7,971	57.78	9,900	73.91
Total	**14,170**	**100.00**	**13,796**	**100.00**	**13,394**	**100.00**

Note:

(1) Others consists of membership fees and tender fees.

(b) Cost of sales by business segments

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Implementation services	4,985	35.18	3,448	24.99	5,573	41.60
Maintenance, support and professional services	6,398	45.15	4,905	35.56	5,052	37.72
Resale of hardware and software	2,787	19.67	5,443	39.45	2,769	20.68
Total	**14,170**	**100.00**	**13,796**	**100.00**	**13,394**	**100.00**

(c) GP and GP margin

	Audited								
	FYE 2021			FYE 2022			FYE 2023		
	GP		GP Margin	GP		GP Margin	GP		GP Margin
	RM'000	%	%	RM'000	%	%	RM'000	%	%
Implementation services	405	6.89	7.51	3,066	43.52	47.07	4,756	48.83	46.05
Maintenance, support and professional services	5,185	88.26	44.76	3,735	53.00	43.23	4,809	49.39	48.77
Resale of hardware and software	285	4.85	9.27	245	3.48	4.31	174	1.78	5.90
Total	**5,875**	**100.00**	**29.31**	**7,046**	**100.00**	**33.81**	**9,739**	**100.00**	**42.10**

(The rest of this page is intentionally left blank)

Comparison between FYE 2021 and FYE 2022

Our cost of sales decreased by approximately RM0.37 million or 2.61% from RM14.17 million in FYE 2021 to RM13.80 million in FYE 2022, despite the increase in revenue from RM20.05 million in FYE 2021 to RM20.84 million in FYE 2022.

Our staff cost was the major contributor to our total cost of sales by cost component in FYE 2022, which accounted for approximately RM7.97 million or 57.78% of our total cost of sales in FYE 2022 as compared with approximately RM10.93 or 77.12% of our total cost of sales in FYE 2021. Staff cost decreased by approximately RM2.96 million or 27.08% from RM10.93 million in FYE 2021 to RM7.97 million in FYE 2022. The decrease in the staff cost was mainly attributed by the following:

(i) decrease in staff salaries (including staff in Singapore) by approximately RM1.46 million or 16.82% from RM8.68 million in FYE 2021 to RM7.22 million in FYE 2022, mainly due to less manpower from IT solutions and key management personnel from 96 employees to 87 employees; and

(ii) a one-off reversal of deferred bonus amounting to RM1.08 million, following the discontinuation of our Group's long term incentive plan in FYE 2022 as the pre-determined revenue and profit targets were not met.

Our resale of hardware and software segment was the main contributor to our total cost of sales by business segment in FYE 2022, which accounted for approximately RM5.44 million or 39.45% of our total cost of sales in FYE 2022 as compared with approximately RM2.79 million or 19.67% of our total cost of sales in FYE 2021.

Our GP increased by approximately by RM1.17 million or 19.90% from RM5.88 million in FYE 2021 to RM7.05 million in FYE 2022, mainly attributable to the revenue growth and decrease in staff cost. As such, we have recorded a higher GP margin of approximately 33.81% in FYE 2022 compared to approximately 29.31% in FYE 2021, due to the decrease in staff cost by 27.08% as explained above.

Our maintenance, support and professional services segment was the primary contributor to our total GP in FYE 2022, which recorded approximately RM3.74 million or 53.00% of our total GP in FYE 2022, as compared with approximately RM5.19 million or 88.26% of our total GP in FYE 2021.

Cost of sales by business segment: Implementation services

Our cost of sales for the implementation services segment decreased by approximately RM1.54 million or 30.86%, from RM4.99 million in FYE 2021 to RM3.45 million in FYE 2022 even though the revenue for this segment increased by approximately 20.78% over the same period. This is primarily attributable to the decrease in staff costs as explained above.

Our GP for implementation services segment increased by approximately RM2.66 million or 648.78% from approximately RM0.41 million in FYE 2021 to approximately RM3.07 million in FYE 2022 due to higher revenue and lower cost of sales recorded for this segment. Hence, our GP margin increased from approximately 7.51% in FYE 2021 to 47.07% in FYE 2022.

Cost of sales by business segment: Maintenance, support and professional services

Our cost of sales for maintenance, support and professional services segment decreased by approximately RM1.49 million or 23.28% from RM6.40 million in FYE 2021 to RM4.91 million in FYE 2022. The said decrease is in line with the decrease in revenue for this segment by 25.39%.

Our GP for maintenance, support and professional services segment decreased by approximately RM1.45 million or 27.94% from approximately RM5.19 million in FYE 2021 to approximately RM3.74 million in FYE 2022 due to the decrease in revenue. Hence, our GP margin decreased slightly from approximately 44.76% in FYE 2021 to 43.23% in FYE 2022.

Cost of sales by business segment: Resale of hardware and software

Our cost of sales for the resale of hardware and software segment increased by approximately RM2.65 million or 94.98%, from RM2.79 million in FYE 2021 to RM5.44 million FYE 2022. Such increase was in line to the increase in revenue for the resale of hardware and software segment by 85.34%.

Our GP for the resale of hardware and software segment decreased by approximately RM0.04 million or 13.79% from approximately RM0.29 million in FYE 2021 to approximately RM0.25 million in FYE 2022 due to the increase in cost of sales in hardware and software. In line with the decrease in GP, our GP margin recorded a decrease from approximately 9.27% in FYE 2021 to 3.48% in FYE 2022 due to our Group reducing the selling prices of hardware and software to secure new projects in relation to implementation services segment.

Comparison between FYE 2022 and FYE 2023

Our cost of sales decreased by approximately RM0.41 million or 2.97% from RM13.80 million in FYE 2022 to RM13.39 million in FYE 2023, mainly due to the decrease in cost of resale of hardware and software segment by RM2.67 million or 49.08% from RM5.44 million in FYE 2022 to RM2.77 million in FYE 2023, in line with the decrease in revenue from RM5.69 million in FYE 2022 to RM2.94 million in FYE 2023.

Our staff cost was the major contributor to our total cost of sales by cost component in FYE 2023, which recorded approximately RM9.90 million or 73.91% of our total cost of sales in FYE 2023 as compared with approximately RM7.97 million or 57.78% of our total cost of sales in FYE 2022. Staff cost increased by approximately RM1.93 million or 24.22% from RM7.97 million in FYE 2022 to RM9.90 million in FYE 2023. The increase in the staff cost was mainly attributed by the one-off reversal of deferred bonus following the discontinuation of the Group's long term incentive plan in FYE 2022 as well as increase in our employees from IT solutions from 83 employees to 102 employees.

Our implementation services segment was the main contributor to our total cost of sales by business segment in FYE 2023, which recorded approximately RM5.57 million or 41.60% of our total cost of sales in FYE 2023 as compared to approximately RM3.45 million or 24.99% of our total cost of sales in FYE 2022.

Our GP increased by approximately by RM2.69 million or 38.16% from RM7.05 million in FYE 2022 to RM9.74 million in FYE 2023, mainly attributable to the revenue growth. As such, we have recorded a higher GP margin of approximately 42.10% in FYE 2023 compared to approximately 33.81% in FYE 2022, mainly due to increase in GP contributed by maintenance and support services provided for our client in the telecommunications industry.

Our maintenance, support and professional services segment was the primary contributor to our total GP in FYE 2023, which recorded approximately RM4.81 million or 49.39% of our total GP in FYE 2023, as compared with approximately RM3.74 million or 53.00% of our total GP in FYE 2022.

Cost of sales by business segment: Implementation services

Our cost of sales for the implementation services segment increased by approximately RM2.12 million or 61.45% from RM3.45 million in FYE 2022 to RM5.57 million in FYE 2023 mainly due to increase in staff cost from the implementation of WSO2 projects. The said increase is in line with the increase in revenue for this segment by 58.68%.

Our GP for implementation services segment increased by approximately by RM1.69 million or 55.05% from RM3.07 million in FYE 2022 to RM4.76 million in FYE 2023 due to higher revenue recorded for this segment. However, our GP margin decreased slightly from approximately 47.07% for FYE 2022 to 46.05% in FYE 2023.

Cost of sales by business segment: Maintenance, support and professional services

Our cost of sales for maintenance, support and professional services segment increased by approximately RM0.14 million or 2.85% from RM4.91 million in FYE 2022 to RM5.05 million in FYE 2023 mainly due to increase in staff costs from services in relation to WSO2 projects from our client in the telecommunications industry as well as new contract for professional services for system testing services. The said increase is in line with the increase in revenue for this segment by 14.12%.

Our GP for maintenance, support and professional services segment increased by approximately RM1.07 million or 28.61% from RM3.74 million in FYE 2022 to RM4.81 million in FYE 2023 due to the increase in revenue. Hence, our GP margin increased from approximately 43.23% in FYE 2022 to 48.77% in FYE 2023.

Cost of sales by business segment: Resale of hardware and software

Our cost of sales for the resale of hardware and software segment decreased by approximately RM2.67 million or 49.08%, from RM5.44 million in FYE 2022 to RM2.77 million FYE 2023. Such decrease was in line to the decrease in revenue for the resale of hardware and software segment by 48.33%.

Our GP for the resale of hardware and software segment decreased by approximately RM0.08 million or 32.00% from approximately RM0.25 million in FYE 2022 to approximately RM0.17 million in FYE 2023 due to the decrease in cost of sales in hardware and software. However, our GP margin recorded a marginal increase from approximately 4.31% in FYE 2022 to 5.90% in FYE 2023.

(iii) Other income

The breakdown of our other income for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Realised gain on foreign exchange	-	-	16	4.05	2	0.51
Unrealised gain on foreign exchange	-	-	-	-	101	25.57
Interest income[(1)]	91	34.08	97	24.56	90	22.78
Rental income[(2)]	25	9.36	55	13.92	136	34.43
Miscellaneous income[(3)]	151	56.56	227	57.47	66	16.71
Total	**267**	**100.00**	**395**	**100.00**	**395**	**100.00**

Notes:

(1) Interest income consists of interest received from our fixed deposits placed with licenced bank.

(2) Rental income refers to office rental.

(3) Miscellaneous income refers to mainly consist of SOCSO's Wage Subsidy Programme and MDEC Grant.

Comparison between FYE 2021 and FYE 2022

Our Group's other income increased by RM0.13 million or 48.15% from RM0.27 million in FYE 2021 to RM0.40 million in FYE 2022, mainly due to the increase in miscellaneous income amounting to RM0.08 million or 53.33% from RM0.15 million in FYE 2021 to RM0.23 million in FYE 2022 as a result of higher wage subsidy received from SOCSO Wage Subsidy Programme received under the Economic Stimulus Package 2020.

Comparison between FYE 2022 and FYE 2023

Overall, our Group's other income did not materially change between FYE 2022 and FYE 2023.

Our miscellaneous income decreased by RM0.16 million or 69.57% from RM0.23 million in FYE 2022 to RM0.07 million in FYE 2023 mainly due to the cessation of the SOCSO Wage Subsidy Programme in FYE 2022. The balance payment of RM0.04 million wage subsidy was recognised in May 2023. We have also received MDEC grant amounting RM0.03 million for MyDigitalWorkforce Work in Tech in FYE 2023.

Our rental income also increased by RM0.08 million or 147.27% from RM0.06 million in FYE 2022 to RM0.14 million in FYE 2023 arising from new rental income received from 2 units of our properties namely, Unit No. 4800-3-1, Block 4800, CBD Perdana, Jalan Perdana 63000 Cyberjaya, Selangor that started in August 2022 and D-07-03 KL Gateway Property that started in February 2023.

(The rest of this is page is intentionally left blank)

(iv) Administrative expenses

The breakdown of our administrative expenses for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Director remuneration	352	18.74	343	19.34	366	29.00
Staff cost(1)	306	16.30	367	20.69	122	9.67
Travelling expenses	124	6.60	119	6.71	111	8.80
Depreciation	253	13.47	234	13.19	248	19.65
Software expenses	40	2.13	41	2.31	46	3.64
Service charges and sinking fund	41	2.18	43	2.42	45	3.56
Unrealised loss on foreign exchange	84	4.47	280	15.78	-	-
Realised loss on foreign exchange	45	2.40	-	-	-	-
Professional fee	140	7.46	89	5.02	106	8.40
Upkeep of office	105	5.59	162	9.13	110	8.72
Withholding tax expense	284	15.12	10	0.56	3	0.24
Others(2)	104	5.54	86	4.85	105	8.32
Total	**1,878**	**100.00**	**1,774**	**100.00**	**1,262**	**100.00**

Notes:

(1) Staff costs mainly consist of medical/dental fees, insurance, recruitment, Human Resources Development Fund (HRDF) contribution expenses and other staff-related costs.

(2) Others mainly include quit rent and assessment, bank charges and stamping fees and registration.

Comparison between FYE 2021 and FYE 2022

Administrative expenses decreased by RM0.11 million or 5.85% from RM1.88 million in FYE 2021 to RM1.77 million in FYE 2022, mainly due the decrease in withholding tax expenses by RM0.27 million or 96.43% from RM0.28 million in FYE 2021 to RM0.01 million in FYE 2022. The said decrease was attributed to the decrease in purchases of software from our technology partner and vendors during the FYE 2022, which in turn reduces the withholding tax expenses incurred.

The decrease is partially offset by the increase in unrealised foreign exchange loss by RM0.20 million or 250.00% from RM0.08 million in FYE 2021 to RM0.28 million in FYE 2022 arising from the strengthening of USD during the financial year, following the higher purchases of software and hardware that were denominated in USD. This is in line with the increase in revenue from the sales of hardware and software segment.

Comparison between FYE 2022 and FYE 2023

Administrative expenses further decreased by RM0.51 million or 28.81% from RM1.77 million in FYE 2022 to RM1.26 million in FYE 2023, mainly due to the following:

(i) decrease in staff costs by RM0.25 million or 67.57% from RM0.37 million in FYE 2022 to RM0.12 million in FYE 2023 mainly due to the reversal of expenses incurred for our company trip in 2022 of RM0.13 million as a result of non-utilisation of budgeted amount from the previous financial year; and

(ii) decrease in unrealised foreign exchange loss by RM0.28 million as there was no unrealised exchange loss recorded in FYE 2023 arising from settlement of inter-company balances. The company no longer has exposure to potential losses arising from fluctuations in the SGD exchange rate as at FYE 2023.

(v) Finance costs

	Audited					
	FYE 2021		**FYE 2022**		**FYE 2023**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**
Term loan interest	136	100.00	138	100.00	172	100.00
Total	**136**	**100.00**	**138**	**100.00**	**172**	**100.00**

Comparison between FYE 2021 and FYE 2022

Finance costs did not materially change between FYE 2021 and FYE 2022, as there are no new borrowings obtained in the Financial Years Under Review.

Comparison between FYE 2022 and FYE 2023

Finance costs increased by RM0.03 million or 21.43% from RM0.14 million in FYE 2022 to RM0.17 million in FYE 2023 mainly due to the increase in Bank Negara Malaysia's overnight policy rate from 2.25% to 3.00% throughout the FYE 2023.

(vi) PBT, PBT Margin, PAT and PAT margin

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
PBT (RM'000)	4,128	5,529	8,700
PBT margin (%)	20.59	26.53	37.61
PAT (RM'000)	3,139	4,152	6,564
PAT margin (%)	15.66	19.92	28.38

Comparison between FYE 2021 and FYE 2022

Our PBT increased by RM1.40 million or 33.90% from RM4.13 million in FYE 2021 to RM5.53 million in FYE 2022, mainly due to the higher GP generated from the implementation services segment, as well as lower administrative expenses due to reasons as explained in Section 12.2.2 (iv) above.

As a result, our PBT margin increased from 20.59% in FYE 2021 to 26.53% in FYE 2022.

Correspondingly, our PAT increased by approximately RM1.01 million or 32.17% from RM3.14 million for FYE 2021 to RM4.15 million for FYE 2022 whilst our PAT margin improved from 15.66% for FYE 2021 to 19.92% for FYE 2022. Our PAT growth rate was lower than our PBT growth rate mainly due to higher tax expenses for FYE 2022 resulting from non-deductible expenses, further details of which are set out in Section 12.2.2(vii) below.

Comparison between FYE 2022 and FYE 2023

Our PBT further increased by RM3.17 million or 57.32% from RM5.53 million in FYE 2022 to RM8.70 million in FYE 2023, mainly due to higher GP generated from both the implementation services segment and maintenance, support and professional services segment, as well as lower administrative expenses due to reasons as explained in Section 12.2.2(iv) above.

As a result, our PBT margin increased from 26.53% in FYE 2022 to 37.61% in FYE 2023.

Correspondingly, our PAT increased by approximately RM2.41 million or 58.07% from RM4.15 million for FYE 2022 to RM6.56 million for FYE 2023 whilst our PAT margin improved from 19.92% for FYE 2022 to 28.38% for FYE 2023. Our PAT growth rate was higher than our PBT growth rate mainly due to lower effective tax rate in FYE 2023 compared with FYE 2022 from lower non-deductible expenses, further details of which are set out in Section 12.2.2(vii) below.

(vii) Income tax expense

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Tax expenses	989	1,377	2,136
Effective tax rate (%)	23.96	24.91	24.55
Statutory tax rate (%)	24.00	24.00	24.00

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM0.39 million or 39.39% from RM0.99 million in FYE 2021 to RM1.38 million in FYE 2022, mainly contributed by the increase in PBT in FYE 2022.

For FYE 2021, our effective tax rate was similar to the statutory tax rate of 24.00%.

For FYE 2022, our effective tax rate was higher than the statutory tax rate of 24.00%, mainly due to the tax effect from non-deductible expenses of RM0.13 million, which mainly comprises depreciation of property, plant and equipment and unrealised gain on foreign exchange rate.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM0.76 million or 55.07% from RM1.38 million in FYE 2022 to RM2.14 million in FYE 2023, mainly contributed by the increase in PBT in FYE 2023.

For FYE 2023, our effective tax rate approximates the statutory tax rate of 24.00%.

12.3 LIQUIDITY AND CAPITAL RESOURCES

Our operations are funded by a combination of both internal and external sources of funds. Internally, we finance our operations through cash generated from operations and advances from directors as well as related parties, while our external source of funds are mainly banking facilities from financial institutions.

The decision to utilise either internally generated funds or loans and borrowings for our business operations depends on, amongst others, our cash and cash equivalents, expected cash inflows, future working capital requirements, future capital expenditure requirements and the interest rates on loans and borrowings. We carefully consider our cash position and ability to obtain further financing before making any significant capital commitment.

Our Board is of the opinion that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(i) Our expected future cash flows from operations;

(ii) Our cash and cash equivalents of approximately RM9.81 million as at the LPD;

(iii) Our total unutilised banking facilities of RM0.30 million as at the LPD; and

(iv) Our negligible pro forma gearing level of 0.00 times, based on our pro forma statements of financial position as at 31 August 2023 after the Acquisitions, Public Issue and utilisation of proceeds.

As at the LPD, we do not foresee any circumstances which may materially affect our liquidity.

12.4 REVIEW OF CASH FLOWS

The following table sets out the summary of the combined statements of cash flow for the Financial Years Under Review, which have been extracted from the Accountants' Report set out in Section 14 of this Prospectus and should be read in conjunction thereto:

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Net cash from operating activities	3,496	4,192	1,107
Net cash used in investing activities	(56)	(457)	(120)
Net cash used in financing activities	(1,565)	(2,873)	(14,486)
Net increase/(decrease) in cash and cash equivalents	1,875	862	(13,499)
Cash and cash equivalents at beginning of the financial year	13,837	15,951	17,129
Effects of exchange rate charges on cash and cash equivalents	239	316	396
Cash and cash equivalents at the end of the financial year[(1)]	**15,951**	**17,129**	**4,026**

Note:

(1) Cash and cash equivalents comprise the following:

	Audited		
	FYE 2021	***FYE 2022***	***FYE 2023***
	RM'000	***RM'000***	***RM'000***
Cash and bank balances	*11,639*	*12,741*	*4,026*
Fixed deposits placed with a licensed bank	*5,605*	*5,700*	*1,343*
	17,244	*18,441*	*5,369*
Less: Fixed deposits pledged as security values	*(1,293)*	*(1,312)*	*(1,343)*
Total	***15,951***	***17,129***	***4,026***

(i) FYE 2021

(a) Net cash from operating activities

In FYE 2021, our Group generated net cash inflow from operating activities of RM3.50 million, based on an operating profit of RM4.26 million and after taking into account the following working capital changes:

(i) increase in receivables by RM1.43 million, mainly due to higher billings to our clients during the FYE 2021;

(ii) decrease in contract assets by RM0.07 million in line with the billings for the work performed;

(iii) increase in payables by RM1.06 million, mainly due to higher purchases of hardware and software and third-party contractor cost by our Group in FYE 2021 as compared to FYE 2020; and

(iv) interest received of RM0.09 million and net tax paid of RM0.84 million.

(b) Net cash used in investing activities

In FYE 2021, we recorded net cash outflow for investing activities of RM0.06 million mainly due:

(i) purchase of computers, office equipment, furniture and fittings of RM0.04 million; and

(ii) payment for bank charges in relation to the purchase of one of our office units at Menara Suezcap of RM0.09 million, in which the said bank charges was capitalised.

The cash outflow was partially offset by sales proceeds from the disposal of motor vehicles of RM0.08 million.

(c) Net cash used in financing activities

In FYE 2021, we recorded net cash outflow for financing activities of RM1.57 million mainly due to the following:

(i) repayment of term loans for 4 of our properties located in Menara Suezcap of RM0.11 million;

(ii) advances from a director amounting to RM0.16 million for expenses paid on behalf;

(iii) interest paid for our term loans of RM0.14 million; and

(iv) dividend paid to shareholders of RM1.46 million.

(ii) FYE 2022

(a) Net cash from operating activities

In FYE 2022, our Group generated net cash inflow from operating activities of RM4.19 million based on an operating profit of RM5.67 million and after taking into account of the following working capital changes:

(i) increase in receivables by RM0.19 million, mainly due to higher billings to our clients during the FYE 2022;

(ii) decrease in contract assets by RM0.94 million in line with the billings for work performed;

(iii) decrease in payables by RM1.53 million, mainly due to reversal of deferred bonus amounting to RM1.08 million, following the discontinuation of our Group's long term incentive plan in FYE 2022 as the pre-determined revenue and profit targets were not met; and

(iv) interest received of RM0.10 million and net tax paid of RM1.02 million.

(b) Net cash used in investing activities

In FYE 2022, we recorded cash outflow for investing activities of RM0.46 million, mainly due to the purchase of computer and office equipment of RM0.06 million and purchase of furniture and fitting as well as office renovation for our offices at Menara Suezcap, Kuala Lumpur of RM0.40 million.

(c) Net cash used in financing activities

In FYE 2022, we recorded net cash outflow for financing activities of RM2.87 million mainly due to the following:

(i) repayment of term loans for 4 of our properties located at Menara Suezcap, Kuala Lumpur of RM0.12 million;

(ii) interest paid for our term loans of RM0.14 million;

(iii) dividend paid to the shareholders of RM2.20 million. Total dividend declared for FYE 2022 amounted to RM16.44 million. The balance dividend payable of RM14.24 million was settled in FYE 2023; and

(iv) repayment to a director of RM0.29 million in relation to an advance received which was utilised for our working capital.

(iii) FYE 2023

(a) Net cash from operating activities

In FYE 2023, our Group generated net cash inflow from operating activities of RM1.11 million based on an operating profit of RM8.87 million and after taking into account of the following working capital changes:

(i) increase in receivables by RM4.79 million, mainly due to higher billing to one of our clients from the telecommunications industry during the last quarter of FYE 2023, in line with the growth of our revenue;

(ii) increase in contract assets by RM2.96 million, mainly due to higher recognition of revenue based on time cost incurred for our ongoing projects as compared to billings to clients;

(iii) increase in payables by RM1.64 million, mainly due to higher purchases of software from WSO2 by our Group towards the last quarter of FYE 2023 as compared to FYE 2022; and

(iv) interest received of RM0.09 million and net tax paid of RM1.80 million.

(b) Net cash used in investing activities

In FYE 2023, we recorded net cash outflow for investing activities of RM0.12 million, mainly due to purchase of computer and office equipment of RM0.12 million.

(c) Net cash used in financing activities

In FYE 2023, we recorded net cash outflow for financing activities of RM14.49 million mainly due to the following:

(i) repayment of term loans for 4 of our properties located at Menara Suezcap, Kuala Lumpur of RM0.11 million;

(ii) interest paid for our terms loans of RM0.17 million;

(iii) dividend paid to the shareholders of RM14.24 million;

(iv) repayment of advances from related parties of RM0.35 million, which was utilised for settlement of related party balances; and

(v) repayment to a director of RM0.28 million in relation to an advance received which was utilised for our working capital.

(The rest of this is page is intentionally left blank)

12.5 LOANS AND BORROWINGS

Our total outstanding loans and borrowings as at 31 August 2023 stood at RM4.12 million, details of which are set out as follows. All our borrowings are interest-bearing and denominated in RM.

Type of borrowings	Purpose	Tenure of facility	Effective Interest rate	Audited as at 31 August 2023	Repayable in 12 months	Repayable after 12 months
			% per annum	RM'000	RM'000	RM'000
Term loan I	To finance the purchase of a unit of office at Menara Suezcap	23 years	3.10%	859	25	834
Term loan II	To finance the purchase of a unit of office at Menara Suezcap	24 years	3.10%	1,360	40	1,320
Term loan III	To finance the purchase of a unit of office at Menara Suezcap	21 years	3.10%	792	21	771
Term loan IV	To finance the purchase of a unit of office at Menara Suezcap	25 years	3.10%	1,113	29	1,084
			Total borrowings	**4,124**	**115**	**4,009**

As at the LPD, our loans and borrowings consisting of term loans are secured by one or a combination of the following:

(i) Fixed charge over leasehold buildings of our Group, upon the completion of the transfer of the individual strata titles to VTCM; and

(ii) Joint and several guarantees by the directors of our Group. Please refer to Section 10.4 of this Prospectus for further information.

As at the LPD, our Group does not have any borrowings which are non-interest bearing. Our Group has not defaulted on any payment of either principal sum and/or interest in relation to borrowings for the Financial Years Under Review and up to the LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or loans, which can materially affect the financial position and results of business operations or investments by holders of our securities. Our Group does not encounter any seasonality in our borrowings trend, and there are no restrictions on our committed borrowing facilities i.e. our bankers.

For the Financial Years Under Review, our Group has not experienced any withdrawal or reduction in the facilities limit granted to us by our lenders.

12.6 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

From an accounting perspective, financial instruments may include fixed deposits with licensed banks, trade and other receivables, trade and other payables, and borrowings as shown on our combined statements of financial position. These financial instruments are used in our ordinary course of business.

As at the LPD, our Group does not have or utilise any other financial instruments or have any other treasury policies.

Our main 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. A combination of internal and external sources of funds include cash generated from operations as well as borrowings from financial institutions. The primary objective is to have sustainable shareholders' equity to ensure we have the ability to continue as a going-concern and grow our business in order to maximise our shareholders' value. We review and manage our capital structure to maintain the debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

12.7 MATERIAL CAPITAL COMMITMENTS

As at the LPD, there are no material capital commitments incurred or known to be incurred by our Group that have material impact on our financial results or position of our Group.

12.8 CONTINGENT LIABILITIES

As at the LPD, to the extent known to our Company, we do not have any material contingent liabilities which, upon becoming enforceable, may have a material adverse impact on our results of operations or financial position.

12.9 KEY FINANCIAL RATIOS

Our key financial ratios for the Financial Years Under Review are as follows:

	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover period (days) (1)	48	59	91
Trade payables turnover period (days) (2)	49	30	102
Current ratio (times) (3)	8.00	1.38	4.32
Gearing ratio (times) (4)	0.20	0.45	0.25

Notes:

(1) Computed based on average trade receivables at the beginning and end of the respective financial year over the total revenue of the respective financial year, and multiplied by 365 days.

(2) Computed based on average trade payables at the beginning and end of the respective financial year over the total purchases of the respective financial year, and multiplied by 365 days.

(3) Computed based on current assets over current liabilities as at each financial year end.

(4) Computed based on total loans and borrowings over total equity as at each financial year end.

12.9.1 Trade receivables turnover period

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening trade receivables	1,876	3,351	3,410
Closing trade receivables	3,351	3,410	8,086
Average trade receivables	2,614	3,381	5,748
Revenue	20,045	20,842	23,133
Average trade receivables turnover period (days)	48	59	91

The normal credit terms granted by our Group to our clients ranges from 30 to 90 days. Our credit terms to clients are assessed and approved on a case by case basis after taking into consideration the background and credit-worthiness of the clients, payment history of the clients and our relationship with the clients. Our average trade receivables turnover period for the FYE 2021, FYE 2022 and FYE 2023 were 48, 59 and 91 days respectively.

For FYE 2023, our trade receivables turnover period stood at 91 days, slightly above the normal credit term period given to our clients, mainly due to amounts owed by one of our clients from the telecommunications industry owing an amount of RM5.36 million of which RM5.32 million has been subsequently collected as at the LPD.

We have not experienced any significant bad debts for FYE 2021 to 2023. We assess the collectability of trade receivables on an individual client basis and provide for impairment loss on receivables as follows:

(a) allowance for impairment loss based on lifetime expected credit loss in accordance with MFRS 9 Financial Instruments; and

(b) specific allowance for impairment on overdue balance where recoverability is uncertain based on our dealings with the client.

The ageing analysis of our trade receivables as at 31 August 2023 is as follows:

	Trade receivables as at 31 August 2023		Amount collected subsequent from 1 September 2023 up to LPD		Trade receivables net of subsequent collections	
	RM'000	**Percentage of trade receivables**	**RM'000**	**Percentage collected**	**RM'000**	**Percentage of trade receivables outstanding as at LPD**
	(a)	**(a)/total of (a)**	**(b)**	**(b) /(a)**	**(c) = (a)-(b)**	**(c)/total of (a)**
Within credit period	3,432	42.44	3,392	98.83	40	1.17
Past due but not impaired:						
• 1 to 30 days	3,149	38.95	3,149	100.00	-	-
• 31 to 60 days	1,249	15.44	1,249	100.00	-	-
• More than 60 days	256	3.17	256	100.00	-	-
Total	**8,086**	**100.00**	**8,046**	**99.51**	**40**	**0.49**

As at the LPD, RM8.05 million or 99.51% of our trade receivables as at 31 August 2023 has been subsequently collected. The remaining outstanding amount was RM0.04 million, representing 0.49% of our trade receivables still outstanding as at the LPD. We continue to make effort to recover the outstanding amount by making follow up calls to our clients.

12.9.2 Trade payables turnover period

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Opening trade payables	76	788	157
Closing trade payables	788	157	1,760
Average trade payables	432	473	959
Purchases	3,235	5,767	3,440
Average trade payables turnover period (days)	49	30	102

The normal trade credit terms granted to our Group by our suppliers ranges from 30 to 60 days. Our average trade payables turnover period for the FYE 2021, FYE 2022 and FYE 2023 were 49 days, 30 days and 102 days respectively.

For FYE 2023, the trade payable turnover period was above the normal credit period granted by our suppliers, mainly arising from an outstanding amount due to WSO2 of approximately RM1.71 million for the purchases of software licences pursuant to a project with a client from the telecommunications industry for the implementation of enterprise application integration and SSO management solution of which this payable amount to WSO2 was subsequently settled in September 2023 after the collection of receivables from the said client within the same month.

The ageing analysis of our Group's trade payables as at 31 August 2023 is as follows:

	Trade payables as at 31 August 2023		Amount paid subsequent from 1 September 2023 up to LPD		Trade payables net of subsequent payments	
	RM'000	Percentage of trade payables	RM'000	Percentage paid	RM'000	Percentage of trade payables outstanding as at LPD
	(a)	(a)/total of (a)	(b)	(b) /(a)	(c) = (a)-(b)	(c)/total of (a)
Within credit period	47	2.67	47	100.00	-	-
Past due but not impaired:						
• 1 to 30 days	-	-	-	-	-	-
• 31 to 60 days	1,713	97.33	1,713	100.00	-	-
• More than 60 days	-	-	-	-	-	-
Total	**1,760**	**100.00**	**1,760**	**100.00**	**-**	**-**

As at the LPD, all our trade payables as at 31 August 2023 has been paid.

As at the LPD, there are no disputes in respect of any trade payables and no legal action has been initiated by our suppliers to demand for payment.

12.9.3 Current ratio

	Audited		
	As at 31 August		
	2021	2022	2023
	RM'000	RM'000	RM'000
Current assets	22,616	22,998	17,426
Current liabilities	2,827	16,628	4,032
Net current assets	**19,789**	**6,370**	**13,394**
Current ratio (times)	8.00	1.38	4.32

Our current ratio decreased from 8.00 times as at 31 August 2021 to 1.38 times as at 31 August 2022, mainly due to dividend payable amounted to RM14.24 million in relation to dividend of RM16.44 million that was declared in FYE 2022.

Our current ratio increased from 1.38 times as at 31 August 2022 to 4.32 times as at 31 August 2023, mainly due to the decrease in trade and other payables by RM12.88 million, pursuant to the settlement of dividend payables of RM14.24 million from the dividend declared in FYE 2022.

12.9.4 Gearing ratio

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Loans and borrowings	4,361	4,236	4,124
Total equity	21,507	9,458	16,418
Gearing ratio (times)	0.20	0.45	0.25

Our gearing ratio increased from 0.20 times as at 31 August 2021 to 0.45 times as at 31 August 2022, mainly due to decrease in retained earnings by RM12.29 million from RM18.24 million as at 31 August 2021 to RM5.95 million as at 31 August 2022 as a result of the dividends declared amounting to RM16.44 million. The decrease in retained earnings was offset by the Group's PAT for RM4.15 million in FYE 2022.

Our gearing ratio decreased from 0.45 times as at 31 August 2022 to 0.25 times as at 31 August 2023, mainly due to an increase in retained earnings arising from the Group's PAT of RM6.56 million in FYE 2023.

12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

There were no government, economic, fiscal or monetary policies which have affected our financial performance during the Financial Years Under Review. However, there is no assurance that our financial performance will not be adversely affected by the impact of changes in government, economic, fiscal or monetary policies moving forward.

Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9 of this Prospectus.

12.11 IMPACT OF INFLATION

Our financial performance for the Financial Years Under Review was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward.

(The rest of this page is intentionally left blank)

12.12 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND COMMODITY PRICES ON OUR GROUP'S OPERATIONS

12.12.1 Impact of foreign exchange rates

Our proportion of sales and purchases transactions denominated in local and foreign currencies are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Revenue denominated in:						
- RM	19,513	97.35	20,710	99.37	22,929	99.12
- SGD	532	2.65	132	0.63	204	0.88
Total	**20,045**	**100.00**	**20,842**	**100.00**	**23,133**	**100.00**
Purchases denominated in:						
- RM	2,415	74.65	4,533	78.60	1,727	50.20
- USD	820	25.35	1,234	21.40	1,713	49.80
Total	**3,235**	**100.00**	**5,767**	**100.00**	**3,440**	**100.00**

We are exposed to transactional currency exposure as 25.35%, 21.40% and 49.80% of our purchases were denominated in currencies other than RM for the FYE 2021, FYE 2022 and FYE 2023, respectively. The purchases denominated in foreign currencies are mainly in USD.

For the Financial Years Under Review, our gains and losses from foreign exchange fluctuations are as follows:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net realised foreign currency exchange loss/ (gain)	45	(16)	(2)

We currently do not have a formal policy with respect to our foreign exchange transactions. Exposure on foreign exchange is monitored on an ongoing basis, and our Group endeavours to keep the net exposure at an acceptable level.

Our Group does not hedge our exposure to fluctuation in foreign currency exchange rates. As at the LPD, we have not entered into any forward foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchases from our foreign suppliers. Our Group also holds cash and cash equivalent denominated in USD for our working capital purposes.

Our financial results for the Financial Years Under Review were not materially affected by fluctuations in foreign exchange rates. However, a significant depreciation of RM against USD may lead to higher costs for certain supplies for our Group.

Please refer to Note 24(b)(iv) of the Accountants' Report in Section 14 of this Prospectus for further information of the sensitivity of our Group's PAT for the Financial Years Under Review against an estimated change in exchange rate.

12.12.2 Impact of interest rates

Our exposure to changes in interest rate risk relates primarily to our borrowings from banks. We do not generally hedge interest rate risks. A sensitivity analysis performed on our Group based on the outstanding floating rate of our bank borrowings as at 31 August 2023 indicates that our PBT for FYE 2023 would increase or decrease by approximately RM0.02 million, as a result of increase or decrease in interest rates by 50 basis points on these borrowings. As such our financial results for Financial Years Under Review were not materially affected by fluctuations in interest rates.

Please refer to Note 24(b)(iii) of the Accountants' Report in Section 14 of this Prospectus for further information on the impact of interest rates on the Group's financial performance.

12.12.3 Impact of commodity prices

We were not materially affected by fluctuations in commodity prices for the Financial Years Under Review.

12.13 ORDER BOOK

Our order book relates to the contract value of on-going projects and less amounts recognised as revenue up to LPD. Due to the nature of our business, in general, our services from all our business segments are for contract period ranging from 6 months to 5 years. These on-going contracts will be performed and recognised as revenue progressively up to FYE 2026 based on expected progress.

Business segments	Total Contract Value Secured RM'000	LPD to end of FYE 2024 RM'000	FYE 2025 RM'000	FYE 2026 RM'000
Implementation services	4,208	3,782	426	-
Maintenance, support and professional services	6,990	4,005	2,057	928
Resale of hardware and software	4,829	2,401	2,428	-
	16,027	**10,188**	**4,911**	**928**

12.14 TREND INFORMATION

As at LPD, after all reasonable enquiries, our Board is of the view that our operations have not been and are not expected to be affected by any of the following:

(i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and risk factors in Section 9 of this Prospectus;

(ii) Material commitment for capital expenditure as set out in Section 12.7 of this Prospectus;

(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 and risk factors in Section 9 of this Prospectus;

(iv) Known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 8 of this Prospectus and business strategies as set out in Section 7.23 of this Prospectus;

(v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those disclosed in this section and risk factors in Section 9 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 Group's liquidity and capital resources, other than those discussed in this section and risk factors in Section 9 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given our Group's competitive strengths as set out in Section 7.6 of this Prospectus, and outlook of the enterprise IT solution industry in Malaysia as set out in the IMR Report in Section 8 of this Prospectus and our commitment to implement our future plans and strategies as set out in Section 7.23 of this Prospectus, as well as external factors including global economics conditions and fluctuations in foreign currencies.

12.15 DIVIDEND POLICY

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distributions are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our Subsidiaries, present or future. The payment of dividends by our Subsidiaries is dependent on various factors, including but not limited to their distributable profits, financial performance, cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of directors deem relevant. Save for certain banking restrictive covenants which our Subsidiaries are subject to, there is no other dividend restriction imposed on our Subsidiaries and our Company as at the LPD.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

(i) the level of cash and level of indebtedness;

(ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;

(iii) our expected results of current and future level of operations;

(iv) our projected levels of capital expenditure and other investment plans; and

(v) the prior consent from our banking institutions, if any.

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board and will depend on factors as stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in general meeting, may from time to time approve dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

(i) our Company is, or would after the payment be unable to pay its liabilities as they become due; or

(ii) the realisable value of the Company's assets would thereby be less than its liabilities.

Save as disclosed below, there was no dividend declared and paid to our shareholders during the Financial Years Under Review and up to the LPD:

	FYE 2021	**FYE 2022**	**FYE 2023**	**1 September 2023 and up to the LPD**
Dividends declared (RM'000)	1,458	16,441	-	-
Dividends paid (RM'000)	1,458	2,200	14,241	-

The dividends declared above were funded by internal funds sourced from the cash and bank balances. The dividends will not affect the execution and implementation of our future plans or strategies. We also believe that we have sufficient funding from our internally generated funds and bank borrowings for the funding requirements of our operations and expansion plans.

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

(The rest of this page is intentionally left blank)

12.16 CAPITALISATION AND INDEBTEDNESS

Our capitalisation and indebtedness based on the unaudited statement of financial position of the Group as at 31 December 2023 and adjustment for the effects of Acquisitions, IPO, Offer for Sale and utilisation of proceeds are summarised in the table below:

	As at 31 December 2023 RM'000	(I) After the Acquisitions RM'000	(II) After (I), IPO and Offer for Sale RM'000	(III) After (II) and Utilisation of Proceeds RM'000
Indebtedness [(1)]				
Current				
Loan and borrowings	-	117	117	-
Non-current				
Loan and borrowings	-	3,970	3,970	9
Total indebtedness	**-**	**4,087**	**4,087**	**9**
Capitalisation				
Equity	[(3)]	17,828	[●]	[●]
Total capitalisation	**[(3)]**	**17,828**	**[●]**	**[●]**
Total capitalisation and indebtedness	[(3)]	21,915	[●]	[●]
Gearing ratio (times) [(2)]	-	0.23	[●]	-[(4)]

Notes:

(1) All of our indebtedness is secured.

(2) Computed based on total indebtedness over the total capitalisation.

(3) RM2.

(4) Negligible.

(The rest of this page is intentionally left blank)

bakertilly

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

26 February 2024

The Board of Directors
VETECE Holdings Berhad
E-32-3A & E-32-03, Menara Suezcap 2
KL Gateway
No. 2, Jalan Kerinchi
Gerbang Kerinchi Lestari
59200 Kuala Lumpur

Dear Sirs,

VETECE HOLDINGS BERHAD ("VETECE" OR THE "COMPANY")

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION AS AT 31 AUGUST 2023 FOR INCLUSION IN THE PROSPECTUS IN RELATION TO THE LISTING

We have completed our assurance engagement to report on the compilation of the pro forma combined statement of financial position of VETECE and its proposed subsidiaries, Vision Technology Consulting Sdn. Bhd. and Vision Technology Consulting Pte. Ltd. (the "Group"). The pro forma combined statement of financial position consists of the pro forma combined statement of financial position as at 31 August 2023 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the Directors of VETECE have compiled the pro forma combined statement of financial position are as described in Note 2 to the pro forma combined statement of financial position and in accordance with the requirements of the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma combined statement of financial position of VETECE has been compiled by the Directors of VETECE, for illustrative purposes only, for inclusion in the prospectus of VETECE ("Prospectus") in conjunction with the listing and quotation of the entire enlarged number of issued ordinary shares of VETECE on the ACE Market of Bursa Malaysia Securities Berhad ("IPO"), after making certain assumptions and such adjustments to show the effects on the pro forma unaudited financial position of VETECE as at 22 November 2023 (being the date of incorporation of VETECE) adjusted for the Acquisition of subsidiaries, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2, 1.3.1, 1.3.2, and 3.2.1, respectively.

As part of this process, information about VETECE Holding's pro forma combined financial position has been extracted by the Directors of VETECE from the accountants' report of the Group for the financial years ended 31 August 2021, 31 August 2022 and 31 August 2023, which were reported by us to the Directors of VETECE on 26 February 2024 without any modification.

Directors' Responsibility for the Pro Forma Combined Statement of Financial Position

The Directors of VETECE are responsible for compiling the pro forma combined statement 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 Institutes of Accountants, 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 Management 1 (ISQM 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 combined statement of financial position has been compiled, in all material respects, by the Directors of VETECE 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 VETECE have compiled, in all material respects, the pro forma combined statement of financial position based on the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma combined statement of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma combined statement of financial position.

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

Reporting Accountants' Responsibilities (Continued)

A reasonable assurance engagement to report on whether the pro forma combined statement 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 VETECE in the compilation of the pro forma combined statement of financial position of VETECE provide a reasonable basis for presenting the significant effects directly attributable to Listing Scheme as described in Note 1.3 to the pro forma combined statement of financial position, and to obtain sufficient appropriate evidence about whether:

(a) The related pro forma adjustments give appropriate effect to those criteria; and

(b) The pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

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

The engagement also involves evaluating the overall presentation of the pro forma combined statement of financial position.

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

Our opinion

In our opinion the pro forma combined statement of financial position of VETECE has been compiled, in all material respects, on the basis as described in the notes thereon on the pro forma combined statement of financial position and in accordance with the requirements of the Applicable Criteria.

Other matter

This report has been prepared for inclusion in the Prospectus of VETECE in connection with the IPO. 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
LLP0019411-LCA & AF 0117
Chartered Accountants

Paul Tan Hong
No. 03459/11/2025 J
Chartered Accountant

VETECE HOLDINGS BERHAD

PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION

1. **INTRODUCTION**

The pro forma combined statement of financial position of VETECE Holdings Berhad ("VETECE" or "Company") and its proposed subsidiaries Vision Technology Consulting Sdn. Bhd. And Vision Technology Consulting Pte. Ltd. (the "Group") has been compiled by the Directors of VETECE, for illustrative purposes only, for inclusion in the prospectus of VETECE ("Prospectus") in conjunction with the listing and quotation of the entire enlarged number of issued ordinary shares in VETECE ("VETECE Shares") on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

1.1 In conjunction with the admission of VETECE to the Official List of Bursa Securities and the listing and quotation of its entire enlarged number of issued ordinary shares in VETECE Shares on the ACE Market of Bursa Securities ("Listing"), VETECE had undertaken the following transactions:

1.2 **Acquisition of subsidiaries (the "Acquisitions")**

1.2.1 **Acquisition of Vision Technology Consulting Sdn. Bhd. ("VTCM")**

VETECE had on 7 February 2024, entered into a conditional share sale agreement with Chan Wai Hoong, Choo Kwang Hui Nicholas, Goh Yeh Hwang and Tee Chee Chiang ("VTCM Vendors") to acquire the entire issued share capital of VTCM of RM2,000,000 comprising 2,000,000 ordinary shares in VTCM for a purchase consideration of RM15,990,848.24. The acquisition of VTCM is to be wholly satisfied by the issuance of 286,574,341 new VETECE Shares at an issue price of RM0.0558 per VETECE Share to the VTCM Vendors.

The purchase consideration of RM15,990,848.24 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited net assets ("NA") of VTCM as at 31 August 2023 of RM16,003,210.00.

1.2.2 **Acquisition of Vision Technology Consulting Pte. Ltd. ("VTCS")**

VETECE had on 7 February 2024, entered into a conditional share sale agreement with VETECE Group Sdn. Bhd. ("VTSCB Vendor") to acquire the entire issued share capital of VTCS of SGD25,000 comprising 25,000 ordinary shares in VTCS for a purchase consideration of RM414,351.66. The acquisition of VTCS is to be wholly satisfied by the issuance of 7,425,657 VETECE Shares at an issue price of RM0.0558 per VETECE Share to the VTCS Vendor.

The purchase consideration of RM414,351.66 was arrived at on a willing-buyer-willing-seller basis, after taking into consideration the audited NA of VTCS as at 31 August 2023 of RM414,672.00.

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

VETECE HOLDINGS BERHAD

PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)

1. **INTRODUCTION (CONTINUED)**

1.3 **Listing Scheme**

1.3.1 **Public Issue**

The public issue of 98,000,000 new VETECE Shares at an issue price of RM[•] per VETECE Share, representing 25.00% of the enlarged number of issued VETECE Shares, will be allocated in the following manner:

(i) 19,600,000 new VETECE Shares made available to the Malaysian public by way of balloting;

(ii) 9,800,000 new VETECE Shares made available for application by the eligible Directors, employees and persons who have contributed to the success of the Group; and

(iii) 68,600,000 new VETECE Shares made available by way of private placement to selected investors.

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

1.3.2 **Offer for Sale**

Offer for sale of 39,200,000 existing VETECE Shares at an offer price of RM[•] per VETECE Share representing 10.00% of the enlarged number of issued share capital of VETECE Shares by way of private placement to selected investors.

1.3.3 **Listing**

The admission of VETECE to the Official List of Bursa Securities and the listing and quotation of its entire enlarged issued share capital of RM[•] comprising 392,000,000 VETECE Shares on the ACE Market have been approved by Bursa Securities.

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION

2.1 The pro forma combined statement of financial position has been prepared to illustrate the pro forma combined financial position of VETECE and its subsidiaries as at 31 August 2023, adjusted for the Acquisitions of subsidiaries, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2, 1.3.1, 1.3.2 and 3.2.1, respectively.

2.2 The accountants' report of VETECE for the financial years ended 31 August 2021, 31 August 2022 and 31 August 2023 were reported by us to the Directors of VETECE on 26 February 2024 without any modifications.

2.3 The pro forma combined statement of financial position of VETECE has 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 VETECE and does not purport to predict the future financial position and results of VETECE.

2.4 The pro forma combined statement of financial position of VETECE have been properly prepared on the basis set out in the accompanying notes to the pro forma combined statement of financial position based on the accountants' report of VETECE for financial year ended ("FYE") 31 August 2023, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

2.5 The pro forma combined statement of financial position of VETECE have been prepared in a manner consistent with both the format of the financial statements and accounting policies adopted by the Group in the preparation of its accountants' report for the FYE 31 August 2023 and the adoption of the following new accounting policies, which had been adopted by the Group as its group accounting policies:

Merger accounting

The subsidiaries are accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

2. BASIS OF PREPARATION OF THE PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.5 (continued)

Merger accounting (continued)

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entity and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve/deficit.

2.6 In connection with the IPO, the unaudited statement of financial position of VETECE as at 22 November 2023 have been presented after adjusting for the Acquisition of subsidiaries, Public Issue, Offer for Sale and utilisation of proceeds as described in Notes 1.2, 1.3.1, 1.3.2, and 3.2.1, respectively.

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD

3.1 The pro forma combined statement of financial position of VETECE as set out below, for which the Directors of VETECE are solely responsible, have been prepared for illustrative purposes only, to show the effects on the unaudited statement of financial position of VETECE as at 22 November 2023 (being the date of incorporation of VETECE), had the Acquisitions, Public Issue, Offer for Sale and utilisation of Proceeds as described in Notes 1.2, 1.3.1, 1.3.2 and 3.2.1 respectively, been effected on that date, and should be read in conjunction with the notes accompanying thereto.

		Pro Forma I	Pro Forma II	Pro Forma III
	Unaudited Statement of Financial Position as at 22.11.2023 RM'000	After the Acquisitions RM'000	After Pro Forma I, Public Issue and Offer for Sale RM'000	After Pro Forma II and Utilisation of Proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	7,418	7,418	7,418
	-	7,418	7,418	7,418
Current assets				
Trade and other receivables	-	8,377	8,377	8,377
Contract assets	-	3,680	3,680	3,680
Current tax assets	-	1,343	1,343	1,343
Cash and short-term deposits	^	4,026	[•]	[•]
	^	17,426	[•]	[•]
TOTAL ASSETS	^	**24,844**	[•]	[•]

Note:
^ *RM2*

VETECE HOLDINGS BERHAD

3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)

3.1 (Continued)

	Unaudited Statement of Financial Position as at 22.11.2023 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Pro Forma I, Public Issue and Offer for Sale RM'000	Pro Forma III After Pro Forma II and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	^	16,405	[•]	[•]
Reorganisation reserve	-	(14,328)	(14,328)	(14,328)
Revaluation reserve	-	918	918	918
Translation reserve	-	907	907	907
Retained earnings	-	12,516	12,516	[•]
TOTAL EQUITY	^	**16,418**	[•]	[•]
Non-current liabilities				
Loans and borrowings	-	4,009	4,009	[•]
Deferred tax liabilities	-	385	385	385
	-	4,394	4,394	385
Current liabilities				
Loans and borrowings	-	115	115	[•]
Trade and other payables	-	3,256	3,256	3,256
Current tax liabilities	-	661	661	661
	-	4,032	4,032	[•]
TOTAL LIABILITIES	**-**	**8,426**	**8,426**	[•]
TOTAL EQUITY AND LIABILITIES	^	**24,844**	[•]	[•]

Note:

^ *RM2*

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

VETECE HOLDINGS BERHAD

3. **PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)**

3.1 (Continued)

	Unaudited Statement of Financial Position as at 22.11.2023	Pro Forma I After the Acquisitions	Pro Forma II After Pro Forma I, Public Issue and Offer for Sale	Pro Forma III After Pro Forma II and Utilisation of Proceeds
Number of ordinary shares in issue ('000)	#	294,000	392,000	392,000
NA attributable to the owners of the Company (RM'000)	^	16,418	[•]	[•]
NA per share attributable to the owners of the Company (RM)	^	0.06	[•]	[•]
Interest-bearing borrowings (RM'000)	-	4,124	4,124	[•]
Gearing (times) *	-	0.25	[•]	[•]

Notes:

^ *RM2*
\# *2 shares*
* *Gearing ratio is calculated based on total interest-bearing borrowings divided by total equity of the Group*
Neg *Negligible*

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

VETECE HOLDINGS BERHAD

3. **PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)**

3.2 Notes to the pro forma combined statement of financial position are as follows:

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

Purposes	RM'000	%	Estimated time for defrayment (from listing date)
Roll out of new core products and services	[•]	[•]	Within 24 months
Strengthening of Singapore operations	[•]	[•]	Within 24 months
Establishment of a Centre of Excellence for software solutions	[•]	[•]	Within 24 months
Hardware and software licensing fee	[•]	[•]	Within 24 months
Loan repayment	[•]	[•]	Within 6 months
Estimated listing expenses	[•]	[•]	Within 1 month
Total	[•]	[•]	

3.2.2 The pro forma combined statement of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporates the following effects:

(i) Acquisitions as described in Note 1.2 on the unaudited financial statements of VETECE as at 22 November 2023:

	RM'000
Purchase consideration	16,405
Less: Share capital of acquired subsidiaries	(2,077)
Reorganisation reserve	14,328

VETECE HOLDINGS BERHAD

3. **PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)**

3.2 (continued)

3.2.2 (continued)

(a) **Pro Forma I (continued)**

(i) The Acquisitions had the following impact on the unaudited statement of financial position of VETECE as at 22 November 2023:

	Increase/(Decrease) Effects on Total Assets RM'000	Increase/(Decrease) Effects on Total Equity RM'000
Property, plant and equipment	7,418	-
Trade and other receivables	8,377	-
Contract assets	3,680	-
Current tax assets	1,343	-
Cash and short-term deposits	4,026	-
Share capital	-	16,405
Reorganisation reserve	-	(14,328)
Translation reserve	-	907
Revaluation reserve	-	918
Retained earnings	-	12,516
Loans and borrowings - non-current	-	4,009
Deferred tax liabilities	-	385
Loans and borrowings - current	-	115
Trade and other payables	-	3,256
Current tax liabilities	-	661
	24,844	24,844

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

VETECE HOLDINGS BERHAD

3. **PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)**

3.2 (continued)

3.2.2 (continued)

(b) **Pro Forma II**

Pro Forma II incorporates the cumulative effects of Pro Forma I and the Public Issue and Offer for Sale as described in Note 1.3.1 and Note 1.3.2 respectively.

The Public Issue will have the following impact on the unaudited statement of financial position of VETECE as at 22 November 2023:

	Increase	
	Effects on Total Assets RM'000	**Effects on Total Equity RM'000**
Cash and bank balances	[•]	-
Share capital	-	[•]
	[•]	[•]

Upon the completion of the Public Issue of 98,000,000 VETECE Shares, its entire enlarged issued share capital would amount to RM[•] comprising 392,000,000 VETECE Shares.

The Offer for Sale does not have an impact on the unaudited statement of financial position of VETECE.

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purposes Only

3. PRO FORMA COMBINED STATEMENT OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)

3.2 (Continued)

3.2.2 (Continued)

(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 and after deducting RM[•] million of estimated listing expenses.

The proceeds arising from the Public Issue earmarked for the rolling out of new core products and services, the strengthening of Singapore operations, hardware and software licensing fee, the establishment of a Centre of Excellence for software solutions will be debited to Cash and Bank Balances Account as working capital as the Group has yet to enter into any contracts for these items.

Of the total estimated expenses of RM[•] million, RM[•] million will be charged to Retained Earnings Account and the remaining RM[•] million will be capitalised in Share Capital upon listing as these are directly attributable expenses relating to the new issuance of shares.

The utilisation of proceeds will have the following impact on the unaudited statement of financial position of VETECE as at 22 November 2023:

	Decrease	
	Effects on Total Assets RM'000	Effects on Total Liabilities and Total Equity RM'000
Cash and bank balances	[•]	-
Share capital	-	[•]
Retained earnings	-	[•]
Loans and borrowings	-	[•]
	[•]	[•]

(LLP0019411-LCA) AF 0117 BAKER TILLY MONTEIRO HENG PLT For Identification Purposes Only

3. PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)

3.2 (Continued)

3.2.3 Movements in share capital and reserves are as follows:

	Share Capital: Number of shares '000	Share Capital: Amount RM'000	Reorganisation Reserve RM'000	Revaluation Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Total RM'000
Unaudited as at 22 November 2023	#	^	-	-	-	-	^
Arising from the Acquisitions	294,000	16,405	(14,328)	918	907	12,516	16,418
As per Pro Forma I	**294,000**	**16,405**	**(14,328)**	**918**	**907**	**12,516**	**16,418**
Arising from the Public Issue and Offer for Sale	98,000	[•]	-	-	-	-	[•]
As per Pro Forma II	**392,000**	[•]	**(14,328)**	**918**	**907**	**12,516**	[•]
Arising from Utilisation of Proceeds	-	[•]	-	-	-	[•]	[•]
As per Pro Forma III	**392,000**	[•]	**(14,328)**	**918**	**907**	[•]	[•]

Notes:
^ *RM2*
# *2 shares*

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

	RM'000
Unaudited as at 22 November 2023	^
Arising from the Acquisitions	4,026
As per Pro Forma I	**4,026**
Arising from Public Issue and Offer for Sale	[•]
As per Pro Forma II	**[•]**
Arising from Utilisation of Proceeds	[•]
As per Pro Forma III	**[•]**

Note:
^ *RM2*

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purpose Only

VETECE HOLDINGS BERHAD

3. **PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION OF VETECE HOLDINGS BERHAD (CONTINUED)**

3.2 (Continued)

3.2.5 Movements in loans and borrowings are as follows:

	RM'000
Unaudited as at 22 November 2023	-
Arising from the Acquisitions	4,124
As per Pro Forma I	**4,124**
Arising from Public Issue and Offer for Sale	-
As per Pro Forma II	**4,124**
Arising from Utilisation of Proceeds	[•]
As per Pro Forma III	[•]

BAKER TILLY MONTEIRO HENG (LLP0019411-LCA) AF 0117 For Identification Purpose

13. REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

VETECE HOLDINGS BERHAD

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted on behalf of the Board of Directors of VETECE HOLDINGS BERHAD in accordance with a resolution dated 07 FEB 2024

………………………………………………	………………………………………………
TEE CHEE CHIANG	**CHAN WAI HOONG**
Director	**Director**

BAKER TILLY MONTEIRO HENG PLT (LLP0019411-LCA) AF 0117 For Identification Purpose Only