12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout the Financial Years Under Review has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

Our Company was incorporated under the Act on 29 December 2020 as a private limited company under the name of Steel Hawk Sdn Bhd. Subsequently, on 8 July 2021, our Company was converted into a public limited company under our present name and was listed on the LEAP Market on 29 October 2021.

The historical financial information of our Group for the Financial Years Under Review was prepared on a consolidated basis and presented based on the audited consolidated financial statements of our Group.

The following historical financial information for the Financial Years Under Review have been extracted from the Accountants' Report and it should be read with the 'Management's Discussion and Analysis of Financial Condition and Results of Operations' and the Accountants' Report set out in **Section 12.3 and Section 13** of this Prospectus, respectively.

Historical consolidated statements of profit or loss of our Group

	Audited		
	FYE 2021	**FYE 2022**	**FYE 2023**
	RM'000	**RM'000**	**RM'000**
Revenue	24,845	66,326	72,537
Cost of sales	(14,029)	(50,296)	(51,704)
GP	**10,816**	**16,030**	**20,833**
Other income	172	76	153
Administrative expenses	(7,586)	(7,397)	(9,375)
Net loss on impairment of financial instrument	-	(69)	-
Operating profit	**3,402**	**8,640**	**11,611**
Finance income	12	25	88
Finance costs	(270)	(470)	(1,355)
PBT	**3,144**	**8,195**	**10,344**
Tax expense	(1,064)	(2,384)	(3,124)
PAT	**2,080**	**5,811**	**7,220**

	FYE 2021	**FYE 2022**	**FYE 2023**
EBIT (RM'000)(1)	3,402	8,640	11,611
EBITDA (RM'000)(1)	4,130	9,427	12,400
GP margin (%)(2)	43.53	24.17	28.72
PBT margin (%)(3)	12.65	12.36	14.26
PAT margin (%)(3)	8.37	8.76	9.95
Effective tax rate (%)(4)	33.84	29.09	30.20
Number of Shares in issue after our IPO ('000)	490,000	490,000	490,000
Basic / diluted EPS (sen)(5)	0.42	1.19	1.47

12. FINANCIAL INFORMATION (CONT'D)

Notes:

(1) EBIT and EBITDA are calculated as follows:

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
PAT	2,080	5,811	7,220
Less:			
Finance income	(12)	(25)	(88)
Add:			
Finance costs	270	470	1,355
Taxation	1,064	2,384	3,124
EBIT	**3,402**	**8,640**	**11,611**
Add:			
Depreciation	728	787	789
EBITDA	**4,130**	**9,427**	**12,400**

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

(3) PBT or PAT margin is calculated based on PBT or PAT over revenue.

(4) Effective tax rate is calculated based on tax expenses divided by PBT.

(5) Basic and diluted EPS is calculated based on PAT for the financial year over the enlarged share capital of 490,000,000 Shares upon our Listing. The diluted EPS is equal to the basic EPS as no potential dilutive securities are in issue throughout the Financial Years Under Review.

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Historical consolidated statements of financial position of our Group

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	3,082	3,320	6,387
Right-of-use assets	220	104	1,500
Total non-current assets	**3,302**	**3,424**	**7,887**
Current assets			
Inventories	369	158	568
Contract assets	5,689	11,410	21,539
Trade and other receivables	767	11,025	4,301
Pledged deposit	129	4,214	6,705
Cash and cash equivalents	5,910	12,091	10,687
Total current assets	**12,864**	**38,898**	**43,800**
TOTAL ASSETS	**16,166**	**42,322**	**51,687**
EQUITY AND LIABILITIES			
Share capital	7,808	7,808	7,808
Restructuring reserve	(3,108)	(3,108)	(3,108)
Retained profits	5,056	10,243	16,583
Total equity	**9,756**	**14,943**	**21,283**
Non-current liabilities			
Loans and borrowings	1,164	3,144	4,089
Lease liabilities	46	34	465
Deferred tax liabilities	132	168	430
Total non-current liabilities	**1,342**	**3,346**	**4,984**
Current liabilities			
Loans and borrowings	719	7,915	13,632
Lease liabilities	183	77	770
Trade and other payables	3,248	13,893	10,764
Current tax liabilities	918	2,148	254
Total current liabilities	**5,068**	**24,033**	**25,420**
TOTAL LIABILITIES	**6,410**	**27,379**	**30,404**
TOTAL EQUITY AND LIABILITIES	**16,166**	**42,322**	**51,687**

12.2 CAPITALISATION AND INDEBTEDNESS

	Unaudited	I	II
	As at 31 January 2024	After our IPO	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
Capitalisation			
Shareholders' equity	21,932	[●]	[●]
Total capitalisation	**21,932**	[●]	[●]
Indebtedness[1]			
Current			
Term loans	1,388	[●]	[●]
Hire purchase liabilities	175	[●]	[●]
Trade financing	6,276	[●]	[●]
Bank overdraft	7,255	[●]	[●]
Lease liabilities	776	[●]	[●]
Non-current			
Term loans	3,443	[●]	[●]
Hire purchase liabilities	607	[●]	[●]
Lease liabilities	465	[●]	[●]
Total indebtedness	**20,385**	[●]	[●]
Total capitalisation and indebtedness	42,317	[●]	[●]
Gearing ratio (times)[2]	0.87	[●]	[●]

Notes:

(1) All of our indebtedness are secured and / or guaranteed except for hire purchase which are secured but not guaranteed. The lease liabilities arose from our Group's recognition of right-of-use assets in accordance with *MFRS 16 – Leases*.

(2) Calculated based on total indebtedness (excluding lease liabilities) divided by total capitalisation.

12.3 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following management's discussion and analysis of our financial condition and results of operations for the Financial Years Under Review should be read in conjunction with the Accountants' Report together with the accompanying notes as set out in **Section 13** of this Prospectus.

This discussion and analysis contain data derived from our audited consolidated financial statements as well as forward-looking statements that involve risks, uncertainties and assumptions. Our actual results may differ significantly from those projected in the forward-looking statements. The factors that might cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below or elsewhere in this Prospectus, particularly the risk factors as set out in **Section 9** of this Prospectus.

12.3.1 Overview and results of our operations

We are currently an investment holding company and through our Subsidiaires, we are principally involved in the provision of onshore and offshore support services for the O&G industry. Our business is segmented into the following core principal activities:

(i) EPCC services for chemical injection skids and facilities improvement / maintenance of topside O&G facilities[(1)];

(ii) Installation and maintenance of oilfield equipment[(2)]; and

(iii) Supply of oilfield equipment

Notes:

(1) The maintenance of topside O&G facilities relates to maintenance of any structures and fittings as well as defective pipes, tubing and electrical cables identified within the topside O&G facilities.

(2) The maintenance of oilfield equipment relates to maintenance of the specific oilfield equipment (e.g. pig trap systems, fire rated doors, oil spill recovery equipment, etc.). For avoidance of doubt, our Group's maintenance of oilfield equipment is conducted expressly on an "as-needed" basis.

Please refer to **Section 7.2** of this Prospectus for our Group's detailed business overview.

Revenue recognition

Revenue is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer, excluding amounts collected on behalf of third parties. Our Group recognises revenue when (or as) it transfer control over a product or services to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

Our Group transfers control of a good or services at a point in time unless one of the following over time criteria is met:

(i) The customer simultaneously receives and consumes the benefits provided as our Group performs;

(ii) Our Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced; or

(iii) Our Group's performance does not create an asset with an alternative use and the our Group has an enforceable right to payment for performance completed to date.

EPCC services and facilities improvement / maintenance

Revenue from the provision of EPCC services and facilities improvement / maintenance is recognised over the period when services are rendered or recognised over time and estimated using the input method which is based on the proportion of total cost incurred at the reporting date compared to the management's estimation of total cost of contract.

Installation and maintenance of oilfield equipment

Revenue is recognised over the period in which our services are rendered.

Supply oilfield equipment

Revenue is recognised at a point in time when or as the control of goods is transferred to our customers (i.e. generally when our customer has acknowledged delivery of products). There are no variable elements in considerations, obligation for return or refunds in the provision of services by our Group.

12.3.2 Revenue

Revenue by business segments

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
EPCC services and facilities improvement / maintenance	18,240	73.42	57,788	87.13	64,927	89.51
Installation and maintenance of oilfield equipment	5,235	21.07	7,310	11.02	5,782	7.97
Supply of oilfield equipment	1,370	5.51	1,228	1.85	1,828	2.52
Total	**24,845**	**100.00**	**66,326**	**100.00**	**72,537**	**100.00**

Revenue by geographical markets

Save for a one-off contract from SAHID Sdn Bhd (a customer located in Brunei Darussalam) who contributed RM0.43 million to our Group's revenue in the FYE 2021 (representing 1.73% of our total revenue for the FYE 2021), our Group's revenue was solely derived from our customers' operations in Malaysia throughout the Financial Years Under Review.

Comparison between FYE 2021 and FYE 2022

Our revenue increased by RM41.48 million or 166.92% to RM66.33 million in the FYE 2022 (FYE 2021: RM24.85 million). Such increase was contributed mainly by the increase in revenue from the EPCC services and facilities improvement / maintenance segment, which increased by RM39.55 million or 216.83% to RM57.79 million in the FYE 2022 (FYE 2021: RM18.24 million). The installation and maintenance of oilfield equipment segment has also contributed to our improved revenue for the FYE 2022, which contributed to an increase of RM2.07 million or 39.50% of our total revenue to RM7.31 million in the FYE 2022 (FYE 2021: RM5.24 million).

The EPCC services and facilities improvement / maintenance segment has remained our Group's largest revenue contributor, contributing to RM57.79 million or 87.13% of our Group's total revenue for the FYE 2022 (FYE 2021: RM18.24 million or 73.42%), followed by the installation and maintenance of oilfield equipment segment and the supply of oilfield equipment segment, contributing to RM7.31 million or 11.02% of our Group's total revenue for the FYE 2022 (FYE 2021: RM5.24 million or 21.07%) and RM1.23 million or 1.85% of our Group's total revenue for the FYE 2022 (FYE 2021: RM1.37 million or 5.51%), respectively.

EPCC services and facilities improvement / maintenance

Our revenue from the EPCC services and facilities improvement / maintenance segment increased by RM39.55 million or 216.83% to RM57.79 million in the FYE 2022 (FYE 2021: RM18.24 million), mainly due to an increase in revenue recognition from our Group's on-going Price Agreement (call out contract) with PETRONAS Carigali of RM13.72 million to RM29.31 million in the FYE 2022 (FYE 2021: RM15.59 million), and 5 contracts secured from 2 new customers, namely PBH Engineering Sdn Bhd (an integrated technical service provider to the upstream, midstream and downstream sectors in the O&G and petrochemical industry) and Sigma Water Engineering (M) Sdn Bhd (a company involved in wastewater treatment process engineering) with a total revenue contribution of RM25.07 million and RM1.72 million, respectively for the FYE 2022. Further details of these contracts are as follows:

Customer / Scope of services	Contract duration	Contract value	Revenue contribution in FYE 2021	Revenue contribution in FYE 2022
		RM'000	RM'000	RM'000
PETRONAS Carigali				
Provision of onshore facilities maintenance, construction and modification services	12 December 2018 – 31 December 2024[1]	N/A[2]	15,585	29,314
PBH Engineering Sdn Bhd				
Supply, fabrication, installation, and testing of propylene oxide storage tank and piping, along with various engineering, mechanical, civil, structural, electrical, and instrumentation work	30 May 2022 – 12 April 2024[3]	54,980	-	25,068
Sigma Water Engineering (M) Sdn Bhd				
(i) Provision of design, supply, manufacture and delivery of chemical injection skid;	17 June 2022 – 30 April 2024[4]	2,000	-	1,486
(ii) Provision of delivery of 2 units of magnetic level gauge (a type of level measurement instrument used to monitor and display the level of a liquid inside a tank or vessel);	17 August 2022 – 30 April 2024[4]	310	-	155
(iii) Provision of design, supply, manufacture and delivery of Automatic Control and Communication (ACC) controller for 9 units of pump-in chemical injection skids; and	29 July 2022 – 30 April 2024[4]	180	-	54
(iv) Provision of design, supply, manufacture and delivery of ladder and handrail chemical tank	27 July 2022 – 30 April 2024[4]	73	-	22

Notes:

(1) The initial contract period was 3 years including a 2-year extension which was exercised by PETRONAS Carigali. Subsequently, on 5 December 2023, PETRONAS Carigali has granted a further extension of 1 year and 20 days from 12 December 2023.

(2) Under a Price Agreement (call out contract), our Group is engaged by customers through work orders to provide specified services for the duration of the contract, as and when such services are required by our customers. As such, our Price Agreements (call out contracts) do not have any fixed contract value.

(3) Based on the extended delivery date acknowledged by PBH Engineering Sdn Bhd on 23 February 2024.

(4) Based on the extended delivery date acknowledged by Sigma Water Engineering (M) Sdn Bhd on 4 March 2024.

Installation and maintenance of oilfield equipment

Our revenue from the installation and maintenance of oilfield equipment segment increased by RM2.07 million or 39.50% to RM7.31 million for the FYE 2022 (FYE 2021: RM5.24 million), mainly due to the following:

(i) Increase in work orders from PETRONAS Carigali for the replacement and maintenance of fire rated doors for modularised offshore buildings and maintenance for the following offshore facilities:

   (a) Duyong Central Processing Platform of RM0.77 million to RM1.71 million in the FYE 2022 (FYE 2021: RM0.94 million); and

   (b) Bintulu Integrated Facility and Bintulu Crude Oil Terminal of RM0.31 million to RM1.00 million in the FYE 2022 (FYE 2021: RM0.69 million);

(ii) Increase in work orders from Customer D for the installation and maintenance of oil spill recovery equipment of RM0.58 million to RM0.61 million in the FYE 2022 (FYE 2021: RM0.03 million); and

(iii) Revenue contribution of RM0.54 million from 1 new customer, namely Customer E for the erection and dismantling of scaffolding (i.e. temporary structures built to allow access for replacement, testing and commissioning activities) for the said customer's well plugging and abandonment operations (i.e. a process of preparing a well that is no longer in use to be closed permanently).

Supply of oilfield equipment

Our revenue from the supply of oilfield equipment segment decreased by RM0.14 million or 10.22% to RM1.23 million for the FYE 2022 (FYE 2021: RM1.37 million), mainly due to the completion of work for 3 customers in the prior financial year that were related to the supply of parts and components for among others, subsea mechanical connector (i.e. specialised devices used in underwater applications, particularly in the O&G industry, in joining various components and equipment together, ensuring reliable and secure connections in harsh underwater environments) and a welding safety habitat (i.e. a protective structure or enclosure used in welding and other hot work operations to ensure safety of workers and the surrounding environment) , with a total contract revenue of RM0.81 million in the FYE 2021. Pursuant thereto, our Group did not recognise any revenue from the said contracts in the FYE 2022.

Comparison between FYE 2022 to FYE 2023

Our revenue increased by RM6.21 million or 9.36% to RM72.54 million in the FYE 2023 (FYE 2022: RM66.33 million). Such increase was mainly contributed by the increase in revenue from the EPCC services and facilities improvement / maintenance segment and the supply of oilfield segment, which collectively increased by RM7.74 million or 13.11% to RM66.76 million in the FYE 2023 (FYE 2022: RM59.02 million). The increase in revenue was partially offset by lower revenue from the installation and maintenance of oilfield equipment segment which decreased by RM1.53 million or 20.93% to RM5.78 million in the FYE 2023 (FYE 2022: RM7.31 million).

The EPCC services and facilities improvement / maintenance segment has remained our Group's largest revenue contributor, contributing to RM64.93 million or 89.51% of our Group's total revenue for FYE 2023 (FYE 2022: RM57.79 million or 87.13%), followed by the installation and maintenance of oilfield equipment segment and the supply of oilfield equipment segment, contributing to RM5.78 million or 7.97% of our Group's total revenue for the FYE 2023 (FYE 2022: RM7.31 million or 11.02%) and RM1.83 million or 2.52% of our Group's total revenue for the FYE 2023 (FYE 2022: RM1.23 million or 1.85%), respectively.

EPCC services and facilities improvement / maintenance

Our revenue from the EPCC services and facilities improvement / maintenance segment increased by RM7.14 million or 12.36% to RM64.93 million in the FYE 2023 (FYE 2022: RM57.79 million), mainly due to the increase in revenue recognition from our Group’s on-going fixed contract with PBH Engineering Sdn Bhd of RM6.14 million to RM31.21 million in the FYE 2023 (FYE 2022: RM25.07 million), and 2 new contracts secured from a new customer, namely Customer F with a total revenue contribution of RM4.34 milllion in the FYE 2023. Further details of these contracts are as follows:

Customer / Scope of services	Contract duration	Contract value	Revenue contribution in FYE 2022	Revenue contribution in FYE 2023
		RM'000	RM'000	RM'000
PBH Engineering Sdn Bhd				
Supply, fabrication, installation, and testing of propylene oxide storage tank and piping, along with various engineering, mechanical, civil, structural, electrical, and instrumentation work	30 May 2022 – 12 April 2024[(1)]	54,980	25,068	31,210
Customer F				
(i) Provision of supply and delivery of slug catcher skid; and	16 June 2023 – 10 April 2024[(2)]	7,200	-	3,825
(ii) Provision of supply and delivery of portable methanol injection skid	16 June 2023 – 19 March 2024[(3)]	518	-	518

Notes:

(1) Based on the extended delivery date acknowledged by PBH Engineering Sdn Bhd on 23 February 2024.

(2) Based on the delivery date stated in the variation order dated 2 October 2023 from Customer F to Steel Hawk Engineering.

(3) Based on the extended delivery date acknowledged by Customer F on 24 February 2024.

Installation and maintenance of oilfield equipment

Our revenue from the installation and maintenance of oilfield equipment segment decreased by RM1.53 million or 20.93% to RM5.78 million in the FYE 2023 (FYE 2022: RM7.31 million), mainly due to lower work orders received from PETRONAS Carigali for the replacement and maintenance of fire rated doors for modularised offshore buildings on offshore facilities for Peninsular Malaysia Asset, Sarawak Oil and Sarawak Gas (under our existing Price Agreements (call out contracts) with PETRONAS Carigali) in the FYE 2023.

Supply of oilfield equipment

Our revenue from the supply of oilfield equipment segment increased by RM0.60 million or 48.78% to RM1.83 million in the FYE 2023 (FYE 2022: RM1.23 million), mainly due to additional work orders received from PETRONAS Carigali for the supply of pig trap systems for Sarawak Asset (under our existing Price Agreement (call out contract) with PETRONAS Carigali) in the FYE 2023.

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12.3.3 Cost of sales, GP and GP margin

Analysis of cost of sales by business segments

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
EPCC services and facilities improvement / maintenance	11,580	82.54	43,266	86.02	46,771	90.46
Installation and maintenance of oilfield equipment	1,856	13.23	6,478	12.88	4,050	7.83
Supply of oilfield equipment	593	4.23	552	1.10	883	1.71
Total	**14,029**	**100.00**	**50,296**	**100.00**	**51,704**	**100.00**

Analysis of cost of sales by cost component

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Raw materials costs(1)	7,330	52.25	39,195	77.93	35,150	67.98
Staff costs(2)	470	3.35	679	1.35	1,202	2.33
Subcontractor costs(3)	3,980	28.37	9,025	17.94	12,725	24.61
Rental of equipment(4)	2,047	14.59	803	1.60	2,125	4.11
Transportation costs(5)	202	1.44	594	1.18	502	0.97
Total	**14,029**	**100.00**	**50,296**	**100.00**	**51,704**	**100.00**

Notes:

(1) Comprise purchase costs of raw materials (e.g. metal structures, steel plates, steel pipes, metal flanges, non-metal piping and structures, high pressure tubing and high pressure metal fittings, etc.), complete assembled oilfield equipment such as fire-rated doors and oil spill recovery equipment as well as the parts, components and accessories of oilfield equipment (e.g. chemical injection skids, pig trap system, fire rated doors and oil spill recovery equipment, etc.).

(2) Comprise salaries and wages of our employees who are directly involved in the provision of our Group's services as well as, among others, their living expenses, mobilization and demobilization costs, overtime, travelling and other allowances, medical insurance and competency training costs in compliance with PETRONAS requirements.

(3) Comprise amounts paid to third-party subcontractors for the provision of specialised services including, among others, the fabrication of large structures (e.g. I-beam and metal plates) and blasting and painting of materials (i.e. structures, pipes, tubing and fittings), and costs paid to technicians who are directly involved in the provision of EPCC services and facilities improvement / maintenance and installation and maintenance of oilfield equipment (e.g. foreman, welder, blaster painter, rigger, materials coordinator, etc). For information purposes, these technicians are engaged by our Group under contract for services agreements.

(4) Comprise rental costs for O&G related equipment, such as offshore containers (which are similar to shipping containers in appearance but typically differ in being designed for harsher weather conditions and non-standard dimensions), lifting equipment, safety monitoring devices and personal protective detectors (which detect the presence of gases, chemicals and / or particles) as well as short-term rental of general equipment (i.e. for rental period of less than 12 months) such as forklifts, generator sets and welding sets on an ad hoc basis based on the prevailing rate at that particular point in time.

(5) Comprise sea freight costs, air freight costs and other transportation costs for delivering complete assembled oilfield equipment as well as the parts, components and accessories of oilfield equipment to our customers' designated embarkation points (e.g. Kemaman Supply Base, Miri Port, Bintulu Port and Labuan Port, etc.). Transportation costs also involve other importation costs of equipment from overseas, particularly the United States of America, India, Europe and China.

Analysis of GP and GP margin by business segment

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	24,845	66,326	72,537
Cost of sales	14,029	50,296	51,704
GP	10,816	16,030	20,833
GP margin (%)	43.53	24.17	28.72
By business segment			
EPCC services and facilities improvement / maintenance			
Revenue	18,240	57,788	64,927
Cost of sales	11,580	43,266	46,771
GP	6,660	14,522	18,156
GP margin (%)	36.51	25.13	27.96
Installation and maintenance of oilfield equipment			
Revenue	5,235	7,310	5,782
Cost of sales	1,856	6,478	4,050
GP	3,379	832	1,732
GP margin (%)	64.55	11.38	29.96
Supply of oilfield equipment			
Revenue	1,370	1,228	1,828
Cost of sales	593	552	883
GP	777	676	945
GP margin (%)	56.72	55.05	51.70

Comparison between FYE 2021 and FYE 2022

Our cost of sales increased by RM36.27 million or 258.52% to RM50.30 million for the FYE 2022 (FYE 2021: RM14.03 million), which was in tandem with our revenue growth for the FYE 2022. The increase in cost of sales for the FYE 2022 was mainly attributable to the increase in raw material costs of RM31.87 million and subcontractor costs of RM5.05 million during the FYE 2022, further details of which are elaborated as follows:

(i) Raw materials costs remain as the largest portion of our cost of sales, representing 52.25% and 77.93% of our total cost of sales for the FYE 2021 and FYE 2022, respectively. Our raw material costs increased by RM31.87 million or 434.79% to RM39.20 million for the FYE 2022 (FYE 2021: RM7.33 million), mainly due to the following:

(a) Increase in raw material costs from our EPCC services and facilities improvement / maintenance segment of RM28.66 million or 493.29% to RM34.47 million in the FYE 2022 (FYE 2021: RM5.81 million) mainly due to our Group procuring more raw materials (i.e. piping and fittings, feeding pump, elbows, flanges and lamination kits) to fulfil additional work orders carried out under our on-going call contract with PETRONAS Carigali for the onshore facilities maintenance, construction and modification services in the FYE 2022. In addition, we had to procure specialised automation systems, including remote solutions and system hardware and software amounting to RM10.11 million in the FYE 2022 for a work order from PETRONAS Carigali involving the conversion of its platforms located in offshore Kerteh, Terengganu, to enable remote operations via the implementation of automation, robotics, and artificial intelligence (AI) measures, which allows the transition of the platform from full board offshore manning to fully unmanned operations ("**Integrated Remote Work Order**");

(b) Increase in raw material costs from our installation and maintenance of oilfield equipment segment of RM3.23 million or 340.00% to RM4.18 million in the FYE 2022 (FYE 2021: RM0.95 million) mainly due to higher volume of raw materials (e.g. panic bar, hinges and locksets) required for the replacement and maintenance of fire rated doors for modularised offshore buildings in the Duyong Central Processing Platform, Bintulu Integrated Facility and Bintulu Crude Oil Terminal, which is in line with the increase in revenue from our installation and maintenance of fire rated doors in the FYE 2022; and

The increase in raw material costs was partially off-set by the following:

(c) Decrease in raw material costs from our supply of oilfield equipment segment of RM0.04 million or 6.90% to RM0.54 million in the FYE 2022 (FYE 2021: RM0.58 million), mainly due to lower volume of raw materials required for our supply of parts and components for oilfield equipment (i.e. gaskets, pipe fittings and accessories), which was in line with the decrease in revenue from the supply of parts and components for oilfield equipment in the FYE 2022; and

(ii) Our subcontractor costs increased by RM5.05 million or 126.88% to RM9.03 million for the FYE 2022 (FYE 2021: RM3.98 million), mainly attributable to additional work orders carried out in the FYE 2022 under our on-going Price Agreement (call out contract) with PETRONAS Carigali for the onshore maintenance, construction and modification services, where we had outscourced the fabrication of large structures, blasting and painting of materials (i.e structures, pipes, tubing and fittings) to third party subcontractors under this contract. For information purposes, the total subcontractor costs incurred for the work orders from PETRONAS Carigali amounted to RM4.14 million, representing 45.85% of our total subcontractor costs for the FYE 2022.

Our Group's GP increased by RM5.21 million or 48.15% to RM16.03 million for the FYE 2022 (FYE 2021: RM10.82 million), mainly due to the increase in GP for the EPCC services and facilities improvement / maintenance segment of RM7.86 million for the FYE 2022. The increase in GP was partially offset by the decrease in GP for the installation and maintenance of oilfield equipment segment and supply of oilfield equipment segment of RM2.55 million and RM0.10 million, respectively, for the FYE 2022. However, our Group's GP margin decreased from 43.53% for the FYE 2021 to 24.17% for the FYE 2022, mainly due to lower profitability derived from our EPCC services and facilities improvement / maintenance segment and installation and maintenance of oilfield equipment segment. Further details of our Group's GP and GP margin by business segment are elaborated as follows:

(i) GP derived from the EPCC services and facilities improvement / maintenance segment increased by RM7.86 million or 118.02% to RM14.52 million for the FYE 2022 (FYE 2021: RM6.66 million), in line with the increase in revenue from this business segment. Nevertheless, GP margin for the EPCC services and facilities improvement / maintenance segment decreased by 11.38% to 25.13% for the FYE 2022 (FYE 2021: 36.51%), mainly due to the following:

  (a) As part of our continuing competitive pricing strategy to gain a competitive edge in securing a broader range of projects and to diversify our customer base, we had bid for and secured 2 new projects from 1 existing customer and 7 new projects from 4 new customers (including among others, PBH Engineering Sdn Bhd, Sigma Water Engineering (M) Sdn Bhd and Emnes Metal Sdn Bhd) under our EPCC services and facilities improvement / maintenance segment at a competitive pricing, which had affected our GP margin for the EPCC services and facilities improvement / maintenance segment in the FYE 2022; and

  (b) We had undertaken the Integrated Remote Work Order in the FYE 2021, which marks our maiden project involving automation works for O&G facilities. Due to the specialised scope of work required for the aforesaid Integrated Remote Work Order, we had to procure specialised automation systems, including remote solutions and system hardware and software from a third-party supplier which is approved by PETRONAS Carigali, to fulfil the requirements of the Integrated Remote Work Order amounting to RM10.11 million during the FYE 2022 (FYE 2021: RM2.11 million), resulting in the margin for this project being relatively lower in comparison to other projects within the EPCC services and facilities improvement / maintenance segment. Despite low margin recognised from the Integrated Remote Work Order, we had decided to undertake the said work order as the experience gained from such activities allows us to undertake potential future automation works as part of our scope of work for facilities improvement / maintenance services.

(ii) Despite an increase in revenue generated from the installation and maintenance segment, GP derived from this business segment decreased by RM2.55 million or 75.44% to RM0.83 million for the FYE 2022 (FYE 2021: RM3.38 million) and GP margin for this business segment decreased by 53.17% to 11.38% in the FYE 2022 (FYE 2021: 64.55%), mainly due a shift in the nature of work orders undertaken for our on-going Price Agreement (call out contract) with PETRONAS Carigali for the installation and maintenance of fire rated doors for living quarters and modularised offshore buildings across the Peninsular Malaysia Assets, Sarawak Oil Assets, and Sarawak Gas Assets. In the FYE 2021, our work orders under this said contract were mainly related to the installation of new complete assembled fire rated doors across PETRONAS Carigali's offshore platforms, whereas during the FYE 2022, we mainly undertook work orders for the replacement and modification of existing fire rated door accessories, which yielded lower margins compared to installing complete assembled fire rated doors, as installing complete fire rated doors allows us to have better control over the assembly costs; and

(iii) GP derived from our supply of oilfield equipment segment decreased by RM0.10 million or 12.82% to RM0.68 million for the FYE 2022 (FYE 2021: RM0.78 million), in line with the decrease in revenue from this business segment. Nevertheless, GP margin for our supply of oilfield equipment segment remained relatively consistent at 55.05% in the FYE 2022 (FYE 2021: 56.72%).

Comparison between FYE 2022 to FYE 2023

Our cost of sales increased by RM1.40 million or 2.78% to RM51.70 million for the FYE 2023 (FYE 2022: RM50.30 million), which was in tandem with our revenue growth for the FYE 2023. The increase in cost of sales for the FYE 2023 was mainly attributable to the increase in subcontractor costs of RM3.70 million or 40.97% to RM12.73 million for the FYE 2023 (FYE 2022: RM9.03 million), as a result of additional work orders carried out in the FYE 2023 for PETRONAS Carigali and PBH Engineering Sdn Bhd, where we had outscourced the fabrication of large structures, blasting and painting of materials (i.e structures, pipes, tubing and fittings) to third party subcontractors under these said contracts. For information purposes, the total subcontractor costs incurred for the work orders from PETRONAS Carigali and PBH Engineering Sdn Bhd amounted to RM6.95 million and RM2.21 million, respectively, representing 54.60% and 17.36% of our total subcontractor costs for the FYE 2023.

Our Group's GP increased by RM4.80 million or 29.94% to RM20.83 million for the FYE 2023 (FYE 2022: RM16.03 million), mainly due to increase in GP from all our business segments during the FYE 2023. Our Group’s GP margin increased from 24.17% for the FYE 2022 to 28.72% in the FYE 2023, mainly due to the increase in profitability for our Group’s EPCC services and facilities improvement / maintenance segment and installation of oilfield equipment segments. Further details of our Group's GP and GP margin by business segment are elaborated as follows:

(i) GP derived from our EPCC services and facilities improvement / maintenance segment increased by RM3.64 million or 25.07% to RM18.16 million for the FYE 2023 (FYE 2022: RM14.52 million), in line with the increase in revenue from this business segment. GP margin from our EPCC services and facilities improvement / maintenance segment increased by 2.83% to 27.96% for the FYE 2023 (FYE 2022: 25.13%), mainly due to our Group securing 2 new contracts from Customer F with a total contract value of RM7.72 million during the FYE 2023, which involved EPCC services for slug catcher skid and portable methanol injection skid that contributed higher margins to this business segment in FYE 2023;

(ii) Despite a decrease in revenue generated from the installation and maintenance segment, GP derived from this business segment increased by RM0.90 million or 108.43% to RM1.73 million in the FYE 2023 (FYE 2022: RM0.83 million), due to high margin recorded from our on-going Price Agreement (call out contract) with Customer E for the erection and dismantling of scaffolding (i.e. temporary structures built to allow access for replacement, testing and commissioning activities) for the said customer's well plugging and abandonment operations (i.e. a process of preparing a well that are no longer in use to be closed permanently); and

(iii) GP derived from our supply of oilfield equipment segment increased by RM0.27 million or 39.71% to RM0.95 million for the FYE 2023 (FYE 2022: RM0.68 million), in line with the increase in revenue from this business segment. GP margin from our supply of oilfield equipment segment increased by 3.35% to 51.70% in the FYE 2023 (FYE 2022: 55.05%), mainly due to higher margin from the supply of pig trap systems and fire rated doors.

12.3.3 Other income

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Wage subsidy	109	63.37	-	-	-	-
Gain on disposal of plant and equipment	9	5.23	10	13.16	59	38.56
Gain on derecognition of right-of-use assets	3	1.74	-	-	11	7.19
Gain on remeasurement of lease liabilities	-	-	6	7.89	-	-
Others[(1)]	51	29.66	60	78.95	83	54.25
Total	**172**	**100.00**	**76**	**100.00**	**153**	**100.00**

Note:

(1) Comprises proceeds from the disposal of scrap metal and training claims from the Human Resources Development Fund (HRDF) under the Ministry of Human Resources.

Comparison between FYE 2021 and FYE 2022

Our other income decreased by RM0.09 million or 52.94% to RM0.08 million for the FYE 2022 (FYE 2021: RM0.17 million) mainly due to the cessation of the SOCSO Wage Subsidy Programme by the government of Malaysia in the FYE 2021.

Comparison between FYE 2022 and FYE 2023

Our other income increased by RM0.07 million or 87.50% to RM0.15 million for the FYE 2023 (FYE 2022: RM0.08 million) mainly due to an increase in gain on disposal of plant and equipment (i.e. 2 motor vehicles used for work purposes) of RM0.05 million in the FYE 2023.

12.3.4 Administrative expenses

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Administrative staff costs	3,603	47.50	4,288	57.97	5,054	53.91
Fixed assets upkeep	1,007	13.27	1,107	14.97	1,232	13.14
Professional fees	1,618	21.33	575	7.77	1,672	17.83
Office supplies and expenses	725	9.56	681	9.20	703	7.50
Others[(1)]	633	8.34	746	10.09	714	7.62
Total	**7,586**	**100.00**	**7,397**	**100.00**	**9,375**	**100.00**

Note:

(1) Comprises among others, insurance expenses, foreign exchange losses, stamp duty, and facility fees.

Comparison between FYE 2021 to FYE 2022

Our administrative expenses decreased by RM0.19 million or 2.50% to RM7.40 million for the FYE 2022 (FYE 2021: RM7.59 million), mainly due to the decrease in professional fees of RM1.04 million or 64.20% to RM0.58 million for the FYE 2022 (FYE 2021: RM1.62 million) that was mainly attributable to one-off professional fees incurred for our listing on the LEAP Market in the FYE 2021 of RM0.99 million, comprising listing expense, accounting, audit and secretarial fees; and

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM1.98 million or 26.76% to RM9.38 million for the FYE 2023 (FYE 2022: RM7.40 million), mainly due to the increase in professional fees of RM1.09 million or 187.93% to RM1.67 million for the FYE 2023 (FYE 2022: RM0.58 million) mainly attributable to the expenses incurred for our Transfer in the FYE 2023.

12.3.5 Finance income

Comparison between FYE 2021 to FYE 2022

Our finance income increased by RM0.02 million or 200.00% to RM0.03 million (FYE 2021: RM0.01 million), mainly due to increase in fixed deposits pledged with license banks of RM4.09 million which led to higher interest income received from fixed deposits in the FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our finance income increased by RM0.06 million or 200.00% to RM0.09 million for the FYE 2023 (FYE 2022: RM0.03 million), mainly due to increase in fixed deposits pledged with license banks of RM2.49 million which led to higher interest income received from fixed deposits in the FYE 2023.

12.3.6 Finance costs

	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Term loan interest	142	52.59	131	27.87	346	25.54
Trade financing interest	10	3.70	67	14.26	288	21.25
Hire purchase interest	26	9.63	24	5.11	36	2.66
Bank overdraft interest	10	3.70	41	8.72	463	34.17
Accretion of interest on lease liabilities	20	7.41	12	2.55	35	2.58
Bank guarantee interest	62	22.97	173	36.81	146	10.77
Others(1)	-	-	22	4.68	41	3.03
Total	**270**	**100.00**	**470**	**100.00**	**1,355**	**100.00**

Note:

(1) Comprises bank charges.

Comparison between FYE 2021 to FYE 2022

Our finance cost increased by RM0.20 million or 74.07% to RM0.47 million for the FYE 2022 (FYE 2021: RM0.27 million), mainly due to the increase in interest expenses for the following facilities to finance our Group's working capital:

(i) Increase in interest expenses arising from trade financing of RM0.06 million or 600.00% to RM0.07 million in the FYE 2022 (FYE 2021: RM0.01 million) due to the drawdown of additional trade financing facility of RM0.36 million to finance our Group's additional work orders under the EPCC services and facilities improvement / maintenance segment in the FYE 2022;

(ii) Increase in interest expenses arising from bank overdraft of RM0.03 million or 300.00% to RM0.04 million in the FYE 2022 (FYE 2021: RM0.01 million) due to the drawdown of bank overdraft facility of RM5.67 million to finance our working capital in the FYE 2022; and

(iii) Increase in interest expenses arising from bank guarantee of RM0.11 million or 183.33% to RM0.17 million in the FYE 2022 (FYE 2021: RM0.06 million) due to the higher number of projects undertaken in the FYE 2022 which resulted in an increase in bank guarantee for contract of customers in the FYE 2022.

Comparison between FYE 2022 to FYE 2023

Our finance cost increased by RM0.89 million or 189.36% to RM1.36 million for the FYE 2023 (FYE 2022: RM0.47 million), mainly due to the increase in interest expenses for the following facilities to finance our Group's working capital:

(i) Increase in interest expenses arising from term loans of RM0.22 million or 169.23% to RM0.35 million in the FYE 2023 (FYE 2022: RM0.13 million) due to the drawdown of a new term loan in the FYE 2023 of RM2.11 million to part-finance the acquisition of our Group's Existing Teluk Kalung Facility 1. For information purposes, the acquisition of our Group's Existing Teluk Kalung Facility 1 was completed on 23 August 2023;

(ii) Increase in interest expenses arising from bank overdraft of RM0.42 million or 1,050.00% to RM0.46 million in the FYE 2023 (FYE 2022: RM0.04 million) due to the drawdown of bank overdraft facility of RM0.55 million to finance our working capital in the FYE 2023; and

(iii) Increase in interest expenses arising from trade financing of RM0.22 million or 314.29% to RM0.29 million in the FYE 2023 (FYE 2022: RM0.07 million) due to the drawdown of additional trade financing facility of RM5.30 million to finance our Group's additional work orders under the EPCC services and facilities improvement / maintenance segment in the FYE 2023.

12.3.7 Taxation

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Current tax expense			
Current year	1,101	2,297	2,911
Under / (Over) provision in prior year	36	51	(49)
Deferred tax expense			
Origination of temporary differences	51	46	168
(Over) / Under provision in prior year	(124)	(10)	94
Tax expenses	**1,064**	**2,384**	**3,124**
Statutory tax rate (%)	24.00	24.00	24.00
Effective tax rate (%)	33.84	29.09	30.20

Comparison between FYE 2021 to FYE 2022

Our tax expenses increased by RM1.32 million or 124.53% to RM2.38 million in the FYE 2022 (FYE 2021: RM1.06 million), mainly attributable to higher PBT recorded for the FYE 2022, as explained in **Section 12.3.10** of this Prospectus.

Our Group recorded an effective tax rate of 29.09% for the FYE 2022, which was higher than the statutory tax rate of 24.00%, mainly due to the non-deductible expenses of RM0.38 million which were attributable to, among others, depreciation of property, plant and equipment and stamp duty in the FYE 2022.

Comparison between FYE 2022 to FYE 2023

Our tax expenses increased by RM0.74 million or 31.09% to RM3.12 million for the FYE 2023 (FYE 2022: RM2.38 million), mainly attributable to higher PBT recorded for the FYE 2023, as explained in **Section 12.3.10** of this Prospectus.

Our Group recorded an effective tax rate of 30.20% for the FYE 2023, which was higher than the statutory tax rate of 24.00%, mainly due to the non-deductible expenses of RM0.60 million which were attributable to among others, depreciation of property, plant and equipment in the FYE 2023.

12.3.8 PBT, PBT Margin, PAT and PAT Margin

	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	3,144	8,195	10,344
PBT margin (%)	12.65	12.36	14.26
PAT (RM'000)	2,080	5,811	7,220
PAT margin (%)	8.37	8.76	9.95

Comparison between FYE 2021 to FYE 2022

We recorded an increase in PBT and PAT of RM5.06 million or 161.15% and RM3.73 million or 179.33% to RM8.20 million and RM5.81 million, respectively, for the FYE 2022 (FYE 2021: RM3.14 million and RM2.08 million, respectively), mainly contributed by our revenue and GP growth as explained in **Sections 12.3.2** and **12.3.3** of this Prospectus, respectively. In addition, the increase in PBT and PAT for the FYE 2022 was also attributable to the decrease in our administrative expenses, as explained in Section 12.3.4 of this Prospectus. Our PBT margin and PAT margin remained relatively consistent at 12.36% and 8.76%, respectively, in the FYE 2022 (FYE 2021: 12.65% and 8.37%, respectively).

Comparison between FYE 2022 to FYE 2023

We recorded an increase in PBT and PAT of RM2.14 million or 26.10% and RM1.41 million or 24.27% to RM10.34 million and RM7.22 million, respectively, for the FYE 2023 (FYE 2022: RM8.20 million and RM5.81 million, respectively), mainly contributed by our revenue and GP growth as explained in **Sections 12.3.2** and **12.3.3** of this Prospectus, respectively. Thus, our PBT margin and PAT margin increased from 12.36% and 8.76%, respectively, for the FYE 2022, to 14.26% and 9.95%, respectively, for the FYE 2023.

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12.3.9 Significant factors affecting our business and results of operations

Our financial condition and results of operations have been, and are expected to be affected by, among others, the following factors:

(i) Dependency on PETRONAS group as our major customer

We are dependent on our major customer namely PETRONAS group, which contributed 85.84%, 54.47% and 45.64% to our total revenue for the Financial Years Under Review, respectively. Further breakdown on revenue contribution from PETRONAS group for the Financial Years Under Review is as follows:

		FYE 2021		FYE 2022		FYE 2023	
Name	Services provided	RM'000	% of total revenue	RM'000	% of total revenue	RM'000	% of total revenue
PETRONAS group	EPCC services and facilities improvement / maintenance, installation and maintenance of oilfield equipment, supply of oilfield equipment	21,326	85.84	36,125	54.47	33,103	45.64

Our working relationship with PETRONAS group commenced in 2013 through our first contract with PETRONAS Carigali involving the supply of chemical injection skids, which had a contract duration of 3 years from May 2013 to May 2016. Between 2013 up to the LPD, we have secured a total of 44 contracts (comprising fixed / Price Agreements (call out contracts)) directly with PETRONAS group.

Given the past and on-going contracts with the PETRONAS group, they may continue to account for similar proportion of our Group's total revenue in the near future in view of our established working relationships with PETRONAS group which started since 2013. As such, we have been reliant upon PETRONAS group for our projects and there is no assurance that PETRONAS group may continue to account for similar proportion of our Group's revenue in the near future.

(ii) Dependency on PETRONAS license and requirement to comply with SWEC requirements

We operate within the O&G services and equipment industry where our business activities are to support the upstream, midstream and downstream segments of the O&G industry. Based on the Petroleum Development Act 1974 and Petroleum Regulations 1974, in order to participate in the O&G activities in Malaysia, a company is required to have a valid license issued by PETRONAS.

In December 2012, via Steel Hawk Engineering, we obtained our PETRONAS license which enables us to supply products and services to the upstream, midstream and downstream segments of the O&G industry in accordance with the Petroleum Development Act 1974 and Petroleum Regulations 1974. As at the LPD, our PETRONAS license has a validity period of 3 years up to 17 December 2024 and it is subject to renewal every 3 years. As such, we are dependent on the PETRONAS license for the continuity of our core business operations.

In addition to having a valid PETRONAS license, we must meet SWEC requirements for the services that we provide to our customers in Malaysia. Even though we have obtained the required PETRONAS license and have been approved for a number of SWECs, we are subject to continuous review under PETRONAS' conditions, general guidelines and minimum technical requirements which are subject to change from time to time.

(iii) Reduction of capital investment and / or operating expenditure by PETRONAS group and other O&G players

There is a risk that PETRONAS group as our major customer and other O&G players may reduce their activities in, among others, O&G production, processing and transportation or delay, suspend and / or terminate some of their projects due to, among others, the COVID-19 pandemic and / or a sustained low crude oil price environment.

Should PETRONAS group and other O&G players reduce their O&G activities or delay, suspend and / or terminate some of their projects, there may be a reduction in their spending on capital investment and / or operating expenditure which could reduce the demand for our Group's services. Consequently, this may have an adverse effect on our business operation and financial performance.

(iv) Dependency on our key management team and technical personnel for continued success

Our continuous success, future business growth and expansion will depend upon our ability to identify, engage and retain suitable, skilled and experienced employees, including our key management team with the essential industry experience, knowledge and expertise. Our key management are vital in driving the future growth of our Group as they contribute in aspects such as strategic direction, leadership, business planning and development as well as the management of our Group.

There can be no assurance that we will be successful in retaining our existing key management team or there will be a smooth transition should changes occur, which may bring about an adverse impact on our Group. The loss of any personnel in our key management team without suitable replacement in a timely manner and inability to hire new qualified technical personnel may adversely affect our business operations. This will delay our project completions and may eventually affect our ability to maintain and / or improve our business performance.

(v) Competition within the O&G services and equipment industry

We operate in the O&G services and equipment industry in Malaysia and we are subject to competition from existing O&G services and equipment providers as well as potential new entrants in the industry in terms of range of services and equipment, technical expertise, ability to meet technical, quality and safety requirements, and reliability and efficiency of deliverance, among others. Increasing competition in the O&G services and equipment industry has, and is expected to continue to have an impact on our Group's operational results and financial performance.

The competition we face from existing industry players and potential new market entrants may impact our revenue and profitability as we are required to participate in tender activities with a more competitive bid prices in order to secure new contracts. Therefore, we are exposed to the risk that we may be unable to compete effectively against our existing or potential competitors, which will have material and adverse effects on our business operations and financial performance.

(vi) Dependency on our ability to execute business strategies and future plans for future growth

The implementation of our business strategies and future plans involves capital expenditure as well as other operating expenses such as depreciation charges, maintenance costs of systems and equipment and staff costs. The feasibility and implementation of such business strategies and future plans will also depend on, among others, favourable economic conditions and the timing of execution.

There is no assurance that the execution of our business strategies and future plans will be successful, nor will we be able to anticipate all the risks and uncertainties that may arise during the implementation of these business strategies and future plans, which may materially affect the business operations and financial performance of our Group.

(vii) Subject to warranty claims for defects in our deliverance

We typically provide warranty against defects for a period of between 12 months and 36 months pursuant to the contracts. In the event of any defects during the warranty period, our customer may require us to replace the defective works and bear the reinstallation costs.

We do not have any warranty claims for the Financial Years Under Review, save for the FYE 2021 where we have encountered warranty claims amounting to RM5,771 which accounted for 0.03% of our revenue. While this warranty claims was not significant, any substantial increase in warranty claims may adversely affect our financial performance.

(viii) Subject to credit risk and default payment by our customers

Our Group is dependent on the ability of our customers to make timely or full payments to us as any payment delays from them will result in a negative impact on our Group's cash flow position. Under such circumstances, we may provide impairment loss on trade receivables or write off trade receivables as bad debts, which will adversely affect our financial performance.

We generally grant our customers 30 days credit period. Our trade receivables turnover period for the Financial Years Under Review were 6, 29 and 35 days, respectively. The turnover period was within the normal credit period granted by us to our customers.

Notwithstanding the above, there can be no assurance that payments from any of our customers will be received in full or on time in the future. In the event of a delay, missed or reduced in payments to us, our Group's operating cash flow and liquidity will be materially and adversely affected.

(ix) Subject to political, economic, social, market and regulatory considerations and occurrence of force majeure events

Any adverse developments in the political, economic, social, market and regulatory conditions in Malaysia or our export markets could adversely affect our business operations and financial performance. Such developments include, but are not limited to, changes in political leadership, geopolitical events, general economic and business conditions, fluctuations in foreign exchange rates and interest rates, acts of terrorism, riots, wars and / or sanctions, prolonged COVID-19 pandemic or emergence of new epidemics or pandemics, expropriation or nationalisation, fiscal and monetary policies of the Government such as inflation, deflation, methods of taxation, tax policies, foreign worker levy and exchange control measures, unemployment trends, deterioration of international bilateral relationships, and other matters that may influence consumer and business confidence and spending.

Increasing volatility in financial markets may also cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia may materially and adversely affect our business operations, financial performance and prospects.

Further details on the risk factors relating to our business and the industry which we operate in can be found in **Section 9** of this Prospectus entitled "Risk Factors". You should carefully consider the risk factors set out therein before making a decision on whether an investment in our Shares is suitable for you in light of your circumstances and financial resources.

12.3.10 Liquidity and capital resources

(i) Working capital

We finance our operations with both internal and external sources of funds. Our internal sources of funds comprise cash generated from our business operations and shareholders' equity, while our external sources are mainly credit facilities from financial institutions. Our facilities from financial institutions comprise trade financing, bank overdrafts, term loans and hire purchase.

Our Board confirms that we have sufficient funds for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

(a) Our cash and cash equivalent of RM10.69 million as at 31 December 2023;

(b) Our expected future cash flow from operations;

(c) Our total banking facilities as at 31 December 2023 of RM72.20 million (excluding hire purchases), of which RM55.35 million has yet to be utilised; and

(d) Our pro forma gearing level of [●] times, computed based on the pro forma consolidated statement of financial position as at 31 December 2023 after our IPO and utilisation of proceeds.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. This measure has been proven to be effective while maintaining a cordial relationship with our debtors.

(ii) Cash flows

A summary of our Group's historical audited statements of cash flow for the Financial Years Under Review is set out below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net cash from operating activities	672	3,170	390
Net cash from / (used in) investing activities	238	(4,721)	(5,207)
Net cash from financing activities	1,735	2,058	2,865
Net increase / (decrease) in cash and cash equivalents	**2,645**	**507**	**(1,952)**
Cash and cash equivalents at the beginning of the financial year	3,265	5,910	6,417
Cash and cash equivalents at the end of the financial year	**5,910**	**6,417**	**4,465**

FYE 2021

Net cash from operating activities

For the FYE 2021, our Group's operating cash flow before changes in working capital amounting to RM4.12 million. After adjusting for the working capital changes below, our Group's net cash from operating activities amounted to RM0.67 million. The main changes in working capital during the FYE 2021 are as follows:

(i) Decrease in trade and other receivables of RM0.21 million mainly due to cash receipts from PETRONAS Carigali for the provision of onshore facilities maintenance, construction and modification services;

(ii) Increase in trade and other payables of RM1.92 million mainly due to procurement of specialised automation systems, including remote solutions and system hardware and software for the Integrated Remote Work Order (as elaborated in **Section 12.3.3** of this Prospectus); and

(iii) Increase in contract assets of RM4.50 million mainly due to additional work orders from PETRONAS Carigali (as elaborated in **Section 12.3.2** of this Prospectus) that were completed and recognised as revenue but not yet billed during the FYE 2021.

Net cash used in investing activities

For the FYE 2021, our Group's net cash from investing activities amounted to RM0.24 million, mainly due to the following:

(i) Acquisition of property, plant and equipment of RM0.95 million in relation to the acquisition of the PJ Office; and

(ii) Additional pledged deposits placed with licensed banks amounting to RM1.16 million.

Net cash used in financing activities

For the FYE 2021, our net cash from financing activities amounted to RM1.74 million, mainly due to the following:

(i) Gross proceeds of RM3.20 million received from the issuance of 16,000,000 new Shares at the issue price of RM0.20 per Share, by way of private placement to selected sophisticated investors which was undertaken pursuant to our Group's listing on the LEAP Market on 29 October 2021;

(ii) Net repayment of trade financing facilities of RM0.48 million; and

(iii) Net repayment of term loans of RM0.33 million.

FYE 2022

Net cash from operating activities

For the FYE 2022, our Group's operating cash flow before changes in working capital amounting to RM9.48 million. After adjusting for the working capital changes below, our Group's net cash from operating activities amounted to RM3.17 million. The main changes in working capital during the FYE 2022 are as follows:

(i) Increase in trade and other receivables of RM10.33 million mainly due to additional invoices billed in relation to the new contracts undertaken during the financial year (as elaborated in **Section 12.3.2** of this Prospectus);

(ii) Increase in trade and other payables of RM10.65 million mainly due to procurement of specialised automation systems, including remote solutions and system hardware and software for the Integrated Remote Work Order (as elaborated in **Section 12.3.3** of this Prospectus); and

(iii) Increase in contract assets of RM5.72 million mainly due to additional work orders from PBH Engineering Sdn Bhd (as elaborated in **Section 12.3.2** of this Prospectus) that were completed and recognised as revenue but not yet billed during the FYE 2022.

Net cash used in investing activities

For the FYE 2022, our Group's net cash used in investing activities amounted to RM4.72 million, mainly due to the following:

(i) Acquisition of property, plant and equipment of RM0.67 million consisting the addition of 2 fire rated door assembly lines and the acquisition of computer hardware and software during the FYE 2022; and

(ii) Additional pledged deposits placed with licensed banks amounting to RM4.09 million as a result of our Group securing more credit facilities during the FYE 2022.

Net cash used in financing activities

For the FYE 2022, our Group's net cash from financing activities amounted to RM2.06 million, mainly due to the following:

(i) Net drawdown of term loans of RM3.20 million;

(ii) Net drawdown of trade facilities of RM0.36 million;

(iii) Dividends paid of RM0.62 million; and

(iv) Interest paid for our Group's financing facilities of RM0.47 million.

FYE 2023

Net cash from operating activities

For the FYE 2023, our Group's operating cash flow before changes in working capital amounted to RM12.33 million. After adjusting for the working capital changes below, our Group's net cash from operating activities amounted to RM0.39 million. The main changes in working capital during the FYE 2023 are as follows:

(i) Increase in inventories of RM0.41 million mainly due to purchase of raw materials for pig trap system and (e.g. quick opening closures, locking mechanism, metal flanges, and pipes, etc.) for our installation and maintenance of oilfield equipment segment;

(ii) Decrease in trade and other receivables of RM6.48 million mainly due to cash receipts from our major customer, namely PBH Engineering Sdn Bhd for the supply, fabrication, installation, and testing of propylene oxide storage tank and piping, along with various engineering, mechanical, civil, structural, electrical, and instrumentation work; and

(iii) Increase in contract assets of RM10.13 million mainly due to additional work orders from PBH Engineering Sdn Bhd and Customer F (as elaborated in **Section 12.3.2** of this Prospectus) that were completed and recognised as revenue but not yet billed during the FYE 2023.

Net cash used in investing activities

For the FYE 2023, our Group's net cash used in investing activities amounted to RM5.21 million, mainly due to the following:

(i) Acquisition of property, plant and equipment of RM3.00 million, consisting the acquisition of our Existing Teluk Kalung Facility 1 of RM2.48 million in the FYE 2023. For information purposes, the acquisition of our Existing Teluk Kalung Facility 1 was completed on 23 August 2023;

(ii) Proceeds from the disposal of plant and equipment of RM0.20 million in relation to the disposal of 2 motor vehicles used for work purposes; and

(iii) Additional pledged deposits placed with licensed banks amounting to RM2.49 million as a result of our Group securing more credit facilities during the FYE 2023.

Net cash used in financing activities

For the FYE 2023, our Group's net cash from financing activities amounted to RM2.87 million, mainly due to the following:

(i) Net drawdown of trade financing facilities of RM5.30 million;

(ii) Interest paid of RM1.36 million;

(iii) Dividends paid of RM0.88 million; and

(iv) Net drawdown of term loans of RM0.47 million.

12.3.11 Borrowings and financial instruments

All our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings as at 31 December 2023 stood at RM17.72 million, details of which are set out below:

Borrowings	Purpose	Security	Tenure of the facility	Interest rate	As at 31 December 2023		
					Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Term loan I	Financing of working capital	(i) Credit Guarantee Corporation (M) Bhd under the SMEBiz Solutions Portfolio Guarantee Scheme of 70% of the facility limit. (ii) Joint and several guarantees by all directors of Steel Hawk Engineering.	84 months	BLR + 5.00%	116	-	116
Term loan II	Financing of working capital	(i) Guarantee by the government through Syarikat Jaminan Pembiayaan Perniagaan Berhad will cover 80% of the total facility limit. (ii) Joint and several guarantees by all directors of Steel Hawk Engineering. (iii) Pledged deposits of RM19,000.	66 months	3.50%	205	250	455
Term loan III	Financing of working capital	(i) Pledged deposits of RM1,200,000 (ii) Joint and several guarantees by all directors of Steel Hawk Engineering	37 months	9.00%	1,096	1,221	2,317
Term loan IV	Financing of Existing Teluk Kalung Facility 1	(i) Leasehold building with carrying amount of RM2,462,000 (ii) Joint and several guarantees by all directors of Steel Hawk Engineering	168 months	BFR + 2.20%	112	1,966	2,078
Hire purchase liabilities	For purchase of motor vehicles	Motor vehicles	Up to 60 months	2.49% – 5.51%	215	652	867

Borrowings	Purpose	Security	Tenure of the facility	Interest rate	As at 31 December 2023		
					Payable within 12 months RM'000	Payable after 12 months RM'000	Total RM'000
Trade financing I	Financing of working capital	Joint and several guarantees by all directors of Steel Hawk Engineering.	120 days	BFR + 1.25%	4,852	-	4,852
Trade finaning II	Financing of working capital	Joint and several guarantees by all directors of Steel Hawk Engineering.	120 days	COF + 0.75%	814	-	814
Bank Overdraft I	Financing of working capital	(i) Joint and several guarantees by all directors of Steel Hawk Engineering. (ii) Pledged deposits of RM1,200,000	-	BFR + 1.25%	2,959	-	2,959
Bank Overdraft II	Financing of working capital	Joint and several guarantees by all directors of Steel Hawk Engineering.	-	BFR + 4.00%	400	-	400
Bank Overdraft III	Financing of working capital	Joint and several guarantees by all directors of Steel Hawk Engineering.	-	BFR + 1.00%	2,424	-	2,424
Bank Overdraft IV	Financing of working capital	Joint and several guarantees by all directors of Steel Hawk Engineering.	-	BFR + 1.25%	439	-	439
Total					**13,632**	**4,089**	**17,721**
Gearing (times)							
Before our IPO and utilisation of proceeds(1)							[●]
After our IPO and utilisation of proceeds(2)							[●]

Notes:

(1) Computed based on the pro forma consolidated statements of financial position as at 31 December 2023 before our IPO and utilisation of proceeds.

(2) Computed based on the pro forma consolidated statements of financial position as at 31 December 2023 after our IPO and utilisation of proceeds which includes repayment of bank borrowings of RM[●] million.

As at the LPD, we do not have any borrowings which are non-interest bearing and / or in foreign currency.

There has been no default or any known events that could give rise to a default situation, in respect of payments of either interest and / or principal sums in relation to any borrowings of our Group throughout the Financial Years Under Review and up to LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan, which can materially affect our financial position and results or business operations or the investments by holders of our securities. During the Financial Years Under Review, we did not experience any clawback or reduction in the facilities limit granted to us by our lenders.

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12.3.12 Type of financial instruments used

As at the LPD, save as disclosed in **Section 12.3.11** of this Prospectus, our Group does not have or utilise any other financial instruments or have any other treasury policies.

12.3.13 Treasury policies and objectives

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

12.3.14 Material commitment

As at the LPD, our Group has committed to construct the Proposed Teluk Kalung Facility 2, costing RM13.64 million (as disclosed in **Section 4.5** of this Prospectus), which will be financed by our internally generated funds and the proceeds from our IPO.

Save as disclosed above, we do not have any other material capital commitments as at the LPD.

12.3.15 Material contingent liabilities

As at the LPD, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our business, financial results or position.

12.3.16 Material litigation

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant. There is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at the LPD.

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12.3.17 Impact of foreign exchange rates, interest rates and / or commodity prices on our operations

(i) Impact of foreign exchange rates

For the Financial Years Under Review, our proportion of sales and purchases transactions denominated in local and foreign currencies are as follows:

	FYE2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Sales denominated in:						
- RM	24,845	100.00	66,326	100.00	72,537	100.00
Total sales	**24,845**	**100.00**	**66,326**	**100.00**	**72,537**	**100.00**
Purchases denominated in:						
- RM	6,642	90.09	37,448	95.93	33,192	95.27
- USD	620	8.41	1,215	3.11	1,292	3.71
- SGD	105	1.42	147	0.38	205	0.59
- EUR	6	0.08	228	0.58	151	0.43
Total purchases	**7,373**	**100.00**	**39,038**	**100.00**	**34,840**	**100.00**

We are exposed to transactional currency exposure as 9.91%, 4.07% and 4.73% of our purchases were denominated in currencies other than RM for the Financial Years Under Review, 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 foreign exchange loss	17	71	27

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 foreign exchange contracts. As such, we are subject to foreign exchange fluctuation risk for the purchases from our foreign suppliers. Notwithstanding this, 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 will lead to higher costs of supplies for our Group. In the event that we are unable to pass the increase in costs to our customers in a timely manner, our financial performance may be adversely affected due to the reduced GP margin from higher cost of supplies.

(ii) Impact of interest rates

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Interest coverage ratio (times)[(1)]	12.60	18.38	8.57

Note:

(1) Computed based on EBIT over finance costs for the Financial Years Under Review

Our interest coverage ratios have range from 8.57 times to 18.38 times during the Financial Years Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest serving obligations.

Our financial results for the Financial Years Under Review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

(iii) Impact of commodity prices

As at the LPD, our Group is not affected by fluctuations in commodity prices, as highlighted in **Section 7.3.3** of this Prospectus.

12.3.18 Impact of government, economic, fiscal or monetary policies

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

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

12.3.19 Exceptional and extraordinary items and audit qualifications

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

12.3.20 Impact of inflation

During the Financial Years Under Review, our financial performance was not materially by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

12.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group are as set out below:

	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover (days)[(1)]	6	29	35
Trade payables turnover (days)[(2)]	48	54	77
Inventory turnover (days)[(3)]	9	2	3
Current ratio (times)[(4)]	2.54	1.62	1.72
Gearing ratio (times)[(5)]	0.19	0.74	0.83

Notes:

(1) $\dfrac{\text{(Trade receivables at beginning + trade receivables at end) / 2}}{\text{Revenue}}$ x 365 days

(2) $\dfrac{\text{(Trade payables at beginning + trade payables at end) / 2}}{\text{Cost of sales}}$ x 365 days

(3) $\dfrac{\text{(Inventories at beginning + inventories at end) / 2}}{\text{Cost of sales}}$ x 365 days

(4) Computed based on the total current assets over total current liabilities as at the end of each financial year.

(5) Computed based on total interest-bearing borrowings (excluding lease liabilities) over total equity as at the end of each financial year.

(i) Trade receivables turnover period

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening trade receivables	524	283	10,404
Closing trade receivables	283	10,404	3,488
Average trade receivables	404	5,344	6,946
Revenue	24,845	66,326	72,537
Trade receivables turnover period (days)	**6**	**29**	**35**

Our normal credit period given to our trade debtors is 30 days, but this may be extended in certain cases and assessed and approved on a case-by-case basis after taking into consideration, among others, the background and credit worthiness of the customer, payment history of the customer, our relationship with the customer and the scope of the project.

Our trade receivables turnover period for the Financial Years Under Review were 6 days, 29 days and 35 days, respectively. For the FYE 2021 and FYE 2022, our Group's trade receivables turnover period were within the normal credit terms. However, for the FYE 2023, our Group's trade receivables turnover period exceeded our normal credit terms, mainly attributed to slower collection of receivables from a customer within the EPCC services and facilities improvement / maintenance segment which had subsequently been collected after the FYE 2023.

The ageing analysis of our trade receivables as at 31 December 2023 and the subsequent collections and balance of trade receivables as at the LPD are set out as follows:

	Trade receivables as at 31 December 2023		Collections from 1 January 2024 up to the LPD	Balance trade receivables as at the LPD
	RM'000	% of trade receivables	RM'000	RM'000
	(a)	(a) / total of (a)	(b)	(c) = (a) – (b)
Neither past due nor impaired	2,456	70.41	1,133	1,323
Past due 1-90 days	168	4.82	156	12
Past due more than 90 days	864	24.77	455	409
Total	**3,488**	**100.00**	**1,744**	**1,744**

As at 31 December 2023, our total trade receivables stood at RM3.49 million, with RM1.03 million or 29.59% of our trade receivables exceeding the normal credit period.

As at the LPD, RM1.74 million or 50.00% of our trade receivables as at 31 December 2023 have been collected. The remaining balance of RM1.74 million or 50.00% of our total trade receivables have yet to be collected as at the LPD. Our Group has not encountered any major disputes with our trade receivables and hence, our Board is of the opinion that the remaining outstanding trade receivables are recoverable, after taking into consideration these customers' historical payment trend.

We assess the recoverable amount for trade receivables that has been past due for more than 90 days. If the trade receivables that our Group expects to receive are less than the total trade receivables that are due to our Group, our management would consider the need for impairment based on objective evidence, i.e. we would write off trade receivables when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery. Nevertheless, in managing credit risk of trade receivables, we will continuously manage and monitor our trade debtors and take appropriate actions (including but not limited to legal actions) to recover long overdue balances. We did not make any impairment on trade receivables during the Financial Years Under Review up to the LPD.

(ii) Trade payables turnover period

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening trade payables	969	2,753	12,192
Closing trade payables	2,753	12,192	9,485
Average trade payables	1,861	7,473	10,839
Cost of sales	14,029	50,296	51,704
Trade payables turnover period (days)	**48**	**54**	**77**

Trade payables comprise amounts outstanding for trade purchases. the normal credit terms granted to us by our trade suppliers range from 30 to 90 days. To maintain a good relationship with our suppliers, we will pay the suppliers as they fall due. During the Financial Years Under Review, our Group's trade payables turnover period were within the normal credit terms granted by our trade suppliers.

The ageing analysis of our trade payables as at 31 December 2023 and the subsequent payments and balance of trade payables as at the LPD are set out as follows:

	Trade payables as at 31 December 2023		Payments from 1 January 2024 up to the LPD	Balance trade payables as at the LPD
	RM'000	Percentage of trade payables	RM'000	RM'000
	(a)	(a) / total of (a)	(b)	(c) = (a) – (b)
Not past due	3,733	39.36	2,121	1,612
Past due 1-90 days	4,002	42.19	2,395	1,607
Past due more than 90 days	1,750	18.45	338	1,412
Total	**9,485**	**100.00**	**4,854**	**4,631**

As at 31 December 2023, our total trade payables stood at RM9.49 million, with RM5.75 million or 60.64% of our trade payables exceeding the normal credit period.

As at the LPD, we have settled outstanding trade payables of RM4.85 million, representing 51.18% of our outstanding trade payables as at 31 December 2023.

As at the LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us. There are also no disputes regarding trade payables. There are also no disputes regarding trade payables, and our suppliers have not initiated any legal action against us to demand for payment.

(iii) Inventories turnover period

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Opening inventories	338	369	158
Closing inventories	369	158	568
Average inventories	354	264	363
Cost of sales	14,029	50,296	51,704
Inventory turnover period (days)	**9**	**2**	**3**

Our Group's inventories mainly consist of raw materials (such as metal structures, steel plates, and non-metal piping and structures), complete assembled oilfield equipment (such as chemical injection skids, pig trap system, fire rated doors and oil spill recovery equipment) as well as parts, components and accessories of the oilfield equipment. Our inventories turnover period for the Financial Years Under Review were 9 days, 2 days and 3 days, respectively.

Our inventories turnover period decreased to 2 days for the FYE 2022 (FYE 2021: 9 days), mainly due to the decrease in average inventory for pig trap system as a result of higher volume of installation and maintenance for pig trap system and more work orders undertaken under our EPCC services and facilities improvement / maintenance segment during the FYE 2022.

Our inventories turnover period increased to 3 days for the FYE 2023 (FYE 2022: 2 days), mainly due to higher purchases of handle bar, door closure and door leaf made during the FYE 2023 for work orders in relation to the installation and maintenance of fire rated doors that is anticipated to be undertaken in the first half of 2024.

(iv) Current ratio

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Current assets	12,864	38,898	43,800
Current liabilities	5,068	24,033	25,420
Net current assets	**7,796**	**14,865**	**18,380**
Current ratio (times)(1)	**2.54**	**1.62**	**1.72**

Note:

(1) Computed based on total current assets over total current liabilities as at the end of each financial year.

Our current ratio ranges from 1.62 times to 2.54 times during the Financial Years Under Review. This indicates that our Group can meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our cash and bank balances, are enough to meet immediate current liabilities.

(v) Gearing ratio

	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000
Total borrowings	1,883	11,059	17,721
Total equity	9,756	14,943	21,283
Gearing ratio (times)(1)	**0.19**	**0.74**	**0.83**

Note:

(1) Computed based on total interest-bearing borrowings (excluding lease liabilities) over total equity as at the end of each financial year.

Our gearing ratio ranges from 0.19 times 0.83 times throughout the Financial Years Under Review.

Our gearing ratio increased to 0.74 times as at 31 December 2021 mainly due to an increase in our loans and borrowings of RM9.18 million in the FYE 2022 (i.e. RM3.20 million in term loan and RM5.67 million in bank overdraft) to meet the Group's working capital requirements for the EPCC services and facilities improvement / maintenance segment (in line with revenue growth of this business segment in the FYE 2022), and our gearing ratio increased to 0.83 times as at 31 December 2023 due to an increase in our loans and borrowings of RM6.66 million in the FYE 2023 (i.e. mainly attributable to an increase in RM5.30 million in trade financing to meet the Group's working capital requirements for the EPCC services and facilities improvement / maintenance segment, in line with revenue growth of this business segment in the FYE 2023).

12.5 TREND INFORMATION

As at the LPD, our financial performance, position and operations are not 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, save as disclosed in **Sections 12.2, 7, 8 and 9** of this Prospectus;

(ii) Material commitments for capital expenditure disclosed in **Section 12.3.14** 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 discussed in **Sections 12.2 and 9** of this Prospectus;

(iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and / or profit as disclosed in **Section 12.2** of this Prospectus, business and industry overview, as set out in **Sections 7 and 8** of this Prospectus, and business strategies and future plans as set out in **Section 7.4** of this Prospectus;

(v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, save as disclosed in **Sections 12, 7 and 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 liquidity and capital resources, save as disclosed in **Sections 12, 7 and 9** of this Prospectus.

12.6 ORDER BOOK

We provide O&G support services to our customers through the following:

(i) Price Agreements (call out contracts) (with tenures ranging from 1 to 5 years, which include options for extensions of up to 2 years. The parties may agree for further extensions, where applicable); and

(ii) fixed contracts (which are usually one-off in nature).

Under a Price Agreement (call out contract) (which does not have a fixed contract value), we are engaged by our customer through work orders to provide specified services for the duration of the contract, as and when such services are required.

Under a fixed contract, our products and services are delivered to our customers within the stipulated delivery date with a fixed contract value. The fixed contracts secured by the Group are generally one-off in nature with fixed tenures ranging from 1 to 3 years.

Our order book as at the LPD stood at RM18.83 million (i.e. RM14.61 million was contributed by 11 on-going Price Agreements (call out contracts) with purchase orders that are yet to be billed and recognised as revenue and the balance RM4.22 million was contributed by 6 on-going fixed contracts with remaining contract value which are yet to be recognised as revenue). The aforesaid order book is expected to be fulfilled during the financial year ending 31 December 2024.

For the avoidance of doubt, our Price Agreements (call out contracts) do not have a fixed contract value and we are engaged through work orders to provide specified services for the duration of the contract, as and when such services are required. As such, the order book for Price Agreements (call out contracts) are purely based on purchase orders that have been issued by our customers but are yet to be billed as at the LPD, and does not represent the remaining contract value of our Price Agreements (call out contracts), which cannot be determined due to the nature of such contracts.

12.7 SIGNIFICANT CHANGES

Save as disclosed in this Prospectus, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to our audited consolidated financial statements for 31 December 2023 and up to the LPD.

12.8 DIVIDEND POLICY

For the Financial Years Under Review, our Group declared and paid the following dividends to shareholders of our Company and our Subsidiaries:

	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
PAT attributable to owners of the Company	2,080	5,811	7,220
Dividends declared	624	880	-
Dividends paid	-	624	880
Dividend payout rate (%)[(1)]	30.00	15.14	N/A

There was no dividend declared and paid to shareholders of our Company and our Subsidiaries from 1 January 2024 up to the LPD.

Note:

(1) Computed based on dividends declared over PAT for each financial year.

The dividends above were funded by internal funds sourced from the cash and bank balances of the respective subsidiaries. The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

It is our Board's policy to recommend and distribute minimum dividends of 30.00% of our annual PAT attribution to shareholders of our Company. This will allow our shareholders to participate in our Group's profits. Any final dividends declared are subjected to the approval of our shareholders at our annual general meeting.

Our ability to pay dividends or make other distributions to our shareholders is subject to various factors such as having profits and excess funds not required to be retained to fund our working capital requirements. Our Board will also take into consideration, among others, the following factors when recommending dividends:

(i) the availability of adequate distributable reserves and cash flow;

(ii) our operating cash flow requirements and financing commitment;

(iii) our anticipated future operating conditions, as well as future expansion, capital expenditure and investment plans;

(iv) any material impact of tax laws and other regulatory requirements; and

(v) the prior approval from our bankers, if any.