

**13. ACCOUNTANTS' REPORT**

Date: 13 MAR 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**  
 20190600005 (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 Sirs/Madam

**REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF KHPT HOLDINGS BERHAD (THE "COMPANY" OR "KHPT")**

**OPINION**

We have audited the financial information of the Company and its combined entities (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2021, 2022 and 2023 and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended ("FYE") 31 December 2021, 2022 and 2023 and notes to the combined financial statements, including a summary of significant accounting policies as set out on pages 4 to 64.

The historical financial information has been prepared for inclusion in the prospectus of KHPT Holdings Berhad in connection with the initial public offering and listing of KHPT Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad ("the Proposed Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10.03 of the Prospectus Guidelines and for no other purpose.

In our opinion, the combined financial information gives a true and fair view of the financial position of the Group as at 31 December 2021, 2022 and 2023, and of their financial performance and their cash flows for each of the FYE 31 December 2021, 2022 and 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

**BASIS FOR OPINION**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Audit of the Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

***Independence and Other Ethical Responsibilities***

We are independent of the Group 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.

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**13. ACCOUNTANTS' REPORT (Cont'd)****DIRECTORS' RESPONSIBILITIES FOR THE COMBINED FINANCIAL INFORMATION**

The Directors of the Company ("Directors") are responsible for the preparation of the combined financial information of the Group that give a true and fair view in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial information that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial information of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF COMBINED FINANCIAL INFORMATION**

Our objectives are to obtain reasonable assurance about whether the combined financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial information.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:-

- Identify and assess the risks of material misstatement of the combined financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.

**13. ACCOUNTANTS' REPORT (Cont'd)****REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF COMBINED FINANCIAL INFORMATION (CONT'D)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:- (Cont'd)

- Evaluate the overall presentation, structure and content of the combined financial information of the Group, including the disclosures, and whether the combined financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the combined financial information of the entities or business activities within the Group to express an opinion on the combined financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

**RESTRICTION ON DISTRIBUTION AND USE**

Our report has been prepared for inclusion in the prospectus of KHPT Holdings Berhad in connection with the listing of KHPT Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report 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 report contrary to the aforesaid purpose.

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

Kuala Lumpur

**13 MAR 2024**

**Ung Voon Huay**  
03233/09/2024 J  
Chartered Accountant

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER**

	Note	2021 RM	2022 RM	2023 RM
<b>ASSETS</b>				
NON-CURRENT ASSETS				
Property, plant and equipment	4	25,589,900	19,544,734	22,991,351
Investment property	5	-	4,811,569	-
		25,589,900	24,356,303	22,991,351
CURRENT ASSETS				
Inventories	6	4,839,980	3,759,791	3,816,788
Trade receivables	7	11,732,822	18,206,100	12,679,904
Other receivables, deposits, and prepayments	8	598,702	351,961	3,077,641
Amount owing by related parties	9	22,497	30,231	-
Current tax assets		901,754	-	-
Fixed deposit with licensed banks	10	-	2,000,000	6,304,235
Cash and bank balances		4,590,971	8,088,216	6,080,234
		22,686,726	32,436,299	31,958,802
Non-current asset held for sale	11	-	-	3,780,000
<b>TOTAL ASSETS</b>		<b>48,276,626</b>	<b>56,792,602</b>	<b>58,730,153</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER (CONT'D)**

	Note	2021 RM	2022 RM	2023 RM
<b>EQUITY AND LIABILITIES</b>				
<b>EQUITY</b>				
Share capital	12(a)	2	2	2
Invested capital	12(b)	250,000	250,000	250,000
Retained profits		23,044,974	27,843,347	32,376,816
<b>TOTAL EQUITY</b>		<b>23,294,976</b>	<b>28,093,349</b>	<b>32,626,818</b>
<b>NON-CURRENT LIABILITIES</b>				
Lease liabilities	13	196,698	121,355	41,707
Term loans	14	3,209,467	1,908,022	651,050
Deferred tax liabilities	15	1,088,515	1,159,259	948,027
		<b>4,494,680</b>	<b>3,188,636</b>	<b>1,640,784</b>
<b>CURRENT LIABILITIES</b>				
Trade payables	16	10,627,492	15,011,244	12,724,676
Other payables and accruals	17	2,100,438	3,781,801	5,472,806
Amount owing to directors	18	1,404	-	-
Bankers' acceptances	19	5,050,000	5,000,000	4,900,006
Lease liabilities	13	114,323	71,428	19,137
Term loans	14	1,276,066	1,231,170	1,256,972
Bank overdrafts	20	1,317,247	-	-
Current tax liabilities		-	414,974	88,954
		<b>20,486,970</b>	<b>25,510,617</b>	<b>24,462,551</b>
<b>TOTAL LIABILITIES</b>		<b>24,981,650</b>	<b>28,699,253</b>	<b>26,103,335</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>48,276,626</b>	<b>56,792,602</b>	<b>58,730,153</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER**

	<b>Note</b>	<b>2021 RM</b>	<b>2022 RM</b>	<b>2023 RM</b>
REVENUE	21	58,965,533	116,246,414	114,081,850
COST OF SALES		(54,223,215)	(99,110,092)	(99,938,765)
GROSS PROFIT		4,742,318	17,136,322	14,143,085
OTHER INCOME		254,290	228,859	556,068
ADMINISTRATIVE EXPENSES		(4,389,108)	(4,766,672)	(5,093,980)
OTHER EXPENSES		(291,364)	(892,926)	(1,452,176)
NET IMPAIRMENT (LOSSES)/GAINS ON FINANCIAL ASSETS	22	-	(368,901)	260,083
PROFIT BEFORE TAXATION	23	316,136	11,336,682	8,413,080
INCOME TAX EXPENSE	24	(162,659)	(2,538,309)	(2,879,611)
PROFIT AFTER TAXATION		153,477	8,798,373	5,533,469
OTHER COMPREHENSIVE INCOME		-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		153,477	8,798,373	5,533,469
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:- Owners of the Company		153,477	8,798,373	5,533,469
EARNINGS PER SHARE (SEN)				
- Basic	25	61.39	3,519.32	2,213.37
- Diluted	25	61.39	3,519.32	2,213.37

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER**

	Note	Share Capital RM	Invested Capital RM	Retained Profits RM	Total Equity RM
Balance at 1.1.2020		2	250,000	23,209,283	23,459,285
Loss after taxation/Total comprehensive expense for the financial year		-	-	(317,786)	(317,786)
Balance at 1.1.2021		2	250,000	22,891,497	23,141,499
Profit after taxation/Total comprehensive income for the financial year		-	-	153,477	153,477
Balance at 31.12.2021/1.1.2022		2	250,000	23,044,974	23,294,976
Profit after taxation/Total comprehensive income for the financial year		-	-	8,798,373	8,798,373
Contribution by and distribution to owners of the Company:					
- Dividends		-	-	(4,000,000)	(4,000,000)
Balance at 31.12.2022/1.1.2023		2	250,000	27,843,347	28,093,349
Profit after taxation/Total comprehensive income for the financial year		-	-	5,533,469	5,533,469
Contribution by and distribution to owners of the Company:					
- Dividends	26	-	-	(1,000,000)	(1,000,000)
Balance at 31.12.2023		2	250,000	32,376,816	32,626,818

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER**

	Note	2021 RM	2022 RM	2023 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before taxation		316,136	11,336,682	8,413,080
Adjustments for:-				
Depreciation of property, plant and equipment		2,139,537	2,044,636	1,879,045
Equipment written-off		3,637	104,303	78,060
Bad debts recovered		-	-	(6,314)
Bad debts written-off		-	433,869	6,680
Impairment loss on non-current asset held for sale		-	-	1,031,569
Impairment losses/(Reversal for) on trade receivables		-	368,901	(260,083)
Gain on disposal of property, plant and equipment		(58,997)	(4,547)	(271,064)
Interest expense		597,893	584,403	355,500
Interest income		(68,640)	(89,459)	(185,538)
Operating profit before working capital changes		2,929,566	14,778,788	11,040,935
(Increase)/Decrease in inventories		(1,876,462)	1,080,189	(56,997)
Decrease/(Increase) in trade and other receivables		1,223,731	(7,029,307)	3,085,698
(Decrease)/Increase in trade and other payables		(662,654)	6,065,115	(595,563)
<b>CASH FROM OPERATIONS</b>		<b>1,614,181</b>	<b>14,894,785</b>	<b>13,474,073</b>
Income tax paid		(286,663)	(1,150,837)	(4,000,479)
Income tax refund		554,330	-	583,616
Interest paid		(590,295)	(571,629)	(348,638)
Interest received		68,640	89,459	160,073
<b>NET CASH FROM OPERATING ACTIVITIES</b>		<b>1,360,193</b>	<b>13,261,778</b>	<b>9,868,645</b>



**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**COMBINED STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER (CONT'D)**

	Note	2021 RM	2022 RM	2023 RM
<b>CASH FLOWS FOR INVESTING ACTIVITIES</b>				
Proceeds from disposal of property, plant and equipment		59,000	4,550	393,476
Purchase of plant and equipment	27(a)	(344,489)	(915,345)	(5,526,134)
Repayment to directors		(11,472)	(1,404)	-
Addition of fixed deposit with tenure more than 3 months		-	-	(304,235)
<b>NET CASH FOR INVESTING ACTIVITIES</b>		<b>(296,961)</b>	<b>(912,199)</b>	<b>(5,436,893)</b>
<b>CASH FLOWS FOR FINANCING ACTIVITIES</b>				
Dividend paid	26	-	(4,000,000)	(1,000,000)
Proceeds from bankers' acceptances	27(b)	8,800,000	15,450,000	15,600,027
Repayment of bankers' acceptances	27(b)	(9,680,000)	(15,500,000)	(15,700,021)
Repayment of lease interest	27(b)	(7,598)	(12,774)	(6,862)
Repayment of lease liabilities	27(b)	(89,844)	(118,238)	(131,939)
Repayment of term loans	27(b)	(1,170,383)	(1,346,341)	(1,231,170)
Repayment from a related party		-	-	42,679
Advances to related parties		(8,044)	(7,734)	(12,448)
<b>NET CASH FOR FINANCING ACTIVITIES</b>		<b>(2,155,869)</b>	<b>(5,535,087)</b>	<b>(2,439,734)</b>
<b>NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>(1,092,637)</b>	<b>6,814,492</b>	<b>1,992,018</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR</b>		<b>4,366,361</b>	<b>3,273,724</b>	<b>10,088,216</b>
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR</b>	27(c)	<b>3,273,724</b>	<b>10,088,216</b>	<b>12,080,234</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****1. GENERAL INFORMATION**

KHPT Holdings Sdn. Bhd. was a private limited company incorporated in Malaysia under the Companies Act 2016 on 20 February 2019, and is principally engaged in investment holding. The Company was subsequently converted to a public company on 1 March 2024 and assumed the name KHPT Holdings Berhad ("KHPT"), to embark on the listings of and quotation of its enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

KHPT was incorporated for the purpose of acquiring the existing operating entity pursuant to the restructuring exercise as disclosed in Note 1.1 to the combined financial statements.

The information of the entities within the combined financial statements is as follows:

(a) Automev Global Sdn. Bhd. ("AGSB") (formerly known as Kah Hong Precision Tooling Sdn. Bhd.) was incorporated in Malaysia on 25 September 1996 under the Companies Act 1965, as a private limited company and is principally engaged in the manufacturing and sale of automotive parts and components.

(b) The registered office and principal place of business of KHPT and AGBS are as follows:

Registered office	:	12th Floor, Menara Symphony, No. 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Principal place of business	:	Lot 2228, Kampung Batu 9, Kebun Baru, Jalan Kasawari, 42500 Telok Panglima Garang, Selangor Darul Ehsan, Malaysia.

(KHPT and AGBS shall collectively be referred to as the "Group".)

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**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****1. GENERAL INFORMATION (CONT'D)****1.1 RESTRUCTURING EXERCISE***Shareholding Restructuring*

On 9 August 2023, See Hui Pvng, being one of the existing shareholders of AGSB entered into a conditional share sale agreement with See Hui Shi for the transfer of 12,500 AGSB ordinary shares, representing 5% of the total issued share capital of AGSB to See Hui Shi for a total purchase consideration of RM1,406,194. The shareholding restructuring did not involve the issuance of any new shares and was completed on 27 December 2023.

*Acquisition of AGSB*

On 28 December 2023, the Company entered into a conditional share sale and purchase agreement with See Hui Pvng, Tiu Kuang Hong and See Hui Shi ("AGSB's Vendors", collectively) to acquire the entire issued share capital of AGSB of RM250,000 comprising 250,000 AGSB ordinary shares for a purchase consideration of RM31,724,148.

The said purchase consideration was entirely satisfied by the issuance of 293,742,111 new ordinary shares in the Company at an issue price of RM0.108 per share to AGSB's Vendors, as follows:

<b>Vendors of AGSB</b>	<b>No. of AGSB shares acquired</b>	<b>% of shareholding held in AGSB</b>	<b>Purchase Consideration (RM)</b>	<b>No. of shares issued</b>
See Hui Pvng	218,750	87.50	27,758,630	257,024,352
Tiu Kuang Hong	18,750	7.50	2,379,311	22,030,657
See Hui Shi	12,500	5.00	1,586,207	14,687,102
	<b>250,000</b>	<b>100.00</b>	<b>31,724,148</b>	<b>293,742,111</b>

The purchase consideration of RM31,724,148 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 RM31,724,148. The acquisition of AGSB was completed on 7 February 2024 and became a wholly-owned subsidiary of KHPT.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****1. GENERAL INFORMATION (CONT'D)****1.2 LISTING SCHEME**

In conjunction with and as an integral part of the listing of and quotation for the entire issued share capital of KHPT on the ACE Market of Bursa Securities ("the Proposed Listing"), KHPT will implement the following:-

**(a) Proposed IPO****Proposed Public Issue**

The Proposed Public Issue of 108,644,300 shares representing approximately 27.00% of the enlarged issued share capital of KHPT 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, employees, customers and suppliers who have contributed to the success 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 402,386,413 shares shall be listed and quoted on the ACE Market.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023**

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**2. BASIS OF PREPARATION****FYE 31 DECEMBER 2021, 2022 AND 2023**

For the purpose of inclusion of combined financial statements in the prospectus of KHPT Holdings Berhad in connection with the listing and quotation of the entire enlarged share capital of KHPT Holdings Berhad on the ACE Market of Bursa Securities, the combined financial statements comprise the combined statements of financial position as at 31 December 2021, 2022 and 2023, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 31 December 2021, 2022 and 2023.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the combining entities so as to obtain benefits from their activities, and that ultimate collective power is not transitory. The financial statements of common controlled entities are included in the combined financial statements from the day that control commences until the date that control ceases.

The combined financial statements were prepared in a manner similar to the "pooling-of-interest" method, as if the entities within the Group were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later. Such manner of presentation reflects the economic substance of the companies, which were under common control throughout the relevant period.

The identifiable assets and liabilities of all common controlled entities are accounted for at their historical costs. The accounting policies of common controlled entities have been changed where necessary to align them with the policies adopted by the Group.

All material intra-group transactions and balances have been eliminated on combination.

These combined financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****2. BASIS OF PREPARATION (CONT'D)**

- 2.1 During the current financial year, the Group has adopted the following new accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any):-

**MFRSs and/or IC Interpretations (Including The Consequential Amendments)**

MFRS 17 Insurance Contracts

Amendments to MFRS 17: Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) did not have any material impact on the Group's combined financial statements.

- 2.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial year:-

**MFRSs and/or IC Interpretations (Including The Consequential Amendments)****Effective Date**

Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025

The adoption of the above accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) is expected to have no material impact on the combined financial statements of the Group upon their initial application.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, 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 below:-

**(a) Depreciation of Property, Plant and Equipment**

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the financial statements.

**(b) Impairment of Property, Plant and Equipment, Investment Property and Right-of-use Assets**

The Group determines whether an item of its property, plant and equipment, investment property and right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment, investment property and right-of-use assets as at the reporting date are disclosed in Notes 4 and 5 to the financial statements.

**(c) Write-down of Inventories**

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. The carrying amount of inventories as at the reporting date is disclosed in Note 6 to the financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(d) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The 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 values of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 7 to the financial statements.

**(e) Impairment of Non-Trade Receivables**

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amounts owing by related parties as at the reporting date are disclosed in Notes 8 and 9 to the financial statements respectively.

**(f) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax liabilities as at the reporting date is RM88,954 (2022 - current tax liabilities RM414,974; 2021 - current tax assets RM901,754).

*Critical Judgements Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the combined financial statements.



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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF COMBINATION**

The combined financial statements include the financial statements of the Group made up to the end of the reporting period. Accordingly, the combined financial statements have been accounted for using principles of merger accounting.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Intragroup transactions, balances, income and expenses are eliminated on combination. Intragroup losses may indicate an impairment that requires recognition in the combined financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

**(a) Business Combinations**

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF COMBINATION (CONT'D)****(b) Merger Accounting for Common Control Business Combinations**

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination and that control is not transitory.

Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholders at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the new fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

**(c) Non-controlling Interests**

Non-controlling interests are presented within equity in the combined statements of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

**(d) Changes in Ownership Interests in Subsidiaries Without Change of Control**

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in the equity of the Group.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF COMBINATION (CONT'D)****(e) Loss of Control**

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

**3.3 FUNCTIONAL AND FOREIGN CURRENCIES****(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

**(b) Foreign Currency Transactions and Balances**

Transactions in foreign currencies are converted into the Company's functional currency on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS**

Financial assets and financial liabilities are recognised in the combined statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the combined statements of financial position are disclosed in the individual policy statement associated with each item.

**(a) Financial Assets**

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS (CONT'D)****(a) Financial Assets (Cont'd)***Debt Instruments (Cont'd)***(ii) Fair Value through Other Comprehensive Income**

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

**(iii) Fair Value through Profit or Loss**

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

*Equity Instruments*

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

**(b) Financial Liabilities****(i) Financial Liabilities at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value (excluding interest expense) of these financial liabilities are recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.4 FINANCIAL INSTRUMENTS (CONT'D)****(b) Financial Liabilities (Cont'd)****(ii) Other Financial Liabilities**

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

**(c) Equity Instruments**

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

**(d) Derecognition**

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land, are stated at cost less accumulated depreciation and any impairment losses.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:-

Factory building	4%
Plant and machinery	10%-25%
Motor vehicles	20%-30%
Office equipment and furniture	10%-20%
Renovation	10%

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 INVESTMENT PROPERTY**

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties.

Freehold land is not depreciated.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.



**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.7 LEASES**

The Group assesses whether a contract is or contains a lease, at the inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the combined statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjusted for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

**3.8 INVENTORIES**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises the purchase price, production or conversion costs and incidentals incurred in bringing the inventories to their present location and condition.

Net realisable value represents the estimated selling price less the estimated costs of completion and the estimated costs necessary to make the sale.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

**3.10 NON-CURRENT ASSETS HELD FOR SALE**

Non-current assets (or disposal group comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets (or the disposal group) are remeasured in accordance with the Company's accounting policies. Upon classification as held for sale, the non-current assets (or non-current assets of the disposal group) are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss. In addition, equity accounting of equity-accounted associates ceases once classified as held for sale or distribution.

**3.11 IMPAIRMENT****(a) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the combined statements of financial position.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately.

When there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

**3.12 PROVISIONS**

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of past events, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. Where the effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation. The discount rate shall be a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as interest expense in profit or loss.

**3.13 EMPLOYEE BENEFITS****(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

**(b) Defined Contribution Plans**

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

## 3.14 INCOME TAXES

**(a) Current Tax**

Current tax assets and liabilities are the expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

**(b) Deferred Tax**

Deferred tax is recognised using the liability method for all temporary differences other than those that arise from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.15 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

**3.16 EARNINGS PER ORDINARY SHARE**

Basic earnings per ordinary share is calculated by dividing the combined profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the combined profit or loss attributable to ordinary shareholders of the Group and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

**3.17 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

Level 1: Inputs are quoted prices (unadjusted) in active markets for identical asset or liability that the entity can access at the measurement date;

Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and

Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

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**13. ACCOUNTANTS' REPORT (Cont'd)**

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**3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.18 REVENUE FROM CONTRACTS WITH CUSTOMERS**

Revenue 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 the 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. The Company 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.

**Sale of Goods**

Revenue from sale of goods is recognised when the Company has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

**3.19 OTHER OPERATING INCOME****Interest Income**

Interest income is recognised on an accrual basis using the effective interest method.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****4. PROPERTY, PLANT AND EQUIPMENT**

	At 1.1.2021 RM	Additions RM	Write-off RM	Disposal RM	Depreciation charge (Note 23) RM	At 31.12.2021 RM
<b>2021</b>						
<i>Carrying Amount</i>						
<i>Right-of-use asset</i>						
Motor vehicles	239,222	237,000	-	-	(95,541)	380,681
<i>Owned assets</i>						
Freehold land	18,233,069	-	-	-	-	18,233,069
Factory building	1,482,179	-	-	-	(127,532)	1,354,647
Plant and machinery	6,650,884	113,200	-	-	(1,728,404)	5,035,680
Motor vehicles	17,038	-	-	(3)	(17,032)	3
Office equipment and furniture	445,926	195,887	(3,637)	-	(140,531)	497,645
Renovation	118,672	-	-	-	(30,497)	88,175
	<b>27,186,990</b>	<b>546,087</b>	<b>(3,637)</b>	<b>(3)</b>	<b>(2,139,537)</b>	<b>25,589,900</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2022 RM	Additions RM	Write-off RM	Disposal RM	Transfer to investment property (Note 5) RM	Depreciation charge (Note 23) RM	At 31.12.2022 RM
<b>2022</b>							
<i>Carrying Amount</i>							
<i>Right-of-use asset</i>							
Motor vehicles	380,681	-	-	-	-	(140,305)	240,376
<i>Owned assets</i>							
Freehold land	18,233,069	-	-	-	(4,811,569)	-	13,421,500
Factory building	1,354,647	-	-	-	-	(127,532)	1,227,115
Plant and machinery	5,035,680	171,053	(27,611)	(2)	-	(1,593,634)	3,585,486
Motor vehicles	3	-	-	-	-	-	3
Office equipment and furniture	497,645	144,930	(76,692)	(1)	-	(147,207)	418,675
Renovation	88,175	599,362	-	-	-	(35,958)	651,579
	<b>25,589,900</b>	<b>915,345</b>	<b>(104,303)</b>	<b>(3)</b>	<b>(4,811,569)</b>	<b>(2,044,636)</b>	<b>19,544,734</b>



**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2023 RM	Additions RM	Write-off RM	Disposal RM	Depreciation charge (Note 23) RM	At 31.12.2023 RM
<b>2023</b>						
<i>Carrying Amount</i>						
<i>Right-of-use asset</i>						
Motor vehicles	240,376	-	-	(89,862)	(82,239)	68,275
<i>Owned assets</i>						
Freehold land	13,421,500	-	-	-	-	13,421,500
Factory building	1,227,115	-	(1,237)	-	(127,530)	1,098,348
Plant and machinery	3,585,486	3,767,773	(21,841)	(20,877)	(1,437,663)	5,872,878
Motor vehicles	3	179,224	-	(1)	(24,136)	155,090
Office equipment and furniture	418,675	516,554	(14,024)	(11,672)	(107,254)	802,279
Renovation	651,579	1,062,583	(40,958)	-	(100,223)	1,572,981
	<b>19,544,734</b>	<b>5,526,134</b>	<b>(78,060)</b>	<b>(122,412)</b>	<b>(1,879,045)</b>	<b>22,991,351</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>2021</b>			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	701,524	(320,843)	380,681
<i>Owned assets</i>			
Freehold land	18,233,069	-	18,233,069
Factory building	3,188,308	(1,833,661)	1,354,647
Plant and machinery	21,551,106	(16,515,426)	5,035,680
Motor vehicles	232,473	(232,470)	3
Office equipment and furniture	977,442	(479,797)	497,645
Renovation	304,967	(216,792)	88,175
	<b>45,188,889</b>	<b>(19,598,989)</b>	<b>25,589,900</b>
<b>2022</b>			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	701,524	(461,148)	240,376
<i>Owned assets</i>			
Freehold land	13,421,500	-	13,421,500
Factory building	3,188,308	(1,961,193)	1,227,115
Plant and machinery	21,065,990	(17,480,504)	3,585,486
Motor vehicles	232,473	(232,470)	3
Office equipment and furniture	1,027,370	(608,695)	418,675
Renovation	904,329	(252,750)	651,579
	<b>40,541,494</b>	<b>(20,996,760)</b>	<b>19,544,734</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>2023</b>			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	294,462	(226,187)	68,275
<i>Owned assets</i>			
Freehold land	13,421,500	-	13,421,500
Factory building	3,186,878	(2,088,530)	1,098,348
Plant and machinery	23,595,475	(17,722,597)	5,872,878
Motor vehicles	314,185	(159,095)	155,090
Office equipment and furniture	1,392,486	(590,207)	802,279
Renovation	1,680,488	(107,507)	1,572,981
	<u>43,885,474</u>	<u>(20,894,123)</u>	<u>22,991,351</u>

- (a) Motor vehicles with a carrying amount of RM68,275 (2022 - RM240,376; 2021 - RM380,681) which were acquired under hire purchase terms have been represented as 'right-of-use asset' following the application of MFRS 16 by the Group.
- (b) Carrying amount of property, plant and equipment charged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 14 to the financial statements:-

	<b>2021</b> RM	<b>2022</b> RM	<b>2023</b> RM
Factory building	1,354,647	1,227,115	1,098,348
Plant and machinery	1,518,017	1,303,499	1,088,981
	<u>2,872,664</u>	<u>2,530,614</u>	<u>2,187,329</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****5. INVESTMENT PROPERTY**

	<b>2022</b>	<b>2023</b>
	RM	RM
Cost:-		
At 1 January	-	4,811,569
Transfer from property, plant and equipment	4,811,569	-
Transfer to non-current asset held for sale (Note 11)	-	(3,780,000)
Impairment loss	-	(1,031,569)
At 31 December	<u>4,811,569</u>	<u>-</u>
Represented by:-		
Freehold land	<u>4,811,569</u>	<u>-</u>

The investment property has been reclassified to non-current asset held for sale at 31 December 2023.

The carrying amount of the investment property is measured at the lower of its carrying amount and fair value less costs to sell. An impairment loss of RM1,031,569, representing the write-down of the investment property, was recognised in "Other Expenses" line item of the combined statements of profit or loss and other comprehensive income as disclosed in Note 23 to the financial statements.

**6. INVENTORIES**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
Raw materials	765,690	1,497,635	269,755
Work-in-progress	1,604,357	1,042,472	757,648
Finished goods	2,469,933	1,219,684	2,789,385
	<u>4,839,980</u>	<u>3,759,791</u>	<u>3,816,788</u>
Recognised in profit or loss:-			
Inventories recognised as cost of sales	<u>44,728,392</u>	<u>86,475,193</u>	<u>86,475,193</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****7. TRADE RECEIVABLES**

	2021 RM	2022 RM	2023 RM
Trade receivables	11,732,822	18,575,001	12,679,904
Less: Allowance for impairment losses	-	(368,901)	-
	<u>11,732,822</u>	<u>18,206,100</u>	<u>12,679,904</u>
Allowance for impairment losses:-			
At 1 January	-	-	368,901
Addition during the financial year (Note 22)	-	368,901	-
Reversal during the financial year (Note 22)	-	-	(260,083)
Write-off during the financial year	-	-	(108,818)
At 31 December	<u>-</u>	<u>368,901</u>	<u>-</u>

The Group's normal trade credit terms range from 30 to 90 (2022 - 30 to 90; 2021 - 30 to 90) days.

**8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	2021 RM	2022 RM	2023 RM
Other receivables	138,098	90,692	179,781
Goods and services tax recoverable	13,744	13,744	13,744
Deposits	58,011	64,681	136,328
Prepayments	388,849	182,844	2,747,788
	<u>598,702</u>	<u>351,961</u>	<u>3,077,641</u>

**9. AMOUNT OWING BY RELATED PARTIES**

	2021 RM	2022 RM	2023 RM
<b>Amount owing by related parties:-</b>			
<u>Current</u>			
Non-trade balance	<u>22,497</u>	<u>30,231</u>	<u>-</u>

The non-trade balance represents unsecured payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****10. FIXED DEPOSITS WITH LICENSED BANKS**

The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.80% to 3.55% (2022 - 3.00%; 2021 - NIL) per annum. The fixed deposits have maturity periods ranging from 3 to 6 months (2022 - 3 months; 2021 - NIL).

**11. NON-CURRENT ASSET HELD FOR SALE**

Non-current asset held for sale is in respect of investment property comprising freehold agricultural land located at Lot No. 2625, Mukim of Teluk Panglima Garang, District of Kuala Langat, 42500 Selangor with a carrying amount of RM4,811,569, which the Company has committed to dispose. On 1 August 2023, the Company entered into a Sale and Purchase Agreement with an individual buyer to sell the property for a cash consideration of RM3,780,000. The sale is conditional upon full payment.

**12. SHARE CAPITAL AND INVESTED CAPITAL**

(a) Share capital

	2021	2022	2023
	<----- Number of Shares ----->		
<b>Issued and Fully Paid-Up</b>			
Ordinary shares			
At 1 January/31 December	2	2	2
	<hr/>	<hr/>	<hr/>
	2021	2022	2023
	RM	RM	RM
<b>Issued and Fully Paid-Up</b>			
Ordinary shares			
At 1 January/31 December	2	2	2
	<hr/>	<hr/>	<hr/>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****12. SHARE CAPITAL AND INVESTED CAPITAL (CONT'D)**

(b) Invested capital

	2021	2022	2023
	<----- Number of Shares ----->		
<b>Issued and Fully Paid-Up</b>			
Ordinary shares			
At 1 January/31 December	250,000	250,000	250,000
	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
<b>Issued and Fully Paid-Up</b>			
Ordinary shares			
At 1 January/31 December	250,000	250,000	250,000

The holders of ordinary shares are entitled to receive as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

**13. LEASE LIABILITIES**

	2021	2022	2023
	RM	RM	RM
At 1 January	199,267	311,021	192,783
Addition	201,598	-	-
Interest expense recognised in profit or loss	7,598	12,774	6,862
Repayment of principal	(89,844)	(118,238)	(131,939)
Repayment of interest expense	(7,598)	(12,774)	(6,862)
At 31 December	311,021	192,783	60,844
Analysed by:-			
Current liabilities	114,323	71,428	19,137
Non-current liabilities	196,698	121,355	41,707
	311,021	192,783	60,844

Certain lease liabilities of the Group are secured by the Group's motor vehicles under the hire purchase arrangements as disclosed in Note 4 to the financial statements, with lease terms ranging from 3 to 5 years and bear effective interest rates ranging from 4.16% - 5.71% (2022 - 4.52% - 6.29%; 2021 - 4.52% - 6.29%).

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****14. TERM LOANS**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
Current liabilities	1,276,066	1,231,170	1,256,972
Non-current liabilities	3,209,467	1,908,022	651,050
	<u>4,485,533</u>	<u>3,139,192</u>	<u>1,908,022</u>

The term loans are secured by:-

- (a) third party charge against the factory building of the Group as disclosed in Note 4(b) to the financial statements;
- (b) joint and several guarantees by the directors of the Group; and
- (c) a fixed charge over the assets financed by the licensed bank.

	<b>Effective Interest Rate</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	%	RM	RM	RM
Fixed rate term loans	3.50 - 4.00	2,243,081	1,699,747	1,135,237
Floating rate term loans	4.57 - 5.82	2,242,452	1,439,445	772,785
		<u>4,485,533</u>	<u>3,139,192</u>	<u>1,908,022</u>



**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****15. DEFERRED TAX LIABILITIES**

	2021 RM	2022 RM	2023 RM
At 1 January	955,000	1,088,515	1,159,259
Recognised in Profit or Loss (Note 24)	133,515	70,744	(211,232)
At 31 December	<u>1,088,515</u>	<u>1,159,259</u>	<u>948,027</u>

The deferred tax consists of the tax effects of the following items:-

	2021 RM	2022 RM	2023 RM
Deferred tax liabilities:			
- Property, plant and equipment	1,088,515	1,247,795	948,027
Deferred tax assets:			
- Provisions	-	(88,536)	-
	<u>1,088,515</u>	<u>1,159,259</u>	<u>948,027</u>

In the previous financial year, the Group fully utilised unabsorbed reinvestment allowances (stated at gross) amounting to RM875,110.

**16. TRADE PAYABLES**

The normal trade credit term granted to the Group is 60 (2022 - 60; 2021 - 60) days.

**17. OTHER PAYABLES AND ACCRUALS**

	2021 RM	2022 RM	2023 RM
Other payables	625,199	679,681	2,121,717
Accruals	1,475,239	3,102,120	3,351,089
	<u>2,100,438</u>	<u>3,781,801</u>	<u>5,472,806</u>

**18. AMOUNT OWING TO DIRECTORS**

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****19. BANKERS' ACCEPTANCES**

The bankers' acceptances are secured by a joint and several guarantees by the Directors of the Group. The bankers' acceptances of the Group at the end of the reporting period bore effective interest rates ranging from 3.70% - 5.14% (2022 - 4.29% - 5.04%; 2021 - 3.77% - 5.42%) per annum.

**20. BANK OVERDRAFT**

- (a) In the previous financial year, the bank overdrafts of the Group are secured by a fixed charge over certain of the Group's plant and equipment as disclosed in Note 4 to the financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rate at NIL% (2022 - NIL%; 2021 - 6.67% - 6.92%) per annum.

**21. REVENUE**

	<b>2021</b> RM	<b>2022</b> RM	<b>2023</b> RM
<b>Revenue from Contracts with Customers</b>			
<u>Revenue recognised at a point in time</u>			
Sales of goods	58,965,533	116,246,414	114,081,850
	<u>58,965,533</u>	<u>116,246,414</u>	<u>114,081,850</u>
Represented by geographical markets:-			
Malaysia	58,965,533	116,246,414	114,081,850
	<u>58,965,533</u>	<u>116,246,414</u>	<u>114,081,850</u>

**22. NET IMPAIRMENT LOSSES/(GAINS) ON FINANCIAL ASSETS**

	<b>2021</b> RM	<b>2022</b> RM	<b>2023</b> RM
Impairment losses on trade receivables	-	368,901	-
Reversal of impairment losses on trade receivables	-	-	(260,083)
	<u>-</u>	<u>368,901</u>	<u>(260,083)</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****23. PROFIT BEFORE TAXATION**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
Profit before taxation is arrived at after charging/(crediting):-			
Auditors' remuneration			
- statutory audit	46,500	57,500	57,500
- special audit	-	-	46,000
Depreciation of property, plant and equipment	2,139,537	2,044,636	1,879,045
Equipment written off	3,637	104,303	78,060
Bad debts written off	-	433,869	6,680
Directors' remuneration	786,454	813,636	950,867
Impairment loss on non-current asset held for sale	-	-	1,031,569
Interest expense on financial liabilities that are not at fair value through profit or loss:-			
- bankers' acceptances	134,721	343,380	219,966
- lease	7,598	12,774	6,862
- term loans	341,881	169,023	125,190
- bank overdrafts	113,693	59,226	3,482
Net realised loss on foreign exchange	4,126	31,285	22,014
Short-term rental expenses:-			
- office equipment	14,670	19,638	33,283
- forklifts	225,129	243,177	259,122
- workers' quarters	94,300	102,580	204,090
Staff costs:-			
- salaries, wages and allowances	5,969,521	7,588,322	8,404,523
- defined contribution plan	326,480	342,182	329,362
- others	556,392	810,791	930,724
Bad debt recovered	-	-	(6,314)
Gain on disposal of property, plant and equipment	(58,997)	(4,547)	(271,064)
Interest income	(68,640)	(89,459)	(185,538)

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****24. INCOME TAX EXPENSE**

	2021 RM	2022 RM	2023 RM
Income tax:-			
- for the financial year	16,474	2,428,977	2,462,257
- under provision in the previous financial year	12,670	38,588	628,586
	<u>29,144</u>	<u>2,467,565</u>	<u>3,090,843</u>
Deferred tax (Note 15):-			
- for the financial year	130,377	215,263	178,351
- under/(over) provision in the previous financial year	3,138	(144,519)	(389,583)
	<u>133,515</u>	<u>70,744</u>	<u>(211,232)</u>
	<u>162,659</u>	<u>2,538,309</u>	<u>2,879,611</u>

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	2021 RM	2022 RM	2023 RM
Profit before taxation	316,136	11,336,682	8,413,080
Tax at the statutory tax rate of 24%	75,873	2,720,803	2,019,139
Tax effects of:-			
Non-deductible expenses	70,978	165,827	642,859
Non-taxable income	-	(32,365)	(21,390)
Utilisation of deferred tax assets previously not recognised	-	(210,025)	-
Under provision of income tax expense in the previous financial year	12,670	38,588	628,586
Under/(Over) provision of deferred taxation in the previous financial year	3,138	(144,519)	(389,583)
	<u>162,659</u>	<u>2,538,309</u>	<u>2,879,611</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****25. EARNINGS PER SHARE**

	2021 RM	2022 RM	2023 RM
Profit after taxation attributable to owners of the Company	153,477	8,798,373	5,533,469
Weighted average number of ordinary shares in issue	250,002	250,002	250,002
Basic earnings per share (sen)	61.39	3,519.32	2,213.37

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

**26. DIVIDENDS**

	2021		2022		2023	
	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM
<b>Ordinary shares</b>						
In respect of the financial year ended 31 December 2022						
- Second interim single-tier dividend	-	-	1,440	3,600,000	-	-
In respect of the financial year ended 31 December 2023/2022						
- First interim single-tier dividend	-	-	160	400,000	400	1,000,000
	-	-	1,600	4,000,000	400	1,000,000

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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(a) The cash disbursed for the purchase of property and equipment is as follows:-

	2021 RM	2022 RM	2023 RM
Cost of plant and equipment purchased (Note 4)	546,087	915,345	5,526,134
Amount financed through lease liabilities (Note 27(b))	(201,598)	-	-
	<u>344,489</u>	<u>915,345</u>	<u>5,526,134</u>

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**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****27. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:-

	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
<b>2021</b>				
At 1 January	5,655,916	199,267	5,930,000	11,785,183
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	8,800,000	8,800,000
Repayment of principal	(1,170,383)	(89,844)	(9,680,000)	(10,940,227)
Repayment of interests	(341,881)	(7,598)	(134,721)	(484,200)
	(1,512,264)	(97,442)	(1,014,721)	(2,624,427)
<u>Non-cash Changes</u>				
Acquisition of new leases	-	201,598	-	201,598
Interest expense recognised in profit or loss (Note 23)	341,881	7,598	134,721	484,200
	341,881	209,196	134,721	685,798
At 31 December	4,485,533	311,021	5,050,000	9,846,554

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
<b>2022</b>				
At 1 January	4,485,533	311,021	5,050,000	9,846,554
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	15,450,000	15,450,000
Repayment of principal	(1,346,341)	(118,238)	(15,500,000)	(16,964,579)
Repayment of interests	(169,023)	(12,774)	(343,380)	(525,177)
	(1,515,364)	(131,012)	(393,380)	(2,039,756)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss (Note 23)	169,023	12,774	343,380	525,177
At 31 December	3,139,192	192,783	5,000,000	8,331,975



**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****27. CASH FLOW INFORMATION (CONT'D)**

(b) The reconciliations of liabilities arising from financing activities are as follows:- (Cont'd)

	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
<b>2023</b>				
At 1 January	3,139,192	192,783	5,000,000	8,331,975
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	15,600,027	15,600,027
Repayment of principal	(1,231,170)	(131,939)	(15,700,021)	(17,063,130)
Repayment of interests	(125,190)	(6,862)	(219,966)	(352,018)
	(1,356,360)	(138,801)	(319,960)	(1,815,121)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss (Note 23)	125,190	6,862	219,966	352,018
At 31 December	1,908,022	60,844	4,900,006	6,868,872

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****27. CASH FLOW INFORMATION (CONT'D)**

(c) The cash and cash equivalents comprise the following:-

	2021 RM	2022 RM	2023 RM
Fixed deposits with licensed banks	-	2,000,000	6,304,235
Cash and bank balances	4,590,971	8,088,216	6,080,234
Bank overdrafts (Note 20)	(1,317,247)	-	-
	<u>3,273,724</u>	<u>10,088,216</u>	<u>12,384,469</u>
Less: Fixed deposit with tenure of more than 3 months	-	-	(304,235)
	<u>3,273,724</u>	<u>10,088,216</u>	<u>12,080,234</u>

**28. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel of the Group include executive directors of the Group and certain members of senior management of the Group.

The key management personnel compensation during the financial year are as follows:-

	2021 RM	2022 RM	2023 RM
<b>Directors</b>			
Short-term employee benefits:			
- fees	30,000	30,000	27,500
- salaries, bonuses and other benefits	676,174	700,897	812,247
- defined contribution benefits	80,280	82,739	96,120
	<u>786,454</u>	<u>813,636</u>	<u>935,867</u>
<b>Other Key Management Personnel</b>			
Short-term employee benefits	355,054	416,619	484,997
Defined contribution benefits	38,607	49,197	60,616
	<u>393,661</u>	<u>465,816</u>	<u>545,613</u>

The estimated monetary value of benefit-in-kind provided by the Group to its directors was RM12,568 (2022 - RM19,998; 2021 - RM43,045).

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****29. RELATED PARTY DISCLOSURES****(a) Identities of Related Parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the combined financial statements, the Group has related party relationships with its directors, key management personnel and entities within the same group of companies.

**(b) Significant Related Party Transactions and Balances**

Other than those disclosed elsewhere in the combined financial statements, the Group also carried out the following transactions with the related parties during the financial year:-

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
Advances to related parties	8,330	313,961	12,449
Repayment from related parties	(287)	(306,227)	(42,679)
Labour supplied payment to a related party	206,401	71,641	-
Labour supplied charges from a related party	(242,496)	-	-
Loan to a director	-	240,000	-
Repayment from a director	-	(240,000)	-
	<u>                    </u>	<u>                    </u>	<u>                    </u>

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the combined financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****30. OPERATING SEGMENTS****30.1 BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION**

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

**30.2 MAJOR CUSTOMERS**

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	<b>2021</b>	<b>2022</b>	<b>2023</b>	
	RM	RM	RM	<b>Segment</b>
Customer A	13,523,278	30,150,288	36,967,095	Malaysia
Customer B	9,627,965	23,688,258	18,350,600	Malaysia
Customer C	14,359,904	22,490,647	11,393,611	Malaysia
Customer D	7,267,616	21,306,008	30,016,201	Malaysia

**31. CAPITAL COMMITMENTS**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
Purchase of office equipment and furniture	-	-	816,000
Renovation	-	-	55,000
	-	-	871,000

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risk (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

**32.1 FINANCIAL RISK MANAGEMENT POLICIES**

The Group's policies in respect of the major areas of treasury activity are as follows:-

**(a) Market Risk****(i) Foreign Currency Risk**

The Group does not have any transactions or balances denominated in foreign currencies and hence, is not exposed to foreign currency risk.

**(ii) Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate receivables and borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as in defined MFRS 7 since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period are disclosed in Notes 14, 19 and 20 to the financial statements.

*Interest Rate Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
<b>Effects on Profit After Taxation</b>			
Increase of 100 basis points	(82,481)	(61,858)	(51,741)
Decrease of 100 basis points	82,481	61,858	51,741

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)**

## 32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(a) Market Risk (Cont'd)**

## (iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

**(b) Credit Risk**

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

## (i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 3 (2022 - 3; 2021 - 3) customers which constituted approximately 82% (2022 - 81%; 2021 - 72%) of its trade receivables at the end of the reporting period.

## (ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

## (iii) Assessment of Impairment Losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
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## 32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

*Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over a year of 12 months (2022 - 12 months; 2021 - 12 months) 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.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below:-

	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
<b>2021</b>			
Current (not past due)	6,628,218	-	6,628,218
Past due:			
- less than 3 months	4,795,524	-	4,795,524
- more than 3 months	68,409	-	68,409
- more than 6 months	4,810	-	4,810
- more than 1 year	235,861	-	235,861
	<u>11,732,822</u>	-	<u>11,732,822</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)**

## 32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below:-  
(Cont'd)

**2022**

Current (not past due)	9,539,718	-	9,539,718
Past due:			
- less than 3 months	8,661,317	-	8,661,317
- more than 3 months	5,065	-	5,065
- more than 6 months	-	-	-
- more than 1 year	368,901	(368,901)	-
	<u>18,575,001</u>	<u>(368,901)</u>	<u>18,206,100</u>

**2023**

Current (not past due)	9,030,092	-	9,030,092
Past due:			
- less than 3 months	3,649,812	-	3,649,812
- more than 3 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<u>12,679,904</u>	<u>-</u>	<u>12,679,904</u>

The movement in the loss allowances in respect of trade receivables is disclosed in Note 7 to the financial statements.



**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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## 32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(b) Credit Risk (Cont'd)**

## (iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Amount Owing by Related Parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables and amount owing by related parties.

*Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

*Allowance for Impairment Losses*

No expected credit loss is recognised on other receivables and amount owing by related parties as they are negligible.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)**

## 32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk**

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

*Maturity Analysis*

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2021</b>						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.52 - 6.29	311,021	340,249	130,492	209,757	-
Term loans	3.50 - 5.42	4,485,533	4,792,286	1,426,204	3,366,082	-
Bankers' acceptances	3.77 - 5.42	5,050,000	5,050,000	5,050,000	-	-
Bank overdrafts	6.67 - 6.92	1,317,247	1,317,247	1,317,247	-	-
Trade payables	-	10,627,492	10,627,492	10,627,492	-	-
Other payables and accruals	-	2,100,438	2,100,438	2,100,438	-	-
Amount owing to directors	-	1,404	1,404	1,404	-	-
		<b>23,893,135</b>	<b>24,229,116</b>	<b>20,653,277</b>	<b>3,575,839</b>	<b>-</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)**

## 32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) **Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2022</b>						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.52 - 6.29	192,783	209,480	78,664	130,816	-
Term loans	3.50 - 6.42	3,139,192	3,324,785	1,353,093	1,971,692	-
Bankers' acceptances	4.29 - 5.04	5,000,000	5,000,000	5,000,000	-	-
Trade payables	-	15,011,244	15,011,244	15,011,244	-	-
Other payables and accruals	-	3,781,801	3,781,801	3,781,801	-	-
		<u>27,125,020</u>	<u>27,327,310</u>	<u>25,224,802</u>	<u>2,102,508</u>	<u>-</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)**

## 32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

**(c) Liquidity Risk (Cont'd)***Maturity Analysis (Cont'd)*

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>2023</b>						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.16 - 5.71	60,844	66,312	22,116	44,196	-
Term loans	3.50 - 5.82	1,908,022	1,974,729	1,318,986	655,743	-
Bankers' acceptances	3.70 - 5.14	4,900,006	4,900,006	4,900,006	-	-
Trade payables	-	12,724,676	12,724,676	12,724,676	-	-
Other payables and accruals	-	5,472,806	5,472,806	5,472,806	-	-
		<b>25,066,354</b>	<b>25,138,529</b>	<b>24,438,590</b>	<b>699,939</b>	<b>-</b>

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**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)****32.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
Lease liabilities	311,021	192,783	60,844
Term loans	4,485,533	3,139,192	1,908,022
Bankers' acceptances	5,050,000	5,000,000	4,900,006
Bank overdrafts	1,317,247	-	-
	<u>11,163,801</u>	<u>8,331,975</u>	<u>6,868,872</u>
Less: Fixed deposits with licensed banks	-	(2,000,000)	(6,304,235)
Less: Cash and bank balances	(4,590,971)	(8,088,216)	(6,080,234)
Net debt	<u>6,572,830</u>	<u>(1,756,241)</u>	<u>(5,515,597)</u>
Total equity	<u>23,294,976</u>	<u>28,093,349</u>	<u>32,626,818</u>
Debt-to-equity ratio	<u>0.28</u>	<u>N/A</u>	<u>N/A</u>

There was no change in the Group's approach to capital management during the financial year.

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)****32.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
<b>Financial Assets</b>			
<u>Amortised Cost</u>			
Trade receivables	11,732,822	18,206,100	12,679,904
Other receivables and deposits	209,853	169,117	329,853
Amount owing by related parties	22,497	30,231	-
Fixed deposits with licensed banks	-	2,000,000	6,304,235
Cash and bank balances	4,590,971	8,088,216	6,080,234
	<u>16,556,143</u>	<u>28,493,664</u>	<u>25,394,226</u>
<b>Financial Liabilities</b>			
<u>Amortised Cost</u>			
Lease liabilities	311,021	192,783	60,844
Term loans	4,485,533	3,139,192	1,908,022
Bankers' acceptances	5,050,000	5,000,000	4,900,006
Bank overdrafts	1,317,247	-	-
Trade payables	10,627,492	15,011,244	12,724,676
Other payables and accruals	2,100,438	3,781,801	5,472,806
Amount owing to directors	1,404	-	-
	<u>23,893,135</u>	<u>27,125,020</u>	<u>25,066,354</u>

**32.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS**

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
<b>Financial Assets</b>			
<u>Amortised Cost</u>			
Net (losses)/gains recognised in profit or loss	<u>-</u>	<u>(368,901)</u>	<u>260,083</u>
<b>Financial Liabilities</b>			
<u>Amortised Cost</u>			
Net losses recognised in profit or loss	<u>(597,893)</u>	<u>(584,403)</u>	<u>(355,500)</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)****32.5 FAIR VALUE INFORMATION**

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1	Level 2	Level 3		
	RM	RM	RM		
<b>2021</b>					
<u>Financial Liabilities</u>					
Bank overdrafts	-	1,317,247	-	1,317,247	1,317,247
Bankers' acceptances	-	5,050,000	-	5,050,000	5,050,000
Lease liabilities	-	311,021	-	311,021	311,021
Term loans	-	4,485,533	-	4,485,533	4,485,533
<b>2022</b>					
<u>Financial Liabilities</u>					
Bankers' acceptances	-	5,000,000	-	5,000,000	5,000,000
Lease liabilities	-	192,783	-	192,783	192,783
Term loans	-	3,139,192	-	3,139,192	3,139,192
<b>2023</b>					
<u>Financial Liabilities</u>					
Bankers' acceptances	-	4,900,006	-	4,900,006	4,900,006
Lease liabilities	-	60,844	-	60,844	60,844
Term loans	-	1,908,022	-	1,908,022	1,908,022

**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS  
FOR THE FINANCIAL YEARS ENDED 31 DECEMBER 2021, 2022 AND 2023****32. FINANCIAL INSTRUMENTS (CONT'D)**

## 32.5 FAIR VALUE INFORMATION (CONT'D)

**Fair Value of Financial Instruments Not Carried at Fair Value**

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) The fair value of hire purchase payables, bankers' acceptances and trade financing that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	<b>2021</b>	<b>2022</b>	<b>2023</b>
	RM	RM	RM
	%	%	%
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

**33. SIGNIFICANT EVENTS OCCURING DURING AND AFTER THE REPORTING PERIOD**

On 28 December 2023, the directors of Automev Global Sdn Bhd ("AGSB") namely See Hui Pving, See Hui Shi and Tiu Kuang Hong entered into a Share Sale Agreement with KHPT Holdings Berhad ("KHPT") for the sale of 250,000 ordinary shares, representing 100% of the total issued share capital of the Company for a total purchase consideration of RM31,724,148.

Subsequently on 8 January 2024, KHPT acquired 250,000 ordinary shares of AGSB, representing 100% of the total issued share capital of AGSB by the issuance of 293,742,111 new ordinary shares at RM0.108 per share amounting to RM31,724,148. AGSB became a wholly owned subsidiary of KHPT.



**13. ACCOUNTANTS' REPORT (Cont'd)****KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS**

We, See Hui Pvng and Hideki Nomura, being two of the directors of KHPT Holdings Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 64 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of KHPT Holdings Berhad and its combined entities (collectively known as the "Group") as of 31 December 2021, 2022 and 2023 and of their financial performance and cash flows for each of the financial years ended.

Signed in accordance with a resolution of the directors dated **13 MAR 2024**

**See Hui Pvng**  
**Hideki Nomura**