

12. FINANCIAL INFORMATION**12.1 HISTORICAL FINANCIAL INFORMATION**

Our historical financial information throughout the Financial Years Under Review have been prepared in accordance with the 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.

We completed the Acquisition on 7 February 2024. AGSB is assumed under the common control of the Company during the Financial Years Under Review. As such, the historical financial information of our Group for the Financial Years Under Review is presented based on the combined audited financial statements of our Group.

12.1.1 Combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for the Financial Years Under Review which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.3 and 13 respectively.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Revenue	58,965	116,246	114,082
Cost of sales	(54,223)	(99,110)	(99,939)
GP	4,742	17,136	14,143
Other income	254	229	556
Administrative expenses	(4,389)	(4,767)	(5,094)
Other expenses	(291)	(893)	⁽⁵⁾ (1,452)
Net impairment (losses)/gains on financial assets	-	(369)	260
PBT	316	11,336	8,413
Income tax expense	(163)	(2,538)	(2,880)
PAT	153	8,798	5,533
PAT/Total comprehensive income attributable to:-			
Owners of the Company	153	8,798	5,533
EBIT ⁽¹⁾	846	11,831	8,584
EBITDA ⁽¹⁾	2,985	13,876	10,463
GP margin (%) ⁽²⁾	8.04	14.74	12.40
PBT margin (%) ⁽³⁾	0.54	9.75	7.37
PAT margin (%) ⁽⁴⁾	0.26	7.57	4.85
Adjusted PBT margin (%) ⁽⁵⁾	N/A	N/A	8.28
Adjusted PAT margin (%) ⁽⁵⁾	N/A	N/A	5.75
Basic/Diluted EPS (sen) ⁽⁶⁾	0.04	2.19	1.38

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

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

- (1)
- EBIT and EBITDA are calculated as follows:*

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
PAT	153	8,798	5,533
Less:			
Interest income	(68)	(89)	(185)
Add:			
Finance costs	598	584	356
Income tax expense	163	2,538	2,880
EBIT	846	11,831	8,584
Add:			
Depreciation	2,139	2,045	1,879
EBITDA	2,985	13,876	10,463

- (2) *Calculated based on GP over revenue.*
- (3) *Calculated based on PBT over revenue.*
- (4) *Calculated based on PAT over revenue.*
- (5) *Included in other expenses is an impairment loss on the non-current asset held for sale of RM1.03 million, which is a one-off expense in nature. The impairment loss represented the write-down of the investment property and was recognised in other expenses. Please refer to Note (1) to the combined statement of financial position in Section 12.1.2 of this Prospectus for further details.*

If the said one-off impairment loss is excluded in FYE 2023, the adjusted PBT and PAT and its related margins are as follows:

	Audited
	FYE 2023
	RM'000
PBT	8,413
<i>Impairment loss on non-current asset held for sale</i>	<i>1,031</i>
Adjusted PBT	9,444
<i>Income tax expense</i>	<i>(2,880)</i>
Adjusted PAT	6,564
<i>Adjusted PBT margin (%)</i>	<i>8.28</i>
<i>Adjusted PAT margin (%)</i>	<i>5.75</i>

- (6) *Basic and diluted EPS are calculated based on PAT for the Financial Years Under Review over our enlarged 402,386,413 Shares in issue after our IPO. There are no potential dilutive securities in issue during the respective Financial Years Under Review.*

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.1.2 Combined statements of financial position**

The following table sets out the combined statements of financial position of our Group as at 31 December 2021, 2022 and 2023 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13 respectively.

	Audited		
	As at 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Non-current assets			
Property, plant and equipment	25,590	19,545	22,991
Investment property	-	(1)4,812	-
Total non-current assets	25,590	24,357	22,991
Current assets			
Inventories	4,840	3,760	3,817
Trade receivables	11,733	18,206	12,680
Other receivables, deposits and prepayments	599	352	3,078
Amount owing by related parties	22	30	-
Current tax assets	902	-	-
Fixed deposits with licensed banks	-	2,000	6,304
Cash and bank balances	4,591	8,088	6,080
Total current assets	22,687	32,436	31,959
Non-current asset held for sale	-	-	(1)3,780
Total assets	48,277	56,793	58,730
Equity			
Share capital	250	250	250
Retained profits	23,045	27,843	32,376
Total equity	23,295	28,093	32,626
Non-current liabilities			
Lease liabilities	197	122	42
Term loans	3,209	1,908	651
Deferred tax liabilities	1,089	1,159	948
Total non-current liabilities	4,495	3,189	1,641
Current liabilities			
Trade payables	10,628	15,011	12,725
Other payables and accruals	2,101	3,782	5,473
Amount owing to directors	1	-	-
Bankers' acceptances	5,050	5,000	4,900
Lease liabilities	114	72	19
Term loans	1,276	1,231	1,257
Bank overdrafts	1,317	-	-
Current tax liabilities	-	415	89
Total current liabilities	20,487	25,511	24,463
Total liabilities	24,982	28,700	26,104

12. FINANCIAL INFORMATION (Cont'd)

	Audited		
	As at 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Total equity and liabilities	48,277	56,793	58,730

Note:

- (1) *In FYE 2022, our Group has transferred Lot 2625 with the carrying amount of RM4.81 million from the property, plant and equipment to investment property.*

Our Group purchased Lot 2625 in 1999 at RM0.38 million. Subsequently, Lot 2625 was revalued in 2015 at RM4.80 million as deemed cost based on a valuation performed by an independent external qualified valuer using an open market value method upon the adoption of MFRS. Lot 2625 subsequently was classified as a non-current asset held for sale upon our Group entering into a sale and purchase agreement on 1 August 2023 to sell Lot 2625 for a cash consideration of RM3.78 million, which resulted in our Group recorded an impairment loss on the non-current asset held for sale of RM1.03 million during FYE 2023.

Assuming the disposal price of RM3.78 million with Lot 2625 cost of RM0.38 million, the disposal of Lot 2625 would have resulted in our Group materialising a net gain on disposal of RM3.06 million (net of real property gain tax of 10%).

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.1.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for the Financial Years Under Review, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13, respectively.

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Cash flows from operating activities			
PBT	316	11,336	8,413
Adjustments for:			
Depreciation of property, plant and equipment	2,139	2,045	1,879
Equipment written off	4	104	78
Bad debts recovered	-	-	(6)
Bad debts written off	-	434	7
Impairment loss on non-current asset held for sale	-	-	1,031
Impairment losses/(Reversal for) on trade receivables	-	369	(260)
Gain on disposal of property, plant and equipment	(59)	(5)	(271)
Interest expense	598	584	356
Interest income	(68)	(89)	(185)
Operating profit before working capital changes	2,930	14,778	11,042
(Increase)/Decrease in inventories	(1,876)	1,081	(57)
Decrease/(Increase) in trade and other receivables	1,224	(7,029)	3,086
(Decrease)/Increase in trade and other payables	(663)	6,066	(596)
Cash from operations	1,615	14,896	13,475
Income tax paid	(287)	(1,151)	(4,000)
Income tax refund	554	-	583
Interest paid	(590)	(572)	(349)
Interests received	68	89	160
Net cash from operating activities	1,360	13,262	9,869
Cash flows for investing activities			
Proceeds from disposal of property, plant and equipment	59	4	393
Purchase of plant and equipment	(345)	(915)	(5,526)
Repayment to directors	(11)	(1)	-
Addition of fixed deposit with tenure more than 3 months	-	-	(304)
Net cash for investing activities	(297)	(912)	(5,437)
Cash flows for financing activities			
Dividend paid	-	(4,000)	(1,000)
Proceeds from bankers' acceptances	8,800	15,450	15,600
Repayment of bankers' acceptances	(9,680)	(15,500)	(15,700)
Repayment of lease interest	(7)	(13)	(7)
Repayment of lease liabilities	(90)	(118)	(132)
Repayment of term loans	(1,170)	(1,347)	(1,231)
Repayment from a related party	-	-	42
Advances to related parties	(8)	(8)	(12)
Net cash for financing activities	(2,155)	(5,536)	(2,440)

12. FINANCIAL INFORMATION (Cont'd)

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Net (decrease)/increase in cash and cash equivalents	(1,092)	6,814	1,992
Cash and cash equivalents at the beginning of the financial year	4,366	3,274	10,088
Cash and cash equivalents at the end of the financial year	3,274	10,088	12,080

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.2 CAPITALISATION AND INDEBTEDNESS**

The table below sets out our capitalisation and indebtedness as at 31 January 2024 and after adjusting for the effects of the Acquisition and the Public Issue including the utilisation of proceeds.

	Unaudited	I	II	III
	As at 31	After the	After I and	After II and
	January	Acquisition	the Public	utilisation
	2024	RM'000	Issue	of proceeds
	RM'000	RM'000	RM'000	RM'000
INDEBTEDNESS				
Current				
<u>Secured and guaranteed</u>				
Bankers' acceptances	-	4,700	4,700	4,700
Lease liabilities	-	19	19	19
Term loans	-	1,260	1,260	1,260
	-	5,979	5,979	5,979
<u>Unsecured and unguaranteed</u>				
Lease liabilities	-	-	-	-
Non-current				
<u>Secured and guaranteed</u>				
Lease liabilities	-	40	40	40
Term loans	-	544	544	544
	-	584	584	584
<u>Unsecured and unguaranteed</u>				
Lease liabilities	-	-	-	-
Total borrowings	-	6,564	6,564	6,564
Total contingent liabilities	-	-	-	-
Total indebtedness	-	6,564	6,564	6,564
CAPITALISATION				
Share capital	(1) -	31,724	[•]	[•]
Merger deficit	-	(31,474)	(31,474)	(31,474)
Retained profits	(71)	34,060	34,060	31,052
Total capitalisation	(71)	34,310	[•]	[•]
TOTAL CAPITALISATION AND INDEBTEDNESS				
	(71)	40,874	[•]	[•]
Gearing ratio (times)⁽²⁾	-	0.19	[•]	[•]

Notes:

(1) Amount represents RM2.

(2) Computed based on total indebtedness divided by total capitalisation.

12. FINANCIAL INFORMATION (Cont'd)

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

The following discussion and segmental analysis of our combined financial statements for the Financial Years Under Review should be read with the Accountants' Report included in Section 13 of this Prospectus.

12.3.1 Overview of our operations
(i) Principal activities

We are principally involved in the manufacturing and sale of automotive parts and components, comprising body parts, seat structures and other parts (i.e. engine parts and absorber parts). We are engaged by our customers to manufacture customised automotive parts and components according to our customers' requirements and precise technical specifications. Please refer to Section 7.1 of this Prospectus for our Group's principal activities and products.

(ii) Revenue

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which our Group expects to be entitled in exchange for transferring promised goods or services to a customer net of sales and service tax, returns, rebates and discounts. Our Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue from sale of goods is recognised when our Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance.

(iii) Changes to accounting policies and estimates

Our significant accounting policies are summarised in Note 3 of the Accountants' Report set out in Section 13 of this Prospectus. There are no significant accounting policies that are peculiar to our Group because of the nature of our business activities. There were no material changes to our accounting policies and estimates during the Financial Years Under Review.

The summary of the judgements, estimates and assumptions made in applying accounting policies are disclosed in Note 3.1 of the Accountants' Report set out in Section 13 of this Prospectus. There are no key assumptions made concerning the future, and other key sources of estimation uncertainty for the Financial Years Under Review that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed in Note 3.1 of the Accountants' Report set out in Section 13 of this Prospectus. There are no instances of application of critical judgement in applying our Group's accounting policies which will have a significant effect on the amounts recognised in the combined financial statements.

12. FINANCIAL INFORMATION (Cont'd)**(iv) Significant events subsequent to the FYE 2023**

Save as the Acquisition, there were no other significant events subsequent to our audited combined financial statements for the FYE 2023.

(v) 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.

(vi) Significant factors affecting our financial condition and result of operations

Section 9 of this Prospectus details 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. The main factors which affect our revenue and profits include but are not limited to the following:

(a) We are dependent on our major customers who contributed substantially to our Group's revenue

We are dependent on our top 4 major customers in the Financial Years Under Review, namely Customer Group A, Ingress Technologies Sdn Bhd, PHN Companies and Autokeen Sdn Bhd, who collectively contributed substantially to our Group's revenue at 90.17%, 88.87% and 90.24% in the Financial Years Under Review. If any one of these customers ceases to engage us, we may experience a significant reduction in sales, which could result in a loss of revenue, given that we may not be able to replace these customers with new customers or with additional sales from existing customers in a timely manner.

While we have not experienced any termination of letter of intent/ letter of award granted to us or any termination of business relationship whereby these 4 major customers stop purchasing from us for parts and components used in vehicle models that are still actively being sold in the market, there is no assurance that we will be able to continuously maintain our relationships with these 4 major customers or secure sales to supply more parts and components to them in the future. Any loss of these major customers and our inability to replace these major customers with new customers or with additional orders from existing customers in a timely manner, could result in a loss of revenue and will have an adverse impact on our Group's financial performance.

Our ability to continue maintaining our relationship with, and securing sales from, these 4 major customers are dependent on several factors including, amongst others, our ability to meet these major customers' specifications and requirements, competitive pricing, timely delivery of products, as well as continued customer service. Please refer to Section 7.13 of this Prospectus for further information on the steps taken to ensure we are able to meet our customers' quality requirements and fulfil their orders in timely manner.

(b) We are dependent on the availability of technical personnel

Our Group is dependent on the availability of technical personnel for the design and manufacturing of our parts and components. Our technical personnel's expertise in die solution services and process engineering as well as their in-depth industry knowledge, allow us to adapt to changing requirements quickly by developing or adjusting our manufacturing processes and techniques accordingly whilst maintaining the quality of our products, which is one of the key factors driving our business growth over the years.

12. FINANCIAL INFORMATION (Cont'd)

We compete with other industry players within the automotive parts and components manufacturing industry to recruit and retain qualified, competent and experienced technical personnel. The loss of a substantial amount of our Group's technical personnel (simultaneously or within a short span of time) without suitable and timely replacements, or our inability to attract or retain qualified, competent and experienced technical personnel, may adversely affect our ability to compete and grow in the automotive parts and components manufacturing industry.

Although we have not previously faced any shortage of technical personnel that led to major disruptions to our operations, there can be no assurance that we will be able to recruit, develop and retain adequate number of technical personnel to support the future growth and expansion of our Group.

(c) We are exposed to the risk of shortages and/or delays in the supply of raw materials

The primary raw materials used in our manufacturing activities are steel coils and steel cut sheets with purchase contributions of 93.89%, 96.36% and 96.04% to our Group's total purchases respectively, in the Financial Years Under Review. We rely on local steel suppliers who are the approved steel suppliers of our customers, as well as some of our major customers who are also our steel suppliers, for the supply of steel coils and steel cut sheets. Any prolonged shortages and/or delays in the supply of raw materials may affect our business operations and there is no assurance that we will be able to obtain raw materials at similar specifications from other steel suppliers that are approved by our customers in a timely manner.

In the event that our manufacturing operations are disrupted due to shortages and/or delays in the supply of raw materials, it may adversely affect our business operations as well as cause delays in supplying parts and components to our customers.

(d) Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire, natural disasters and outbreak of infectious diseases, which may be beyond our control

We rely on a range of machinery and equipment to perform manufacturing activities of automotive parts and components as well as dies and jigs. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. Our business is also subject to loss due to events that are beyond our control such as fire, which may cause damage or destruction of the whole or part of our factory as well as machinery and equipment, resulting in interruptions to, or prolonged suspension of, our operations.

Further, our business operations may also be affected by the occurrence of unexpected power failure and adverse weather conditions or natural disasters such as floods or storms, which may lead to interruptions to the operations at our factory and/or damages to our machinery and equipment. The occurrence of these unexpected events may affect our ability to meet the agreed upon delivery schedule with our customers. This could adversely affect our relationship with our customers and our reputation in the market as well as our business and financial performance.

12. FINANCIAL INFORMATION (Cont'd)

The outbreak of the COVID-19 pandemic had resulted in imposition of different forms of movement restrictions by the Government in 2020 and 2021, as a containment measure to curb the spread of the virus, which had led to disruptions and/or temporary suspension of our Group's business activities. Please refer to Section 7.6.1 of this Prospectus for further information on the impact of COVID-19 pandemic on our operations and financial performance. Should there be a future outbreak of infectious disease similar to the COVID-19 pandemic, there is no assurance that our business operations and financial performance will not be adversely and materially affected.

For the Financial Years Under Review and up to the LPD, saved for COVID-19 pandemic, we have not experienced any incident of unanticipated machinery and equipment failures, fires and natural disasters, which would have led to major interruptions in our operations. However, there can be no assurance that such incidences will not happen in the future. In the event that any of these incidences occurs, it may result in interruptions to our operations and thus adversely affect our business operations and financial performance.

In the event that we have to halt our operations due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time.

(e) Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. We will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance.

(f) We are exposed to credit risks and default payment by customers

We generally grant our customers a credit period of 30 days to 90 days upon the delivery of goods. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Additional information on credit risks and default payment is set out in Sections 9.1.9 and 12.3.2(vi).

(g) We are dependent on the performance of automotive market in Malaysia, specifically the demand for Proton and Perodua vehicles, for our continued success and growth

The performance of our business is dependent on the performance of automotive market in Malaysia, specifically the demand for Proton and Perodua vehicles as the parts and components we manufacture and supply are for the assembly of Proton and Perodua vehicles.

The performance of automotive market in Malaysia is driven by the recovering economy increasing disposable of Malaysian consumers, Malaysia's car-centric culture and government incentives for the automotive industry. Any prolonged adverse economic conditions may affect businesses and employment rate which will lead to weakened disposable income to spend on large expenses like purchase of vehicles and any slowdown in the demand for Proton and Perodua vehicles, may adversely affect the demand for our parts and components, which will in turn adversely affect our financial performance.

12. FINANCIAL INFORMATION (Cont'd)**12.3.2 Review of results of operations****(i) Revenue**

Our revenue by products and sales volume for the Financial Years Under Review are as follows:

(a) Revenue by products

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Automotive parts and components ⁽¹⁾ :						
• Body parts	36,949	62.66	74,218	63.85	63,661	55.80
• Seat structures	18,367	31.15	37,465	32.23	45,104	39.54
• Other parts ⁽²⁾	3,649	6.19	4,563	3.92	3,785	3.32
Dies solution services ⁽³⁾	-	-	-	-	1,532	1.34
Total⁽⁴⁾	58,965	100.00	116,246	100.00	114,082	100.00

Notes:

- (1) The revenue contribution from the sale of automotive parts and components includes the proceeds from the sale of steel scrap. The sale of steel scrap is a residual income from the waste generated during the manufacturing of our automotive parts and components which are our core products. The total sale of steel scrap in the Financial Years Under Review was RM3.62 million, RM7.48 million, and RM7.70 respectively, accounting for 6.13%, 6.43%, and 6.75% of our total revenue, respectively.
- (2) Other parts mainly comprise engine parts and absorber parts. It also includes other parts such as leaf springs for trucks, however, contributions from the sale of these other parts were minimal for the Financial Years Under Review.
- (3) There was no revenue generated by dies solution services in FYE 2021 and FYE 2022. This was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2021 and FYE 2022, resulting in the revenue not being recognised in the respective years. In FYE 2023, the aforementioned dies and jigs were completed and as such the revenue for the manufacturing of these dies and jigs was recognised, contributing to a 1.34% of our Group's total revenue for FYE 2023.
- (4) Our Group's revenue for the Financial Years Under Review is derived solely from Malaysia.

(b) Sales volume by products

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	Units	%	Units	%	Units	%
Automotive parts and components:						
• Body parts	3,757,843	34.22	6,828,441	40.58	5,993,585	34.51
• Seat structures	5,475,719	49.87	8,242,981	48.98	10,146,074	58.41
• Other parts	1,747,537	15.91	1,756,528	10.44	1,229,653	7.08
Total	10,981,099	100.00	16,827,950	100.00	17,369,312	100.00

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2021 and FYE 2022**

Our revenue increased by RM57.28 million or 97.13% to RM116.25 million for FYE 2022 (FYE 2021: RM58.97 million) due to the resumption of automotive activities resulting from the relaxation of movement controls during FYE 2022.

Revenue from the body parts and seat structures remain our primary revenue contributor, which collectively contributing RM111.68 million or 96.08% to our total revenue for FYE 2022 (FYE 2021: RM55.32 million or 93.81%).

In terms of our revenue by sales volume, total sales volume increased by 5,846,851 units or 53.24% to 16,827,950 units for FYE 2022 (FYE 2021: 10,981,099 units), for which body parts and seat structures collectively contributed 89.56% of our total sales volume for FYE 2022 (FYE 2021: 84.09%). Sales volume for:

- (i) Body parts increased by 3,070,598 units or 81.71% to 6,828,441 units for FYE 2022 (FYE 2021: 3,757,843 units); and
- (ii) Seat structures increased by 2,767,262 units or 50.54% to 8,242,981 units for FYE 2022 (FYE 2021: 5,475,719 units).

Body parts

Our revenue from the body parts increased by RM37.27 million or 100.87% to RM74.22 million for FYE 2022 (FYE 2021: RM36.95 million). Such an increase was in tandem with the increase in sales volume for our body parts.

The increase in revenue from the body parts was mainly contributed by the following customers:

- (i) Higher sales from Autokeen Sdn Bhd, which contributed to increased revenue of RM14.06 million and sales volume of 996,047 units;
- (ii) Higher sales from PHN Companies, which contributed to increased revenue of RM10.36 million and sales volume of 841,018 units; and
- (iii) Higher sales from Ingress Technologies Sdn Bhd, which contributed to increased revenue of RM8.13 million and sales volume of 222,371 units.

Seat structures

Our revenue from the seat structures increased by approximately RM19.10 million or 103.97% to RM37.47 million for FYE 2022 (FYE 2021: RM18.37 million). Such an increase was in tandem with the increase in sales volume for our seat structure.

The increase in revenue from the seat structures was mainly contributed by higher sales from Customer Group A, which contributed to the increase in revenue of RM17.24 million and sales volume of 2,821,992 units.

Other parts

Our revenue for other parts increased by RM0.91 million or 24.93% to RM4.56 million for FYE 2022 (FYE 2021: RM3.65 million). The increase was mainly due to the increase in absorber parts for both Perodua and Proton's vehicle models by RM1.00 million.

12. FINANCIAL INFORMATION (Cont'd)***Dies solution services***

There was no revenue generated by dies solutions services for FYE 2022, this was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2022, resulting in the revenue not being recognised.

Comparison between FYE 2022 and FYE 2023

Our revenue decreased by RM2.17 million or 1.87% to RM114.08 million for FYE 2023 (FYE 2022: RM116.25 million), mainly due to lower revenue generated from our body parts.

Revenue from the body part and seat structures remain our primary revenue contributor, which collectively contributing RM108.77 million or 95.34% of our total revenue for FYE 2023 (FYE 2022: RM111.68 million or 96.08%).

In terms of our revenue by sales volume, total sales volume increased by 541,362 units or 3.22% to 17,369,312 units for FYE 2023 (FYE 2022: 16,827,950 units), of which the body parts and seat structures collectively contributed 92.92% of our total sales volume for FYE 2023 (FYE 2022: 89.56%).

Body parts

Our revenue from the body parts decreased by RM10.56 million or 14.23% to RM63.66 million for FYE 2023 (FYE 2022: RM74.22 million). Such a decrease was in tandem with the decrease in sales volume for our body parts by 834,856 units or 12.23% to 5,993,585 units for FYE 2023 (FYE 2022: 6,828,441 units).

The decrease in revenue from the body parts was mainly contributed by the following customers:

- (i) Lower sales from Ingress Technologies Sdn Bhd, which contributed to decreased revenue of RM11.10 million and sales volume of 658,434 units;
- (ii) Lower sales from Autokeen Sdn Bhd, which contributed to decreased revenue of RM5.34 million and sales volume of 344,261 units; and
- (iii) Lower sales from Perodua Manufacturing Sdn Bhd, which contributed to decreased revenue of RM2.37 million and sales volume of 218,056 units.

The above decreases were partially offset by the increase in higher sales from PHN Industry Sdn Bhd, which contributed to an increase in revenue of RM8.71 million and sales volume of 885,661 units.

Seat structures

Our revenue from the seat structures increased by RM7.63 million or 20.36% to RM45.10 million for FYE 2023 (FYE 2022: RM37.47 million). Such an increase was in tandem with the increase in sales volume for our seat structures by 1,903,093 units or 23.09% to 10,146,074 units for FYE 2023 (FYE 2022: 8,242,981 units).

The increase in revenue from the seat structures was mainly contributed by higher sales from Customer Group A, which contributed to an increase in revenue of RM6.80 million and sales volume of 1,881,265 units.

12. FINANCIAL INFORMATION (Cont'd)**Other parts**

Our revenue for other parts decreased by RM0.77 million or 16.89% to RM3.79 million for FYE 2023 (FYE 2022: RM4.56 million). The decrease was mainly due to the decrease in absorber part for both Proton and Perodua's vehicle models by RM0.85 million. The decrease was partially offset by the increase in engine parts for Proton's vehicle models by RM0.07 million.

Dies solution services

We recorded a total revenue of RM1.53 million for dies solution services for FYE 2023 as our Group reached a completion stage in manufacturing dies and jigs for seat structures of Perodua's vehicle model during FYE 2023.

(ii) Cost of sales, GP and GP margin**(a) Cost of sales by cost components**

The components of our cost of sales for the Financial Years Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Material costs ^(a)	42,455	78.30	84,186	84.94	82,951	83.00
Raw materials	41,879	77.24	83,370	84.12	82,008	82.06
Accessories	576	1.06	816	0.82	943	0.94
Subcontractor services ^(b)	2,273	4.19	2,289	2.31	2,437	2.44
Direct labour related expenses ^(c)	4,494	8.29	6,156	6.21	7,121	7.12
Other direct costs ^(d)	2,397	4.42	3,356	3.39	4,545	4.55
Depreciation of property, plant and equipment ^(e)	1,856	3.42	1,721	1.74	1,565	1.57
Transportation related costs ^(f)	748	1.38	1,402	1.41	1,320	1.32
Total	54,223	100.00	99,110	100.00	99,939	100.00

(i) Material costs

Material costs comprised raw materials and accessories for manufacturing our parts and components, which were the largest component of our cost of sales, representing 78.30% to 84.94% of our total cost of sales for the Financial Years Under Review.

Raw material costs primarily consist of steel coils and steel cut sheets. These steel materials are generally readily available and are purchased from steel suppliers approved by our customers or from our customers.

Accessories comprise nuts, weld nuts, pins and revert and wires, amongst others. Our Group purchases accessories from third party suppliers, in which we will obtain quotations from our subcontractors/suppliers and subsequently appoint subcontractors/purchase from suppliers approved by our customers.

12. FINANCIAL INFORMATION (Cont'd)**(II) Subcontractor services**

Subcontractor services comprised costs of outsourced finishing services, laser cutting services, manufacturing services and stamping works to third party subcontractors, when required, based on the requirements of our customers.

(III) Direct labour related expenses

Direct labour related expenses comprised mainly salaries, bonuses, employees' provident fund contributions, staff welfare and related expenses.

(IV) Other direct costs

Other direct costs comprised mainly consumable tools, tooling maintenance costs, gas and wire, packaging costs and factory overheads such as factory utility expenses, upkeep of machinery, forklifts and factory costs.

(V) Depreciation of property, plant and equipment

Includes depreciation costs for our machinery and equipment used for manufacturing our parts and components.

(VI) Transportation costs

Transportation costs comprised petrol and toll charges, import and freight inwards, transportation and handling charges for purchase of spare parts for machinery.

(b) Cost of sales by products

The cost of sales by products of our Group for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Automotive parts and components:						
• Body parts	33,816	62.37	61,466	62.02	54,488	54.52
• Seat structures	17,033	31.41	34,167	34.47	41,775	41.80
• Other parts	3,374	6.22	3,477	3.51	2,852	2.85
Dies solution services ⁽¹⁾	-	-	-	-	824	0.83
Total	54,223	100.00	99,110	100.00	99,939	100.00

Note:

- (1) There was no cost incurred for dies solution services in the FYE 2021 and FYE 2022. This was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2021 and FYE 2022, resulting in the costs not being recognised in the combined statement of profit or loss and other comprehensive income for the respective years. In FYE 2023, the aforementioned dies and jigs were completed and as such the costs for the manufacturing of these dies and jigs was recognised contributing to a 0.83% of our Group's total cost of sales for FYE 2023.

12. FINANCIAL INFORMATION (Cont'd)**(c) GP and GP margin by products**

The GP and GP margin by products of our Group for the Financial Years Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	GP	GP	GP	GP	GP	GP
	RM'000	Margin	RM'000	margin	RM'000	margin
		%		%		%
Automotive parts and components:						
• Body parts	3,133	8.48	12,752	17.18	9,173	14.41
• Seat structures	1,334	7.26	3,298	8.80	3,329	7.38
• Other parts	275	7.54	1,086	23.80	933	24.65
Dies solution services	-	-	-	-	708	46.21
Total GP/Overall GP margin	4,742	8.04	17,136	14.74	14,143	12.40

Comparison between FYE 2021 and FYE 2022

Our cost of sales comprised mainly material costs, representing 84.94% of our total cost of sales for FYE 2022 (FYE 2021: 78.30%). Our cost of sales increased by RM44.89 million or 82.79% to RM99.11 million for FYE 2022 (FYE 2021: RM54.22 million). The increase in our cost of sales was in tandem with the increase in our revenue.

In terms of our cost of sales by cost components, our cost components have increased in FYE 2022 compared to FYE 2021 mainly due to the following:

- (i) Material costs increased by RM41.73 million or 98.28% to RM84.19 million for FYE 2022 (FYE 2021: RM42.46 million), mainly due to the increase in material costs, which increased in tandem with the increase in our sales volumes;
- (ii) Direct labour related expenses increased by RM1.67 million or 37.19% to RM6.16 million for FYE 2022 (FYE 2021: RM4.49 million), mainly due to the following:
 - (a) Increase in average foreign worker headcount to 66 staff for FYE 2022 (FYE 2021: 56 staff);
 - (b) Our Group has revised the minimum wage to RM1,500 due to the minimum wages order which took effect from May 2022 onwards as well as annual salary increments; and
 - (c) Our Group payout lesser salaries during June to August 2021 as several closure of operations due to different forms of lockdown imposed by the Government due to resurgence of COVID-19 cases in FYE 2021 and we were not deemed as essential services during these lockdowns.

12. FINANCIAL INFORMATION (Cont'd)

- (iii) Other direct costs increased by RM0.96 million or 40.00% to RM3.36 million for FYE 2022 (FYE 2021: RM2.40 million), mainly due to an increase in the upkeep of machinery costs and utility expenses as our Group's production volumes increased to cater the increase sale orders in FYE 2022. The lower other direct costs incurred for FYE 2021 mainly resulted from the several closures of our business operations due to different forms of lockdown imposed by the Government due to resurgence of COVID-19 cases in FYE 2021.

Our cost of sales increased at a rate lower than our revenue growth rate of 97.13%. Hence, our GP increased by RM12.40 million or 261.60% to RM17.14 million for FYE 2022 (FYE 2021: RM4.74 million), and we recorded an improved GP margin from 8.04% for FYE 2021 to 14.74% for FYE 2022. This was primarily attributable to the increase in direct labour related expenses as well as depreciation of property, plant and equipment, which increased not in proportionate with the revenue growth.

Body parts

Our body parts have remained the primary contributor to our cost of sales and GP, which contributed 62.02% and 74.42% of our total cost of sales and GP for FYE 2022, respectively (FYE 2021: 62.37% and 66.07% of our total cost of sales and GP, respectively).

This segment recorded an increase in the cost of sales by RM27.65 million or 81.76% to RM61.47 million for FYE 2022 (FYE 2021: RM33.82 million), and our GP for body parts increased by RM9.62 million or 307.35% to RM12.75 million for FYE 2022 (FYE 2021: RM3.13 million), which increased in tandem with the increase in our sales volumes and revenue for FYE 2022.

We recorded an improved GP margin from 8.48% for FYE 2021 to 17.18% for FYE 2022, mainly due to the following:

- (i) due to higher sales recorded for our body parts; and
- (ii) our Group provided body parts manufacturing services to a customer whose business operations were affected by the flood incident in December 2021 ("**Affected Customer**"). Subsequent to the flood incident, the Affected Customer approached our Group to seek assistance in manufacturing its products to ensure no interruption to the automotive supply chain ("**Production Support**"). The said Production Support generally yield a better GP margin as the raw materials and dies were provided by the Affected Customer.

Seat structures

The cost of sales for our seat structures increased by RM17.14 million or 100.65% to RM34.17 million for FYE 2022 (FYE 2021: RM17.03 million), and our GP for seat structures increased by RM1.97 million or 148.12% to RM3.30 million for FYE 2022 (FYE 2021: RM1.33 million), which increased in tandem with the increase in our sales volumes and revenue for FYE 2022.

We recorded an improved GP margin from 7.26% for FYE 2021 to 8.80% for FYE 2022, mainly due to our direct labour related expenses and depreciation of property, plant and equipment were not increased in tandem with our revenue growth as they are fixed-in-nature.

12. FINANCIAL INFORMATION (Cont'd)***Other parts***

The cost of sales for our other parts increased by RM0.11 million or 3.26% to RM3.48 million for FYE 2022 (FYE 2021: RM3.37 million), and our GP increased by RM0.81 million or 289.29% to RM1.09 million for FYE 2022 (FYE 2021: RM0.28 million), which increased in tandem with the increase in our sales volumes and revenue for FYE 2022.

We recorded a higher GP margin for FYE 2022, which improved to 23.80% for FYE 2022 (FYE 2021: 7.54%) primarily due to our direct labour and related expenses and depreciation of property, plant and equipment were not increased in tandem with our revenue growth as they are fixed-in-nature.

Dies solution services

There was no cost of sales recorded for FYE 2022. This was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2022, resulting in the costs not being recognised in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our cost of sales comprised mainly material costs, representing 83.00% of our total cost of sales for FYE 2023 (FYE 2022: 84.94%). Our cost of sales increased by RM0.83 million or 0.84% to RM99.94 million for FYE 2023 (FYE 2022: RM99.11 million). The increase in the cost of sales was not in tandem with the decrease in our revenue mainly due to the following:

- (i) The increase in other direct costs by RM1.19 million or 35.42% to RM4.55 million for FYE 2023 (FYE 2022: RM3.36 million), primarily due to higher utility expenses recorded as a result of no government subsidy (i.e: imbalance cost pass-through mechanism which was implemented by Tenaga Nasional Bhd from December 2022 onwards); and
- (ii) The increase in direct labour related expenses by RM0.97 million, primarily attributable to the increase in average foreign worker headcount to 114 staff for FYE 2023 (FYE 2022: 66 staff).

The abovementioned increases were partially offset by the decrease in material costs by RM1.24 million or 1.47% to RM82.95 million for FYE 2023 (FYE 2022: RM84.19 million), mainly contributed by the decrease in the sales volume for body parts.

Our GP decreased by RM3.00 million or 17.50% to RM14.14 million for FYE 2023 (FYE 2022: RM17.14 million), primarily due to decrease in revenue coupled with the higher cost of sales resulting from the increase in direct labour related expenses and other direct costs which were increased not in proportionate with the revenue fluctuation as they are fixed-in-nature. Hence, the GP margin decreased from 14.74% for FYE 2022 to 12.40% for FYE 2023.

Body parts

Our body parts remain the primary contributor to our cost of sales and GP, which contributed 54.52% and 64.86% to our total cost of sales and GP, respectively, for FYE 2023 (FYE 2022: 62.02% and 74.42% of our total cost of sales and GP, respectively).

This segment recorded a decrease in the cost of sales by RM6.98 million or 11.36% to RM54.49 million for FYE 2023 (FYE 2022: RM61.47 million), which in tandem with the decrease in revenue.

12. FINANCIAL INFORMATION (Cont'd)

Hence, our GP for body parts decreased by RM3.58 million or 28.08% to RM9.17 million for FYE 2023 (FYE 2022: RM12.75 million), as well as decrease in GP margin from 17.18% for FYE 2022 to 14.41% for FYE 2023. This was mainly due to decrease in revenue coupled with the higher cost of sales resulting from the increase in direct labour related expenses and other direct costs as explained above.

Seat structures

The cost of sales for our seat structures increased by RM7.61 million or 22.27% to RM41.78 million for FYE 2023 (FYE 2022: RM34.17 million), which was in tandem with the revenue growth.

However, our Group recorded marginal increase in GP for seat structures increased by RM0.03 million or 0.91% to RM3.33 million for FYE 2023 (FYE 2022: RM3.30 million) and we recorded a decrease in GP margin from 8.80% for FYE 2022 to 7.38% for FYE 2023, mainly due higher cost of sales resulting from the increase in direct labour related expenses and other direct costs as explained above.

Other parts

The cost of sales for our other parts decreased by RM0.63 million or 18.10% to RM2.85 million for FYE 2023 (FYE 2022: RM3.48 million), which was in tandem with the decrease in revenue.

Hence, our GP decreased by RM0.16 million or 14.68% to RM0.93 million for FYE 2023 (FYE 2022: RM1.09 million). However, we recorded a slight increase in GP margin from 23.80% for FYE 2022 to 24.65% for FYE 2023, primarily due to decrease in revenue and sales volume for other parts was not in proportionate with the decrease in direct labour related expenses and other direct costs.

Dies solution services

The cost of sales for our dies solution services was RM0.82 million for FYE 2023 (FYE 2022: RM Nil), which was contributed by the revenue recognition from the dies solution services for FYE 2023, resulting in the manufacturing of the new dies and jigs for seat structures of Perodua's vehicle model. This segment recorded a GP of RM0.71 million and a GP margin of 46.21% for FYE 2023.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**(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	%
Interest income	68	26.77	89	38.87	185	33.28
Government wage subsidies ⁽¹⁾	126	49.61	-	-	-	-
Transportation and rental of forklift charges	-	-	129	56.33	-	-
Gain on disposal of property, plant and equipment	59	23.23	5	2.18	271	48.74
Income from sales of equipment replacement parts	-	-	-	-	55	9.89
Others ⁽²⁾	1	0.39	6	2.62	45	8.09
Total	254	100.00	229	100.00	556	100.00

Notes:

- (1) Government wage subsidies are a temporary financial assistance programme by the Government introduced to assist small and medium enterprise due to the COVID-19 pandemic.
- (2) Others comprise mainly income from disposal of plastic, payment in lieu of resignation notice from an employee, refund from human resource development corporation, bad debt recovered and reimbursement of training allowance received from Proton.

Comparison between FYE 2021 and FYE 2022

Our Group's other income decreased by RM0.02 million or 8.00% to RM0.23 million for FYE 2022 (FYE 2021: RM0.25 million). The decrease was mainly attributable to the following:

- (i) Decrease in government wage subsidies of RM0.13 million; and
- (ii) Decrease in net gain on disposal of property, plant and equipment of RM0.05 million.

However, the decrease in other income above was partially offset by the increase in transportation and rental of forklift charges received from the customers of RM0.13 million, which our Group supported the customers in storing, manufacturing and delivering of finished goods to their customers due to the flood at the customers' premises.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2022 and FYE 2023**

Our Group's other income increased by RM0.33 million or 143.48% to RM0.56 million for FYE 2023 (FYE 2022: RM0.23 million). The increase was mainly attributable to the following:

- (i) Increase in net gain on disposal of property, plant and equipment of RM0.27 million mainly contributed by the disposal of motor vehicles and plant and machineries;
- (ii) Increase in interest income of RM0.10 million mainly due to fixed deposits interest income received in FYE 2023; and
- (iii) Income from sales of equipment replacement parts of RM0.06 million.

However, the abovementioned increases were partially narrowed by no transportation and rental of forklift charges received from the Affected Customer of RM0.13 million as it was only generated in FYE 2022.

(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	%
Staff costs ⁽¹⁾	2,544	57.96	2,608	54.71	2,551	50.08
Directors' remuneration	770	17.55	814	17.08	951	18.67
Finance costs ⁽²⁾	598	13.63	584	12.25	356	6.99
Legal and professional fees ⁽³⁾	87	1.98	421	8.83	569	11.17
Upkeep of office equipment, fittings and motor vehicles	80	1.82	76	1.60	114	2.24
Stamp duties and penalty	-	-	1	0.02	141	2.77
Office and operations related expenses ⁽⁴⁾	130	2.96	177	3.71	232	4.55
Others ⁽⁵⁾	180	4.10	86	1.80	180	3.53
Total	4,389	100.00	4,767	100.00	5,094	100.00

Notes:

- (1) Staff costs comprised salaries, bonuses, employees' provident fund contributions, allowances, staff welfare and related expenses.
- (2) Finance costs comprised mainly term loan interests, bankers' acceptance interests and bank overdraft interests.
- (3) Legal and professional fees comprised mainly audit fees, payroll outsourcing fee, consultancy fees and financial advisor fee.
- (4) Office and operations related expenses comprised mainly stationery and printing expenses, leasing of office equipment, bank charges as well as software and maintenance expenses.
- (5) Others comprised mainly travelling and accommodation expenses, quit rent and assessment.

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2021 and FYE 2022**

Our administrative expenses increased by RM0.38 million or 8.66% to RM4.77 million for FYE 2022 (FYE 2021: RM4.39 million). The increase mainly due to consultancy fees of RM0.25 million incurred for business planning and financial advisor fees to assist our Group in seeking business financing facilities.

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM0.32 million or 6.71% to RM5.09 million for FYE 2023 (FYE 2022: RM4.77 million). The increase was mainly attributable to the following:

- (i) Legal and professional fees of RM0.15 million mainly due to higher audit fees as well as legal fees incurred for the sales of a freehold agricultural land;
- (ii) Stamp duties and penalty of RM0.14 million primarily attributable to stamp duties for banking facilities and tax penalty due to underestimation of income tax for the year assessment 2022; and
- (iii) Directors' remuneration of RM0.14 million, primarily due to annual salary increments as rewards for our Group's business growth.

The abovementioned increases were partially offset by the decrease in finance costs of RM0.23 million mainly due to the higher interest incurred for FYE 2022 as a result of deferment of principal repayment for bankers' acceptances in FYE 2022. The said deferment was granted by the financial institutions as an initiative to provide support for post COVID-19 economic recovery.

(v) Other expenses

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

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Depreciation of property, plant and equipment	283	97.26	324	36.28	314	21.63
Impairment loss on non-current asset held for sale	-	-	-	-	1,031	71.01
Bad debts written off	-	-	434	48.60	7	0.48
Equipment written off	4	1.37	104	11.65	78	5.37
Realised loss in foreign exchange	4	1.37	31	3.47	22	1.51
Total	291	100.00	893	100.00	1,452	100.00

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2021 and FYE 2022**

Our other expenses increased by RM0.60 million or 206.90% to RM0.89 million for FYE 2022 (FYE 2021: RM0.29 million). The increase was mainly attributable to the following:

- (i) A one-off bad debts written off of RM0.43 million mainly due to the disagreement on the steel material price difference adjustments with our customers. Subsequently, our Group has formalisation the back charge arrangement; and
- (ii) Increase in equipment written off of RM0.10 million was related to polyboxes due to wear-and-tear.

Comparison between FYE 2022 and FYE 2023

Our other expenses increased by RM0.56 million or 62.92% to RM1.45 million for FYE 2023 (FYE 2022: RM0.89 million), mainly due to impairment loss on non-current asset held for sale for Lot 2625 to its disposal consideration as disclosed in Note (1) of Section 12.1.2 of this Prospectus. This was partially offset by the decrease in bad debt written off as there were higher bad debts written off amounting to RM0.43 million recorded in FYE 2022.

(vi) Net impairment losses/(gain) on financial assets

The breakdown of our net impairment losses/(gain) on financial assets for the Financial Years Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Net impairment losses/(gain) on financial assets	-	-	369	100.00	(260)	(100.00)

Comparison between FYE 2021 and FYE 2022

In FYE 2022, our Group recorded net impairment losses on financial assets of RM0.37 million, primarily attributable to the impairment of the amount due from a customer as a result of the uncertainties on the outcome of the negotiation for the back charge of steel material price differences adjustments prior to the formalisation of the back charge arrangement. Our Group has recovered partial of the impaired amount subsequent to FYE 2022.

Comparison between FYE 2022 and FYE 2023

In FYE 2023, our Group recorded a reversal of impairment losses on financial assets of RM0.26 million, mainly due to the reversal of trade receivables in relation to partial collection received from a customer, which impairment losses on trade receivables provided for in the prior financial year.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**(vii) Taxation**

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Taxation (RM'000)	163	2,538	2,880
Effective tax rate (%)	51.58	22.39	34.23
Malaysia Statutory tax rate (%)	24.00	24.00	24.00

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM2.38 million or 1,487.50% to RM2.54 million for FYE 2022 (FYE 2021: RM0.16 million) due to higher PBT recorded for FYE 2022.

Our effective tax rate for FYE 2022 of 22.39% was lower than the statutory tax rate mainly due to the following:

- (i) Utilisation of unrecognised deferred tax assets of RM0.21 million, i.e., unutilised tax losses and unabsorbed capital allowances previously not recognised in the financial statements as a result of the uncertainty as to whether sufficient taxable profits will be available to utilise these unrecognised deferred tax assets; and
- (ii) Certain expenses of RM0.14 million are not deductible for tax reporting purposes, mainly contributed by i.e: legal and professional fees and equipment written off.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM0.34 million or 13.39% to RM2.88 million for FYE 2023 (FYE 2022: RM2.54 million) mainly due to our Group recorded under provision of income tax expenses in the prior financial year of RM0.63 million.

Our effective tax rate for FYE 2023 of 34.23% was higher than the statutory tax rate mainly due to the following:

- (i) Under provision of income tax expenses in the previous financial year of RM0.63 million; and
- (ii) Certain expenses of RM0.64 million are not deductible for tax reporting purposes, mainly contributed by i.e: impairment loss on non-current asset held for sale and interest restrictions on interest expenses incurred not in the production of business income as the excess funds from borrowings for working capital purposes were being placed as fixed deposits with licensed banks.

(viii) PBT, PBT margin, PAT and PAT margin

	Audited		
	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	316	11,336	8,413
PBT margin (%)	0.54	9.75	7.37
PAT (RM'000)	153	8,798	5,533
PAT margin (%)	0.26	7.57	4.85

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FYE 2021 and FYE 2022**

Our PBT and PBT margin increased to RM11.34 million for FYE 2022 (FYE 2021: RM0.32 million) and 9.75% for FYE 2022 (FYE 2021: 0.54%), respectively. The increase in PBT and PBT margin was mainly due to higher GP and GP margin, which are detailed in Section 12.3.2 (ii) of this Prospectus.

Correspondingly, our PAT and PAT margin increased to RM8.80 million for FYE 2022 (FYE 2021: RM0.15 million) and 7.57% for FYE 2022 (FYE 2021: 0.26%), respectively.

Comparison between FYE 2022 and FYE 2023

Our PBT and PBT margin decreased to RM8.41 million for FYE 2023 (FYE 2022: RM11.34 million) and 7.37% for FYE 2023 (FYE 2022: 9.75%), respectively. The decrease in PBT and PBT margin was mainly due to lower GP and GP margin, which are detailed in Section 12.3.2 (ii) of this Prospectus as well as higher administrative expenses and other expenses as detailed in Sections 12.3.2 (iv) and 12.3.2 (v) of this Prospectus.

Correspondingly, our PAT and PAT margin decreased to RM5.53 million for FYE 2023 (FYE 2022: RM8.80 million) and 4.85% for FYE 2023 (FYE 2022: 7.57%), respectively.

12.4 LIQUIDITY AND CAPITAL RESOURCES

Our operations are funded by a combination of internal and external sources of funds. Our internal sources of funds comprise share capital and cash generated from our operating activities, while our external sources of funds are mainly credit extended by our suppliers and/or facilities from financial institutions. Our facilities from financial institutions comprise term loans, bankers' acceptance, bank overdrafts and hire purchases.

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

Our Board confirms that we will have sufficient working capital to meet our present and foreseeable requirements for a period of 12 months from the date of this Prospectus, taking into consideration the following:

- (i) Our cash and cash equivalents of RM14.01 million as at the LPD;
- (ii) Our expected future cash flows from operations;
- (iii) Our total banking facilities as at the LPD of RM23.00 million, of which RM5.03 million has been utilised; and
- (iv) Our pro forma gearing level of approximately [●] times, computed based on our pro forma statements of financial position of our Group as at 31 December 2023 after the Acquisition and the Public Issue (and utilisation of proceeds).

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

12. FINANCIAL INFORMATION (Cont'd)**12.5 REVIEW OF CASH FLOWS**

The following table sets out the summary of the combined statements of cash flows for the Financial Years Under Review, which have been extracted from the Accountants' Report set out in Section 13 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	1,360	13,262	9,869
Net cash for investing activities	(297)	(912)	(5,437)
Net cash for financing activities	(2,155)	(5,536)	(2,440)
Net (decrease)/increase in cash and cash equivalents	(1,092)	6,814	1,992
Cash and cash equivalents at the beginning of the financial year	4,366	3,274	10,088
Cash and cash equivalents at the end of the financial year	3,274	10,088	12,080

(i) FYE 2021**(a) Net cash from operating activities**

For FYE 2021, our Group recorded operating cash flows before working capital changes of RM2.93 million. After adjusting for the following key items, our Group's net cash inflows from operating activities was RM1.36 million, contributed mainly by the following:

- (i) Increase in inventories of RM1.88 million mainly due to our Group recorded higher finished goods as a result of the flood incident on our major customer's premises toward the end of FYE 2021 has caused a delay in delivering the finished goods;
- (ii) Decrease in trade and other receivables of RM1.22 million was mainly contributed by lower trade receivables, which decreased in tandem with the decrease in our revenue for FYE 2021;
- (iii) Decrease in trade and other payables of RM0.66 million was contributed mainly by lower accrual for the purchase of materials resulting from a general slowdown in the automotive industry as a result of the outbreak of the COVID-19 pandemic;
- (iv) Interests paid of RM0.59 million;
- (v) Income tax paid of RM0.29 million; and
- (vi) Income tax refund of RM0.55 million for the year assessment 2019.

(b) Net cash for investing activities

For FYE 2021, our Group recorded net cash outflows for investing activities of RM0.30 million mainly due to the purchase of property, plant and equipment of RM0.35 million for the following:

- (i) Plant and machinery of RM0.11 million for the manufacturing of automotive parts and components;

12. FINANCIAL INFORMATION (Cont'd)

- (ii) Office equipment and furniture of RM0.20 million, mainly purchase of software and license of RM0.14 million for our operations; and
- (iii) Motor vehicles of RM0.04 million for our operations.

(c) Net cash for financing activities

For FYE 2021, our Group recorded net cash outflows for financing activities of RM2.16 million mainly contributed by the following:

- (i) Repayment of bankers' acceptance of RM9.68 million and term loans of RM1.17 million; and
- (ii) Drawdown of bankers' acceptance of RM8.80 million for payments to suppliers.

(ii) FYE 2022**(a) Net cash from operating activities**

For FYE 2022, our Group recorded operating cash flows before working capital changes of RM14.78 million. After adjusting for the following key items, our Group's net cash inflows from operating activities was RM13.26 million, contributed mainly by the following:

- (i) Decrease in inventories of RM1.08 million was mainly attributable to the resumption of our Group's operations at our manufacturing facilities after the relaxation of movement control. Hence, we recorded lower finished goods as at 31 December 2022. Higher finished goods at the end of the previous financial year was mainly due to the flood incident on our major customer's premises toward the end of FYE 2021, which caused a delay in delivering the finished goods;
- (ii) Increase in trade and other receivables of RM7.03 million mainly due to the increase in trade receivables, which increased in tandem with our Group's revenue growth in FYE 2022 as well as higher sales towards the end of FYE 2022;
- (iii) Increase in trade and other payables of RM6.07 million was mainly due to the increase in purchases, which increased in tandem with our revenue growth for FYE 2022 as well as higher purchases towards the end of FYE 2022;
- (iv) Interests paid of RM0.57 million; and
- (v) Income tax paid of RM1.15 million.

(b) Net cash for investing activities

For FYE 2022, our Group recorded net cash outflows for investing activities of RM0.91 million, mainly due to purchase of property, plant and equipment of RM0.92 million for the following:

- (i) Plant and machinery of RM0.17 million for manufacturing of automotive parts and components;
- (ii) Renovation of RM0.60 million for our office; and

12. FINANCIAL INFORMATION (Cont'd)

- (iii) Office equipment and furniture of RM0.15 million, mainly purchase of office equipment of RM0.08 million as well as software and license of RM0.06 million for our operations.

(c) Net cash for financing activities

For FYE 2022, our Group recorded net cash outflows for financing activities of RM5.54 million, mainly contributed by the following:

- (i) Dividend payment of RM4.00 million;
- (ii) Repayment of term loans of RM1.35 million and bankers' acceptance of RM15.50 million; and
- (iii) Drawdown of bankers' acceptance of RM15.45 million for the payments to suppliers.

(iii) FYE 2023**(a) Net cash from operating activities**

For FYE 2023, our Group recorded operating cash flows before working capital changes of RM11.04 million. After adjusting for the following key items, our Group's net cash inflows from operating activities was RM9.87 million, contributed mainly by the following:

- (i) Decrease in trade and other receivables of RM3.09 million mainly due to the decrease in trade receivables, which resulted from lesser sales towards the end of FYE 2023 as compared to FYE 2022;
- (ii) Decrease in trade and other payables of RM0.60 million mainly due to lower material purchases as a result of phased out of a Perodua's vehicle model;
- (iii) Interests paid of RM0.35 million;
- (iv) Income tax paid of RM4.00 million; and
- (v) Income tax refund of RM0.58 million for years assessment 2020 and 2021.

(b) Net cash for investing activities

For FYE 2023, our Group recorded net cash outflows for investing activities of RM5.44 million, mainly due to the purchase of plant and machinery of RM5.53 million for the following:

- (i) Plant and machinery of RM3.77 million for manufacturing of automotive parts and components;
- (ii) Renovation of RM1.06 million for our office;
- (iii) Motor vehicles of RM0.18 million for our operations; and
- (iv) Office equipment and furniture of RM0.51 million.

12. FINANCIAL INFORMATION (Cont'd)

(c) Net cash for financing activities

For FYE 2023, our Group recorded net cash outflows for financing activities of RM2.44 million, mainly contributed by the following:

- (i) Dividend payment of RM1.00 million;
- (ii) Drawdown of bankers' acceptance of RM15.60 million for the payment to suppliers; and
- (iii) Repayment of term loans of RM1.23 million and bankers' acceptance of RM15.70 million.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.6 BORROWINGS**

Our total outstanding borrowings as at 31 December 2023 stood at RM6.87 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 the facility	Interest rate % Per annum	Audited as at 31 December 2023 RM'000	Repayable in 12 months RM'000	Repayable after 12 months RM'000
Term loans	Refinancing of previous term loans used for working capital and purchase of machineries	5 years	4.57% - 5.82%	773	667	106
	Financing the purchase of machineries	5 years	4.00%	707	380	327
	Working capital	5 years	3.50%	428	210	218
Bankers' acceptances	Finance the trade purchases	4 months	3.70% - 5.14%	4,900	4,900	-
Lease liabilities	To lease motor vehicles under hire purchase arrangement	3 years	4.16% - 5.71%	61	19	42
Total borrowings				6,869	6,176	693

Pro forma gearing (times)

After the Acquisition before the Public Issue⁽¹⁾

0.21

After the Public Issue and utilisation of proceeds⁽²⁾

[•]

Notes:

(1) Computed based on the pro forma combined statements of financial position after the Acquisition before the Public Issue.

(2) Computed based on the pro forma combined statements of financial position after the Acquisition, the Public Issue and utilisation of proceeds.

12. FINANCIAL INFORMATION (Cont'd)

Our pro forma gearing ratio is expected to register approximately 0.21 times before the Public Issue, and approximately [●] times after the Public Issue (and utilisation of proceeds).

Our borrowings including term loans and bankers' acceptance are secured by one or a combination of the following:

- (a) Third party charge against the factory building of our Group;
- (b) Joint and several guarantees by the directors of our Group; and
- (c) A fixed charge over the assets financed by the licensed bank.

Meanwhile, our hire purchase for motor vehicles are secured by assets purchased through the facilities.

Our bank borrowings carry the following interest rates for the Financial Years Under Review:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	% per annum		
Bank overdrafts	6.67 – 6.92	-	-
Bankers' acceptances	3.77 – 5.42	4.29 – 5.04	3.70 – 5.14
Lease liabilities	4.52 – 6.29	4.52 – 6.29	4.16 – 5.71
Term loans	3.50 – 5.42	3.50 – 6.42	3.50 – 5.82

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the Financial Years Under Review and the subsequent financial year 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 arrangement or bank loan, which can materially affect our financial position and results or business operations or the investments by holders of our securities. We do 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, we have not experienced any clawback or reduction in the facilities limit granted to us by our lenders.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.7 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 such as bank overdraft facility, term loans, bankers' acceptances and lease liabilities as shown on our combined statements of financial position. These financial instruments are used in our ordinary course of business.

As at the LPD, save for our bank borrowings as disclosed in Section 12.6, we do not utilise any other financial instruments.

We finance our operations mainly through cash generated from our operations, credit extended by our suppliers as well as external sources of funds which mainly comprise bank borrowings. The principal usages of these banking facilities are for working capital and purchase of property, plant and equipment.

Save for our finance lease liabilities, term loans for purchase of machineries and working capital which carry fixed interest rates, all of our other borrowings bear variable interest rates which are based on the banks' interest rates, including any additional margin added to or deducted from the prevailing rates depending on the different types of bank facilities as agreed upon with our respective bankers.

12.8 MATERIAL CAPITAL COMMITMENTS

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

	As at the LPD
	RM'000
Approved and contracted for:	
Purchase of office equipment and furniture	816
Renovation	55
Total	871

The purchase of property, plant and equipment above are intended for our business operations which are expected to be funded by our internal generated funds and/or borrowings.

12.9 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on our Group's financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

There are no other contingent liabilities incurred by our Group which upon becoming enforceable, may have a material effect on our Group's financial position as at the LPD.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.10 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for the Financial Years Under Review are as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
Trade receivables turnover (days) ⁽¹⁾	76	47	49
Trade payables turnover (days) ⁽²⁾	83	55	59
Inventory turnover (days) ⁽³⁾	34	19	17
Current ratio (times) ⁽⁴⁾	1.11	1.27	1.31
Gearing ratio (times) ⁽⁵⁾	0.48	0.30	0.21

Notes:

- (1) Computed based on average trade receivables over revenue for the financial year multiplied by 365 days for each financial year.
- (2) Computed based on average trade payables over purchases for the financial year multiplied by 365 days for each financial year.
- (3) Computed based on average inventory over material costs for the financial year multiplied by 365 days for each financial year.
- (4) Computed based on current assets over current liabilities as at each financial year.
- (5) Computed based on our total borrowings (including lease liabilities and bank overdrafts) over total equity as at each financial year.

12.10.1 Trade receivables turnover

Our trade receivables' turnover period (in days) for the Years Under Review is stated as below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening trade receivables	12,734	11,733	18,206
Closing trade receivables	11,733	18,206	12,680
Average trade receivables	12,234	14,970	15,443
Revenue	58,965	116,246	114,082
Average trade receivables turnover period (days)	76	47	49

The normal credit terms granted by our Group to our customers ranges from 30 days to 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis after considering various factors such as customers relationship, customers payment history, creditworthiness as well as the quantum of the amount outstanding.

Our Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. Our Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

Our Group deems any receivables having financial difficulty or with significant balances outstanding for more than 90 days as credit impaired and assesses for their risk of loss individually.

12. FINANCIAL INFORMATION (Cont'd)

The expected loss rates are based on the payment profiles of sales over a period of 1 year from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

Our average trade receivables turnover periods for FYE 2021, FYE 2022, and FYE 2023 were 76 days, 47 days, and 49 days, respectively, which were within our normal credit terms granted to our customers.

During the Years Under Review, our trade receivables are collected generally within the credit terms, and therefore, there is minimal exposure to credit risk.

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

	Trade receivables as at 31 December 2023		Amount collected from 1 January 2024 up to the LPD	Balance of trade receivables which have yet to be collected as at the LPD
	RM'000 (a)	Percentage of trade receivables (%) (a)/total of (a)	RM'000 (b)	RM'000 (c) = (a)-(b)
Current (not past due)	9,030	71.21	9,030	-
Past due:				
• Less than 3 months	3,650	28.79	3,630	20
• More than 3 months	-	-	-	-
• More than 6 months	-	-	-	-
• More than 1 year	-	-	-	-
	3,650	28.79	3,630	20
Total	12,680	100.00	12,660	20

As at the LPD, our Group has collected RM12.66 million or 99.84% of our trade receivables as at 31 December 2023.

For the Financial Years Under Review and up to the LPD, save for those disclosed in Section 12.3.2 (v) and Section 12.3.2 (vi) above, our Group has not encountered any disputes with our trade receivables.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.10.2 Trade payables turnover**

Our trade payables' turnover period (in days) for the Financial Years Under Review is as follows:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening trade payables	10,560	10,628	15,011
Closing trade payables	10,628	15,011	12,725
Average trade payables	10,594	12,820	13,868
Total purchases	46,605	85,395	85,445
Average trade payables turnover period (days)	83	55	59

The normal credit terms granted by our trade suppliers to our Group is 60 days. To maintain good relationship with our suppliers, we will pay our suppliers as payments fall due.

Our trade payables turnover periods for the FYE 2021, FYE 2022, and FYE 2023 were 83 days, 55 days, and 59 days, respectively.

Our trade payables turnover period decreased from 83 days for FYE 2021 to 55 days for FYE 2022 mainly due to relaxation of the MCO, our Group paid our suppliers as payments fall due.

Our trade payables turnover period increased from 55 days for FYE 2022 to 59 days for FYE 2023, which relatively consistent as compared to FYE 2022.

The ageing analysis of our trade payables as at 31 December 2023 is as follows:

	Trade payables as at 31 December 2023		Amount paid from 1 January 2024 up to LPD	Balance of trade payables which have yet to be paid as at LPD
	RM'000	Percentage of trade payables (%)	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Within credit period	8,529	67.03	4,583	3,946
Exceeding credit period:				
• 1 to 30 days	4,167	32.75	4,167	-
• 31 to 60 days	-	-	-	-
• More than 60 days	29	0.22	29	-
	4,196	32.97	4,196	-
Total	12,725	100.00	8,779	3,946

As at the LPD, we have outstanding trade payables of RM3.95 million, representing 31.01% of our trade payables as at 31 December 2023. These remaining unsettled balances of RM3.95 million were within the credit period.

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

12. FINANCIAL INFORMATION (Cont'd)**12.10.3 Inventories**

Our inventory turnover period (in days) for the Financial Years Under Review are as below:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Opening inventories	2,964	4,840	3,760
Closing inventories	4,840	3,760	3,817
Average inventories	3,902	4,300	3,789
Material costs	42,455	84,186	82,951
Average inventory turnover period (days)	34	19	17

Our inventory turnover periods for the FYE 2021, FYE 2022, and FYE 2023 were 34 days, 19 days, and 17 days, respectively.

Our inventory turnover period decreased from 34 days for FYE 2021 to 19 days for FYE 2022 which is within our inventories holding policy, i.e. at least 2 weeks.

Our inventory turnover period further reduced to 17 days for FYE 2023 is relatively consistent as compared to 19 days for FYE 2022.

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

We conduct a monthly management meeting to review stockholding level and inventory ageing analysis. Approval is required from the authorised personnel at management level for replenishment of inventories and impairment on slow moving inventories, if any.

We assess whether inventories should be impaired by identifying slow moving inventories during periodic stock count, obsolete inventories will be written down to their net realisable value while damaged/stolen inventories will be written off.

THE REST OF THIS PAGE IS INTENTIONALLY LEFT BLANK

12. FINANCIAL INFORMATION (Cont'd)**12.10.4 Current ratio**

Our current ratio for the Financial Years Under Review is as follows:

	Audited		
	As at 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Current assets	22,687	32,436	31,959
Current liabilities	(20,487)	(25,511)	(24,463)
Net current assets	2,200	6,925	7,496
Current ratio (times)	1.11	1.27	1.31

Our current ratio ranges from 1.11 times to 1.31 times for the Financial Years Under Review. This indicates that our Group is able to meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our fixed deposits and bank balances is sufficient to meet our current liabilities.

As at 31 December 2022, our current ratio increased to 1.27 times mainly due increase in the following:

- (i) Increase in trade receivables by RM6.47 million, which increased in tandem with our Group's revenue growth in FYE 2022;
- (ii) Increase in cash and bank balances by RM3.50 million, which was attributable to an increase in internally generated funds from our business growth; and
- (iii) Decrease in bank overdrafts by RM1.32 million as our Group have sufficient internally generated funds for our business operations;

The abovementioned was partially offset by the following:

- (i) Decrease in inventories by RM1.08 million, this was mainly attributable to the resumption of our Group's operations at our manufacturing facilities after the relaxation of movement controls. Hence, we recorded lower finished goods as at 31 December 2022. Higher finished goods at the end of the previous financial year was mainly due to the flood incident on our major customer's premises toward the end of FYE 2021, which caused a delay in delivering the finished goods;
- (ii) Increase in trade payables by RM4.38 million was primarily attributable to the increase in purchases, which increased in tandem with our revenue growth for FYE 2022 as well as higher purchases toward the end of FYE 2022; and
- (iii) Increase in other payables and accruals by RM1.68 million mainly due to the following:
 - (a) Increase in accruals for salaries and employees' provident fund contributions of RM0.74 million primarily attributable to increase in headcounts during FYE 2022; and
 - (b) Increase in accrual for the purchase of materials of RM0.87 million as a result of our Group have received the materials but pending invoices from our suppliers.

12. FINANCIAL INFORMATION (Cont'd)

As at 31 December 2023, our current ratio increased to 1.31 times mainly due to the following:

- (i) Net increase in fixed deposits with licensed bank and cash and bank balances of RM2.30 million due to higher internally generated funds from business growth;
- (ii) Increase in other receivables, deposits and prepayments of RM2.73 million due to increase in prepayments in the following:
 - (a) Prepayments in relations to IPO expenses of RM1.09 million;
 - (b) Prepayment for purchase of manufacturing software of RM0.53 million; and
 - (c) The net advances from customer for the dies solution services of RM0.58 million as at 31 December 2022 were recognised in profit or loss upon the completion of the dies solution services in FYE 2023;
- (iii) Decrease in term loans of RM1.23 million due to scheduled term loan repayments;
- (iv) Decrease in trade payables by RM2.29 million primarily attributable to lower material purchases as a result of phased out of a Perodua's vehicle model;
- (v) Decrease in current tax liabilities of RM0.33 million as our Group recorded a lower PBT during FYE 2023; and
- (vi) Decrease in deferred tax liabilities of RM0.21 million, primarily attributable to overprovision in the previous financial year.

The abovementioned was partially offset by the following:

- (i) Decrease in trade receivables of RM5.53 million mainly due to lesser sales towards the end of FYE 2023 as compared to FYE 2022;
- (ii) Increase in other payables and accruals of RM1.69 million mainly due to the following:
 - (a) amount payable for purchase of plant and machinery of RM1.24 million for the manufacturing of automotive parts and components. The purchase was made from a supplier in China who agreed on monthly instalment payments up to December 2024; and
 - (b) deposit received of RM0.38 million, being deposit of 10% for the disposal consideration for Lot 2625.

12.10.5 Gearing ratio

Our gearing ratio for the Financial Years Under Review is as follows:

	Audited		
	As at 31 December		
	2021	2022	2023
	RM'000	RM'000	RM'000
Total bank borrowings (including lease liabilities and bank overdraft)	11,163	8,333	6,869
Total equity	23,295	28,093	32,626
Gearing ratio (times)	0.48	0.30	0.21

Our gearing ratio ranged from 0.21 times to 0.48 times for the Financial Years Under Review.

12. FINANCIAL INFORMATION (Cont'd)

Our Group's gearing ratio decreased from 0.48 times as at 31 December 2021 to 0.30 times as at 31 December 2022, mainly due to our Group's increased retained profits arising from net profits recorded during FYE 31 December 2022. The increase was narrowed by the decrease in the bank borrowings for the following:

- (i) Decrease in bank overdrafts as our Group have sufficient internally generated funds for our business operations; and
- (ii) Decrease in term loan due to scheduled term loan repayments.

Our Group's gearing ratio decreased from 0.30 times as at 31 December 2022 to 0.21 times as at 31 December 2023, mainly due to our Group's increased retained profits arising from net profits recorded during FYE 31 December 2023 and the decrease in the bank borrowings primarily attributable to scheduled term loan repayments.

12.11 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to the COVID-19 pandemic, there were no government, economic, fiscal or monetary policies or factors which have materially affected our operation and financial performance 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 adversely and materially affect our operations are set out in Section 9 of this Prospectus.

12.12 IMPACT OF INFLATION

During the Financial Years Under Review, our financial performance 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. Any significant increase in costs of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices.

12.13 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND COMMODITY PRICES ON OUR GROUP'S OPERATIONS**12.13.1 Impact of foreign exchange rates**

Our transactions for sales and purchases of raw materials as well as accessories are solely denominated in RM.

From FYE 2021 to FYE 2023, our purchases of machinery, machinery spare parts and upgrade of machinery from our overseas supplier amounted to RM0.11 million, RM0.28 million, and RM2.15 million, respectively.

12. FINANCIAL INFORMATION (Cont'd)

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

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Realised loss on foreign exchange	4	31	22

As at the LPD, we have not entered into any forward foreign exchange contracts as our sales and purchases of raw materials as well as accessories are solely denominated in RM. The realised foreign exchange differences during the Financial Years Under Review arose from the purchases of machinery, machinery spare parts and upgrade of machinery from our overseas supplier. As such, we are subject to foreign exchange fluctuation risk for the purchases denominated in foreign currency. A depreciation of the RM against the foreign currencies will lead to higher costs of supplies for our Group.

12.13.2 Impact of interest rates

Interest coverage ratio measures the number of times a company is able to meet its interest payment obligations with its EBIT. Our interest coverage ratio for the Financial Years Under Review is as follows:

	FYE 2021	FYE 2022	FYE 2023
Interest coverage ratio (times) ⁽¹⁾	1.41	20.26	24.11

Note:

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

Our interest coverage ratio ranged from 1.41 to 24.11 times for the Financial Years Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest servicing obligations.

Our interest coverage ratio increased from 1.41 times for FYE 2021 to 20.26 times for FYE 2022, in tandem with the increase in our PAT recorded for FYE 2022.

Our interest coverage ratio increased from 20.26 times for FYE 2022 to 24.11 times in FYE 2023, mainly due to higher finance costs recorded for FYE 2022, as explained in Section 12.3.2 (iv) of this Prospectus.

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.

12.13.3 Impact of commodity prices

For FYE 2021 to FYE 2023, the prices of steel were subject to price fluctuations as a result of demand and supply conditions. However, we are generally able to pass on price fluctuations in the cost of these steel materials to our customers as the prices of steel materials required for the manufacturing of our parts and components are set by local automotive manufacturer after direct negotiation between the steel manufacturers and local automotive manufacturer, and shared with their respective appointed suppliers. Hence, the fluctuations in commodities prices did not have any material negative impact on our business operations and financial performance.

12. FINANCIAL INFORMATION (Cont'd)

There is no assurance that our financial performance will not be adversely affected by the impact of commodity prices moving forward. Any significant increase in costs of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices.

12.14 ORDER BOOK

We do not enter into long-term contracts with our customers. Our sales are made based on purchase orders from our customers on an ongoing basis. Due to the nature of our business, we do not maintain an order book.

12.15 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (a) Our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the automotive industry as set out in the IMR Report;
- (b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.12 of this Prospectus; and
- (c) Our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

In addition to the above, our Board confirms that there are no circumstances which would result in a significant decline in our revenue and GP margin or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

12.16 TREND INFORMATION

As at the LPD, save as disclosed in this Prospectus and to the best of our Board confirms that there are no:

- (i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations, save as disclosed in Section 12.3, Section 7, Section 8 and Section 9 of this Prospectus;
- (ii) Material commitments for capital expenditure, as set out in Sections 12.8 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 Section 9 and Section 12.3 of this Prospectus;
- (iv) Known trends, demands, commitments, events or uncertainties that had resulted in a substantial increase in our Group's revenue and/or profit as disclosed in this Section 12.3 of this Prospectus, business and IMR Report, as set out in Section 7 and Section 8, as well as business strategies and prospects as set out in Section 7.12 of this Prospectus;

12. FINANCIAL INFORMATION (Cont'd)

- (v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and 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, save as disclosed in this section, Section 7 and Section 9 of this Prospectus.

However, our Board foresees certain risk factors as set out in Section 9 that may affect our future financial condition and results of operations.

Nevertheless, our Board is optimistic about the future prospects of our Group given our Group's competitive strengths as set out in Section 7.7 of this Prospectus, the outlook of the automotive industry in Malaysia as set out in the IMR Report in Section 8 of this Prospectus and our commitment to implement the business strategies as set out in Section 7.12 of this Prospectus.

12.17 DIVIDEND POLICY

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to various factors, such as having profits and excess funds, which are not required to be retained to fund our business. 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.

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 Subsidiary, present or future. The payment of dividends by our Subsidiary 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 Subsidiary are subject to, there is no other dividend restriction imposed on our Subsidiary and our Company as at the LPD.

We target a payout ratio of up to 10% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payment of any dividend is subject to the confirmation of our Board as well as any applicable law, license conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements, or any plans approved by our Board.

12. FINANCIAL INFORMATION (Cont'd)

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

For the Financial Years Under Review, our Subsidiary had declared the following dividends to their respective shareholders:

	Audited		
	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000
Dividend declared and paid	-	(1)4,000	(2)1,000

Notes:

- (1) *RM0.40 million was paid on 5 January 2022 and RM3.60 million was paid on 29 December 2022.*
- (2) *RM1.00 million was paid on 29 December 2023.*

Please refer to Note 26 of the Accountants' Report set out in Section 13 of this Prospectus for further details.

The dividends declared and/or to be declared above were funded by internal funds sourced from the cash and bank balances of our Subsidiary. 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.

As at the LPD, there is no outstanding dividends declared but remained unpaid. Subsequent to LPD, no dividend was declared, made or paid by our Group prior to the completion of the Proposed Listing.

Please refer to Section 9.3.4 of this Prospectus for risks relating to the payment of dividends.

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. FINANCIAL INFORMATION (Cont'd)**12.18 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023**

Date: 13 March 2024

The Board of Directors
KHPT HOLDINGS BERHAD
 Lot 2228, Jalan Kasawari,
 Kawasan Perusahaan Kebun Baru,
 Batu 9, Kg. Kebun Baru,
 42500 Telok Panglima Garang,
 Kuala Langat, Selangor.

Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
 Level 16, Tower C, Megan Avenue II
 12, Jalan Yap Kwan Seng
 50450 Kuala Lumpur
 Malaysia
 Main +6 03 2788 9999
 Fax +6 03 2788 9998
 www.crowe.my

Dear Sir/Madam

**KHPT HOLDINGS BERHAD (“KHPT” or the “Company”)
 REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT
 31 DECEMBER 2023**

We have completed our assurance engagement to report on the compilation of Pro Forma Statements of Financial Position of KHPT Holdings Berhad and its subsidiary (hereinafter referred to as the “Group”) as at 31 December 2023 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Group for inclusion in the Prospectus in connection with the listing of and quotation for the entire issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

The applicable criteria on the basis of which the Board of Directors of the Group have compiled the Pro Forma Statements of Financial Position, and are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”).

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Group to illustrate the impact of the events or transactions set out in the notes thereon to the Pro Forma Statements of Financial Position as if the events have occurred or the transactions have been undertaken on 31 December 2023. As part of this process, information about the Group’s financial position has been extracted by the Board of Directors of KHPT from the Group’s audited statements of financial position as at 31 December 2023.

THE BOARD OF DIRECTORS’ RESPONSIBILITIES

The Board of Directors of the Group is responsible for compiling the Pro Forma Statements of Financial Position as set out in the notes to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (Cont'd)**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

We are independent of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code") and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Group on the basis as set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Guidance Note.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Group has compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Statements of Financial Position.

The purpose of Pro Forma Statements of Financial Position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

12. FINANCIAL INFORMATION (Cont'd)**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

A reasonable assurance engagement to report on whether the Pro Forma Statements of Financial Position has been compiled, in all material respects, on the basis set out in notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines, involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position 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 Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Statements of Financial Position.

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

OPINION

In our opinion, the Pro Forma Statements of Financial Position has been compiled, in all material respects, on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

OTHER MATTER

This letter has been prepared solely for the purpose of inclusion in the prospectus of KHPT, in connection with the Listing. As such, this letter should not be 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 letter contrary to the aforesaid purpose.

Yours faithfully,

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kuala Lumpur

Ung Voon Huay
03233/09/2024 J
Chartered Accountant

12. FINANCIAL INFORMATION (Cont'd)



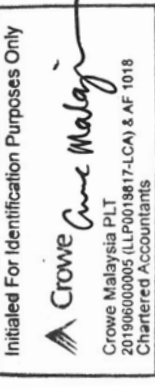
APPENDIX A

KHPT HOLDINGS BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	Audited		I		II		III	
	AGSB As at 31.12.2023 RM'000	Audited KHPT As at 31.12.2023 RM'000	Acquisition of AGSB RM'000	After Acquisition of AGBS RM'000	Public Issue RM'000	After I and Public Issue RM'000	Utilisation of proceeds RM'000	After II and utilisation of proceeds RM'000
ASSETS								
NON-CURRENT ASSETS								
Property, plant and equipment	6.1	22,988	4	22,992	-	22,992	-	[*]
CURRENT ASSETS								
Inventories		3,817	-	3,817	-	3,817	-	3,817
Trade receivables		12,680	-	12,680	-	12,680	-	12,680
Other receivables, deposits, and prepayments	6.2	2,770	307	3,077	-	3,077	[*]	[*]
Amount owing by related parties		450	(450)	-	-	-	-	-
Fixed deposit with licensed banks		6,304	-	6,304	-	6,304	-	6,304
Cash and bank balances	6.3	5,980	100	6,080	[*]	[*]	[*]	[*]
		32,001	407	31,958	[*]	[*]	[*]	[*]
Non-current asset held for sale		3,780	-	3,780	-	3,780	-	3,780
TOTAL ASSETS		58,769	411	58,730	[*]	[*]	[*]	[*]

12. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

KHPT HOLDINGS BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	Audited		Audited		I		II		III	
	AGSB	KHPT	Acquisition of	After Acquisition	Public Issue	After I and Public	Utilisation of	After II and		
	As at 31.12.2023	As at 31.12.2023	AGSB	of AGBS	Issue	Issue	proceeds	utilisation of		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	proceeds	proceeds	RM'000
EQUITY AND LIABILITIES										
EQUITY										
Share capital	6.4	250		31,724	[•]	[•]	[•]	[•]	[•]	[•]
Merger deficit	6.5	-		(31,474)	-	(31,474)	-	(31,474)	(31,474)	(31,474)
Retained profits	6.6	32,439	(62)	32,377	-	32,377	-	[•]	[•]	[•]
TOTAL EQUITY		32,689	(62)	32,627	[•]	[•]	[•]	[•]	[•]	[•]
NON-CURRENT LIABILITIES										
Lease liabilities		42	-	42	-	42	-	-	-	42
Term loans		651	-	651	-	651	-	-	-	651
Deferred tax liabilities		948	-	948	-	948	-	-	-	948
		1,641	-	1,641	-	1,641	-	-	-	1,641

Notes:

- Amount represents RM2

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A



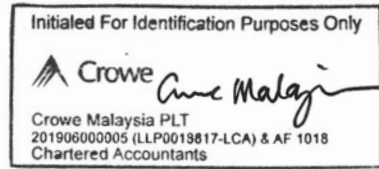
KHPT HOLDINGS BERHAD

PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2023 (CONT'D)

	Audited		I		II		III	
	AGSB As at 31.12.2023 RM'000	Audited KHPT As at 31.12.2023 RM'000	Acquisition of AGSB RM'000	After Acquisition of AGBS RM'000	Public Issue RM'000	After I and Public Issue RM'000	Utilisation of proceeds RM'000	After II and utilisation of proceeds RM'000
CURRENT LIABILITIES								
Trade payables	12,725	-	-	12,725	-	12,725	-	12,725
Other payables and accruals	5,449	23	-	5,472	-	5,472	-	5,472
Amount owing to a related party	-	450	(450)	-	-	-	-	-
Bankers' acceptances	4,900	-	-	4,900	-	4,900	-	4,900
Lease liabilities	19	-	-	19	-	19	-	19
Term loans	1,257	-	-	1,257	-	1,257	-	1,257
Current tax liabilities	89	-	-	89	-	89	-	89
TOTAL LIABILITIES	24,439	473	(450)	24,462	-	24,462	-	24,462
TOTAL EQUITY AND LIABILITIES	26,080	473	(450)	26,103	-	26,103	-	26,103
	58,769	411	(450)	58,730	[*]	[*]	[*]	[*]
Number of shares in issue ('000)	250	*	293,492	293,742	108,644	402,386	-	402,386
NA per share (RM)	130.75	-	-	0.11	-	[*]	-	[*]
Borrowings (All interest bearing debts) (RM'000)	6,869	-	-	6,869	-	6,869	-	6,869
Gearing ratio (times)	0.21	-	-	0.21	-	[*]	-	[*]
Current ratio (times)	1.31	0.86	-	1.31	-	[*]	-	[*]

Notes:

* - Amount represents 2 ordinary shares at RM1 each

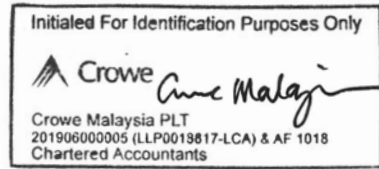
12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023****1. ABBREVIATIONS**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:

Acquisition of AGSB	: Acquisition by KHPT for the entire equity interest of AGSB comprising 250,000 ordinary shares for a purchase consideration of RM31,724,148 which was fully satisfied by the issuance of 293,742,111 new Shares at an issue price of RM0.108 per Share
AGSB or Subsidiary	: Automev Global Sdn Bhd (<i>formerly known as Kah Hong Precision Tooling Sdn Bhd</i>)
Bursa Securities	: Bursa Malaysia Securities Berhad
IPO	: Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	: The indicative issue/offer price of [•] per IPO Share pursuant to the IPO
IPO Share(s)	: Collectively, the Issue Share(s) and Offer Share(s)
Issue Share(s)	: 108,644,300 new Share(s) to be issued pursuant to the Public Issue
KHPT or the Company	: KHPT Holdings Berhad
KHPT Group or the Group	: KHPT Holdings Berhad and its Subsidiary
KHPT Shares or Shares	: Ordinary shares in KHPT
Listing	: Listing of and quotation for the entire enlarged issued share capital of KHPT on the ACE Market of Bursa Securities
LPD	: 29 February 2024, being the latest practicable date
Offer for Sale	: Offer for sale of 38,226,600 Shares by the offerors (namely Datin Eloise and Tiu Kuang Hong) at IPO Price
Prospectus	: Prospectus of the Company in relation to the IPO
Public Issue	: Public issue of 108,644,300 new Shares at IPO Price
RM and Sen	: Ringgit Malaysia and sen, respectively
TPG Factory	: The Group's sole principal place of business located at Lot 2228, Jalan Kasawari, Kawasan Perusahaan Kebun Baru, Batu 9, Kg. Kebun Baru, 42500 Telok Panglima Garang, Kuala Langat, Selangor Darul Ehsan

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONT'D)****2. INTRODUCTION**

The Pro Forma Statements of Financial Position of the Group as at 31 December 2023 ("Pro Forma Statements of Financial Position") together with the notes thereon, for which the Board of Directors of the Group ("the Directors") are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus to be issued in connection with the IPO in conjunction with the Listing and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

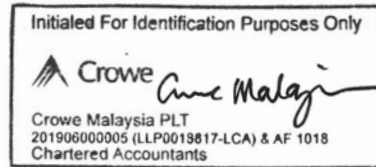
The Pro Forma Statements of Financial Position is prepared based on the audited combined statements of financial position of the Group as at 31 December 2023 which, was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), and in a manner consistent with the format of the financial statements and accounting policies of the Group.

The combined financial statements used in the preparation of these Pro Forma Statements of Financial Position were not subject to any audit qualification, modification, disclaimer of opinion or emphasis of matter.

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 parties 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 affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. 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.

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs.

The Pro Forma Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 5 to the Pro Forma Statements of Financial Position had the events occurred or transactions been undertaken on 31 December 2023. The Pro Forma Statements of Financial Position are not necessarily indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONT'D)****4. LISTING SCHEME****4.1 Acquisition of AGSB**

On 28 December 2023, the Company entered into a conditional share sale and purchase agreement with Datin See Hui Pving, Tiu Kuang Hong and See Hui Shi ("AGSB's Vendors", collectively) to acquire the entire issued share capital of AGSB of RM0.25 million comprising 250,000 AGSB's ordinary shares for a purchase consideration of approximately RM31.72 million which was entirely satisfied by the issuance of 293,742,111 new Shares on 8 January 2024, at an issue price of RM0.108 per Share to AGSB's Vendors.

The purchase consideration of approximately RM31.72 million was arrived at a willing buyer-willing seller basis and after taking into consideration the audited net assets of AGSB as at 30 September 2023 of approximately RM31.72 million. The said acquisition was completed on 7 February 2024 and AGSB has become a wholly-owned subsidiary of the Group.

4.2 Listing scheme

In conjunction with, and as an integral part of the Listing, the Company undertook the following:-

(a) IPO

Public Issue

The Public Issue of 108,644,300 Issue Shares representing approximately 27.00% of the enlarged issued share capital of KHPT at IPO Price will be allocated in the following manner:-

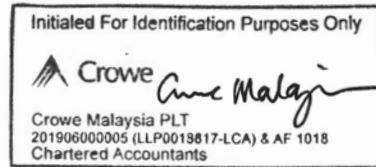
- 20,119,400 Issue Shares will be made available for application by the Malaysian Public via balloting;
- 10,059,700 Issue Shares will be made available for application by the eligible directors and employees of the Group; and
- 78,465,200 Issue Shares will be made available by way of private placement to selected investors.

Proposed Offer for Sale

Concurrent with the Listing, the Offer for Sale of 38,226,600 Offer Shares will be made available by way of private placement to selected investors at the IPO Price.

(b) Proposed Listing

Upon completion of the Proposed IPO, the Company will be admitted to the Official List and the entire enlarged issued share capital of approximately RM [•] million comprising 402,386,413 shares shall be listed and quoted on the ACE Market.

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD

**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONT'D)****5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION****5.1 Pro Forma I**

Pro Forma I incorporates the effects of the Acquisition of AGSB as set out in Note 4.1 to the Pro Forma Statements of Financial Position.

5.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and Public Issue as set out in Note 4.2(a) to the Pro Forma Statements of Financial Position.

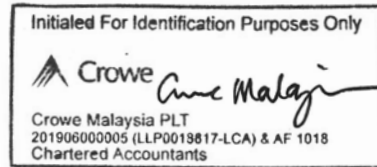
5.3 Pro Forma III

Pro Forma III incorporates the effects of Pro Forma II and the utilisation of proceeds from Public Issue. The proceeds from the Public Issue will be utilised as follows:-

Purposes	Amount of proceeds		Estimated timeframe for utilisation from the Listing date
	RM'000	%	
Capital expenditure ⁽¹⁾ :			Within 24 months
- Purchase of press machines	[•]	[•]	Within 24 months
- Purchase of automation equipment	[•]	[•]	Within 24 months
- Renovation of TPG Factory	[•]	[•]	Within 24 months
- Purchase of one overhead crane	[•]	[•]	Within 24 months
Working capital ⁽²⁾	[•]	[•]	Within 12 months
Estimated listing expenses ⁽³⁾	[•]	[•]	Within 1 month
Total	[•]	[•]	

Notes:-

- (1) The Group intends to allocate RM [•] million of the gross proceeds from the Public Issue to fully fund the capital expenditure of the Group which includes the purchase of press machines, purchase of automation equipment, purchase of overhead crane and renovation of TPG Factory. As at the LPD, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the said capital expenditure of the Group.
- (2) The Group has allocated RM [•] million of the gross proceeds from the Public Issue for the working capital requirements of the Group, which are the general administrative and daily operational expenses such as electricity, upkeep of machinery / equipment and maintenance costs. As at the LPD, the Group has yet to issue any purchase orders for the working capital requirements of the Group.

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONT'D)****5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)****5.3 Pro Forma III (Cont'd)***Notes:- (cont'd)*

- (3) *The estimated listing expenses of RM [•] million directly attributable to the Public Issue will be set off against share capital and the remaining estimated listing expenses of RM [•] million that are attributable to the Listing will be expensed off to profit or loss. As of 31 December 2023, RM [•] million has been paid and debited into other receivables, deposits and prepayments.*

6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION**6.1 Property, plant and equipment**

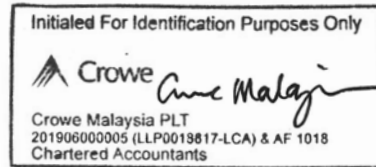
	RM'000
As at 31 December 2023/ Pro Forma I and II	22,992
Pursuant to utilisation of proceeds	
- Capital expenditure	[•]
	<hr/>
As per Pro Forma III	[•]
	<hr/>

6.2 Other receivables, deposits, and prepayments

	RM'000
As at 31 December 2023/ Pro Forma I and II	3,077
Pursuant to utilisation of proceeds	
- Estimated listing expenses	[•]
	<hr/>
As per Pro Forma III	[•]
	<hr/>

6.3 Cash and bank balances

	RM'000
As at 31 December 2023/Pro Forma I	6,080
Pursuant to Public Issue	[•]
	<hr/>
As per Pro Forma II	[•]
Pursuant to utilisation of proceeds	
- Capital expenditure	[•]
- Working capital	[•]
- Estimated listing expenses	[•]
	<hr/>
As per Pro Forma III	[•]
	<hr/>

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD**NOTES TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023 (CONT'D)****6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)****6.4 Share capital**

	'000	RM'000
As at 31 December 2023	*	#
Add: KHPT Shares issued pursuant to the Acquisition of AGSB	293,742	31,724
As per Pro Forma I	293,742	31,724
Pursuant to Public Issue	108,644	[•]
As per Pro Forma II	402,386	[•]
Pursuant to utilisation of proceeds - Estimated listing expenses	-	[•]
As per Pro Forma III	402,386	[•]

* - Amount represents 2 ordinary shares at RM1 each

- Amount represents RM2

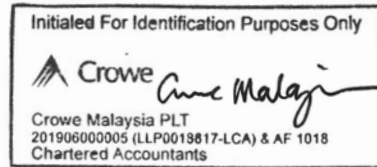
6.5 Merger deficit

	RM'000
As at 31 December 2023	-
Pursuant to Acquisition of AGSB	(31,474)
As per Pro Forma I, II, and III	(31,474)

6.6 Retained profits

	RM'000
As at 31 December 2023/ Pro Forma I and II	32,377
Pursuant to utilisation of proceeds - Working capital	[•]
- Estimated listing expenses	[•]
As per Pro Forma III	[•]

12. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

KHPT HOLDINGS BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of KHPT Holdings Berhad in accordance with a resolution dated

On behalf of the Board of Directors,

A large, stylized handwritten signature in black ink, appearing to read "See Hui Pvang".

See Hui Pvang

A handwritten signature in black ink, appearing to read "Hideki Nomura".

Hideki Nomura