

## 8. IMR REPORT

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Protégé  
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*The information in this Section 8 is based on the market research conducted by Protégé Associates commissioned by TechStore for the purpose of the IPO.*

The Board of Directors  
TechStore Berhad  
20-2 Jalan Suria Puchong 6,  
Pusat Perniagaan Suria Puchong,  
47110 Puchong, Selangor

6 January 2025

Dear Sirs/Madams,

### **Independent Market Research Report on the Enterprise Information Technology Services Industry in Malaysia ("IMR Report")**

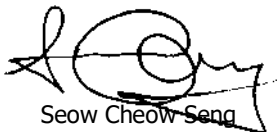
Protégé Associates Sdn Bhd ("**Protégé Associates**") has prepared this IMR Report for inclusion in the prospectus of TechStore Berhad ("**TechStore**" or the "**Company**") in relation to its initial public offering and listing on the ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**").

We have been engaged to provide independent market research of the abovementioned industry in which TechStore and its subsidiaries ("**TechStore Group**" or the "**Group**") operate in. The market research process undertaken involved secondary research as well as detailed primary research when required, which involves interviews with the relevant stakeholders of the industry to discuss the state of the industry. Quantitative market information could be sourced from such interviews and therefore, the information at the time of reporting is subject to fluctuations due to changes in business, industry and economic conditions.

We have prepared this IMR Report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of this IMR Report. We believe that this IMR Report presents a balanced view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present an overall view of the industry and may not necessarily reflect the performance of individual companies in this industry. Protégé Associates is not responsible for the decisions and/ or actions of the readers of this IMR Report. This IMR Report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this IMR Report.

Thank you.

Yours sincerely,



Seow Cheow Seng  
Managing Director

#### ***About Protégé Associates Sdn Bhd***

*Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.*

#### ***Profile of signing partner, Seow Cheow Seng***

*Seow Cheow Seng is the Managing Director of Protégé Associates. He has 25 years of experience in market research, having started his career at Frost & Sullivan where he spent 7 years. He has a Master in Business Administration from Charles Sturt University, Australia and Bachelor of Business majoring in Marketing from RMIT University, Australia.*

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The research for this IMR Report was completed in December 2024.

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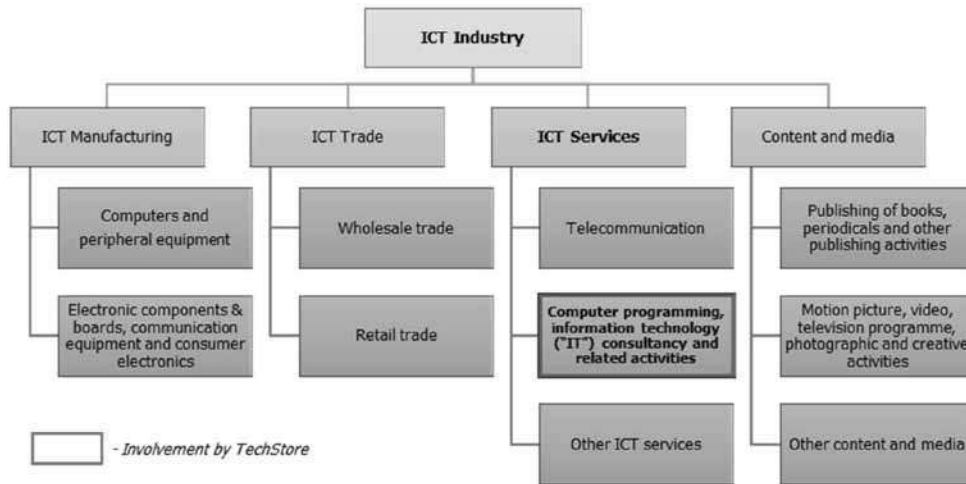
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**1.0 Introduction to the ICT Services Industry in Malaysia**

Information and Communication Technology (“ICT”) refers to the technologies and services that enable information to be accessed, stored, processed, transformed, manipulated, and disseminated, including the transmission or communication of voice, image and/or data over a variety of transmission media. This industry plays a crucial role in enhancing the efficiency and effectiveness of product and service delivery, continually reshaping how people work, learn, and play. It has evolved beyond being a mere collection of technological tools and has instead become a key driver of business transformation and a socio-economic enabler as well as a key driver of business transformation comprising data mining, Big Data Analytics (“BDA”), digitisation and integration.

The ICT industry refers to the sectors which produce ICT products as primary activities. The main subsectors of the ICT industry are ICT manufacturing, ICT trade, ICT services, as well as content and media.

**Figure 1: ICT Industry Segmentation**

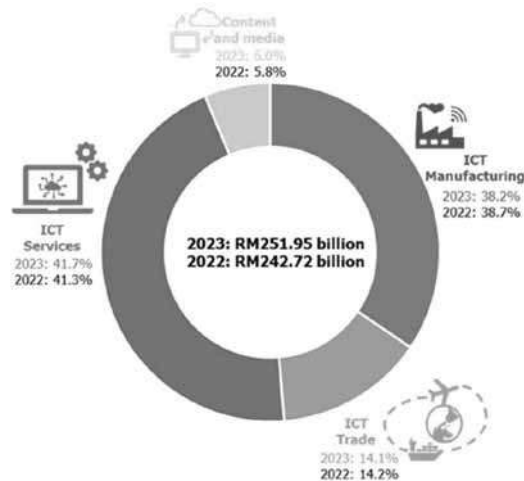


Source: Department of Statistics Malaysia (“DOSM”)

According to the Information and Communication Technology Satellite Account 2023 published by DOSM, the ICT industry registered a value of RM251.95 billion with a growth of 3.8% in 2023 as compared with RM242.72 billion in 2022. In 2023, the ICT services industry dominated with a share of 41.7%, followed by ICT manufacturing at 38.2%, ICT trade at 14.1% and content and media at 6.0%.

The ICT services industry experienced a 4.7% growth in 2023, mainly supported by higher activities in the telecommunications subsector, reaching a value of RM104.97 billion, up from RM100.30 billion in 2022. In the same period, the ICT manufacturing industry saw an increase of 2.3%, reaching RM96.18 billion, primarily driven by electronic components and boards, communication equipment, and consumer electronics. The ICT trade industry recorded growth of 3.7% in 2023, driven by both retail and wholesale trade of ICT products and services. The content and media industry also increased by 7.7%, primarily due to higher activity in motion pictures, video, television programs, photography, and creative activities.

**Figure 2: Value of the Malaysian ICT Industry**



Source: DOSM

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The main subsectors in the ICT services industry and its key features are set out below:-

Subsectors of ICT services	Key features
Telecommunications	Operating, maintaining, and providing access to telecommunications infrastructure for transmission of voice, data, text, video and etc.
Computer programming, information technology ("IT") consultancy and related activities	<ul style="list-style-type: none"> <li>▪ Planning and designing of IT systems to gather requirements from stakeholders. This includes consultancy services as part of designing a complete system architecture and/or solution for customers.</li> <li>▪ Designing the architecture, interface, structure and content of computer code of and/or writing the computer code needed to develop and implement system software and applications (including subsequent updates and patches), databases and webpages.</li> <li>▪ Testing and deployment of software systems and applications so that it is functional within the customers' systems environment.</li> <li>▪ Provision of onsite management and operation of customers' IT systems (including system security and disaster recovery) and/or data processing facilities and related support services.</li> </ul>
Other ICT services	Web search portal and streaming services, data processing and hosting activities (including payment services), business and productivity software and licensing services, leasing or rental services for ICT equipment as well as other information service activities of supplying information.

*Source: Protégé Associates*

**1.1 Enterprise IT Services Industry**

The enterprise IT services industry generally refers to the provision of IT consulting and implementation services, operations, maintenance, and support services as well as business process outsourcing services. IT consulting generally involves overall design, planning and implementation of IT system and infrastructure to assist companies to achieve or improve operational efficiency. Operation, maintenance and support systems on the other hand, include IT management, application and hosting services. It also includes system integration, software installation and support as well as IT education and training. Lastly, business process outsourcing services generally covers the outsourcing of IT-based business processes such as human resources, finance and customer call centre services to a third-party service providers.

As the digital economy continues to develop with digitalisation becoming more entrenched and widely used by consumers, enterprises and governments, the enterprise IT services industry has a wide range of end-user markets in both the private and public sectors. Examples of the end-user market for enterprise IT services include but are not limited to banking and finance, insurance, technology, telecommunications, consumer products, education, healthcare, manufacturing, retail, hospitality and leisure, automotive, aviation, logistics and transportation.

**TechStore Berhad is an enterprise IT services provider principally involved in the provision of design and implementation and maintenance of IT systems. The company provides IT security and automation solutions on a turnkey basis including design, development, customisation, installation, integration, testing and commissioning for customers involved in, amongst others, transportation, hospitality and leisure, education, logistics, and banking and finance.**

**2.0 Historical Market Performance and Growth Forecast**

Protégé Associates has provided the following historical performance and growth forecast of the enterprise IT services industry in Malaysia based on combination of resources including the data obtained from DOSM, Malaysia Digital Economy Corporation ("MDEC"), Malaysian Communications and Multimedia Commission ("MCMC") and the Malaysia Investment Development Agency ("MIDA"). Protégé Associates used the gross value added of "computer programming, IT consultancy and related activities" reported by the DOSM as a proxy for the size of the enterprise IT services industry in Malaysia. This excludes revenue derived from telecommunications and other ICT services (including repair of electrical equipment, installation of industrial machinery and equipment, and publishing of ready-made (non-customised) software) under the ICT services industry.

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Data has also been gathered from further secondary and primary research works conducted. Searches on private limited enterprise IT services industry players have also been conducted with the Companies Commission of Malaysia ("CCM") while financial information from public listed enterprise IT services industry players has been extracted from the website of Bursa Malaysia Securities Berhad to gather more information on their business performance. Primary research works have been conducted with stakeholders in the local enterprise IT services industry to gather their insights on the industry. All the findings have been collated, analysed and/or computed to ascertain the outlook of the enterprise IT services industry in Malaysia.

**Figure 3: Historical Market Size (Revenue) and Growth Forecast for the Enterprise IT Services Industry in Malaysia, 2021-2028**

Year	Market Size (Revenue) (RM billion)	Growth Rate (%)
2021	19.95	-
2022	21.17	6.2
2023	21.93	3.6
2024 <sup>e</sup>	22.92	4.5
2025 <sup>f</sup>	24.18	5.5
2026 <sup>f</sup>	25.51	5.5
2027 <sup>f</sup>	27.04	6.0
2028 <sup>f</sup>	28.80	6.5

CAGR (2024-2028) (base year of 2023): 5.6%

*e* denotes estimate; *f* denotes forecast

Sources: DOSM and Protégé Associates

The size of the enterprise IT services industry in Malaysia was valued at RM21.17 billion in 2022, which was an increase of 6.2% from RM19.95 billion registered in 2021. The surge in demand for enterprise IT services, particularly for digitalisation of business operations, has been a notable trend in recent years. The pandemic has accelerated the demand for adoption of technology to address work-from-home practices, managing changes in demand and supply chains. During the pandemic, companies relied on technology such as remote access and factory automation control to sustain their business operations.

Moreover, the advent of new digital technologies like the 5th generation of cellular technology ("5G") and the emergence of technology-driven sectors such as financial technology ("fintech") have further heightened the demand for enterprise IT services. Following the Malaysian Government's announcement of transitioning COVID-19 into an endemic phase and a return to normal economic activities in the country, the trend of working from home continued to persist. Despite the restoration of normalcy, the ongoing preference for remote work is expected to endure, highlighting the continued importance of a strong IT system, including remote work infrastructure. This trend is anticipated to drive the demand for enterprise IT services.

The growth of the local enterprise IT services industry decelerated in 2023 due to uncertainties in the global economy, with the market size of the enterprise IT services sector in Malaysia only registering a growth of 3.6% to reach RM21.93 billion in 2023. Going forward, the enterprise IT services industry in Malaysia is projected to grow from RM22.92 billion in 2024 and reach RM28.80 billion in 2028, registering a CAGR of 5.6% for the forecast period as the local economy continues its digital transformation journey. In particular, the Malaysian Government's continued effort and ambition (as outlined in the National Transport Policy 2019-2030) to embrace and adopt digitalisation with the aim to improve (in terms of operating efficiency and achieving higher utilisation/ridership) public transportation infrastructure and systems in Malaysia enhances the growth prospects of the local enterprise IT services industry serving the public land transportation sector. The advent of new digital technologies such as 5G and emergence of various technology-led industries such as fintech are also expected to drive digital economy leading to potential rising demand for enterprise IT service offerings.

**8. IMR REPORT (Cont'd)****2.1 Competitive Landscape**

The enterprise IT services industry in Malaysia is fragmented with players providing a wide range of services from IT consulting services, ICT planning, designing and implementation, ICT systems integration and management, ICT management and support services as well as data processing and web hosting services. It is estimated that there are approximately 10,850 companies in 2023.

**2.1.1 Barriers to Entry**

The barriers to entry in the local enterprise IT services industry are considered moderate. Key barriers to entry include the following:

- Industry reputation and quality of services – reputation of services is achieved by providing satisfactory IT services to customers. IT service providers with better reputations would be seen as delivering higher quality of services and possessing the expertise and capabilities to handle large and complex ICT services projects. Therefore, new entrants that normally do not have such reputation would have difficulty attracting business opportunities and capture market share.
- Business relationship with IT product and service suppliers and vendors – ICT service providers are generally required to perform integration of different types of IT hardware and software into a functional operating system. Therefore, they would need to source various types of IT products and services from different suppliers and vendors. By establishing long term and reliable business relationships, IT service providers can obtain favourable pricing, terms of credit, and customer support from the suppliers and vendors, and thus may form an entry barrier to new entrants.
- Availability of skilled IT professionals – In general, experienced and skill IT professionals tend to work in established and large IT companies which are able to provide them with a stable salary and remuneration as well as satisfactory work for executing large and complex IT services projects for different business sectors. As a result, new entrants may find it more difficult to attract, hire and retain experienced and skilled IT professionals.

**2.1.2 Selected Market Players**

TechStore is principally involved in the provision of enterprise IT services, namely in IT security and automation solutions to support its customers' operations. The company also provides maintenance and support services for the IT solutions and trading of hardware and software products.

Protégé Associates has selected the following industry players that are comparable to TechStore, based on the following criteria:

- A company and/or subsidiary of a public listed company on Bursa Securities registered in Malaysia participating in the enterprise IT services industry in Malaysia;
- A company providing IT security and automation solutions, maintenance and support services; and
- Have revenue of more than RM40.0 million based on latest publicly available financial information.

The following table sets out the latest available financial information of public listed companies and private companies in Malaysia that are involved in the provision of enterprise IT services comprising of IT security and automation solutions, maintenance and support services:

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**Figure 4: TechStore and Selected Comparable Market Players**

Industry player	Principal Activity	Latest available FYE	Revenue (RM'000)	Profit/(Loss) before Tax (RM'000)	Profit/(Loss) after Tax (RM'000)	Profit/(Loss) before Tax Margin (%)	Profit/(Loss) after Tax Margin (%)
TechStore	The company is principally involved in the provision of enterprise IT services including IT security and automation solutions to support its customers' operations as well as maintenance and support services for IT solutions and the trading of hardware and software products.	31 December 2023	62,207	10,496	7,722	16.9	12.4
Censof Holdings Berhad <sup>(a)</sup>	The company is engaged in supply, delivery, installation, testing, commissioning and maintenance of IT hardware, development, management, and provision of business to business (B2B) e-commerce and computerized transaction facilitation services.	31 March 2024	101,261	7,555	5,113	7.5	5.0
Conduent Business Services Malaysia Sdn Bhd <sup>(c)</sup>	The company is principally engaged in the provision of commercial, government and transportation solutions to a wide range of end user industries.	31 December 2023	47,330	1,604	1,093	3.4	2.3
Datasonic Group Berhad <sup>(a)</sup>	The company through its subsidiaries is involved in the provision of large-scale customized software and hardware systems for secure identification (ID), total smart card solutions and ICT project management.	31 March 2024	368,309	122,476	92,232	33.3	25.0
EV-Dynamic Sdn Bhd <sup>(d)</sup>	The company is principally involved in the provision of ICT system solutions for transportation infrastructure, integrated security systems and engineering services.	31 December 2022 <sup>(g)</sup>	155,508	89,048	86,631	57.3	55.7
GoHub Capital Berhad <sup>(b)</sup>	The company is principally involved in the provision of enterprise IT services, focusing on providing transportation IT solutions (including customised software development systems and integration of hardware and software systems).	31 December 2023	43,946	10,028	7,086	22.8	16.1
HeiTech Padu Berhad <sup>(a)</sup>	The company engages in the provision of systems integration, network related services, data centre management, disaster recovery services and other information technology related services. It also offers managed data centre services, managed network and communications services, desktop management services, business continuity management, customer care and helpdesk services, and ICT deployment services.	31 December 2023	277,862	8,567	7,168	3.1	2.6
Infomina Berhad <sup>(b)</sup>	The company is a technology solution provider involved in the design and implementation of technology application and infrastructure solutions.	31 May 2024	225,160	41,983	33,051	18.6	14.7
Iris Corporation Berhad <sup>(b)</sup>	The company is engaged in the provision of technology consulting and the implementation of trusted identification, payment, transportation and sustainable development.	31 March 2024	371,108	40,380	32,244	10.9	8.7

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Industry player	Principal Activity	Latest available FYE	Revenue (RM'000)	Profit/(Loss) before Tax (RM'000)	Profit/(Loss) after Tax (RM'000)	Profit/(Loss) before Tax Margin (%)	Profit/(Loss) after Tax Margin (%)
Mesiniaga Berhad <sup>(a)</sup>	Mesiniaga Berhad is an enterprise solutions integrator focused on turnkey projects leveraging specialized technical skills and project management. The company mainly engages in the sales and service of information technology products and related services in Malaysia. The services provided by the company include cloud computing, maintenance service, managed services, network services, security solutions, software development, software independent verification and validation, and others.	31 December 2023	259,795	3,001	3,865	1.2	1.5
Microlink Solutions Berhad <sup>(a)</sup>	The company is principally involved in investment holding and provision of research and development on IT solutions to the financial services industry, while its subsidiaries are mainly engaged in the provision of IT solutions, research and development for IT solutions, deployment services, IT consultancy services, system integration services, distribution and maintenance of computer hardware and software.	31 March 2024	281,287	(24,888)	(27,806)	(8.8)	(9.9)
OCK Setia Engineering Sdn Bhd <sup>(e)</sup>	The company is principally engaged in the provision of turnkey telecommunications network services while its subsidiaries are engaged in provision of turnkey telecommunications network services, provision of renewable energy and power solutions, provision of tower facilities, utilities and communication network for mobile and broadband operators and supply of equipment, solutions and provisions of related supporting services.	31 December 2023	222,764	9,662	6,820	4.3	3.1
Pestech International Berhad <sup>(a)(f)</sup>	The company is a Malaysian integrated electrical power technology company, and is involved in the project management, engineering, digitalisation, manufacturing, installation, testing and commissioning of electrical power infrastructures for power grid and rail network.	30 September 2023	592,997	(389,923)	(398,254)	(65.8)	(67.2)
Willowglen MSC Berhad <sup>(a)</sup>	The company is engaged in the research, development and supply of computer-based control systems, while the principal activities of its subsidiaries include sales, implementation and maintenance of computer-based control systems, computer system integration activities and installation of building automation systems for remote monitoring and design supply, consultancy, installation, engineering services and maintenance of computer hardware and software.	31 December 2023	209,270	15,130	10,337	7.2	4.9



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**Notes:**

The companies above are considered comparable companies with TechStore as they provide IT security and automation solutions, as well as maintenance and support services. Nevertheless, not all companies offer the exact same type of solutions or services. Each company may specialise in different areas (e.g., cloud computing, BDA, application integration, IT security, software development and consultancy services) or cater to specific client's business processes (e.g., supply chain management, customer relationship management, content management, financial operations and enterprise resource planning), resulting in a diverse range of service and solution offerings across the enterprise IT services industry.

- (a) Listed on the Main Market of Bursa Securities;
- (b) Listed on the ACE Market of Bursa Securities;
- (c) Conduent Business Services Malaysia Sdn Bhd is a subsidiary of Conduent Incorporated, a company incorporated in United States of America and listed on the Nasdaq Stock Exchange;
- (d) EV-Dynamic Sdn Bhd is a subsidiary of EVD Berhad, a company incorporated in Malaysia and listed on the ACE Market of Bursa Securities;
- (e) OCK Setia Engineering Sdn Bhd is a subsidiary of OCK Group Berhad, which is listed on the Main Market of Bursa Securities. OCK Setia Engineering Sdn Bhd's business segments include the "Telecommunication network services" and "Lease income of telecommunication towers" segments which contributed RM221.7 million and RM1.1 million, respectively to the company's revenue for the FYE 31 December 2023;
- (f) Financial year comprises of 15 months due to a change in financial year end. Pestech International Berhad's business segments include the "Substation and Transmission" "Rail", and "Others" divisions which contributed RM318.5 million, RM203.0 million, and RM71.5 million, respectively to the company's revenue for the financial period ended 30 September 2023;
- (g) Latest publicly available data on CCM as of 31 December 2024.

Sources: TechStore, Annual reports of listed companies, CCM, and Protégé Associates

### 2.1.2 Estimated Market Share

For the FYE 31 December 2023, TechStore generated revenue of RM62.2 million, equivalent to 0.3% share of the enterprise IT services industry in Malaysia of RM21.93 billion in 2023.

## 2.2 Demand and Supply Conditions

### 2.2.1 Demand Conditions

**Figure 5: Demand Conditions Affecting the Enterprise IT Services Industry in Malaysia, 2024-2028**

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2024-2025	2026-2027	2028
+	Digital Transformation Economy	High	High	High
+	Growth in Investments Indicative of Potential for Enterprise IT Services Industry	High	High	High
+	Continued Relevance of the Local Rail Transportation Sector	Medium	Medium	Medium

Source: Protégé Associates

### Digital Transformation Economy

The digital economy has also spurred the rapid adoption of IT, including the Internet, in end-user markets (such as the transportation and agriculture sector) that traditionally were not heavy utilisers of IT or the Internet. The COVID-19 pandemic had also accelerated the use of IT for electronic commerce ("e-commerce") shopping, video conferencing and working from home following the need for physical distancing amid nationwide lockdowns. Such online activities, due to their convenience, has continued to show resilience post the COVID-19 pandemic as evident by the digital economy's contribution to the Malaysian GDP of 23.0% in 2023, and is projected to contribute 25.5% by end of 2025, according to The National Tech Association of Malaysia ("PIKOM").

As we continue to embrace the shift towards a more digital economy and closer to global connectivity via the Internet, digital technologies such as 5G, artificial intelligence ("AI"), cloud computing, robotics, Internet of Things ("IoT") and BDA are increasingly being adopted to change business models or provide new revenue streams and value-producing opportunities (through digitalisation of business processes). It has been noted that the utilisation of IT including the Internet has been increasing in end-user markets such as the healthcare and manufacturing sector. For example, in the healthcare end-user market, medical robotic technology and robot-assisted surgical procedures are now connected to computer systems and networks while patient records are digitised. These developments in digital businesses will also likely spur the demand for enterprise IT service

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offerings. Hence, accordingly, the local enterprise IT services industry has plenty of room to mitigate the risk of over-reliance on a single customer segment or end-user market and stands to have more room for market size expansion.

Cloud computing is used to drive the automation of business processes and involves a significant amount of data streams, and thus require deployment of ICT infrastructure products and related services such as data processing facilities and related supports. In addition, cloud computing products are generally customised to business needs and specifications, and hence require enterprise IT services to facilitate efficient system integration across various platforms. Due to its convenience and scalability, cloud computing is progressively gaining ground in numerous industries such as communications, healthcare, education, government affairs, finance, e-commerce, and even sectors that were traditionally not heavy technology users, like transportation and agriculture.

On the other hand, the IoT is a network of physical objects that collect and exchange data. These objects transmit data through various information sensing devices such as QR code scanners, radio frequency identification ("RFID"), infrared sensors and global positioning systems to enable intelligent identification, location, tracking, monitoring, and management. The IoT has fundamentally changed the relationship between Internet and physical objects. Traditionally, physical infrastructure is separate from IT infrastructure. In the IoT era, concrete and cable are integrated with chips and broadband, functioning as a unified infrastructure. The emergence of IoT provides for industrial development like smart cities, smart homes, and wearable technology.

Companies adopting IoT systems will need to build IT infrastructure which enable efficient exchange of data across various devices or platforms to ensure their inter-operability and inter-connectivity. This would require consultancy, planning, development and deployment of ICT infrastructures and related support services. By leveraging on growing demand for cloud computing and the IoT, there are potential and business opportunities for enterprise IT service providers to provide customised IT management solutions and related support for customers, contributing to the growth of the ICT industry.

**Growth in Investments Indicative of Potential for Enterprise IT Services Industry**

Malaysia recorded a total of RM329.46 billion worth of approved investments in the manufacturing, services, and primary sectors for 2023, an increase of 23.0% from 2022. The country remains a competitive investment location for foreign investors despite the multiple headwinds on the global front. Of the total investments approved, foreign direct investments ("FDI") accounted for 52.7% or RM188.37 billion, while domestic direct investments ("DDI") accounted for 42.8% or RM141.09 billion.

The services sector led investments for the year, recording RM168.41 billion (51.1%), followed by the manufacturing sector at RM151.97 billion (46.1%) and the primary sector at RM9.08 billion (2.8%). The top five contributors of approved investment in the services sector in 2023 were information and communication, real estate, utilities, distributive trade, and support services. While DDI leads the investment in the services and primary sectors, FDI dominate the approved investments in the manufacturing sector. In the first nine months of 2024 ("9M2024"), Malaysia recorded RM254.69 billion worth of approved investments, marking an increase compared to RM230.17 billion recorded during the same period in 2023. These investments were distributed across various sectors, namely the manufacturing (RM88.81 billion), services (RM160.72 billion), and primary sectors (RM5.16 billion). Some of the top contributors of approved investment in the services sector in 9M2024 were information and communication, real estate, support services, distributive trade, and utilities. Similar to 2023, DDI led in investments in the services and primary sectors while FDI dominated the manufacturing sector in 9M2024.

The manufacturing sector has benefited from the use of automation and smart manufacturing technologies related to the Fourth Industrial Revolution ("4IR") such as the IoT, AI, machine learning and BDA, which helps to increase efficiency and reduce reliance on foreign labour. Malaysia's investor performance is a testament to investors' confidence in Malaysia as a preferred investment hub for global companies' manufacturing networks. The country is expected to continue to attract investments particularly FDIs as the global economy recovers. This is expected to bode well and continue to create demand for enterprise IT services.

**Continued Relevance of the Local Rail Transportation Sector**

Rail services continue to be frequently used in Malaysia, especially in the Klang Valley. Rail passenger ridership in Peninsular Malaysia has been increasing over the years, with passengers increasing from 228.1 million in 2017 to 275.6 million in 2019. While the local rail transportation industry faced a setback during the COVID-19 pandemic, ridership has rebounded in 2022 (to 177.8 million) and recovered to pre-pandemic levels of 263.2 million in 2023. In 9M2024, ridership reached 221.2 million, which was an increase from 173.3 million riders during the first nine months in 2023 ("9M2023") (9M2024 and 9M2023 figures exclude number of passengers from KTM Komuter).

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In the short term, growth of the rail transportation services industry in Malaysia is expected to be bolstered by the return in ridership after the pandemic. In the medium to long term, the local rail transportation services industry is anticipated to be fuelled by factor such as economic recovery boosting demand for goods, climate change, urbanisation and an increasing population that will stimulate rail passenger and freight traffic. This would lead to a need to expand existing rail infrastructure and networks. Some of the mega rail infrastructure projects due to be completed in the coming years include the Light Rail Transit 3 (expected to be operational in the third quarter of 2025), the East Coast Rail Link (expected to be completed in the fourth quarter of 2026 and operational by January 2027) and the Rapid Transit System Link (expected to be operational in the fourth quarter of 2026). Additionally, the Malaysian Government announced that construction of Penang's first LRT project had commenced in early 2025 with the groundbreaking ceremony slated in January 2025. The project is targeted to be completed by 2030. Prasarana Malaysia Berhad, a wholly-owned government entity tasked with driving the transformation of Malaysia's public transportation systems and services, also has plans to implement an open payment system for Rapid bus and rail services within the Klang Valley. The transition to an open payment system will allow the use of credit cards, debit cards and other payment methods, which is expected to benefit both locals and tourists while using these services, and in turn increase ridership.

The Malaysian population is estimated at 33.4 million in 2023 and is projected to grow at a CAGR of 1.3% to reach 41.5 million in 2040. In addition, urbanisation rate in Malaysia rose from 70.9% to 75.1% during the period from 2010 to 2020. The DOSM has forecasted that this rate will reach 88.0% by 2050. The rising population and the urbanisation in Malaysia demand an effective means to transport a huge number of people especially during peak working hours. This is expected to drive demand for rail transportation services going forward.

The continued development of the rail transportation sector in Malaysia is expected to bode well for the local enterprise IT services industry. The expansion of rail terminals is expected to spur the adoption of IT systems in these terminals.

**2.2.2 Supply Conditions****Figure 6: Supply Conditions Affecting the Enterprise IT Services Industry in Malaysia, 2024-2028**

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2024-2025	2026-2027	2028
+	Strong Government Support to Drive the Adoption of Digital Technology	High	High	High
+	Availability of Skilled IT Professionals	Medium	Medium	Medium

Source: Protégé Associates

**Strong Government Support to Drive the Adoption of Digital Technology**

- National Policy Framework for the 4IR and Digital Economy Blueprint**

The Industry4WRD that was launched on 31 October 2018 initially focused on the manufacturing sector and manufacturing-related services sector, subsequently, the National 4IR Policy (2021-2030) was launched on 2021 as an overarching national policy to facilitate socioeconomic development of the country through the use of 4IR technologies. The policy will serve as a guiding principle for ministries and agencies to set up appropriate policies and regulatory frameworks for businesses and society to have access to opportunities and socioeconomic benefits of the 4IR. Resources will be focused on building technological capabilities in five 4IR technologies namely, AI, IoT, blockchain, cloud computing and BDA as well as advanced materials and technologies. Deployment of 4IR technologies will be focused on 10 key sectors along with 6 supporting sectors, to create new socioeconomic growth opportunities for the economy. These key sectors are manufacturing, transportation and logistics, healthcare, education, agriculture, utilities, finance and insurance, professional, scientific and technical services, wholesale and retail trade, and tourism; supporting sectors are construction, arts, entertainment and recreation services, real estate, mining and quarrying, information and communication services, and administrative and support services.

The National 4IR Policy is complemented by the Digital Economy Blueprint (2021-2030) known as the MyDigital, which was developed in response to how digital technology advancement and the growth of high-speed internet connectivity have changed the way goods and services are created, distributed, and consumed, and how people interact. MyDigital outlines 22 strategies that aim to build digital infrastructures and talents to drive digital transformation in public and private sectors.

- Incentives offered to encourage adoption of digitalisation**

Seeing the importance of digital adoption, the MIDA introduced the Smart Automation Grant ("SAG") to drive automation and digitalisation of small and medium enterprises ("SMEs") in the manufacturing and services related sectors. Under the Budget 2022, tax incentives for activities under the Digital Ecosystem

**8. IMR REPORT (Cont'd)**

Acceleration Scheme are provided for companies under the Multimedia Super Corridor ("**MSC**") and are proposed to be extended to digital technology provider and digital infrastructure companies as well.

In Budget 2023, RM100 million was allocated under the Geran Digital PMKS MADANI for micro, small and medium entrepreneurs ("**MSME**") to support business automation and digitisation. Another RM100 million is provided in Budget 2024 for digitisation grants of up to RM5,000 for the benefit of more than 20,000 MSME. The government has also announced a RM900 million loan fund to be extended by Bank Negara Malaysia ("**BNM**") to small and medium entrepreneurs to adopt automation and digitalisation. In Budget 2025, a sum of RM50 million had been allocated as the Digital Matching Grant for SMEs and the Digital Grant for vendors under Bank Simpanan Nasional to help local entrepreneurs remain competitive in the market. The MCMC has also allocated RM100 million for a period of 5 years to strengthen the functions of National Information Dissemination Centres nationwide as a community platform, which serves to help entrepreneurs increase their incomes through online entrepreneurial activities. Furthermore, a RM3.8 billion SME loan fund is provided by BNM to support entrepreneurs transitioning to digitalisation and automation.

In alignment with the National Transport Policy (2019-2030), the Malaysian Government is dedicated to advancing IoT within the transport sector by embracing automation and digitisation. Furthermore, the government is actively endorsing the creation of an open data platform to facilitate enhanced data integration across all transportation sectors, along with the introduction of a single entry pass/payment method for seamless journeys.

**Availability of Skilled IT Professionals**

The availability of qualified and experienced talent is a critical success factor of being able to provide enterprise IT services. It is essential that an enterprise IT service provider can attract, hire, and retain talented employees. There are approximately 137,000 high-skilled workers (includes managers, professionals, and technicians) employed in ICT services industry in 2023. The science, mathematics and computer field of studies has produced an average of more than 30,000 fresh graduates from 2018 to 2022 and is the third most popular field of studies out of nine. To further retain talent, the ICT services industry in Malaysia has also raised the compensation rate in the industry, with advertised salaries for ICT job positions increasing by 2.6% and 13.9% in 2022 and 2023 respectively. PIKOM has forecasted a 4.1% salary growth in 2024, followed by a CAGR of 6.5% in ICT job salaries over the next 10 years.

Meanwhile, the public and private sector have undertaken initiatives in recent years to plug the skills gap of fresh graduates in the ICT industry. In 2017, MDEC introduced the Premier Digital Tech Institutions ("**PDTI**") concept that confers PDTI status to universities that provide digital tech education that are aligned with skills demanded by the industry. This is achieved through close collaboration with the industry that reflects in the education courses. Currently, there are 16 locally renowned universities that are recognised as PDTIs. PIKOM begun organising internship programs in collaboration with institutes of higher learning in 2023 leveraging on its 1,000 strong members who controls 80% of the domestic ICT industry. A general increase in compensation and closer collaboration between the corporate and education sector are expected to alleviate the talent shortage going forward.

**3.0 Prospects and Outlook of the Enterprise IT Services Industry**

The outlook and prospects of the enterprise IT services industry in Malaysia are expected to be positive in view of the demand conditions set out in Section 2.2.1 above. The COVID-19 pandemic and subsequent lockdown measures imposed have accelerated the usage of the Internet and the adoption of digital medium which together lay a clear path for further potential demand for enterprise IT services offerings. Consequently, there are many opportunities for the local IT enterprise services to expand.

Factors priming growth within the enterprise IT services industry include the continuing digital transformation of the economy and the growing demand from cloud computing and IoT technologies. On the supply side, the local enterprise IT services industry can expect to continue receiving strong support from the Malaysian Government as well as improving availability of skilled IT professionals.

The enterprise IT services industry was valued at RM21.17 billion in 2022 and expanded to RM21.93 billion in 2023. Moving forward, the local enterprise IT services industry is projected to expand at a CAGR of 5.6% from RM22.92 billion in 2024 to reach RM28.80 billion in 2028.

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**9. RISK FACTORS**

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**9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS****9.1.1 We are dependent on our major customer, Setia Utama**

We are dependent on Setia Utama, the main contractor of the LRT3 line that connects Johan Setia and Bandar Utama. Setia Utama is a wholly-owned subsidiary of a company listed on the Main Market of Bursa Securities. We have been providing design and implementation services to Setia Utama since 2019 and they have accounted for 77.4%, 78.2%, 62.0% and 30.7% of our revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

We are currently providing Setia Utama with design and implementation services relating to the supply, delivery, installation and testing and commissioning of AFC system and EAC system for the LRT3 line. The revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 generated from the LRT3 AFC Project and LRT3 EAC Project were under the design and implementation services segment. The contract period for the EAC system is from 16 October 2019 to 30 November 2023 with an extension up to 31 July 2024 and a subsequent extension up to 30 November 2024, and the contract period for the AFC system is from 13 November 2019 to 30 November 2023 with an extension up to 30 November 2024. Delays in the handover of the site by our customer to our Group prevented us from commencing work at certain sites. On 12 November 2024 and 6 November 2024, our Group has submitted the request for extension of time for LRT3 EAC Project and LRT3 AFC Project respectively, from 1 December 2024 to 30 June 2025 as well as 1 December 2024 to 7 August 2025, respectively, to our customer and is awaiting confirmation from our customer pending evaluation. Subsequently, our Group had vide a letter to Setia Utama dated 9 January 2025 submitted a revised work programme and request for an updated timeline to complete the works for LRT3 EAC Project and LRT3 AFC Project by 23 August 2025 and 30 August 2025, respectively, and is awaiting confirmation from our customer, pending evaluation. As such, the completion of the works and expiry of our contracts with Setia Utama without further renewal or extension may lead to a significant decrease in our revenue and adversely affect our financial performance. For clarity, since Setia Utama is the main turnkey contractor for the LRT3, our Group estimates that works for the revived 5 LRT3 stations may be awarded to existing LRT3 works package contractors, including our Group, for continuity and familiarity with the project. The 5 LRT3 stations had been cancelled previously and revived during the tabling of Budget 2024 by the Parliament.

Furthermore, if we are unable to secure new contracts of similar value to replace the loss of revenue from Setia Utama, it may also materially and adversely affect our prospects in the future.

**9.1.2 We are dependent on our ability to secure new projects**

Our Group's prospects and financial performance is dependent on our ability to continuously secure new projects from existing and new customers on a timely basis. Our projects vary in length and scope of services depending on the needs of the customers, nature of the project, technical specifications, and type of service (i.e. design and implementation of security and automation solutions or provision of maintenance and support). As a result, our revenue is subject to fluctuation depending on the number, size, and duration of our Group's ongoing projects as well as if our arrangement with our customers is recurring or non-recurring. Generally, recurring income refers to income generated from the provision of maintenance and support services while non-recurring income refers to income generated from design and implementation of security and automation solutions.

After the implementation and launch of new solutions to support our customers' operations, we provide maintenance and support services during the DLP, which generally ranges from 12 months to 36 months, as part of the design and implementation services. Our customers enter into service level agreements or system maintenance agreements with our Group after completion of the DLP and full handover project to our customers. The aforesaid agreements are typically annual agreements that are renewed based on our customers' requirements.

**9. RISK FACTORS (Cont'd)**

Maintenance and support services contracts generally cover preventative and comprehensive maintenance of software, hardware, and infrastructure. The overall maintenance and support services can be preventive, comprehensive, or reactive whereby our Group is only engaged when an issue arises. For customers with a service level agreement, a fixed fee for a predetermined period based on a predetermined scope of work applies. Our Group offers system maintenance agreements to our customers based on a subscription basis whereby their software systems can be progressively upgraded in accordance with availability software releases upgrades.

The table below shows the breakdown of revenue contribution from recurring and non-recurring income for FYE 2021 to 2023 and FPE 2024:

	FYE 2021		FYE 2022		FYE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Recurring income	6,142	20.9	4,723	11.2	5,978	9.6	6,642	22.1
Non-recurring income	23,240	79.1	37,516	88.8	56,229	90.4	23,478	77.9
<b>Total revenue</b>	<b>29,382</b>	<b>100.0</b>	<b>42,239</b>	<b>100.0</b>	<b>62,207</b>	<b>100.0</b>	<b>30,120</b>	<b>100.0</b>

Any loss of our customers or our inability to secure new customers, or additional projects from our existing customers could adversely affect our financial performance.

Further, we are required to tender for projects and the success of our tender may be affected by factors such as level of competition, track record compared to competitors, as well as pricing of products and services. As such, we may not be successful in securing every project that we tender for. We may also be required to adjust our pricing in order to remain competitive during the tender process, which may lead to a decline in our financial performance.

Moreover, we may not be able to secure contracts for the provision of maintenance and support services for the design and implementation services projects undertaken by our Group as our customer may not require external maintenance and support or may decide to engage another service provider. Additionally, our maintenance and support contracts range in duration depending on our customers' operational needs and there can be no assurance that our maintenance and support services will be renewed after its expiry.

**9.1.3 Our design and implementation services projects may be subject to risk of delays and interruptions**

Our IT security and automation solution projects are subject to unanticipated delays or interruptions caused by various factors which include but are not limited to:

- (a) changes in project scope, unavailability of resources, inaccurate cost estimation, inaccurate project timeline estimation, all of which may hinder the implementation of our projects. Such interruptions will result in delays in the progress of our projects, our timing of delivery which may consequently reduce our Group's profit margin, delay the recognition of our revenue and exposure us to additional costs, any of which could adversely affect our Group's financial performance.

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**9. RISK FACTORS (Cont'd)**

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- (b) unanticipated shortage or loss of manpower for the delivery of our services and project deliverables. For example, any unforeseen circumstances such as MCO outbreak, accident and natural disaster may also restrain our employees' movements where our project teams are unable to travel for the implementation and execution of the project. As such, any unexpected and significant interruptions to our manpower which are not resolved in a timely manner may affect the timing of delivery of our projects and subsequently affect our timing for revenue recognition and collection of payment from our customers.
- (c) Our design and implementation services projects are subject to agreed schedules and budgets and the timely delivery and cost of our projects and services is dependent on the infrastructure readiness of the project site as the delivery of our services is subject to the handover of the project site. Delays may be caused by various factors, which are out of our control, including but not limited to delay in construction or building works, suspension or postponement of construction or building works, lack of proper project coordination, as well as issues that require rectification prior to our Group's works. Adverse developments in such factors could cause project interruptions or delays, potentially lowering our profit margin, delaying revenue recognition, and incurring extra costs, significantly affecting our financial performance.

During FYE 2021 to 2023, FPE 2024 and up to LPD, our Group has not faced delays which have had a material adverse effect to our business operations and financial performance. Nonetheless, there can be no assurance that the aforementioned factors will not materialise in the future.

**9.1.4 We may face cost overruns and LAD claims in our projects**

Prior to the implementation of the projects, proper resource planning is essential to ensure that the project timeline is appropriately scheduled with effective utilisation of resources and accurate budget estimation.

Our cash flow and profitability are dependent upon our ability to accurately estimate the time and costs associated with the implementation of our projects which may be affected by a variety of factors, including technical difficulties, issues with integration to third party vendors' products, procurement of additional hardware and other unforeseeable issues and circumstances. Any one of these factors could result in a delay in the completion of a project or cause cost overruns, which would adversely impact our financial performance.

Our IT security and automation solution projects are subject to specific completion schedules. Failure to meet the schedule requirements of our contracts may result in LAD claims, other contract liabilities and disputes with the customers or in more severe cases, the termination of relevant contracts. As at LPD, we have not experienced any material LAD claims from our customers. However, there is no guarantee that we would not encounter cost overruns or delays in our current and future IT security and automation solution projects.

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**9. RISK FACTORS (Cont'd)**

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**9.1.5 We are dependent on customers within the public land transportation sector**

We are dependent on customers within the public land transportation sector as a substantial portion of our revenue in FYE 2021, FYE 2022, FYE 2023 and FPE 2024 was contributed by this group of customers. Our customers in the public land transportation sector have in aggregate accounted for approximately 82.2%, 90.3%, 83.6% and 64.9% of our total revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively. The majority of revenue contributions from these customers are related to major public rail construction projects including the MRT, LRT, and RTS. A decline in major public rail construction projects may adversely affect our revenue, financial performance, and prospects if we are unable to replenish our orderbook with projects from other industries on a similar scale.

Any material change in the policies or directions in the public land transportation sector could adversely affect the financial performance and prospects of our Group. Although we provide maintenance and support services (which are recurring revenue stream to our Group), expenditure on technology by such customers may reduce based on material changes in policies or directions affecting the public land transportation sector, which may take into consideration economic conditions and other factors, such as decisions to reduce or restructure technology spending. Further, in the event of the introduction of any new or amendments to regulatory requirements by the relevant regulators, we may be required to adapt our solution offerings to meet such requirements and failure to do so at all or in a timely manner could adversely affect our business and financial performance.

**9.1.6 We are dependent on our Executive Directors and key senior management**

Our present and future success are largely dependent upon the continuous efforts and invaluable experience of our Executive Directors, and key senior management. Our Managing Director, Tan Hock Lim has over 20 years of experience in the IT industry while our Executive Director, Mohd Fadzil bin Mohd Daud has more than 10 years of experience in the M&E industry. Our Managing Director has been instrumental in the development of our corporate strategy and future growth of our business. He is supported by a team of key management personnel who have amassed relevant experience and knowledge in their respective fields.

Our continued success will depend on, to a certain extent, our ability to retain the services of our Managing Director, Executive Director and the key senior management team. The loss of our key senior management team, such as our Chief Technology Officer and Chief Information Officer, may adversely affect our operations and leading to factors such as lack of technological vision and execution, lack of innovation or technological growth, and missing out on new technologies in the market. As such, the loss of our Managing Director, Executive Director and experienced key senior management team members without suitable and timely replacements, may create an unfavourable impact on our Group's business and prospects.

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**9. RISK FACTORS (Cont'd)**

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**9.1.7 Our reputation may be affected if the security of confidential information or personal information of our customers is breached or otherwise subject to unauthorised access or disclosure**

In the course of offering our solutions and with the consent of our customers, we will have access to confidential information of our customers including information on our customers' operations, IT policies, IT systems and our customers' end users. As at LPD, we have not experienced any security breaches to our systems and information, whether arising from internal sources (such as technical malfunctions, employee error or misconduct) or external sources (such as malware, hacking, espionage, and cyber intrusion). However, despite our stringent efforts, there can be no guarantee that inadvertent disclosure (which may arise from software bugs or other technical malfunctions, employee error or misconduct, or other factors) or unauthorised disclosure or loss of personal or confidential information will not occur or that third parties will not gain unauthorised access to such information. Any breach and loss of personal or confidential information, whether real or perceived, may adversely affect the market perception of our services and abilities which may in turn adversely affect the reputation of our Group. As a result, our business and financial performance may be negatively affected.

**9.1.8 We may face early termination of our contracts**

Our business with our customers are on project basis through contracts or purchase orders which may include clauses for early termination in addition to standard clauses allowing for termination for reasons such as failure to fulfil service terms, neglect of obligations, involvement in corruption or unlawful activities, or insolvency faced by us.

If we experience any early termination of our contracts, we may experience loss of revenue which may have an adverse impact on the financial performance and prospects of our Group. Additionally, should our contracts be terminated due to our actions, we may be subject to legal claims, compensation, and liabilities to our customers which could also have an adverse impact on our financial performance and prospects.

While we have not experienced any early termination of our contracts for FYE 2021 to 2023, FPE 2024 and up to LPD, there can be no assurance that we will not experience the abovementioned in the future.

**9.1.9 We are dependent on our suppliers for delivery of our services**

As an IT service provider, our services are dependent upon our relationship with our technology partners and vendors. For the implementation of IT security and automation solution projects, our Group sources and procures software and hardware components from our suppliers based on the project's specifications and requirements.

We are reliant on the timely supply of such software and hardware components procured from our technology partners and vendors to facilitate the delivery of our services. If there are any interruptions in supply and/ or prolonged shortages of the required components, or operational issues or financial constraints faced by our suppliers which prevents them from fulfilling their obligations to us, the progress and delivery of our projects may be delayed. This will in turn adversely affect our business and financial performance.

For FYE 2021 to 2023, FPE 2024 and up to LPD, we have not experienced any supplier-related issues which resulted in a material adverse effect to our business operations. However, there can be no assurance that we will not experience such issues in the future.

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**9. RISK FACTORS (Cont'd)**

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**9.2 RISKS RELATING TO OUR INDUSTRY****9.2.1 We may not be able to keep up with changes in technology, customer requirements, industry standards and regulatory compliance requirements**

The enterprise IT services industry that we are operating in is characterised by rapidly evolving technological developments and related industry standards, changing IT operating environments and customer demands. To remain competitive, it is important for our Group to keep abreast of, and to adapt promptly to the advancements in technology in developing new products and services on a timely basis to meet the fast changing market trends.

Our future success will depend on our continued ability to meet changing market demands and requirements, including adherence to amended applicable standards set by regulatory authorities and to continually improve the expertise and technical know-how of our people to be able to keep up with the changing demands of the marketplace.

We constantly develop new and enhance existing IT security and automation solutions to meet the growing requirements of our customers. Despite this, there can be no assurance that we would be able to continue to react and meet the changing demands in a timely manner. The development of new and enhanced IT security and automation solutions can be a complex and laborious process, which requires abundant resources in terms of technical expertise as well as accurate anticipation of market trends. Failure to anticipate and adapt to such changes in technology and/or being unable to adequately upgrade our capabilities to develop new and innovative solutions in a timely manner would have an adverse effect on our business and prospects.

**9.2.2 We face competition within our industry**

The markets in which our Group operates are competitive and characterised by rapid technological innovation. Our competitors compete in terms of technology, range and quality of services, price, and timeliness of project delivery. Our competitors may have longer operating histories, be equipped with better resources, and possess superior technical expertise than us, thereby enabling them to offer better value propositions to our potential customers. As such, we may experience and expect to continue to face intense competition from local and international vendors or service providers. Our Group may have to compete with international IT services providers that command greater name recognition in the market. Further, we may also face price competition from existing and new entrants with aggressive pricing strategies, which may result in the loss of our potential sales or lower margins. Our business and financial condition may be affected if we are unable to successfully compete with our competitors in terms of quality of services and/or pricing of services.

**9.2.3 We are dependent on the availability of technical professionals**

Due to the nature of our business, we are reliant on our IT personnel for the implementation and execution of the IT security and automation solution projects. The expertise of our IT employees who are equipped with IT knowledge and skill are crucial in delivering our services, from consultation to implementation of the respective solutions as well as operations, maintenance and support services.

We believe that our continued success and future growth depends on the continued services of our skilled and experienced IT personnel. We may experience loss of technical personnel due to turnover that may cause a shortfall in our workforce, thereby limiting our ability to grow our revenue. The loss of IT personnel and our inability to recruit and train suitable replacements in a timely manner may cause disruptions to our project deliverables.

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## **9. RISK FACTORS (Cont'd)**

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Should our Group fail to adhere to our project delivery schedules, our customers may impose claims for LAD, which would increase our project costs and adversely affect our financial performance if there are significant numbers or value of such claims for LAD.

As part of our effort to mitigate and reduce this risk, we constantly review and offer competitive remuneration packages, continuous on-the-job training and career advancement prospects to retain our current employees as well as to attract new skilled IT personnel. However, there can be no guarantee that we will be able to retain existing qualified or competent personnel or to attract new candidates.

### **9.2.4 We are subject to political, economic and regulatory risks in Malaysia**

Our Group is subject to political, economic, and regulatory conditions in Malaysia. Any adverse changes in the aforementioned conditions such as changes in political leadership, interest rates, changes in government policies and regulations, import duties, tariffs, methods of taxation, and inflation which could adversely affect our business operations, which may in turn lead to an adverse effect on our financial performance and prospects.

## **9.3 RISK RELATING TO THE INVESTMENT IN OUR SHARES**

### **9.3.1 There is no prior market for our Shares**

Prior to our Listing, there has been no public trading for our Shares. The listing of our Shares on the ACE Market does not guarantee that an active market for our Shares will develop.

There is also no guarantee that our IPO price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

### **9.3.2 Our Listing is exposed to the risk that it may be aborted or delayed**

Our Listing may be aborted or delayed should any of the following occur:

- (a) the selected investors fail to subscribe for their portion of our IPO shares;
- (b) our Underwriter exercising its rights under the Underwriting Agreement to discharge itself from its obligations therein; and
- (c) we are unable to meet the public shareholding spread requirement set by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders, with each holding being not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

If any of these events occur, investors will not receive any Shares and we will return in full, without interest, all monies paid in respect of the Application within 14 days, failing which the provisions of Section 243(2) of the CMSA will apply.

If our Listing is aborted and/or terminated, and our Shares have been allotted to investors, a return of monies to the investors could only be achieved by way of cancellation of share capital as provided under Sections 116 and 117 of the CMSA and its related rules.

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## **9. RISK FACTORS (Cont'd)**

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Such cancellation requires the approval of shareholders by special resolution in a general meeting, with sanction of High Court of Malaya or with notice to be sent to the Director General of the Inland Revenue Board and ROC within 7 days of the date of the special resolution and us meeting the solvency requirements under Section 117(3) of the Act.

There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

### **9.3.3 The trading price and trading volume of our Shares following our Listing may be volatile**

The trading price and volume of our Shares may fluctuate due to various factors, some of which are not within our control and may be unrelated or disproportionate to our financial results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and/or broad market fluctuations.

The performance of Bursa Securities is also affected by external factors such as the performance of the regional and world bourses, inflow or outflow of foreign funds, economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility of trading volumes witnessed on Bursa Securities, thus adding risks to the market price of our Shares.

## **9.4 OTHER RISKS**

### **9.4.1 Our Promoters will be able to exert significant influence over our Company as they will continue to hold majority of our Shares after our IPO**

Our Promoters will collectively hold 70.0% of our enlarged share capital upon Listing. Because of the size of their shareholdings, our Promoters will have a deciding vote on the outcome of (i.e. to approve or reject) certain matters requiring simple majority of the vote of shareholders unless they are required to abstain from voting by law and/or as required by the relevant authorities.

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## 10. RELATED PARTY TRANSACTIONS

### 10.1 RELATED PARTY TRANSACTIONS

The list of related party transactions only includes related party transactions of TSM for FYE 2021 to 2023 which have occurred prior to the acquisition of SeeTec Asia on 9 January 2024. Save for the Acquisition and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2021 to 2023, FPE 2024 and up to LPD:

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value										
					FYE 2021		FYE 2022		FYE 2023		FPE 2024		1 August 2024 up to LPD		
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Infinite Evolution Holdings Sdn Bhd# ("IEH")	TSM	<ul style="list-style-type: none"> <li>Tan Hock Lim</li> <li>Tan Mee Hong</li> </ul>	<p>Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.</p> <p>Tan Hock Lim is also a director and substantial shareholder of IEH.</p> <p>Tan Mee Hong is a director and shareholder of IEH.</p> <p>Tan Mee Hong is the sister to Tan Hock Lim.</p>	Expenses paid by IEH on behalf of TSM	3	(1)<0.1	-	-	-	-	-	-	-	-	
				Repayment from IEH	11	(1)<0.1	-	-	2	(1)<0.1	-	-	-	-	-
				Expenses paid by TSM on behalf of IEH	2	(1)<0.1	2	(1)<0.1	*	(1)<0.1	-	-	-	-	-
Tech-Store International Pte Ltd <sup>(2)</sup>	TSM	Tan Hock Lim	Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.	Repayment from Tech-Store International Pte Ltd	-	-	84	(1)0.3	-	-	-	-	-	-	

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2021		FYE 2022		FYE 2023		FPE 2024		1 August 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
			Tan Hock Lim was also a director and indirect substantial shareholder of Tech-Store International Pte Ltd.											
IEH Technologies Sdn Bhd^	TSM	Tan Hock Lim	Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.	Repayment from IEH Technologies Sdn Bhd	39	(1)0.2	123	(1)0.5	-	-	-	-	-	-
			Tan Hock Lim is also a director and indirect substantial shareholder of IEH Technologies Sdn Bhd.											
Tan Mee Hong	TSM	Tan Hock Lim	Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.	Provision of project administration services to TSM <sup>(3)</sup>	-	-	-	-	113	(4)3.3	56	(4)1.3	-	-
			Tan Mee Hong is the sister to Tan Hock Lim.	Acquisition of shares in SeeTec Asia from Tan Mee Hong	-	-	-	-	-	-	200	(1)0.6	-	-

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2021		FYE 2022		FYE 2023		FPE 2024		1 August 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Chow Chui Yee	TSM	Tan Hock Lim	Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.  Chow Chui Yee is the spouse of Tan Hock Lim.	Rental of office from Chow Chui Yee <sup>(5)</sup>	125	<sup>(6)</sup> 28.5	125	<sup>(6)</sup> 30.7	125	<sup>(6)</sup> 20.1	73	<sup>(6)</sup> 26.9	52	N/A
Wings Care Sdn Bhd	TSM	Tan Hock Lim	Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.  Chow Chui Yee is a director and sole shareholder of Wings Care Sdn Bhd.  Chow Chui Yee is the spouse of Tan Hock Lim.	Rental of accommodation from Wings Care Sdn Bhd <sup>(7)</sup>	32	<sup>(6)</sup> 7.3	32	<sup>(6)</sup> 7.9	32	<sup>(6)</sup> 5.1	5	<sup>(6)</sup> 1.8	-	-
SeeTec Asia <sup>(8)</sup>	TSM	Tan Hock Lim	Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.	Subcontractor charges charged by SeeTec Asia	1,089	<sup>(9)</sup> 5.7	2,530	<sup>(9)</sup> 8.1	2,843	<sup>(9)</sup> 6.0	-	-	-	-
				Repayment to SeeTec Asia	10	<sup>(1)</sup> <0.1	39	<sup>(1)</sup> 0.1	30	<sup>(1)</sup> <0.1	-	-	-	-

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

Related party	Transacting company in our Group	Interested person	Nature of relationship	Nature of transaction	Transaction value									
					FYE 2021		FYE 2022		FYE 2023		FPE 2024		1 August 2024 up to LPD	
					RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
			Tan Mee Hong was the director and sole shareholder of SeeTec Asia.	Expenses paid by SeeTec Asia on behalf of TSM	13	<sup>(1)</sup> <0.1	21	<sup>(1)</sup> <0.1	19	<sup>(1)</sup> <0.1	-	-	-	-
			Tan Mee Hong is the sister to Tan Hock Lim.	Expenses paid by TSM on behalf of SeeTec Asia	33	<sup>(1)</sup> 0.2	*	<sup>(1)</sup> <0.1	-	-	-	-	-	-
				Provision of installation services to TSM	-	-	55	<sup>(9)</sup> 0.2	-	-	-	-	-	-
				Rental income of office from SeeTec Asia <sup>(11)</sup>	-	-	-	-	18	<sup>(10)</sup> 6.2	-	-	-	-
Swings Sdn Bhd	TSM	Tan Hock Lim	Tan Hock Lim is our Group's Promoter, Managing Director and substantial shareholder.	Provision of CCTV maintenance services to TSM	2	<sup>(4)</sup> <0.1	2	<sup>(4)</sup> <0.1	2	<sup>(4)</sup> <0.1	-	-	-	-
			Chow Chui Yee is the spouse of Tan Hock Lim. She is also an indirect shareholder of Swings Sdn Bhd through her direct shareholding in Wings Care Sdn Bhd.											



## 10. RELATED PARTY TRANSACTIONS (Cont'd)

### Notes:

# IEH was incorporated in Malaysia on 2 October 2013 under the Companies Act 1965 as a private limited company and is deemed registered under the Act. IEH is presently dormant and previously an investment holding company of IEH Technologies Sdn Bhd. As at LPD, the issued share capital of IEH is RM5,050,000 comprising 5,050,000 ordinary shares. The directors and shareholders of IEH as at LPD are as follows:

Name	Designation	Nationality	Direct		Indirect	
			No. of shares	%	No. of shares	%
Tan Hock Lim	Director and shareholder	Malaysian	2,979,500	59.0	-	-
Petr Obsel	Director and shareholder	Czech	1,010,000	20.0	-	-
Tan Mee Hong	Director and shareholder	Malaysian	50,500	1.0	-	-
Juraj Zidzik	Shareholder	Slovak	1,010,000	20.0	-	-

^ IEH Technologies was dissolved on 11 November 2024.

\* Less than RM1,000

N/A Not applicable as we did not prepare any financial statements from 1 August 2024 up to LPD.

(1) Calculated based on our Group's NA for each of the respective financial years/periods.

(2) This company has been struck off from the register of companies of Singapore on 4 September 2023.

(3) Relates to the provision of overall project administration, such as liaising with internal departments and assist in compilation of project documentation for submission of claims and tender process. This transaction is a non-recurrent transaction as the contract period was from 2 May 2023 to 30 April 2024, with no option for renewal.

(4) Calculated based on our Group's administrative expenses for each of the respective financial years/periods.

(5) Our Group rented an office located in Puchong, Selangor from Chow Chui Yee. The tenancy period was from 1 May 2023 to 30 April 2024, which was subsequently renewed from 1 May 2024 to 30 April 2025 with an option to renew for 1 year. The rental rate per annum is RM125,400. This transaction is recurrent in nature. The tenancy may be terminated unilaterally by either party by giving 3-month notice. Additionally, in the event we fail to fulfil the tenancy period, the landlord is entitled to forfeit the deposit.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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- (6) Calculated based on our Group's other expenses for each of the respective financial years/periods.
- (7) Our Group rented an accommodation located in Pahang from Wings Care Sdn Bhd. The tenancy period was from 1 June 2023 to 31 May 2024, and the rental arrangement ceased on 29 February 2024. We do not intend to renew the said tenancy.
- (8) The transactions between SeeTec Asia and TSM were conducted prior to the acquisition of SeeTec Asia, therefore deemed as related party transactions.
- (9) Calculated based on our Group's cost of sales for each of the respective financial years/periods.
- (10) Calculated based on our Group's other income for each of the respective financial years/periods.
- (11) SeeTec Asia rented an office located in Puchong, Selangor from TSM. The tenancy period prior to the acquisition of SeeTec Asia on 9 January 2024 was from 13 April 2023 to 12 April 2024, and subsequently renewed from 13 April 2024 to 12 April 2025, with an option to renew for 1 year. Although this transaction is recurrent in nature, it ceased to be a related party transaction subsequent to the completion of the acquisition of SeeTec Asia by TSM on 9 January 2024.

The payments made by our Group's related parties to us/on our behalf and the payments made by our Group to/on behalf of our related parties were not conducted on arm's length basis as the payments were interest free. The nature of these payments were mainly in relation to operating expenses such as insurance payments and subscription fees. Additionally, the subcontractor charges and installation services paid to SeeTec Asia were not conducted on arm's length basis as no other contractor was able to provide similar services to our Group. In this respect, the Group required a specific combination of services to carry out the obligations of our contracts to our customers which was unique to SeeTec Asia, and thus, we had appointed SeeTec Asia to provide subcontractor and installation services. The aforementioned services include specialised IT services for development of middleware and interfaces for integration of video management system for TSM's projects. We required SeeTec Asia to configure and implement large video surveillance and video analytics systems as well as develop surveillance control hardware and system for train stations within the country. As at LPD, all payments made on behalf of/by our Group's related parties have been fully settled. Although the subcontractor and installation services provided by SeeTec Asia are recurrent in nature, it ceased to be a related party transaction subsequent to the acquisition of SeeTec Asia by TSM on 9 January 2024.

Moving forward, our Group will no longer provide or receive any payments to/ from our Group's related parties.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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Save for the above, our Board is of the view that the other related party transactions were conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties on the following basis:

- (a) fees paid to Tan Mee Hong in relation to the provision of project administration services to TSM was based on prevailing market rates and comparable fees paid to non-related third parties;
- (b) acquisition of SeeTec Asia by TSM from Tan Mee Hong was based on the cost of investment as SeeTec Asia is in a net liability position;
- (c) rental (expenses)/ income (paid to)/ received from the related parties were based on prevailing market rental rates; and
- (d) CCTV maintenance services fees paid to Swings Sdn Bhd was based on prevailing market rates and comparable fees obtained from non-related third parties.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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Moving forward, in order to ensure that related party transactions are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

**(a) Recurrent related party transactions**

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine if the price and terms offered by related parties are fair and reasonable and comparable to those offered by other third parties for the same or substantially similar type of products/services and/or quantities; or
- (ii) If quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by other third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at a general meeting. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

**(b) Other related party transactions**

- (i) Whether the terms of the related party transactions are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and the nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

For related party transactions that require shareholders' approval, the Directors, major shareholders and/or persons connected with such Director or major shareholder, which have any interest, direct or indirect, in the proposed related party transaction will abstain from deliberating and voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transactions, the Director or major shareholder concerned will also abstain from deliberating and voting in respect of his direct and/or indirect shareholdings. The relevant Directors who are deemed interested or conflicted in such transactions shall also abstain from our Board deliberations and voting on the Board resolutions relating to these transactions.

## 10. RELATED PARTY TRANSACTIONS *(Cont'd)*

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. If a member of our Audit and Risk Management Committee has an interest in any related party transaction, he is to abstain from participating in the review and approval process in relation to that transaction. Where necessary, our Board would make appropriate disclosures in our annual report with regard to any related party transaction entered into by us.

### 10.2 OTHER TRANSACTIONS

#### 10.2.1 Transactions entered into that are unusual in their nature or conditions

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2021 to 2023, FPE 2024 and up to LPD.

#### 10.2.2 Outstanding loans (including guarantees of any kind)

##### (a) Outstanding loans and/or balances

As at LPD, there are no outstanding loans made by our Group to/for the benefit of a related party or granted by the related parties for the benefit of our Group.

##### (b) Guarantees

Our Promoters, substantial shareholders and Directors, namely Tan Hock Lim and Mohd Fadzil bin Mohd Daud, have jointly and severally provided personal guarantees for the banking and hire purchase facilities extended by Alliance Islamic Bank Berhad, CIMB Islamic Bank Berhad, HSBC Amanah Malaysia Berhad, Maybank Islamic Berhad, OCBC Bank (Malaysia) Berhad, Koperasi Co-opbank Pertama Malaysia Berhad, CIMB Bank Berhad and PLC Credit & Factoring Sdn Bhd ("**Financiers**"), details of which are as follows:

<u>Financiers</u>	<u>Type of facilities</u>	<u>Purpose</u>	<u>Outstanding balance as at LPD</u> <u>RM'000</u>	<u>Facility limit and amount guaranteed</u> <u>RM'000</u>	<u>Guarantor(s)</u>
Alliance Islamic Bank Berhad	1 trade facility	For working capital	-	<sup>(1)</sup> 2,000	<ul style="list-style-type: none"> <li>Tan Hock Lim</li> <li>Mohd Fadzil bin Mohd Daud</li> </ul>
CIMB Islamic Bank Berhad	1 trade facility and 1 property loan	For purchase of property and working capital	10,171	<sup>(1)</sup> 11,945	<ul style="list-style-type: none"> <li>Tan Hock Lim</li> <li>Mohd Fadzil bin Mohd Daud</li> </ul>

**10. RELATED PARTY TRANSACTIONS (Cont'd)**

<b>Financiers</b>	<b>Type of facilities</b>	<b>Purpose</b>	<b>Outstanding balance as at LPD RM'000</b>	<b>Facility limit and amount guaranteed RM'000</b>	<b>Guarantor(s)</b>
Koperasi Co-opbank Pertama Malaysia Berhad	1 term loan	For working capital	29,695	<sup>(1)</sup> 35,000	• Tan Hock Lim • Mohd Fadzil bin Mohd Daud
HSBC Amanah Malaysia Berhad	1 term loan	For working capital	914	<sup>(1)</sup> 2,000	• Tan Hock Lim • Mohd Fadzil bin Mohd Daud
Maybank Islamic Berhad	1 trade facility and 1 property loan	For purchase of property and working capital	1,972	<sup>(1)</sup> 3,850	• Tan Hock Lim • Mohd Fadzil bin Mohd Daud
OCBC Bank (Malaysia) Berhad	1 trade facility	For working capital	5,800	<sup>(1)</sup> 8,850	• Tan Hock Lim • Mohd Fadzil bin Mohd Daud
CIMB Bank Berhad	1 trade facility	For working capital	-	<sup>(1)</sup> 6,000	• Tan Hock Lim • Mohd Fadzil bin Mohd Daud
PLC Credit & Factoring Sdn Bhd	1 hire purchase facility	For ICT equipment and its accessories including license	2,573	<sup>(1)</sup> 50,000	• Tan Hock Lim • Mohd Fadzil bin Mohd Daud
<b>Total</b>			<b>51,125</b>	<b>119,645</b>	

**Note:**

<sup>(1)</sup> The guarantors have provided open all monies joint and several guarantee.

In conjunction with our Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the Financiers. Until such release and/or discharge are obtained from the respective Financiers, the aforesaid persons will continue to guarantee the banking facilities extended to our Group.

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**10. RELATED PARTY TRANSACTIONS (Cont'd)**

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Other than the guarantors by our Directors, there is no other third party securities pledged in favour of the Financiers for facilities granted to our Group.

We have received conditional approvals from the Financiers to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions from Alliance Islamic Bank Berhad, CIMB Islamic Bank Berhad, HSBC Amanah Malaysia Berhad, OCBC Bank (Malaysia) Berhad, Maybank Islamic Berhad, Koperasi Co-opbank Pertama Malaysia Berhad, CIMB Bank Berhad and PLC Credit & Factoring Sdn Bhd. The approvals from the Financiers are subject to, amongst other conditions, the following:

- (a) the success of our Listing;
- (b) Tan Hock Lim and Mohd Fadzil bin Mohd Daud shall remain as controlling shareholders with a collective shareholding of not less than 50.0% plus 1 share, and subject to both individuals remaining as key management of our Company throughout the financing tenure with the relevant Financiers;
- (c) Tan Hock Lim shall hold not less than 51.0% of shares in our Company, whether directly or indirectly; and
- (d) the acquisition of the entire shareholdings in TSM by our Company is for the purpose of the Listing.

**(c) Financial assistance provided for the benefit of a related party**

As at LPD, there is no financial assistance provided by us for the benefit of any related party.

**10.2.3 Transactions entered into with M&A Securities**

Save as disclosed below, we have not entered into any transactions with M&A Securities who is the Adviser, Sponsor, Placement Agent and Underwriter for our Listing:

- (a) Agreement dated 13 January 2022 entered into between TSM and M&A Securities for the appointment of M&A Securities as Adviser, Sponsor and Placement Agent for our Listing; and
- (b) Underwriting Agreement dated 6 January 2025 entered into between our Company and M&A Securities for the underwriting of 50,000,000 Issue Shares.

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**11. CONFLICT OF INTEREST****11.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CUSTOMERS AND SUPPLIERS**

Save as disclosed below, none of our Directors and substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as our Group, or which are customers and suppliers of our Group as at LPD.

<b>Company</b>	<b>Principal activities</b>	<b>Nature of conflict of interest</b>	<b>Nature of interest in the entity</b>
Swings Sdn Bhd	Sales, installation and service of security alarm, communication products, electrical and electronic appliances.	Our Group's supplier	Chow Chui Yee, who is the spouse of Tan Hock Lim (our Group's Managing Director, Promoter, substantial shareholder) holds 50.0% equity interest in Swings Sdn Bhd through her 100.0% equity interest in Wings Care Sdn Bhd.

Notwithstanding the above, our Board is of the view that the interests of Tan Hock Lim in Swings Sdn Bhd does not give rise to any existing or potential conflict of interest situation after taking into consideration the following:

**(a) Swings Sdn Bhd**

- (i) Swings Sdn Bhd is principally involved in the provision of CCTV and alarm maintenance services to residential and business end-user on a subscription basis. Our Group mainly provides wide range of goods and services on a project basis to enterprise customers which require us to have specific knowhow and bid through a tender process. Swings Sdn Bhd has a distinct customer base aside from our Group, and as a result, Swings Sdn Bhd does not compete for the same customers as our Group;
- (ii) Our Group is not dependent on Swings Sdn Bhd as our supplier as the cost incurred to Swings Sdn Bhd represents less than 0.1% of our Group's administrative expenses for each of FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively. Additionally, our Group's customer supplier relationship with Swings Sdn Bhd has ceased in 2023 and our Group has engaged another supplier which provides the same service as Swings Sdn Bhd;
- (iii) All sales from Swings Sdn Bhd were transacted on an arm's length basis and on normal commercial terms as disclosed in Section 10.1; and
- (iv) Neither Tan Hock Lim nor Chow Chui Yee are involved in the day-to-day management of Swings Sdn Bhd given that Swings Sdn Bhd has its own independent and standalone management team to undertake its day-to-day management and operations.



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**11. CONFLICT OF INTEREST (Cont'd)**

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It is our Director's fiduciary duty to avoid conflict and in order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nomination Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nomination Committee will then first evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nomination Committee will then:

- (a) immediately inform our Audit and Risk Management Committee and Board of the conflict of interest situation;
- (b) after deliberation with our Audit and Risk Management Committee, to make recommendations to our Board to direct the conflicted Director to:
  - (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and
  - (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nomination Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nomination Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit and Risk Management Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

**11.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS**

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Placement Agent and Underwriter for our Listing;
- (b) Ong Eu Jin Partnership has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing;

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**11. CONFLICT OF INTEREST (Cont'd)**

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- (c) Crowe Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing; and
- (d) Protégé has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 23 January 2024 solely to facilitate the Listing. As such our historical financial information throughout the FYE 2021 to 2023 and FPE 2023 is solely based on the financial information of TSM, whilst our historical financial information for FPE 2024 includes TSM and SeeTec Asia, which have all been prepared in accordance with MFRS and IFRS.

The financial information included in this Prospectus is not intended to predict our financial position, results or cash flows. It should be read in conjunction with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Accountants' Report set out in Sections 12.2 and 13 respectively.

#### 12.1.1 Combined statements of profit or loss and other comprehensive income

The following table sets out a summary of the audited combined statements of profit or loss and other comprehensive income of TSM for FYE 2021 to 2023, unaudited combined statements of profit or loss and other comprehensive income of TSM for FPE 2023 and audited combined statements of profit or loss and other comprehensive income of our Group for FPE 2024, which has been extracted from the Accountants' Report.

	Audited		Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023
	RM'000	RM'000	RM'000	RM'000
Revenue	29,382	42,239	62,207	19,910
Cost of sales	(18,976)	(31,274)	(47,143)	(14,435)
<b>GP</b>	<b>10,406</b>	<b>10,965</b>	<b>15,064</b>	<b>5,475</b>
Other income	192	1,209	290	150
Administrative expenses	(3,325)	(2,732)	(3,406)	(1,732)
Other expenses	(439)	(407)	(623)	(307)
<b>Operating profit</b>	<b>6,834</b>	<b>9,035</b>	<b>11,325</b>	<b>3,586</b>
Finance costs	(148)	(353)	(739)	(450)
Net impairment gains/(losses) on financial assets and contract assets	2,416	693	(90)	(38)
<b>PBT</b>	<b>9,102</b>	<b>9,375</b>	<b>10,496</b>	<b>3,098</b>
Income tax expense	(2,340)	(2,163)	(2,774)	(1,028)
<b>PAT</b>	<b>6,762</b>	<b>7,212</b>	<b>7,722</b>	<b>2,070</b>
EBIT <sup>(1)</sup>	9,185	9,638	11,135	3,493
EBITDA <sup>(1)</sup>	9,525	10,010	11,613	3,755
GP margin (%) <sup>(2)</sup>	35.4	26.0	24.2	27.5
PBT margin (%) <sup>(3)</sup>	31.0	22.2	16.9	15.6
PAT margin (%) <sup>(3)</sup>	23.0	17.1	12.4	10.4
Diluted EPS (sen) <sup>(4)</sup>	1.35	1.44	1.54	0.41

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

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

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT	6,762	7,212	7,722	2,070	2,840
Less:					
Interest income	(65)	(90)	(100)	(55)	(1,467)
Add:					
Finance costs	148	353	739	450	794
Income tax expense	2,340	2,163	2,774	1,028	883
<b>EBIT</b>	<b>9,185</b>	<b>9,638</b>	<b>11,135</b>	<b>3,493</b>	<b>3,050</b>
Add:					
Depreciation	340	372	478	262	294
<b>EBITDA</b>	<b>9,525</b>	<b>10,010</b>	<b>11,613</b>	<b>3,755</b>	<b>3,344</b>

- (2) Calculated based on GP divided by revenue.
- (3) PBT margin and PAT margin are calculated based on PBT and PAT by revenue.
- (4) Diluted EPS is calculated based on our PAT for FYE 2021 to 2023, FPE 2023 and FPE 2024 over the enlarged share capital of 500,000,000 Shares after our IPO.

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

The following table sets out the audited combined statements of financial position of TSM as at 31 December 2021, 2022 and 2023 as well as audited combined statements of financial position of our Group as at 31 July 2024 which has been extracted from the Accountants' Report.

	Audited			
	As at 31 December		As at 31 July	
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment <sup>(2)</sup>	980	1,512	1,857	1,879
Right-of-use assets <sup>(2)</sup>	1,760	2,360	2,352	2,259
Intangible assets <sup>(3)</sup>	-	-	-	2,491
Goodwill <sup>(4)</sup>	-	-	-	1,322
Trade and other receivables <sup>(5)</sup>	-	-	-	27,298
Deferred tax assets	569	405	526	834
<b>Total non-current assets</b>	<b>3,309</b>	<b>4,277</b>	<b>4,735</b>	<b>36,083</b>
<b>Current assets</b>				
Inventories	752	1,915	1,729	2,383
Trade and other receivables <sup>(5)</sup>	3,550	5,880	14,995	29,680
Contract assets <sup>(6)</sup>	14,978	28,570	22,751	14,867
Deposits and prepayments	515	1,064	1,298	3,907
Current tax assets	-	-	-	26
Cash and cash equivalents <sup>(7)</sup>	10,197	7,581	18,094	15,279
<b>Total current assets</b>	<b>29,992</b>	<b>45,010</b>	<b>58,867</b>	<b>66,142</b>
<b>TOTAL ASSETS</b>	<b>33,301</b>	<b>49,287</b>	<b>63,602</b>	<b>102,225</b>
<b>EQUITY AND LIABILITIES</b>				
<b>Equity</b>				
Share capital	4,000	5,000	12,000	12,000
Invested equity	-	-	-	(1)
Retained profits	13,438	19,350	20,072	22,913
<b>TOTAL EQUITY</b>	<b>17,438</b>	<b>24,350</b>	<b>32,072</b>	<b>34,913</b>
<b>Non-current liabilities</b>				
Lease liabilities	139	153	141	123
Long-term borrowings <sup>(8)</sup>	1,974	3,975	3,990	31,203
<b>Total non-current liabilities</b>	<b>2,113</b>	<b>4,128</b>	<b>4,131</b>	<b>31,326</b>
<b>Current liabilities</b>				
Trade and other payables <sup>(9)</sup>	12,666	18,755	21,427	25,629
Contract liabilities <sup>(10)</sup>	91	104	-	2,045
Lease liabilities	162	168	201	138
Short-term borrowings <sup>(8)</sup>	243	661	4,610	7,237
Current tax liabilities	588	1,121	1,161	937
<b>Total current liabilities</b>	<b>13,750</b>	<b>20,809</b>	<b>27,399</b>	<b>35,986</b>
<b>TOTAL LIABILITIES</b>	<b>15,863</b>	<b>24,937</b>	<b>31,530</b>	<b>67,312</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>33,301</b>	<b>49,287</b>	<b>63,602</b>	<b>102,225</b>

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

- (1) Represents less than RM1,000.
- (2) The increase in property, plant and equipment as well as right-of-use assets as at 31 December 2022 was mainly due to the purchase of a leasehold double storey shop office land and building located at Puchong, which is used as office and warehouse.
- (3) The intangible assets of RM2.5 million mainly relates to the capitalisation of cost incurred for the development of PSDS software. The criteria for recognising the costs incurred in the development of the PSDS software as an intangible asset are as follows:
- The technical feasibility of completing the PSDS software so that it is ready for use or sale;
  - The PSDS software was completed in July 2024 and available for use in August 2024;
  - The PSDS software is able to generate probable future economic benefits;
  - The existence of a market for the output of the PSDS software;
  - The availability of adequate technical, financial and other resources to complete the development and to use or sell the PSDS software; and
  - The ability to reliably measure the expenditure attributable to the development of the PSDS software.
- (4) The goodwill computation of RM1.3 million derived from the purchase consideration of RM0.2 million plus net liability assumed from acquisition of SeeTec Asia on 9 January 2024 amounting to RM1.1 million.
- (5) Trade and other receivables breakdown are as follows:

	<b>Audited</b>			
	<b>As at 31 December</b>		<b>As at 31 July</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current asset</b>				
Finance lease receivable <sup>(i)</sup>	-	-	-	27,298
<b>Current assets</b>				
Trade receivables	3,529	5,568	14,801	22,964
Other receivables	21	312	194	802
Finance lease receivable <sup>(i)</sup>	-	-	-	5,914
	<b>3,550</b>	<b>5,880</b>	<b>14,995</b>	<b>29,680</b>
	<b>3,550</b>	<b>5,880</b>	<b>14,995</b>	<b>56,978</b>

**Note:**

- (i) Finance lease receivable relates to the leasing of ICT equipment to a Government agency under a leasing arrangement.
- (6) Contract assets arise when contract work is done for a project but we are not able to issue billing because the level of work done has not reached a billable milestone as stated in the project contract. The increase in contract assets as at 31 December 2022 was mainly due to the increase in revenue recognised for the LRT3 Project and PSDS Project where the billings were only issued upon reaching the project billing milestones as stated in the contracts.

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

- (7) Cash and cash equivalents included in the combined statements of financial position comprise the following:

	<b>Audited</b>			
	<b>As at 31 December</b>		<b>As at 31 July</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term investments	16	-	16	-
Fixed deposits with licensed banks	3,531	3,415	4,440	3,410
Cash and bank balances	6,650	4,166	13,638	11,869
	<b>10,197</b>	<b>7,581</b>	<b>18,094</b>	<b>15,279</b>

- (8) The increase in short-term borrowings as at 31 December 2023 was mainly due to the increased utilisation of invoice financing facility by RM3.1 million to finance the net progressive claims for the LRT3 Project and the increase in utilisation of banker's acceptance by RM0.7 million which was mainly used for the purchase of goods such as programmable logic controller and accessories, cables, enclosures, and panel-mounted computers, to be installed for the PSDS Project.

The increase in long-term and short-term borrowings as at 31 July 2024 was mainly due to the drawdown of 1 additional term loan facility amounting to RM35.0 million to purchase ICT equipment to rent to a Government agency under a leasing arrangement.

- (9) Trade and other payables breakdown are as follows:

	<b>Audited</b>			
	<b>As at 31 December</b>		<b>As at 31 July</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Trade payables	12,219	18,207	20,257	22,312
Other payables <sup>(i)</sup>	447	548	1,170	3,317
	<b>12,666</b>	<b>18,755</b>	<b>21,427</b>	<b>25,629</b>

**Note:**

- (i) The increase in other payables as at 31 July 2024 was mainly due to an increase in other payables arising from the acquisition of a subsidiary, SeeTec Asia, accrual in trading costs and an increase in accrued expenses which includes salaries, bonuses, service tax, and professional fee.
- (10) Contract liabilities arise when advance billing is issued for a project, but revenue is not recognised due to contract work yet to perform.

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

The following table sets out the audited combined statements of cash flows of TSM for FYE 2021 to 2023 and audited combined statements of cash flows of our Group for FPE 2024 which has been extracted from the Accountants' Report.

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from/(for) operating activities</b>				
PBT	9,102	9,375	10,496	3,723
Adjustments for:				
Allowance for impairment losses:				
- contract assets	-	-	-	245
- finance lease receivable	-	-	-	235
- trade receivables	-	-	580	-
Amortisation of intangible assets	-	-	-	(1)
Depreciation of property, plant and equipment	158	177	261	187
Depreciation of right-of-use assets	182	195	217	107
Interest expense on financial liabilities that are not at fair value through profit or loss:				
- bankers' acceptances	-	-	15	33
- bank guarantee	11	116	356	98
- bank overdrafts	-	-	-	17
- invoice financing	-	-	-	43
- term loans	87	199	292	584
Interest expenses on lease liabilities	20	24	25	11
Unrealised gain on foreign exchange	20	-	34	-
Finance income on finance lease receivable	-	-	-	(1,396)
Gain on reassessment of lease liabilities	-	-	-	(4)
Gain on derecognition of lease due to modification	(2)	(8)	(6)	(3)
Interest income on financial assets	(65)	(127)	(185)	(112)
Reversal of impairment losses:				
- contract assets	(10)	-	-	-
- non-trade receivables	(39)	(206)	-	-
- trade receivables	(2,368)	(487)	(490)	(966)
<b>Operating profit before working capital changes</b>	<b>7,096</b>	<b>9,258</b>	<b>11,595</b>	<b>2,802</b>
(Increase)/Decrease in inventories	(19)	(1,162)	186	(654)
(Increase)/Decrease in contract assets	(14,612)	(13,592)	5,819	7,639
(Decrease)/Increase in contract liabilities	(1,488)	12	(104)	2,045
Decrease/(Increase) in trade and other receivables	6,164	(2,350)	(9,483)	(7,988)
Increase in trade and other payables	5,219	6,061	2,700	1,864



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

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Decrease/(Increase) in amount owing by related parties	32	241	(33)	1,115
<b>Cash from/(for) operations</b>	<b>2,392</b>	<b>(1,532)</b>	<b>10,680</b>	<b>6,823</b>
Income tax paid	(1,488)	(1,466)	(2,855)	(1,417)
Income tax refunded	991	-	-	-
Interest paid	-	-	-	(428)
<b>Net cash from/(for) operating activities</b>	<b>1,895</b>	<b>(2,998)</b>	<b>7,825</b>	<b>4,978</b>
<b>Cash flows from/(for) investing activities</b>				
Advances to a director	-	(48)	-	-
Decrease/(Increase) in pledged fixed deposits with licensed banks	349	116	(1,025)	1,030
Development costs paid	-	-	-	(2,487)
Interest income received	65	127	185	112
Net cash outflow from acquisition of a subsidiary	-	-	-	(137)
Purchase of property, plant and equipment	(179)	(709)	(605)	(210)
Purchase of right-of-use assets	-	(608)	-	-
Repayment from a director	-	-	48	-
<b>Net cash from/(for) investing activities</b>	<b>235</b>	<b>(1,122)</b>	<b>(1,397)</b>	<b>(1,692)</b>
<b>Cash flows (for)/from financing activities</b>				
(Increase)/Decrease in restricted cash	(700)	-	887	(336)
Dividend paid	-	(300)	-	-
Drawdown of bankers' acceptances	-	-	1,735	1,927
Drawdown of invoice financing	-	-	3,050	1,741
Drawdown of term loan	-	4,295	1,000	-
Interest paid	(118)	(339)	(688)	(357)
Proceeds from issuance of shares	-	-	-	(1)-
Repayment of bankers' acceptances	-	-	(1,012)	(2,649)
Repayment of invoice financing	-	-	-	(4,791)
Repayment of lease liabilities	(157)	(160)	(182)	(89)
Repayment of term loans	(190)	(1,876)	(809)	(853)
<b>Net cash (for)/from financing activities</b>	<b>(1,165)</b>	<b>1,620</b>	<b>3,981</b>	<b>(5,407)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>965</b>	<b>(2,500)</b>	<b>10,409</b>	<b>(2,121)</b>
Effects of foreign exchange translation	-	-	(34)	-
Cash and cash equivalents at beginning of the financial year/period	4,814	5,779	3,279	13,654

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

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash and cash equivalents at end of the financial year/period<sup>(2)</sup></b>	<b>5,779</b>	<b>3,279</b>	<b>13,654</b>	<b>11,533</b>

**Notes:**

- (1) Represents less than RM1,000.
- (2) Cash and cash equivalents included in the combined statements of cash flows comprise the following:

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term investments	16	-	16	-
Fixed deposits with licensed banks	3,531	3,415	4,440	3,410
Cash and bank balances	6,650	4,166	13,638	11,869
	<b>10,197</b>	<b>7,581</b>	<b>18,094</b>	<b>15,279</b>
Less: Fixed deposits pledged to licensed banks	(3,531)	(3,415)	(4,440)	(3,410)
Less: Restricted cash	(887)	(887)	-	(336)
	<b>5,779</b>	<b>3,279</b>	<b>13,654</b>	<b>11,533</b>

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

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**12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis of our financial information for FYE 2021 to 2023, FPE 2023 and 2024 should be read in conjunction with the Accountants' Report included in Section 13.

**12.2.1 Overview of our operations****(a) Principal activities**

We are principally involved in the provision of enterprise IT services, namely in IT security and automation solutions to support our customers' operations. Our Group's track record since the commencement of our business in 2011 spans several industries, and our solutions have been used in operations of various kinds, such as factories, theme parks, government buildings, and more recently, public infrastructure. By integrating several key operational functions from C&C, surveillance, security, access, and communication, our Group's solutions optimise the operations of our customers by, amongst others, improving security, increasing efficiency, and empowering employees to better deliver necessary actions in a timely manner, thereby increasing value to their businesses. Notably, our Group's solutions allow for the transformation and/or migration of customers' existing analogue systems to digital without overhaul of its existing systems.

Please refer to Section 7 for our detailed business overview.

**(b) Revenue**

Our Group's revenue stream can be segregated into 2 segments namely design and implementation services and maintenance and support services, as follows:

**(i) Design and implementation services**

We are appointed by our customers to carry out design and implementation of IT security and automation solutions that support the fundamental business operations of our customers.

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

Our fee is payable in stages after completion of specified progress milestone set out in the contract. Our service is deemed to be completed once our customers accept the result of the user acceptance test in the deployed technology infrastructure.

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

For contracts with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the standalone selling price is not directly observable, TSM estimates it by using the costs plus margin approach. Revenue from contracts with customers is recognised by reference to the contract services progress using the input method, determined based on the proportion of contract costs incurred for work performed to date over the estimated total contract costs.

**(ii) Maintenance and support services**

We offer maintenance and support services on third-party IT hardware and/or software following the end of the DLP, which generally ranges from 12 months to 36 months. After project delivery, customers have the option to enter into system maintenance agreements for ad-hoc maintenance and support services or service level agreements for a regular services. The aforesaid agreements are typically annual agreements that are renewed based on our customers' requirements. We generally charge our customers a fixed fee for an agreed service period, taking into account our scope of work, required service level, complexity of the technology systems and the costs of procuring the required hardware and/or software. Our service fees are usually payable on monthly/quarterly/semi-annual/annual basis. Our service is deemed to be completed once the contract period expires.

Revenue from rendering of services is recognised over time in the period when service is rendered to the customer, which is when the performance obligation in the contract with the customer is satisfied over a period of time. Most contracts in this respect are renewals or extensions of licence subscriptions and/or warranty periods and technical support and maintenance.

Each of our contracts may encompass the above scopes of revenue which are recognised separately in their respective segments.

**(c) Cost of sales**

Our Group's cost of sales comprises purchase of materials/equipment, direct labour costs (which mainly consists of subcontractor cost and project labour cost) and overhead costs (project-related expenses).

**(d) Other income**

Other income comprises interest income from fixed deposits and bank balances with licenced banks, rental income, fair value gain on financial assets, net realised or unrealised gain on foreign exchange and reversal of over-provision of completed project/contract cost.

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

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**(e) Expenses**

Our Group's expenses are classified under administrative expenses and other expenses.

**(i) Administrative expenses**

Administrative expenses are expenses not directly attributable to the generation of revenue. It includes expenses comprising employee-related costs, directors' remuneration, travelling and transportation charges, professional services, insurance, upkeep expenses, subscription fee, training fee, utilities expenses, printing and stationery, internet and website fee, entertainment, medical fee, rental expenses and others.

**(ii) Other expenses**

Other expenses comprise depreciation on property, plant and equipment and right-of-use assets and net realised or unrealised loss on foreign exchange.

**(f) Finance costs**

Finance costs comprise interest expense on our lease liabilities and bank borrowings (which include bank guarantee, term loans, bank overdraft, bankers' acceptances and bank commitment fee).

**(g) Net impairment gains/(losses) on financial assets and contract assets**

Net impairment gains/(losses) on financial assets and contract assets represent net changes in addition and reversal of impairment on financial assets and contract assets.

**(h) Recent developments**

Save for the Acquisition, there was no significant event subsequent to our audited financial statements for FYE 2021 to 2023 and FPE 2024.

**(i) Exceptional and extraordinary items and audit qualifications**

For FYE 2022, a reversal of the overprovision for costs associated with the LRT Ampang line infotainment system upgrade project occurred. Apart from this, there were no other exceptional or extraordinary items during FYE 2021 to 2023 and FPE 2024. Additionally, the audited financial statements for FYE 2021 to 2023 and FPE 2024 were not subject to any audit qualifications.

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

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**12.2.2 SIGNIFICANT FACTORS AFFECTING OUR REVENUE**

Please refer to Section 9 for the details of the risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our revenue and financial performance. The significant factors affecting our revenue include, but are not limited to, the following:

**(a) We are dependent on our major customer, Setia Utama**

We are dependent on Setia Utama, the main contractor of the LRT3 line that connects Johan Setia and Bandar Utama. We have been providing design and implementation services to Setia Utama since 2019 and they have accounted for 77.4%, 78.2%, 62.0% and 30.7% of our revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively.

We are currently providing Setia Utama with design and implementation services relating to the supply, delivery, installation and testing and commissioning of AFC system and EAC system for the LRT3 line with contract period up to 30 November 2024. Delays in the handover of the site by our customer to our Group prevented us from commencing work at certain sites. On 12 November 2024 and 6 November 2024, our Group has submitted the request for extension of time for LRT3 EAC Project and LRT3 AFC Project respectively, from 1 December 2024 to 30 June 2025 as well as 1 December 2024 to 7 August 2025, respectively, to our customer and is awaiting confirmation from our customer, pending evaluation. Subsequently, our Group had vide a letter to Setia Utama dated 9 January 2025 submitted a revised work programme and request for an updated timeline to complete the works for LRT3 EAC Project and LRT3 AFC Project by 23 August 2025 and 30 August 2025, respectively, and is awaiting confirmation from our customer, pending evaluation. For FYE 2021, FYE 2022, FYE 2023 and FPE 2024, all the revenue generated from the LRT3 AFC Project and LRT3 EAC Project were under the design and implementation services segment. As such, the completion of the works and expiry of our contracts with Setia Utama without further renewal or extension may lead to a significant decrease in our revenue and materially and adversely affect our financial performance. For clarity, since Setia Utama is the main turnkey contractor for the LRT3 our Group estimates that works for revived 5 previously cancelled LRT3 stations may be awarded to existing LRT3 works package contractors, including our Group.

Furthermore, if we are unable to secure new contracts of similar value to replace the loss of revenue from Setia Utama, it may also affect our prospects in the future.

**(b) We are dependent on our ability to secure new projects**

Our Group's prospects and financial performance is dependent on our ability to continuously secure new projects from existing and new customers on a timely basis. Our revenue is subject to fluctuation depending on the number, size and duration of our Group's ongoing projects as well as if our arrangement with our customers is recurring or non-recurring. Generally, recurring income refers to income generated from the provision of maintenance and support services while non-recurring income refers to income generated from design and implementation of security and automation solutions. After the implementation and launch of new solutions to support our customers' operations, we provide maintenance and support services during the DLP as part of the design and implementation services. Our customers enter into service level agreements or system maintenance agreements with the Group after the delivery of design and implementation of security and automation solutions projects and the aforesaid agreements are yearly agreements that are renewed based on our customers' requirements. Our maintenance and support services contracts generally cover preventative and comprehensive maintenance of software and hardware. Additionally, the system maintenance agreements offered to our customers includes progressive updates of their software systems in accordance with availability software release upgrades.

## 12. FINANCIAL INFORMATION (Cont'd)

The loss of our customers or our inability to secure new customers, or additional projects from our existing customers could adversely affect our financial performance.

Further, we are required to tender for projects and the success of our tender may be affected by factors such as level of competition, track record compared to competitors, as well as pricing of products and services. As such, we may not be successful in securing every project that we tender for. We may also be required to adjust our pricing in order to remain competitive during the tender process, which may lead to a decline in our financial performance.

### (c) We are dependent on customers within the public land transportation sector

We are dependent on customers within the public land transportation sector as a substantial portion of our revenue growth in FYE 2021, FYE 2022, FYE 2023 and FPE 2024 was contributed by this group of customers. They have in aggregate accounted for approximately 82.2%, 90.3%, 83.6% and 64.9% of our total revenue for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 respectively. The majority of revenue contributions from these customers are related to major public rail construction projects including the MRT, LRT and RTS. A decline in major public rail construction projects may adversely affect our financial performance and prospects if we are unable to replenish our orderbook with projects from other industries on a similar scale.

### (d) We are dependent on our Executive Directors and key senior management

Our present and future success are largely dependent upon the continuous effort and invaluable experience of our Managing Director, Executive Director, and key senior management. Our Managing Director, Tan Hock Lim has over 20 years of experience in the IT industry while our Executive Director, Mohd Fadzil bin Mohd Daud has more than 10 years of experience in the M&E industry.

Our continued success will depend on, to a certain extent, our ability to retain the services of our Managing Director, Executive Director and the key senior management team. The loss of their services without suitable and timely replacements, may create an unfavourable impact on our Group's business and prospects.

### 12.2.3 Review of our results of operations

#### (a) Revenue

##### Revenue by business segment

Our Group's revenue by business segments is illustrated in the table below:

Business segment	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and implementation services	23,240	79.1	37,516	88.8	56,229	90.4	17,118	86.0	23,478	77.9
Maintenance and support services	6,142	20.9	4,723	11.2	5,978	9.6	2,792	14.0	6,642	22.1
<b>Total</b>	<b>29,382</b>	<b>100.0</b>	<b>42,239</b>	<b>100.0</b>	<b>62,207</b>	<b>100.0</b>	<b>19,910</b>	<b>100.0</b>	<b>30,120</b>	<b>100.0</b>

**12. FINANCIAL INFORMATION (Cont'd)**
**Revenue by type of customers/industries**

Our Group's revenue by type of customers/industries is illustrated in the table below:

Type of customers/ industries	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Public land transportation	24,137	82.2	38,153	90.3	52,004	83.6	16,189	81.3	19,553	64.9
Leisure and hospitality	3,803	13.0	2,514	6.0	2,867	4.6	1,677	8.4	652	2.2
IT and security system	1,418	4.8	1,325	3.1	2,348	3.8	833	4.2	1,612	5.3
Utilities	7	-	-	-	3,193	5.1	510	2.6	-	-
Ports and logistics	-	-	223	0.5	1,421	2.3	701	3.5	234	0.8
Healthcare	-	-	20	0.1	200	0.3	-	-	-	-
Government agencies	-	-	-	-	114	0.2	-	-	8,021	26.6
Construction	7	-	-	-	60	0.1	-	-	48	0.2
Financial institution	7	-	-	-	-	-	-	-	-	-
Manufacturing	-	-	4	-	-	-	-	-	-	-
Trading	3	-	-	-	-	-	-	-	-	-
	<b>29,382</b>	<b>100.0</b>	<b>42,239</b>	<b>100.0</b>	<b>62,207</b>	<b>100.0</b>	<b>19,910</b>	<b>100.0</b>	<b>30,120</b>	<b>100.0</b>

**Revenue by government/public sector**

Our Group's revenue by government/public sector is illustrated in the table below:

Government/ Public sector	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Government	-	-	-	-	114	0.2	-	-	8,021	26.6
Government-linked companies	22,747	77.4	36,710	86.9	49,611	79.7	14,524	72.9	12,908	42.9
Private companies	6,635	22.6	5,529	13.1	12,482	20.1	5,386	27.1	9,191	30.5
	<b>29,382</b>	<b>100.0</b>	<b>42,239</b>	<b>100.0</b>	<b>62,207</b>	<b>100.0</b>	<b>19,910</b>	<b>100.0</b>	<b>30,120</b>	<b>100.0</b>

**Revenue by countries**

Our Group's revenue by countries is illustrated in the table below:

Country	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	28,074	95.5	41,077	97.2	59,844	96.2	18,261	91.7	29,781	98.9
Singapore	1,308	4.5	1,162	2.8	2,363	3.8	1,649	8.3	339	1.1
	<b>29,382</b>	<b>100.0</b>	<b>42,239</b>	<b>100.0</b>	<b>62,207</b>	<b>100.0</b>	<b>19,910</b>	<b>100.0</b>	<b>30,120</b>	<b>100.0</b>



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

Our Group's total revenue increased by RM12.8 million or 43.5%, from RM29.4 million in FYE 2021 to RM42.2 million in FYE 2022, primarily attributed to the following:

- (i) increase in the revenue from design and implementation services segment by RM14.3 million or 61.6% from RM23.2 million in FYE 2021 to RM37.5 million in FYE 2022 mainly due to the following:
  - (a) commencement of new projects such as PSDS Project (RM3.1 million), AFC Storage Project (RM0.5 million), PAMS Project (RM0.2 million) and RTS ERP Project (RM0.6 million); and
  - (b) on-going works carried out for the existing LRT3 Project, amounting to RM10.4 million;
- (ii) decrease in revenue from the maintenance and support services segment by RM1.4 million or 23.0% from RM6.1 million in FYE 2021 to RM4.7 million in FYE 2022 mainly due to the following:
  - (a) income from repair and diagnostic services decreased by RM0.6 million due to fewer ad-hoc services being undertaken in the theme park industry and fewer upgrading services for a money printing plant company during FYE 2022; and
  - (b) income from the provision of consultancy services decreased by RM1.4 million as majority of these services being undertaken for the RTS depot equipment and service vehicles and RTS uninterruptible power supply had been rendered and completed in FYE 2021.

This decrease was offset by the increase in the revenue from the trading of hardware and software by RM0.5 million or 71.4% from RM0.7 million in FYE 2021 to RM1.2 million in FYE 2022 mainly contributed to the supply of:

- (a) IoT module and expander module to Customer F; and
- (b) video wall to Customer C for upgrading of centralised C&C monitoring system.

Our Group has a diverse clientele from various industries ranging from public land transportation, leisure and hospitality, IT and security system and ports and logistics. Our total revenue was mainly derived from the public land transportation industry which accounted for RM24.1 million or 82.2% in FYE 2021 and RM38.2 million or 90.3% in FYE 2022.

Our Group's total geographical revenue was mainly derived from Malaysia, which accounted for 95.5% and 97.2% of the total revenue in FYE 2021 and FYE 2022 respectively.

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

Our Group's total revenue increased by RM20.0 million or 47.4%, from RM42.2 million in FYE 2022 to RM62.2 million in FYE 2023, primarily attributed to the following:

- (i) increase in revenue from the design and implementation services segment by RM18.7 million or 49.9% from RM37.5 million in FYE 2022 to RM56.2 million in FYE 2023 mainly due to the following:
  - (a) commencement of new projects for Customer H and MRT Kajang line - Phase 1 of CCTV system NVR and video management system, which amounted to RM8.1 million;
  - (b) works carried out for the existing LRT3 Project, which amounted to RM5.4 million; and
  - (c) works carried out for PSDS Project, RTS ERP Project and PAMS Project, which commenced in FYE 2022 and which amounted to RM5.2 million;
- (ii) increase in revenue from the maintenance and support services segment by RM1.3 million or 27.7% from RM4.7 million in FYE 2022 to RM6.0 million in FYE 2023 mainly due to the following:
  - (a) 2 new agreements from Customer A for the provision of maintenance services, such as maintenance of IT hardware and RFID system, which contributed RM1.0 million; and
  - (b) higher income generated from repair and diagnostic services by RM0.3 million for the supply, installation, testing, and commissioning of a surveillance system for a shopping mall in Kuala Lumpur.

Our Group's total revenue was mainly derived from the public land transportation industry which accounted for RM38.2 million or 90.3% in FYE 2022 and RM52.0 million or 83.6% in FYE 2023. During FYE 2023, we had expanded our clientele to include the utilities industry.

Our Group's total geographical revenue was mainly derived from Malaysia which accounted for 97.2% and 96.2% of the total revenue in FYE 2022 and FYE 2023 respectively. During FYE 2023, revenue contribution from Singapore increased due to the works carried out for RTS ERP Project.

**Comparison between FPE 2023 and FPE 2024**

Our Group's total revenue increased by RM10.2 million or 51.3%, from RM19.9 million in FPE 2023 to RM30.1 million in FPE 2024, primarily attributed to the following:

- (i) increase in revenue from design and implementation services segment by RM6.4 million or 37.4% from RM17.1 million in FPE 2023 to RM23.5 million in FPE 2024 mainly due to the following:
  - (a) commencement of new project for Malaysia Agencies Fit-out Works at Singapore Customs, Immigration and Quarantine (CIQ) centre which amounted to RM1.8 million; and

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

- (b) work carried out for the existing HRMIS Project and Earthing and Lighting Protection System project (ELPS) which amounted to RM10.3 million;
- (ii) increase in revenue from maintenance and support services segment by RM3.8 million or 135.7% from RM2.8 million in FPE 2023 to RM6.6 million in FPE 2024 mainly due to the following:
- (a) provision of maintenance services, contributing RM0.9 million for a project with Customer A for maintenance of IT hardware and RFID systems; and
- (b) supplying PIS for a railway company, contributing RM4.2 million.

Our Group's total revenue was mainly derived from the public land transportation industry which accounted for RM16.2 million or 81.3% in FPE 2023 and RM19.6 million or 64.9% in FPE 2024. During FPE 2024, we expanded our clientele to include a Government agency.

Our Group's total geographical revenue was mainly derived from Malaysia which accounted for 91.7% and 98.9% of our total revenue in FPE 2023 and FPE 2024 respectively.

**(b) Cost of sales, GP and GP margin****Analysis of cost of sales by business segment**

Business segment	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and implementation services	17,240	90.9	29,425	94.1	44,268	93.9	13,413	92.9	18,449	78.8
Maintenance and support services	1,736	9.1	1,849	5.9	2,875	6.1	1,022	7.1	4,966	21.2
	<b>18,976</b>	<b>100.0</b>	<b>31,274</b>	<b>100.0</b>	<b>47,143</b>	<b>100.0</b>	<b>14,435</b>	<b>100.0</b>	<b>23,415</b>	<b>100.0</b>

**Analysis of cost of sales by component**

Component	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct labour	15,401	81.2	27,440	87.7	36,166	76.7	11,465	79.4	16,967	72.5
Purchases	2,393	12.6	3,497	11.2	10,399	22.1	2,827	19.6	5,788	24.7
Overheads	1,182	6.2	337	1.1	578	1.2	143	1.0	660	2.8
	<b>18,976</b>	<b>100.0</b>	<b>31,274</b>	<b>100.0</b>	<b>47,143</b>	<b>100.0</b>	<b>14,435</b>	<b>100.0</b>	<b>23,415</b>	<b>100.0</b>

**12. FINANCIAL INFORMATION (Cont'd)****Analysis of cost of sales by component and by business segment**

Design and implementation services	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct labour	14,375	83.4	26,745	90.9	34,768	78.5	10,924	81.4	16,282	88.2
Purchases	1,715	9.9	2,393	8.1	9,062	20.5	2,369	17.7	1,617	8.8
Overheads	1,150	6.7	287	1.0	438	1.0	120	0.9	550	3.0
	<b>17,240</b>	<b>100.0</b>	<b>29,425</b>	<b>100.0</b>	<b>44,268</b>	<b>100.0</b>	<b>13,413</b>	<b>100.0</b>	<b>18,449</b>	<b>100.0</b>

Maintenance and support services	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct labour	1,026	59.1	695	37.6	1,398	48.6	541	52.9	685	13.8
Purchases	678	39.1	1,104	59.7	1,336	46.5	458	44.8	4,171	84.0
Overheads	32	1.8	50	2.7	141	4.9	23	2.3	110	2.2
	<b>1,736</b>	<b>100.0</b>	<b>1,849</b>	<b>100.0</b>	<b>2,875</b>	<b>100.0</b>	<b>1,022</b>	<b>100.0</b>	<b>4,966</b>	<b>100.0</b>

**Analysis of GP and GP margin by business segment**

Business segment	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	GP		GP		GP		GP		GP	
	GP	margin	GP	margin	GP	margin	GP	margin	GP	margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Design and implementation services	6,000	25.8	8,091	21.6	11,961	21.3	3,705	21.6	5,029	21.4
Maintenance and support services	4,406	71.7	2,874	60.9	3,103	51.9	1,770	63.4	1,676	25.2
	<b>10,406</b>	<b>35.4</b>	<b>10,965</b>	<b>26.0</b>	<b>15,064</b>	<b>24.2</b>	<b>5,475</b>	<b>27.5</b>	<b>6,705</b>	<b>22.3</b>

**Comparison between FYE 2021 and FYE 2022**

Our Group's cost of sales increased by RM12.3 million or 65.1% from RM18.9 million in FYE 2021 to RM31.2 million in FYE 2022, primarily attributed to the following:

- (i) increase in the cost of sales from design and implementation services segment by RM12.2 million or 70.9% mainly due to the increase in direct labour cost by RM12.3 million or 85.4% arising from commencement of new projects secured that includes PSDS Project, AFC Storage Project, PAMS Project and RTS ERP Project, as well as the works carried out for the ongoing LRT3 Project; and
- (ii) increase in the cost of sales from maintenance and support services segment by RM0.1 million or 5.9% mainly due to the increase for purchase of equipment arising from the supply of IoT module and expander module to Customer F and video wall to Customer C.

The increase was offset against the decrease in provision of maintenance and support, repair and diagnostic services and provision of consultancy services carried out in FYE 2022 by RM0.5 million or 30.3% resulting from lower direct labour cost.

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

Our GP increased by RM0.6 million from RM10.4 million in FYE 2021 to RM11.0 million in FYE 2022, primarily attributed to the increase in the GP from design and implementation services segment by RM2.1 million or 35.0%. This was mainly contributed by the works carried out for the LRT3 Project amounting to RM2.5 million. However, such increase was offset against the decrease in the GP from maintenance and support services segment by RM1.5 million or 34.1% mainly due to lower income generated from the repair and diagnostic services and provision of consultancy services.

Our GP margin decreased from 35.4% in FYE 2021 to 26.0% in FYE 2022, primarily attributed to the following:

- (i) decrease in GP margin from the design and implementation services segment by 4.2% mainly due to completion of ticketing kiosk upgrading works for Customer A in the theme park industry which contributed to a higher GP margin in FYE 2021. Additionally, works carried out for the LRT3 Project for FYE 2022 were mainly for the AFC work packages, which carried a lower GP margin, as compared with FYE 2021, where works carried out were more for the EAC components, which contributed higher GP margin, as works were carried out mainly by our own staff, and the required equipment are sourced by us, whereas subcontractor costs were minimal. For FYE 2022, we secured the PAMS Project and RTS ERP Project, which contributed lower GP margin as we provided more competitive pricing to secure the projects; and
- (ii) decrease in GP margin from the maintenance and support services segment by 10.8% mainly attributed to lower sales in this segment whilst maintaining an overhead cost, as well as higher purchase costs due to appreciation of EUR and USD against RM.

**Comparison between FYE 2022 and FYE 2023**

Our Group's cost of sales increased by RM15.9 million or 51.0% from RM31.2 million in FYE 2022 to RM47.1 million in FYE 2023, primarily attributed to the following:

- (i) increase in the cost of sales from design and implementation services segment by RM14.9 million or 50.7% mainly due to the following:
  - (a) increase in the direct labour cost by RM8.1 million or 30.3% due to commencement of new projects secured from Customer H and MRT Kajang line as well as ongoing works carried out for the LRT3 Project; and
  - (b) increase in purchases by RM6.7 million or 279.2% due to the purchase of cables for project under Customer H and the purchase of software and hardware equipment for MRT Kajang line;
- (ii) increase in the cost of sales from the maintenance and support services segment by RM0.9 million or 47.4% was mainly due to the increase in the direct labour cost by RM0.7 million or 100.0% attributable to the increase in manpower to support the services for Customer A.

Our GP increased by RM4.0 million from RM11.0 million in FYE 2022 to RM15.0 million in FYE 2023, primarily attributed to the following:

- (i) increase in GP from the design and implementation services segment by RM3.8 million or 46.9% mainly contributed by the works carried out for the LRT3 Project and the commencement of new projects for Customer H and MRT Kajang line, as well as the completion of projects which was secured in FYE 2022; and

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

- (ii) increase in GP from the maintenance and support services segment by RM0.2 million or 6.9% mainly due to the commencement of projects for 2 new agreements for Customer A and repair and diagnostic services for a shopping mall in Kuala Lumpur.

Our GP margin decreased by 1.8% from 26.0% in FYE 2022 to 24.2% in FYE 2023, primarily attributed to the following:

- (i) decreased in GP margin from the design and implementation services segment by 0.3% mainly due to competitive pricing offered to secure the new projects from Customer H mentioned above; and
- (ii) decreased in GP margin from the maintenance and support services segment by 9.0% mainly attributed to the increase in cost of sales associated with additional manpower required to support both existing and newly secured maintenance agreements, and certain costs associated with software licences and maintenance for Customer A were only recognised in FYE 2023 due to timing differences in the recognition of the supplier's billing, while the related revenue had already been recognised in FYE 2022. Furthermore, we earned a lower GP margin from supplying body-worn camera at more competitive prices to Government agencies.

**Comparison between FPE 2023 and FPE 2024**

Our Group's cost of sales increased by RM9.0 million or 62.5% from RM14.4 million in FPE 2023 to RM23.4 million in FPE 2024, primarily attributed to the following:

- (i) increase in the cost of sales from design and implementation services segment by RM5.0 million or 37.3% mainly due to the increase in direct labour cost by RM5.4 million or 49.5% mainly due to work carried out for the HRMIS Project and ELPS Project; and
- (ii) increase in the cost of sales from maintenance and support services segment by RM4.0 million or 400.0% mainly due to the increase in the purchases of equipment arising from the provision of ETS3 PIS Project for a railway company.

Our GP increased by RM1.2 million from RM5.5 million in FPE 2023 to RM6.7 million in FPE 2024, primarily attributed to the increase in GP from design and implementation services segment by RM1.3 million or 35.1% mainly contributed by the work carried out for HRMIS Project amounting to RM1.2 million.

Our GP margin decreased by 5.2% from 27.5% in FPE 2023 to 22.3% in FPE 2024, primarily attributed to the following:

- (i) slight decrease in GP margin from design and implementation services segment by 0.2%, mainly due to the ELPS Project and HRMIS Project having contributed lower GP margin as we provided more competitive pricing to secure the projects; and
- (ii) decrease in GP margin for the maintenance and support services segment by 38.2%, mainly due to the lower GP margin from ETS3 PIS Project. This project, which contributed to approximately 63.9% of the segment's revenue, had a lower GP margin as compared to other projects due to price competition and our Group's strategy to maintain a business relationship to secure future projects. As a result, this significantly impacted the overall GP margin, causing it to decrease.

**12. FINANCIAL INFORMATION (Cont'd)****(c) Other income**

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Fixed deposit interest income	47	24.5	88	7.3	100	34.5	55	36.7	71	3.6
Fair value gain on financial assets	-	-	37	3.1	85	29.3	34	22.7	41	2.1
Net gain/(loss) on foreign exchange										
- Realised	81	42.2	144	11.9	46	15.9	36	24.0	18	0.9
- Unrealised	(6)	(3.1)	-	-	2	0.7	-	-	-	-
Lease income	24	12.5	24	2.0	44	15.2	14	9.3	15	0.8
Interest income	18	9.4	1	0.1	-	-	-	-	-	-
Other income – Compensation projects	-	-	-	-	-	-	-	-	33	1.7
Finance income from finance lease receivable	-	-	-	-	-	-	-	-	1,396	71.7
Reversal of overprovision of completed project <sup>(1)</sup>	-	-	854	70.6	-	-	-	-	81	4.2
Installation income	-	-	-	-	-	-	-	-	285	14.6
Others <sup>(2)</sup>	28	14.5	61	5.0	13	4.4	11	7.3	8	0.4
	<b>192</b>	<b>100.0</b>	<b>1,209</b>	<b>100.0</b>	<b>290</b>	<b>100.0</b>	<b>150</b>	<b>100.0</b>	<b>1,948</b>	<b>100.0</b>

**Notes:**

- (1) Relates to the reversal of overprovision of completed project, being the unutilised defect liability provided for LRT Ampang line infotainment system upgrade project and AFC Storage project after expiry of the DLP.
- (2) Others mainly consists of income received from wages subsidy programme, gain on reassessment for leases and referral fee. The reassessment for leases occurs when there is renewal of tenancy agreements.

**Comparison between FYE 2021 and FYE 2022**

Other income increased by RM1.0 million or 500.0% from RM0.2 million in FYE 2021 to RM1.2 million in FYE 2022. The increase was mainly attributable to the increase in one-off other income from the reversal of overprovision of completed project/contract cost by RM0.9 million, attributed to the reversal of provision of completed project which was no longer required due to the unutilised defect liability provided for LRT Ampang line infotainment system upgrade project after expiry of the DLP.

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

Other income decreased by RM0.9 million from RM1.2 million in FYE 2022 to RM0.3 million in FYE 2023. The decrease was mainly attributable to the one-off income recognised in FYE 2022 for reversal of provision of completed project which was no longer required due to the unutilised defect liability provided for LRT Ampang line infotainment system upgrade project by RM0.9 million after expiry of the DLP of the project has ended.

**Comparison between FPE 2023 and FPE 2024**

Other income increased by RM1.8 million or 1,800.0% from RM0.1 million in FPE 2023 to RM1.9 million in FPE 2024. The significant increase was mainly attributable to the increase in interest income on finance lease receivable, which amounted to RM1.4 million from amortised income from unearned finance lease receivable. Additionally, there is also installation income arising from self-delivery and self-installation of the ICT equipment amounted to RM0.3 million.

**(d) Administrative expenses**

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Employee-related costs <sup>(1)</sup>	1,523	45.8	818	30.0	1,350	39.6	574	33.1	1,723	39.6
Directors' remuneration	704	21.2	301	11.0	151	4.4	75	4.3	451	10.4
Traveling and transportation charges <sup>(2)</sup>	113	3.4	192	7.0	420	12.3	191	11.0	203	4.7
Professional services <sup>(3)</sup>	220	6.6	599	21.9	251	7.4	171	9.9	1,049	24.1
Insurance	200	6.0	119	4.4	205	6.0	142	8.2	123	2.8
Upkeep expenses <sup>(4)</sup>	66	2.0	47	1.7	158	4.7	56	3.2	102	2.3
Subscription fee	62	1.9	76	2.8	130	3.8	57	3.3	87	2.0
Training fee	46	1.4	43	1.6	112	3.3	85	4.9	31	0.7
Utilities expenses <sup>(5)</sup>	101	3.0	99	3.6	111	3.3	62	3.6	76	1.7
Printing and stationery	58	1.7	68	2.5	105	3.1	51	3.0	50	1.1
Internet and website fee	45	1.4	78	2.9	99	2.9	69	4.0	79	1.8
Entertainment	27	0.8	65	2.4	81	2.4	51	3.0	20	0.5
Medical fee	61	1.8	45	1.6	47	1.4	23	1.3	29	0.7
Rental expenses <sup>(6)</sup>	3	0.1	12	0.4	35	1.0	-	-	17	0.4
Other <sup>(7)</sup>	96	2.9	170	6.2	151	4.4	125	7.2	311	7.2
	<b>3,325</b>	<b>100.0</b>	<b>2,732</b>	<b>100.0</b>	<b>3,406</b>	<b>100.0</b>	<b>1,732</b>	<b>100.0</b>	<b>4,351</b>	<b>100.0</b>

**Notes:**

- (1) Employee-related costs pertain to staff salaries, allowances, bonus, statutory contributions and staff welfare.



## **12. FINANCIAL INFORMATION (Cont'd)**

- (2) Traveling and transportation charges mainly include accommodation, transportation charges, traveling expenses, petrol and toll charges, parking fee, mileage claim and road tax.
- (3) Professional services mainly include IPO-related expenses, audit, consulting, tax, legal, secretarial, tender and accounting fees.
- (4) Upkeep includes upkeep of premises, motor vehicles and office equipment expenses.
- (5) Utilities expenses includes electricity, telephone and water charges.
- (6) Rental expenses pertain to the short-term lease of motor vehicles for project site used, office premises and office equipment by our Group.
- (7) Others are mainly expenses incurred for bank charges, office expenses, SST charges and recruitment expenses.

### **Comparison between FYE 2021 and FYE 2022**

Our administrative expenses decreased by RM0.6 million or 18.2% from RM3.3 million in FYE 2021 to RM2.7 million in FYE 2022. The decrease was mainly attributable to:

- (i) a reduction in employee-related costs by RM0.7 million to RM0.8 million (2021: RM1.5 million). This was mainly due to the overprovision of bonuses for FYE 2021 amounting to RM0.2 million, decreased in commission payout by RM0.1 million and costs being allocated to project cost (cost of sales) amounting to RM0.3 million; and
- (ii) decrease in directors' remuneration by RM0.4 million to RM0.3 million (2021: RM0.7 million) mainly due to a portion of our directors' remuneration being allocated to the project cost (cost of sales) due to the director's extensive involvement as project consultant where the director was involved in those specific projects.

However, the decrease was partially offset by increase in professional services by RM0.4 million to RM0.6 million (2021: RM0.2 million). Such increase was mainly due to IPO-related expenses of RM0.4 million incurred in FYE 2022, which included costs associated with the appointment of due diligence working group.

### **Comparison between FYE 2022 and FYE 2023**

Our administrative expenses increased by RM0.7 million or 25.9% from RM2.7 million in FYE 2022 to RM3.4 million in FYE 2023. The increase was mainly attributable to:

- (i) increase in employee-related costs by RM0.6 million to RM1.4 million (2022: RM0.8 million) mainly due to business expansion as our Group secured 5 and 4 new projects in FYE 2022 and FYE 2023 respectively. Consequently, additional manpower is required to fulfil the project obligations, which resulted in an increase in number of headcount from 12 admin staff in FYE 2022 to 21 admin staff in FYE 2023 across various department;
- (ii) increase in travelling and transportation charges by RM0.2 million to RM0.4 million (2022: RM0.2 million) mainly due to the expenses incurred for the LRT3 AFC Project which required overseas travel for factory acceptance test; and

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

- (iii) increase in upkeep expenses by RM0.1 million mainly resulted from expenses incurred for the upkeep and repair of motor vehicles, the replacement of new office equipment and upgrading work performed for office.

Such increase was partially offset by the decrease in professional services by RM0.3 million which incurred for the IPO in FYE 2022.

**Comparison between FPE 2023 and FPE 2024**

Our administrative expenses increased by RM2.7 million or 158.8% from RM1.7 million in FPE 2023 to RM4.4 million in FPE 2024. The increase was mainly attributable to:

- (i) increase in employee-related costs and directors' remuneration, which increased by RM1.1 million and RM0.4 million respectively. The increase was mainly due to the acquisition of the subsidiary company, SeeTec Asia during FPE 2024, leading to higher costs and an increase in headcount from 91 in FPE 2023 to 123 in FPE 2024; and
- (ii) increase in professional services expenses by RM0.8 million, attributed to a RM0.6 million increase in listing expenses and a RM0.2 million increase in stamp duty expenses related to the application for new banking facilities for purchasing ICT equipment to rent to a Government agency under a leasing arrangement.

**(e) Other expenses**

	Audited						Unaudited		Audited	
	FYE 2021		FYE 2022		FYE 2023		FPE 2023		FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Amortisation of trademark	-	-	-	-	-	-	-	-	(1)	<0.1
Depreciation of property, plant and equipment	158	36.0	177	43.5	261	41.9	140	45.6	187	69.4
Depreciation of right-of-use assets	182	41.4	195	47.9	217	34.8	122	39.7	107	39.5
Loss/(Gain) on foreign exchange:										
- Realised	86	19.6	35	8.6	109	17.5	45	14.7	(23)	(8.9)
- Unrealised	13	3.0	-	-	36	5.8	-	-	-	-
	<b>439</b>	<b>100.0</b>	<b>407</b>	<b>100.0</b>	<b>623</b>	<b>100.0</b>	<b>307</b>	<b>100.0</b>	<b>271</b>	<b>100.0</b>

**Note:**

- (1) Represents less than RM1,000.

**Comparison between FYE 2021 and FYE 2022**

For FYE 2022, our other expenses remained relatively stable as compared to FYE 2021. These expenses mainly include depreciation of computer and software, equipment and motor vehicles and the depreciation of right-of-use of assets related to the leasehold land and rental of office and accommodation used as a temporary office for our employees to carry out configuration and testing for theme park project.

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

Our other expenses for FYE 2023 increased by RM0.2 million or 50.0% from RM0.4 million in FYE 2022 to RM0.6 million in FYE 2023. The increase mainly attributable to the following:

- (i) increase in depreciation of property and equipment of RM0.1 million or 50.0% for computer and software, attributed to the acquisition of additional units of laptops and monitors to accommodate the increase in employees and to replace older units. Additionally, we purchased software and servers to enhance the project and operation flow of our company; and
- (ii) increase in realised loss on foreign exchange by RM0.1 million mainly due to weakening of our RM against USD and EUR upon payment to our suppliers.

**Comparison between FPE 2023 and FPE 2024**

For FPE 2024, our other expenses remained relatively stable as compared to FPE 2023. These expenses mainly include depreciation of computer and software, equipment and motor vehicles and the depreciation of right-of-use assets related to the leasehold land and rental of office.

**(f) Finance costs**

	<b>Audited</b>						<b>Unaudited</b>		<b>Audited</b>	
	<b>FYE 2021</b>		<b>FYE 2022</b>		<b>FYE 2023</b>		<b>FPE 2023</b>		<b>FPE 2024</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
<b>Interest expense on:</b>										
Bank guarantee	11	7.4	68	19.3	256	34.7	183	40.7	49	6.2
Term loans	87	58.8	199	56.4	292	39.5	168	37.3	584	73.5
Bank interest charges	-	-	-	-	40	5.4	26	5.8	2	0.3
Bank overdraft	-	-	-	-	-	-	-	-	17	2.1
Lease liabilities	20	13.5	24	6.8	25	3.4	14	3.1	11	1.4
Bankers' acceptances	-	-	-	-	15	2.0	1	0.2	33	4.2
Bank commitment fee <sup>(1)</sup>	30	20.3	62	17.5	111	15.0	58	12.9	55	6.9
Invoice financing interest	-	-	-	-	-	-	-	-	43	5.4
	<b>148</b>	<b>100.0</b>	<b>353</b>	<b>100.0</b>	<b>739</b>	<b>100.0</b>	<b>450</b>	<b>100.0</b>	<b>794</b>	<b>100.0</b>

**Note:**

- (1) Bank commitment fee mainly consists of the fee charges for the guarantee offered by SJPP in relation to our term loan facilities.

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

Our finance costs increased by RM0.3 million or 300.0% from RM0.1 million in FYE 2021 to RM0.4 million in FYE 2022 mainly attributable to:

- (i) increase in term loan interests by RM0.1 million or 100.0% from the drawdown of 2 additional term loan facilities amounting to RM1.0 million and RM2.0 million respectively for the purchase of one unit of double storey shop office located at Puchong and to finance our working capital requirements respectively; and
- (ii) increase in bank guarantee interest by RM0.1 million or 100.0% attributed to the commission fees for the bank guarantee associated with the PSDS Project, RTS ERP Project and PAMS Project.

**Comparison between FYE 2022 and FYE 2023**

Our finance costs increased by RM0.3 million from RM0.4 million or 75.0% in FYE 2022 to RM0.7 million in FYE 2023 mainly attributable to:

- (i) increase in bank guarantee interests by RM0.2 million or 200.0% mainly attributed to the commission fees charged for the additional placement of bank guarantee for LRT3 Project, HRMIS Project, EPCC for development of a solar photovoltaic plant, ELPS project and ICT equipment rental services for a Government agency; and
- (ii) increase in term loan interests by RM0.1 million or 50.0% for the drawdown of 1 additional term loan facility amounting to RM1.0 million to finance our working capital requirements.

**Comparison between FPE 2023 and FPE 2024**

Our finance costs increased by RM0.3 million or 60.0% from RM0.5 million in FPE 2023 to RM0.8 million in FPE 2024. The increase was mainly attributable to the increase in term loan interests by RM0.4 million or 200.0% for the drawdown of 1 additional term loan facility amounting to RM35.0 million to finance our working capital for the purchase of ICT equipment to rent to a Government agency under a leasing arrangement.

**(g) Net impairment gains/(losses) on financial assets and contract assets**

	FYE 2021		Audited FYE 2022		FYE 2023		Unaudited FPE 2023		Audited FPE 2024	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Reversal of impairment losses:										
- trade receivables <sup>(1)</sup>	2,368	98.0	487	70.3	490	(544.4)	143	(376.3)	966	198.8
- contract assets	10	0.4	-	-	-	-	-	-	-	-
- non-trade receivables	38	1.6	206	29.7	-	-	-	-	-	-
Impairment losses:										
- contract asset	-	-	-	-	-	-	(13)	34.2	(245)	(50.4)
- finance lease receivable	-	-	-	-	-	-	-	-	(235)	(48.4)
- trade receivables	-	-	-	-	(580)	644.4	(168)	442.1	-	-
	<b>2,416</b>	<b>100.0</b>	<b>693</b>	<b>100.0</b>	<b>(90)</b>	<b>100.0</b>	<b>(38)</b>	<b>100.0</b>	<b>486</b>	<b>100.0</b>

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

- (1) Reversal of impairment losses on trade receivables was mainly derived from the collection of a long outstanding receivable. The customer encountered financial difficulty during the COVID-19 pandemic and had subsequently negotiated for repayment by instalments up to FPE 2024, which have been promptly paid as at LPD.

**Comparison between FYE 2021 and FYE 2022**

Net impairment gains on financial assets and contract assets decreased by RM1.7 million or 70.8% from RM2.4 million in FYE 2021 to RM0.7 million in FYE 2022. The decline was mainly due to a reduction in the reversal of impairment losses for trade receivables, which dropped by RM1.9 million to RM0.5 million (FYE 2021: RM2.4 million), as our Group succeeded in recovering the majority of previously doubtful debts from two projects.

**Comparison between FYE 2022 and FYE 2023**

Net impairment gains/(losses) on financial assets and contract assets decreased by RM0.8 million or 114.3% mainly attributable to the impairment loss on trade receivables by RM0.6 million in FYE 2023 attributable to long outstanding debts from customers where the likelihood of collection appears uncertain.

**Comparison between FPE 2023 and FPE 2024**

Net impairment gains on financial assets and contract assets increased by RM0.6 million or 600.0% mainly attributable to the variance of net movement of impairment losses on trade receivables by RM0.9 million in FPE 2024 as compared to FPE 2023, of which RM0.5 million were related to long outstanding debts that were repaid in instalments and RM0.4 million were related to specific provisions in the prior year. However, this was offset against the impairment losses provided for contract assets and finance lease receivable by RM0.3 million and RM0.2 million respectively due to the general provisions based on expected credit losses provided for FPE 2024 in accordance with MFRS 9 Financial Instruments.

**(h) PBT and PAT**

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
PBT (RM'000)	9,102	9,375	10,496	3,098	3,723
PBT margin (%)	31.0	22.2	16.9	15.6	12.4
PAT (RM'000)	6,762	7,212	7,722	2,070	2,840
PAT margin (%)	23.0	17.1	12.4	10.4	9.4

**Comparison between FYE 2021 and FYE 2022**

We recorded an increase in PBT by RM0.3 million or 3.3% for FYE 2022. However, our PBT margin decreased from 31.0% in FYE 2021 to 22.2% in FYE 2022. The decrease in PBT margin was mainly due to lower GP margin from 35.4% in FYE 2021 to 26.0% in FYE 2022, as explained in Section 12.2.3(b) above.

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

Correspondingly, our PAT margin decreased from 23.0% in FYE 2021 to 17.1% in FYE 2022, while our PAT increased by RM0.4 million from RM6.8 million in FYE 2021 to RM7.2 million in FYE 2022.

**Comparison between FYE 2022 and FYE 2023**

We recorded an increase in PBT by RM1.1 million or 11.7% for FYE 2023. However, our PBT margin decreased from 22.2% in FYE 2022 to 16.9% in FYE 2023. The decrease in PBT margin was mainly due to lower GP margin from 26.0% in FYE 2022 to 24.2% in FYE 2023 and higher administrative and other expenses incurred in FYE 2023, as explained in Sections 12.2.3(b), (d) and (e) above.

Correspondingly, our PAT margin decreased from 17.1% in FYE 2022 to 12.4% in FYE 2023, while our PAT increased by RM0.5 million from RM7.2 million in FYE 2022 to RM7.7 million in FYE 2023.

**Comparison between FPE 2023 and FPE 2024**

We recorded an increase in PBT by RM0.6 million or 19.4% for FPE 2024. However, our PBT margin decreased from 15.6% in FPE 2023 to 12.4% in FPE 2024. The decrease in PBT margin was mainly due to lower GP margin from 27.5% in FPE 2023 to 22.3% in FPE 2024 and higher administrative expenses incurred in FPE 2024, as explained in Sections 12.2.3(b), (d) and (e) above.

Correspondingly, our PAT margin decreased from 10.4% in FPE 2023 to 9.4% in FPE 2024, while our PAT increased by RM0.7 million from RM2.1 million in FPE 2023 to RM2.8 million in FPE 2024.

**(i) Income tax expense**

The breakdown of our income tax expense is as follows:

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Income tax expense	2,340	2,163	2,774	1,028	883
Effective tax rate (%) <sup>(1)</sup>	25.7	23.1	26.4	33.2	23.7
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0

**Note:**

<sup>(1)</sup> Calculated based on income tax expenses over PBT for each financial year.

**FYE 2021**

Our effective tax rate for FYE 2021 was higher than the statutory tax rate primarily due to an underprovision of current tax and deferred tax expenses of RM33,000 from the previous financial year and non-deductible expenses. Expenses not deductible for tax purpose amounting to RM0.2 million relates to depreciation of property, plant and equipment, depreciation of right-of-use assets, restriction on deducting of term loan interest relating to the term loan for the purchase of double storey shop office located at Puchong, insurance, legal and professional fee.

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

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**FYE 2022**

Our effective tax rate for FYE 2022 was lower than the statutory tax rate mainly due to overprovision of current tax and deferred tax expenses of RM0.1 million from FYE 2021.

**FYE 2023**

For FYE 2023, our effective tax rate was higher than the statutory tax rate primarily because of an underprovision of current tax expenses of RM0.2 million for FYE 2022. Additionally, this was compounded by non-deductible expenses. Expenses not deductible for tax purposes amounted to RM0.1 million such as depreciation of property, plant and equipment, depreciation of right-of-use assets, restriction on tax deductible interest expense due to insufficient business income for the deduction of interest expense incurred, restriction on deducting of term loan interest as mentioned above and entertainment.

**FPE 2024**

For FPE 2024, our effective tax rate of 23.7% was consistent with statutory tax rate of 24.0%.

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**12. FINANCIAL INFORMATION (Cont'd)****12.2.5 Review of cash flows**

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from/(for) operating activities	1,895	(2,998)	7,825	4,978
Net cash from/(for) investing activities	235	(1,122)	(1,397)	(1,692)
Net cash (for)/from financing activities	(1,165)	1,620	3,981	(5,407)
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>965</b>	<b>(2,500)</b>	<b>10,409</b>	<b>(2,121)</b>
Effects on foreign exchange translation	-	-	(34)	-
Cash and cash equivalents at beginning of the financial year/period	4,814	5,779	3,279	13,654
<b>Cash and cash equivalents at end of the financial year/period<sup>(1)</sup></b>	<b>5,779</b>	<b>3,279</b>	<b>13,654</b>	<b>11,533</b>

**Note:**

- (1) Cash and cash equivalents included in the combined statements of cash flows comprise the following combined statements of financial position amounts:

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Short-term investments	16	-	16	-
Fixed deposits with licensed banks	3,531	3,415	4,440	3,410
Cash and bank balances	6,650	4,166	13,638	11,869
	<b>10,197</b>	<b>7,581</b>	<b>18,094</b>	<b>15,279</b>
Less: Fixed deposits pledged to licensed banks	(3,531)	(3,415)	(4,440)	(3,410)
Less: Restricted cash	(887)	(887)	-	(336)
	<b>5,779</b>	<b>3,279</b>	<b>13,654</b>	<b>11,533</b>

**FYE 2021****Net cash from operating activities**

In FYE 2021, we recorded net cash inflow from operating activities of RM1.9 million based on an operating profit of RM7.1 million and after taking into account the following working capital changes:

- (i) increase in contract assets of RM14.6 million mainly attributable to the partial work completion of the LRT3 AFC Project amounting to RM12.4 million in which the billing for progress milestone are pending issuance to the customers as at FYE 2021;
- (ii) decrease in contract liabilities of RM1.5 million mainly in relation to obligations to provide contract services for LRT3 EAC Project and theme park projects, which have been reversed and recognised as revenue in FYE 2021;
- (iii) decrease in trade and other receivables of RM6.2 million mainly due to improved collection from customers; and



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

- (iv) increase in trade and other payables of RM5.2 million mainly due to receipt of subcontractors invoice amounting to RM7.5 million for the LRT3 AFC Project end of FYE 2021.

**Net cash for investing activities**

In FYE 2021, we recorded a net cash inflow from investing activities of RM0.2 million. It was mainly attributable to:

- (i) decrease in fixed deposits pledged with licensed banks by RM0.3 million due to cancellation of banking facilities; and
- (ii) interest income received from fixed deposits and short-term investments amounting to RM0.1 million.

However, this was offset by the purchase of property, plant and equipment which included computer and software, equipment and furniture and fittings amounting to RM0.2 million.

**Net cash for financing activities**

In FYE 2021, we recorded a net cash outflow from financing activities of RM1.2 million, which was attributable to:

- (i) increase in restricted cash amounting to RM0.7 million as part of security for banking facilities to facilitate the issuance of performance guarantee;
- (ii) scheduled repayment of lease liabilities of RM0.2 million mainly for accommodation and office premises;
- (iii) scheduled repayment of term loan facilities of RM0.2 million mainly for the drawdown for our working capital and the purchase of the leasehold three storey shop office located at Puchong; and
- (iv) interest paid of RM0.1 million mainly for term loan and lease liabilities interest charged.

**FYE 2022****Net cash for operating activities**

In FYE 2022, we recorded a net cash outflow for operating activities of RM3.0 million based on an operating profit of RM9.3 million and after taking into account the following working capital changes:

- (i) increase in inventories of RM1.2 million mainly due to increase in purchase of equipment and installation materials for LRT3 Project and PSDS Project;
- (ii) increase in contract assets of RM13.6 million mainly due to the progressive completion of LRT3 Project and PSDS Project which were pending the issuance of the certificate of contract work done and billings;
- (iii) increase in trade and other receivables of RM2.4 million mainly in line with the increase in revenue; and

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

- (iv) increase in trade and other payables of RM6.1 million mainly due to the increase in accrued subcontractors work by RM13.9 million, which was offset by the repayment to suppliers.

**Net cash for investing activities**

In FYE 2022, we recorded net cash outflow for investing activities of RM1.1 million. This was mainly attributable to the purchase of property, plant and equipment amounting to RM0.7 million, which included computers and software and a leasehold double storey shop office building located at Puchong. Separately, the same office has a leasehold land component amounting to RM0.6 million accounted for as right-of-use asset.

This was partially offset by the interest income received from fixed deposits and short-term investments amounting to RM0.1 million and decrease in pledged fixed deposits with licensed banks amounting to RM0.1 million.

**Net cash from financing activities**

In FYE 2022, we recorded net cash inflow from financing activities of RM1.6 million, which was mainly attributable to the following:

- (i) drawdown of term loan facilities of RM4.3 million for the purchase of a leasehold double storey shop office located at Puchong and for working capital requirements. This was offset by the scheduled repayment of term loan facilities of RM1.9 million;
- (ii) scheduled repayment of lease liabilities of RM0.2 million for accommodation, photocopy machine and office premises;
- (iii) dividend paid of RM0.3 million in respect of FYE 2022; and
- (iv) interest paid of RM0.3 million mainly for bank guarantee and term loan interest charged.

**FYE 2023****Net cash from operating activities**

In FYE 2023, we recorded net cash inflows from operating activities of RM7.8 million based on an operating profit of RM11.6 million and after taking into account the following working capital changes:

- (i) increase in trade and other receivables of RM9.5 million mainly in line with the increase in revenue;
- (ii) decrease in contract assets of RM5.8 million as majority of the billing for LRT3 AFC Project was issued;
- (iii) increase in trade and other payables of RM2.7 million which is in line with the increase in overall purchases in tandem with our Group's business growth; and
- (iv) decrease in inventories of RM0.2 million mainly as materials were delivered to the project site for installation.

**12. FINANCIAL INFORMATION (Cont'd)****Net cash for investing activities**

In FYE 2023, we recorded a net cash outflow for investing activities of RM1.4 million, which was mainly attributable to:

- (i) increase in pledged fixed deposit with licensed bank of RM1.0 million for the additional security pledged for existing term loan, new applications, and utilisation of tradeline facilities; and
- (ii) additions in property, plant and equipment of RM0.6 million which consists of computer and software, office equipment, motor vehicle, furniture and fittings and additional renovation cost incurred for office premises.

This was partially offset by the interest income received from fixed deposits and short-term investments amounting to RM0.2 million.

**Net cash from financing activities**

In FYE 2023, we recorded net cash inflow from financing activities of RM4.0 million, which was mainly attributable to the following:

- (i) net drawdown of bankers' acceptances facility by RM0.7 million, of which RM0.5 million was denominated in RM and RM0.2 million was denominated in SGD, to pay suppliers;
- (ii) drawdown of invoice financing of RM3.1 million to finance the net progressive claims for the LRT3 AFC Project;
- (iii) drawdown of term loan facilities of RM1.0 million for working capital requirements which was offset against the scheduled repayment of term loan facilities of RM0.8 million;
- (iv) scheduled repayment of lease liabilities of RM0.2 million for accommodation and office premises;
- (v) interest paid of RM0.7 million mainly for bank guarantee and term loan interest charged; and
- (vii) decrease in restricted cash of RM0.9 million for the bank guarantee.

**FPE 2024****Net cash from operating activities**

In FPE 2024, we recorded net cash inflows from operating activities of RM5.0 million based on an operating profit of RM2.8 million and after taking into account the following working capital changes:

- (i) increase in trade and other receivables of RM8.0 million which is in line with the increase in revenue. Additionally, there was an increase in advance deposit arising from 2 months instalment paid for a newly drawn down term loan facility;
- (ii) increase in trade and other payables of RM1.9 million which is in line with the increase in overall purchases in tandem with our Group's business growth;

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

- (iii) increase in inventories of RM0.7 million mainly due to increase in purchase of equipment and installation materials for PSDS Project and door system test bench project;
- (iv) decrease in contract assets of RM7.6 million mainly due to the billings issued for PAMS Project, LRT3 EAC Project, EPCC for development of a solar photovoltaic plant, PSDS Project and video management system upgrade for MRT Kajang line project;
- (v) increase in contract liabilities of RM2.0 million, mainly due to the advance payment received for CIQ Project, which were offset against contract work done and billings;
- (vi) increase in amount owing to related parties of RM1.1 million, mainly due to advances from IEH to SeeTec Asia when SeeTec Asia was once its subsidiary company;
- (vii) income tax payment amounting to RM1.4 million; and
- (viii) interest paid for term loan facility amounting to RM0.4 million for the purchase of ICT equipment.

**Net cash for investing activities**

In FPE 2024, we recorded a net cash outflow for investing activities of RM1.7 million, which was mainly attributable to the following:

- (i) net cash outflow from the acquisition of a subsidiary company, SeeTec Asia amounting to RM0.1 million;
- (ii) development cost paid of RM2.5 million relating to the capitalisation of development cost for PSDS Project;
- (iii) purchase of property, plant and equipment which mainly consists of computer, software and equipment amounting to RM0.2 million; and
- (iv) decrease in fixed deposit pledged with licensed banks of RM1.4 million upon settlement of term loan, this was offset against additional security pledged for existing term loan facilities of RM0.4 million.

**Net cash from financing activities**

In FPE 2024, we recorded a net cash outflow for financing activities of RM5.4 million, which was mainly attributable to the following:

- (i) net repayment of invoice financing of RM3.1 million which was financed by the net progressive claims for the LRT3 AFC Project;
- (ii) scheduled repayment of term loan facilities of RM0.9 million for the purchase of property and working capital;
- (iii) net repayment of bankers' acceptances of RM0.7 million to pay our trade payables; and
- (iv) increase in restricted cash amounting to RM0.3 million mainly as part of security for banking facilities to facilitate the issuance of performance guarantee.

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

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**12.3 LIQUIDITY AND CAPITAL RESOURCES****12.3.1 Working capital**

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Our facilities from financial institutions comprise term financing, bank overdrafts, trade facilities and lease liabilities.

There are no legal, financial, or economic restriction on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances, subject to the availability of distributable reserves compliance with financial covenants during FYE 2021 to 2023 and FPE 2024.

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

- (a) our cash and cash equivalents as at LPD of RM9.3 million (excluding RM3.7 million which is pledged as security for our banking facilities);
- (b) our expected future cash flows from operations taking into account on unbilled order book of RM104.7 million as at LPD;
- (c) our total banking facilities (excluding lease liabilities) of up to a limit of RM121.1 million as at LPD, of which RM59.2 million has been utilised; and
- (d) our pro forma gearing level of 0.64 times, based on our pro forma combined statements of financial position as at 31 July 2024 after the Acquisition, our Public Issue and utilisation of proceeds.

We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

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## 12. FINANCIAL INFORMATION (Cont'd)

### 12.4 BORROWINGS AND INDEBTEDNESS

We utilise banking facilities such as term loan, invoice financing and bankers' acceptances to finance our working capital and purchase of properties. Lease liabilities are used for rental of office, accommodation and photocopy machine.

As at 31 July 2024, our Group's total outstanding borrowings and indebtedness stood at RM38.4 million (excluding lease liabilities of RM0.3 million), details of which are set out below. All our borrowings are interest-bearing and denominated in RM.

	Purpose	Number of borrowing/ facility/ indebtedness	Tenure of facility/ Commencement of facility	Security	Effective interest rate	As at 31 July 2024
					% per annum	RM'000
Term loans	For working capital purposes	3	<ul style="list-style-type: none"> <li>- TL I: 5 years (Commenced on 17 September 2020)</li> <li>- TL II: 5 years (Commenced on 11 March 2022)</li> <li>- TL III: 5 years (Commenced on 19 January 2023)</li> </ul>	<ul style="list-style-type: none"> <li>- All monies facilities agreement; Joint and several guarantee by the directors;</li> <li>- SJPP guarantee under COVID-19 special relief fund up to RM1.6 million; and</li> <li>- Guarantee cover from the Government up to RM1.40 million.</li> </ul>	5.00 – 8.70	7,185
	To finance the purchase of properties	2	<ul style="list-style-type: none"> <li>- TL IV: 20 years (Commenced on 22 March 2022)</li> <li>- TL V: 25 years (Commenced on 25 May 2022)</li> </ul>	<ul style="list-style-type: none"> <li>- Pledged of properties;</li> <li>- Joint and several guarantee by the directors;</li> <li>- All monies facilities agreement; and</li> <li>- Pledged of fixed deposits.</li> </ul>	4.02 – 4.35	52
<b>Total current borrowing</b>						<b>7,237</b>

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

	Purpose	Number of borrowing/ facility/ indebtedness	Tenure of facility/ Commencement of facility	Security	Effective interest rate	As at 31 July 2024
					% per annum	RM'000
Term loans	For working capital purposes	3	<ul style="list-style-type: none"> <li>- TL I: 5 years (Commenced on 17 September 2020)</li> <li>- TL II: 5 years (Commenced on 11 March 2022)</li> <li>- TL III: 5 years (Commenced on 19 January 2023)</li> </ul>	<ul style="list-style-type: none"> <li>- All monies facilities agreement;</li> <li>- Joint and several guarantee by the directors;</li> <li>- SJPP guarantee under COVID-19 special relief fund up to RM0.8 million; and</li> <li>- Guarantee cover from the Government up to RM1.40 million.</li> </ul>	3.50 – 8.70	29,105
	To finance the purchase of properties	2	<ul style="list-style-type: none"> <li>- TL IV: 20 years (Commenced on 22 March 2022)</li> <li>- TL V: 25 years (Commenced on 25 May 2022)</li> </ul>	<ul style="list-style-type: none"> <li>- Pledged of properties;</li> <li>- Joint and several guarantee by the directors;</li> <li>- All monies facilities agreement; and</li> <li>- Pledged of fixed deposits.</li> </ul>	4.02 – 4.35	2,098
<b>Total non-current borrowing</b>						<b>31,203</b>
<b>Total borrowing</b>						<b>38,440</b>

**Pro forma gearing (times)**

After Acquisition but before Public Issue and utilisation of proceeds<sup>(1)</sup>

1.19

After Acquisition, Public Issue and utilisation of proceeds<sup>(2)</sup>

0.64

## 12. FINANCIAL INFORMATION (Cont'd)

### Notes:

- (1) Computed based on our pro forma total equity of RM34.9 million in the pro forma combined statements of financial position after the Acquisition, but before Public Issue and utilisation of proceeds.
- (2) Computed based on our pro forma total equity of RM57.4 million in the pro forma combined statements of financial position after the Acquisition, Public Issue and utilisation of proceeds.

We also rely on bank guarantees for performance bonds. Such bank guarantees are used for all aspects of the project contract lifecycle from the start of project up to expiration of our liability towards the customer in accordance with the terms of each contract. The bank guarantees allow us to execute and guarantee our deliverables to our customers. Our total bank guarantees as at 31 July 2024 stood at RM15.3 million, details as set out below. All our bank guarantees are secured, interest-bearing and denominated in RM:

	<b>Purpose</b>	<b>Securities</b>	<b>Tenure</b>	<b>Bank charges % per month</b>	<b>As at 31 July 2024 RM'000</b>
Bank guarantee	As performance bond in favour of our customers approved by the bank in relation to the respective contracts	(a) First party pledge of fixed deposits of up to RM1.2 million; (b) Joint and several guarantee by the directors; (c) Guarantee in favour of the bank by SJPP for 80% of the principal and profit outstanding; (d) Execution of memorandum of charge over fixed deposit(s) up to RM4.8 million; (e) Pledged of property; (f) All monies facilities agreement; (g) An assignment and fixed charge over receivables;	Ranging from 1 year to 7 years	0.1% to 0.125%, subject to minimum sum of RM100	15,263



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

Purpose	Securities	Tenure	Bank charges % per month	As at 31 July 2024 RM'000
	(h) A fixed charge over designated collection account, and other accounts; and			
	(i) A charge over goods.			

All liabilities in respect of the bank guarantees will only crystallise and become payable following a call by our customers. During FYE 2021 to 2023 and FPE 2024, we did not experience any call on the bonds issued to our customers.

As at LPD, we do not have any borrowings which are non-interest bearing. We also do not encounter any seasonality in our borrowings trend and there is no restriction on our committed borrowing facilities.

Separately, we have also recognised the following lease liabilities:

	Purpose	Tenure	As at 31 July 2024 RM'000
Lease liabilities payable within 1 year	Lease arrangement of office premise	1 year with a renewal option of 1 year	115
	Lease arrangement of photocopy machine	5 years	23
		<b>Total current lease liabilities</b>	<b>138</b>
Lease liabilities payable more than 1 year	Lease arrangement of office premise	1 year with a renewal option of 1 year	91
	Lease arrangement of photocopy machine	5 years	32
		<b>Total non-current lease liabilities</b>	<b>123</b>
		<b>Total lease liabilities</b>	<b>261</b>

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

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We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout FYE 2021 to 2023, FPE 2024 and up to LPD. As at LPD, our Group is not in breach of any terms, conditions or covenants associated with credit arrangements or bank loans which can materially affect our financial position and results or business operations or the investments by holders of our securities.

From FYE 2021 to 2023 and FPE 2024, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

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**12. FINANCIAL INFORMATION (Cont'd)****12.5 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES**

Save as disclosed in Section 12.4, we do not utilise any other financial instruments. We receive proceeds in USD in respect of our foreign sales and pay for purchases denominated in USD from our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for finance leases and bank guarantees, which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

The main objective of our financial management and treasury policies is to maintain sufficient working capital at all times and ensure our ability to support and grow our business in order to maximise shareholders' value. We review and manage our capital structure to maintain its debt-to-equity ratio at an optimal level based on our business requirements and prevailing economic conditions.

**12.6 MATERIAL CAPITAL COMMITMENTS**

As at LPD, save as disclosed in Section 4.9.1(d) and below, we do not have any other material capital commitments:

	<b>Funded with borrowings</b>	<b>To be funded from proceeds of our IPO</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Approved and contracted for</b>		
- Purchase of ICT equipment	(1)2,573	-
- Purchase of a motor vehicle	(2)545	-

**Notes:**

- (1) On 31 December 2024, TSM entered into a hire purchase facility-i agreement with PLC Credit & Factoring Sdn Bhd amounting to RM50.0 million. The proceeds were partially drawn down on 31 December 2024 amounting to RM2.6 million to pay suppliers for the purchase of ICT equipment to rent to a Government agency under a finance lease arrangement. The ICT equipment has been fully paid upon drawdown of the hire purchase loan.
- (2) On 10 September 2024, TSM signed a hire purchase agreement with Public Bank Berhad. The proceeds were drawn down on 10 September 2024 amounting to RM0.5 million for the acquisition of a motor vehicle.

**12. FINANCIAL INFORMATION (Cont'd)****12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES****(a) Material litigation**

As at LPD, we have not been engaged in any government, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on the financial position or profitability of our Group.

**(b) Contingent liabilities**

As at LPD, save for the bank guarantees placed as performance bonds as set out under Section 12.4, there are no contingent liabilities incurred by us, our subsidiaries, which upon becoming enforceable, may have a material effect on our financial position or our subsidiaries' financial position.

**12.8 KEY FINANCIAL RATIOS**

Our key financial ratios of our Group as at 31 December 2021, 2022 and 2023 as well as 31 July 2024 are as follows:

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
Trade receivable turnover (days) <sup>(1)</sup>	94	33	38	91
Trade payable turnover (days) <sup>(2)</sup>	119	143	116	152
Inventories turnover (days) <sup>(3)</sup>	109	110	58	72
Current ratio (times) <sup>(4)</sup>	2.18	2.16	2.15	1.84
Gearing ratio (times) <sup>(5)</sup>	0.13	0.19	0.27	1.10

**Notes:**

- <sup>(1)</sup> Computed based on average trade receivables multiplied by 365 and 213 days for the respective financial year/period and divided by total revenue:

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade receivables*	11,074	4,086	3,469	9,542
Closing trade receivables*	4,086	3,469	9,542	16,260
Revenue	29,382	42,239	62,207	30,120

- \* The total trade receivables amount derived from the gross trade receivables excluding retention sum.

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

- (2) Computed based on average trade payables multiplied by 365 and 213 days for the respective financial year/period and divided by cost of sales:

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade payables <sup>#</sup>	2,201	10,172	14,351	15,722
Closing trade payables <sup>#</sup>	10,172	14,351	15,722	17,787
Cost of sales	18,976	31,274	47,143	23,415

<sup>#</sup> The total trade payables and accrued purchases as well as accrued subcontractor amounts, excluding the retention sums and provision of costs.

- (3) Computed based on average inventories multiplied by 365 and 213 days for the respective financial year/period and divided by cost of sales:

	<b>Audited</b>			
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening inventories	733	752	1,915	1,729
Closing inventories	752	1,915	1,729	2,383
Cost of sales <sup>^</sup>	2,482	4,408	11,391	6,049

<sup>^</sup> Being cost of sales directly attributable to inventories cost.

- (4) Computed based on current assets over current liabilities as at the end of the respective financial year/period.
- (5) Computed based on the total borrowings (excluding lease liabilities recognised under MFRS 16) over total equity as at the end of the respective financial year/period.

**12.8.1 Trade receivables turnover**

The normal credit terms that we give our customers are generally 30 to 60 days from the date of invoice, but this may be extended in certain cases after taking into consideration the background and credit-worthiness of the customer, payment history of the customer and our relationship with the customer.

Our Group's trade receivables average turnover period as at 31 December 2021, 2022 and 2023 as well as 31 July 2024 were 94 days, 33 days, 38 days and 91 days respectively. As at 31 December 2021, our trade receivables turnover period stood at 94 days, which was over the normal credit terms given to our customers. The high turnover period was due to the high opening balance of trade receivables for FYE 2021 resulted from the timing of billings issued to Setia Utama close to the year-end amounting to RM4.3 million.

The decrease of the trade receivables turnover days from 94 days to 33 days as at 31 December 2022 compared to 31 December 2021 is due to speedier collection from customers and notably from Setia Utama which had an outstanding amount of RM4.3 million as at 31 December 2020. Whereas the increase of trade receivables turnover days from 33 days to 38 days as at 31 December 2023 compared to 31 December 2022 is due to billings issued close to financial year end.

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

However, trade receivables turnover days increased from 38 days as at 31 December 2023 to 91 days as at 31 July 2024. The high turnover period was due to billings issued to ETS3 PIS Project, PSDS Project, MRT Kajang line and a Government agency close to the end of financial period amounting to RM2.2 million, RM0.4 million, RM0.5 million and RM1.5 million respectively. Additionally, an outstanding balance of RM5.0 million from the HRMIS Project, which is one month overdue, also contributed to the increase.

The ageing analysis of our trade receivables as at 31 July 2024 and the subsequent collections up to LPD are set out below:

			Within credit period	Exceeding credit period				Total
				1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
Gross trade receivables (excluding retention sum) (RM'000)	A		10,488	4,998	87	2	685	16,260
Less: Impairment (RM'000)	B		(57)	(57)	(14)	(1)	(684)	(813)
Net trade receivables (RM'000)	C = A - B		10,431	4,941	73	1	1	15,447
% of net trade receivables	D = C / A		99.5%	98.9%	83.9%	50.0%	0.1%	95.0%
Subsequent collections up to LPD (RM'000)	E		10,350	4,998	87	2	674	16,111
% of subsequent collections up to LPD (%)	F = E / A		98.7%	100.0%	100.0%	100.0%	98.4%	99.1%
<b>Outstanding gross trade receivables (RM'000)</b>	<b>G = A - E</b>		<b>138</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>11</b>	<b>149</b>

**Note:**

- (1) Impairment losses mainly relates to one of the major trade receivables amounting to RM0.5 million. However, the debtor has agreed to repay us on an instalment basis. Up to LPD, we have promptly collected all the instalment amount.

As at LPD, we have collected RM16.1 million of our gross trade receivables as at 31 July 2024.

Our management closely monitors the recoverability of the trade receivables on a regular basis, and when appropriate, provides for specific impairment of these trade receivables. Our Board is of the view that the remaining trade receivables are recoverable and no further provision for impairment is required after taking into consideration our relationship with our customers as well as our effort to improve collection with various credit control measures to reduce the potential exposure on credit risk.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.8.2 Trade payables turnover

The normal trade credit terms granted to us by our suppliers range from 30 to 90 days. Our trade payables turnover periods as at 31 December 2021, 2022 and 2023 as well as 31 July 2024 were between 116 days to 152 days. The long days in payables generally due to a discrepancy between the recognition of trade payables and the billing process of the suppliers and subcontractors. The recognition of trade payables of our Group is determined upon the performance of work and incurring of relevant costs by our Group, whereas the invoice by the suppliers undergo a verification/certification process which takes up to 1.5 months, after which the invoice is then issued.

Our trade payables turnover period increased from 119 days as at 31 December 2021 to 143 days as at 31 December 2022 mainly due to the accrual of subcontractor work close to year-end. This increase occurred because although the work was completed, the billing had not yet been issued from the creditor. For clarity, the work completed was certified in December 2022, however, the billing was issued upon reaching the project milestone in the first quarter of 2023. Our trade payables turnover period improved to 116 days as at 31 December 2023. This was mainly due to higher lump sum payment to suppliers in 2023.

However, as at 31 July 2024, trade payables turnover period increased from 116 days as at 31 December 2023 to 152 days. The average trade payables increased mainly due to higher purchase for ETS3 PIS Project and PSDS Project as well as consultancy fee incurred for CIQ Project towards the end of the financial period.

Certain payables exceeded the credit period, as our suppliers have in practice allowed a longer period for payment in view of our established relationship with them, our payment history and our credentials. We have not encountered any issue with our suppliers in spite of the slower payment to them.

The ageing analysis of our trade payables as at 31 July 2024 is as follows:

		Within credit period	Exceeding credit period				Total
			1 to 30 days	31 to 60 days	61 to 90 days	More than 90 days	
Trade payables (RM'000)	A	2,090	675	-	-	502	3,267
% of total trade payables (%)		64.0%	20.6%	-	-	15.4%	100.0%
Subsequent payments up to LPD (RM'000)	B	2,090	662	-	-	500	3,252
% of subsequent payments up to LPD (%)	C = B / A	100.0%	98.1%	-	-	99.6%	99.5%
<b>Outstanding trade payables (RM'000)</b>	<b>D = A - B</b>	-	<b>13</b>	-	-	<b>2</b>	<b>15</b>

As at 31 July 2024, our total trade payables were RM3.3 million, of which RM1.2 million or 36.4% of our trade payables exceeded the normal credit period.

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

As at LPD, we have settled the trade payables of RM3.3 million as at 31 July 2024. As at LPD, there are no disputes in respect of any trade payables and our Board confirms that there has been no legal action initiated by our suppliers to demand for payment from us in the past and present.

**12.8.3 Inventories turnover**

Our inventories primarily comprise project equipment, spare parts and some consumable products. The inventories are typically purchased based on the requirements of our customers and projects. Given such practices, we generally maintain a minimal level of inventories which we deem sufficient for our projects and to cater for our maintenance and technical support operations.

Our inventory turnover period decreased from 109 days as at 31 December 2021 to 58 days as at 31 December 2023 as our Group purchased inventories based on project schedule and maintained a relatively smaller inventory compared to cost of sales. As at 31 December 2021 and 31 December 2022, the inventories turnover days were higher at 109 and 110 days respectively, due to a delay in handover of sites by upstream work package contractors for the LRT3 Project as the infrastructure of the site was not ready, thus delaying our ability to undertake the necessary installation and implementation of hardware and software.

However, inventories turnover days increased from 58 days as at 31 December 2023 to 72 days as at 31 July 2024 mainly due to additional purchase of equipment and materials for PSDS Project and door system test bench project. The target for completing the delivery stage for PSDS Project is at the end of January 2025.

**12.8.4 Current ratio**

Our current ratios as at 31 December 2021, 2022 and 2023 as well as 31 July 2024 are as follows:

	<b>Audited</b>			
	<b>As at 31 December</b>		<b>As at 31 July</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	29,992	45,010	58,867	66,142
Current liabilities	13,750	20,809	27,399	35,986
<b>Net current assets</b>	<b>16,242</b>	<b>24,201</b>	<b>31,468</b>	<b>30,156</b>
Current ratio (times)	2.18	2.16	2.15	1.84

As at 31 December 2021, 2022 and 2023, our current ratio remained relatively consistent between 2.15 times and 2.18 times, indicating our ability to maintain a sufficient level of liquid assets to address our short-term obligations.

However, our current ratio dropped from 2.15 times as of 31 December 2023 to 1.84 times as of 31 July 2024, primarily due to the drawdown of an additional term loan facility amounting to RM35.0 million for the purchase of ICT equipment.



**12. FINANCIAL INFORMATION (Cont'd)****12.8.5 Gearing ratio**

Our gearing ratios as at 31 December 2021, 2022 and 2023 as well as 31 July 2024 are as follows:

	<b>Audited</b>			
	<b>As at 31 December</b>		<b>As at 31 July</b>	
	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings <sup>(1)</sup>	2,217	4,636	8,600	38,440
Total equity	17,438	24,350	32,072	34,913
Gearing ratio (times)	0.13	0.19	0.27	1.10

**Note:**

<sup>(1)</sup> Excluding lease liabilities recognised under MFRS 16.

Our gearing ratio increased from 0.13 times as at 31 December 2021 to 0.19 times as at 31 December 2022. The increase was mainly due to additional drawdown of term loan facilities to purchase one unit of leasehold double storey shop office land and building located at Puchong and for working capital requirements.

The gearing ratio continued to increase from 0.19 times as at 31 December 2022 to 0.27 times as at 31 December 2023 mainly due to the additional drawdown of invoice financing to finance the net progressive claim of the interim payment certificate in relation to the LRT3 AFC Project and drawdown of term loan facility for working capital requirements.

However, gearing ratio increased significantly from 0.27 times as at 31 December 2023 to 1.10 times as at 31 July 2024. The increase was mainly due to the additional drawdown of term loan facilities amounting to RM35.0 million to finance the working capital for the purchase of ICT equipment to rent to a Government agency under a leasing arrangement.

Overall, our Group's gearing ratio has increased year on year as a result of growing number of projects that required additional working capital.

In addition, for FPE 2024, our Group has successfully secured a project from a Government agency, which required our Group to provide upfront capital outlay. The Government agency will repay via lease rental over 60 monthly instalments, and the collection will be used for loan instalments and will provide a positive net cash flow to our Group over time. Additionally, it may offer opportunities to our Group to expand into future Government sector projects, diversifying our business and reducing our reliance on the public and transportation industries.

Furthermore, we had undertaken the said borrowings with a view of the impending Public Issue, which will cushion the impact of the increased gearing. According to our Group's pro forma combined statements of financial position, upon Listing, our Group's total equity will increase from RM34.9 million to RM57.4 million, resulting in a decrease in the gearing ratio from 1.10 times to 0.64 times.

**12. FINANCIAL INFORMATION (Cont'd)****12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

There were no government, economic, fiscal or monetary policies or factors which materially affected our financial performance during FYE 2021 to 2023 and FPE 2024. However, there can be no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

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

**12.10 IMPACT OF INFLATION**

During FYE 2021 to 2023 and FPE 2024, our financial performance was not materially affected by inflation. However, there is no assurance that our financial performance will not be adversely affected by inflation moving forward. Any significant increase in our costs of sales in the future may adversely affect our operations and performance if we are unable to pass on the higher costs to our customers through an increase in selling prices.

**12.11 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES****(a) Impact of foreign exchange rates**

We are mainly exposed to transactional currency exposure as our revenue and purchase are denominated in RM, USD and EUR. Any significant change in foreign exchange rates may affect our financial results.

For FYE 2021 to 2023 and FPE 2023 and 2024, our net gains/(losses) from foreign exchange fluctuations are as follows:

	<b>Audited</b>			<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Realised (loss)/gain on foreign exchange	(5)	109	(63)	(9)	42
Unrealised loss on foreign exchange	(19)	-	(34)	-	-
<b>Net (loss)/gain</b>	<b>(24)</b>	<b>109</b>	<b>(97)</b>	<b>(9)</b>	<b>42</b>

Our exposure to changes in the foreign currency exchange rates at the end of the reporting period against the functional currency of our Group does not have a material impact on the PAT and equity of our Company for FPE 2024 and hence, no sensitivity analysis was performed.

We maintain foreign currency accounts to receive sales proceeds in foreign currencies. In addition, we also mitigate foreign exchange risk through natural hedging of our foreign currency accounts used to pay for foreign currency denominated purchases of software licence and hardware. Notwithstanding the above, there is no assurance that any fluctuation in foreign exchange rates would not have an impact on our financial performance.

**12. FINANCIAL INFORMATION (Cont'd)****(b) Impact of interest rates**

Our interest coverage ratios throughout FYE 2021 to 2023 and FPE 2024 are as follows:

	<b>Audited</b>		<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
Interest coverage ratio <sup>(1)</sup> (times)	62.06	27.30	15.07	7.75
				4.40

**Note:**

(1) Computed based on EBIT over finance costs for FYE 2021 to 2023 and FPE 2023 and 2024.

Our interest coverage ratio range from 4.40 times to 62.06 times for FYE 2021 to 2023 and FPE 2023 and 2024 indicates that our Group has been able to generate sufficient EBIT to meet its interest serving obligations. Our interest coverage ratio dropped significantly in FPE 2024 to 4.40 times due to the higher term loan interest incurred in line with additional borrowings drawn.

Our exposure to changes in interest rate relates primarily to our borrowings from banks. We do not hedge interest rate risk.

A sensitivity analysis was performed based on the outstanding floating rate of the bank borrowings as at 31 December 2023 indicates that our PAT for FYE 2023 would increase or decrease by RM33,000, as a result of increase or decrease in interest rates by 100 basis points on these borrowings.

Our financial results for FYE 2021 to 2023 and FPE 2024 were not materially affected by fluctuations in interest rates. However, should we undertake significant bank borrowings, a major increase in interest rates would raise the cost of borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

**(c) Impact of commodity prices**

We are not affected by fluctuations in commodity prices as the hardware, software and licences that we use in delivering our products and service are not commodities.

**12.12 SIGNIFICANT CHANGES**

On 31 December 2024, TSM entered into a hire purchase facility-i agreement with PLC Credit & Factoring Sdn Bhd amounting to RM50.0 million. The proceeds were partially drawn down on 31 December 2024 amounting to RM2.6 million to pay suppliers for the purchase ICT equipment to rent to a Government agency under a finance lease arrangement. The ICT equipment has been fully paid upon drawdown of the hire purchase loan.

On 10 September 2024, TSM signed a hire purchase agreement with Public Bank Berhad. The proceeds were drawn down on 10 September 2024 amounting to RM0.5 million for the acquisition of a motor vehicle.

Save for the above, there are no significant changes which may have a material effect on the financial position and results of our Group subsequent to FPE 2024 and up to LPD.

## 12. FINANCIAL INFORMATION (Cont'd)

### 12.13 ORDER BOOK

Our order book relates to the contract value of on-going projects less amounts recognised as revenue up to LPD. These on-going contracts will be performed and recognised as revenue progressively up to FYE 2029 based on expected progress.

Business segment	FYE 2025	FYE 2026	FYE 2027	FYE 2028	FYE 2029 Total as at LPD	
	RM'million	RM'million	RM'million	RM'million	RM'million	RM'million
Design and implementation services <sup>(1)</sup>	36.2	20.3	-	-	-	56.5
Maintenance and support services <sup>(2)</sup>	17.4	10.5	9.8	9.0	1.5	48.2
	<b>53.6</b>	<b>30.8</b>	<b>9.8</b>	<b>9.0</b>	<b>1.5</b>	<b>(3)104.7</b>

#### Notes:

- (1) Comprising mainly, RTS link between Johor and Singapore project for railway company (RM35.5 million), LRT3 Project (RM11.8 million) and human resources management project for a Government agency (RM2.4 million).
- (2) Comprising mainly, ICT equipment rental services for Government agencies (RM40.7 million) and maintenance and support services on hardware and supply of IT components for Customer F (RM1.3 million).
- (3) Our order book based on geographical location is as follows:

Geographical location	RM'million
Malaysia	104.2
Overseas	0.5
<b>Total</b>	<b>104.7</b>

As at LPD, the total value of the projects that we have tendered for amounts to RM647.2 million. These projects, if awarded to our Group, will further increase our order book.

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## **12. FINANCIAL INFORMATION (Cont'd)**

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### **12.14 DIRECTORS' STATEMENT ON OUR FINANCIAL PERFORMANCE**

Our Board is of the opinion that:

- (a) our revenue will remain sustainable with an upward growth trend and the positive outlook of the enterprise IT services industry in Malaysia as set out in the IMR Report in Section 8;
- (b) our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies and prospects as stated in Section 7.16; and
- (c) our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

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

### **12.15 TREND INFORMATION**

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

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position, operations, liquidity and capital resources save as disclosed in Sections 12.2, 12.9 and 12.12;
- (b) material commitments for capital expenditure disclosed in Section 12.6;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed Sections 12.2, 12.9 and 12.12;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group's revenue and/or profits save as disclosed in Sections 12.2, 12.9 and 12.12; and
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position save as disclosed in Sections 12.2, 12.9 and 12.12.

Based on the above, our Board is optimistic about the future prospects of our Group given the positive outlook of the enterprise IT services industry in Malaysia as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.15 and our Group's intention to implement our business strategies as set out in Section 7.16.

**12. FINANCIAL INFORMATION (Cont'd)****12.16 DIVIDEND POLICY**

Our Group presently does not have any formal dividend policy and the declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. We will require financiers' consent as set out in the respective facility agreements to pay dividends to our shareholders in the future. However, our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (a) the level of cash and level of indebtedness;
- (b) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (c) our expected results of operations and future level of operations;
- (d) our projected levels of capital expenditure and other investment plans; and
- (e) the prior consent from our lenders, if any.

There is no assurance as to whether the dividend distribution will occur, the amount of dividend payment or timing of such payment.

Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

- (a) our Company is, or would after the payment be unable to pay its liabilities as they become due; or
- (b) the realisable value of our Company's assets would thereby be less than its liabilities.

During FYE 2021 to 2023, FPE 2024 and up to LPD, we have declared and paid the following dividends:

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2024</b>	<b>1 August 2024 up to LPD</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend declared and paid	-	300	-	-	-

The dividends declared and paid in FYE 2022 were funded via internally generated funds. We do not intend to declare and pay any dividends from the LPD up to the point of our Listing.

**12. FINANCIAL INFORMATION (Cont'd)****12.17 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness based on the latest unaudited financial information of our Group as at 30 November 2024 and after adjusting for the effects of significant event and the Public Issue including the utilisation of proceeds.

	<b>I</b>	<b>II</b>	<b>III</b>
<b>(1)As at 30 November 2024</b>	<b>(3)After significant event</b>	<b>After I and Public Issue</b>	<b>After II and utilisation of proceeds</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Capitalisation</b>			
Shareholders' equity	37,562	37,562	62,562
<b>Total capitalisation</b>	<b>37,562</b>	<b>37,562</b>	<b>62,562</b>
<b>Indebtedness</b>			
<b>Current</b>			
<b>Secured and guaranteed</b>			
Term loans	7,333	7,333	7,333
Bankers' acceptances	450	450	450
Hire purchase payables	61	864	864
Bank overdrafts	2,966	2,966	2,966
Lease liabilities	143	143	143
<b>Non-current</b>			
<b>Secured and guaranteed</b>			
Term loans	29,308	29,308	29,308
Hire purchase payables	419	2,189	2,189
Lease liabilities	74	74	74
<b>Total indebtedness</b>	<b>40,754</b>	<b>43,327</b>	<b>43,327</b>
<b>Total capitalisation and indebtedness</b>	<b>78,316</b>	<b>80,889</b>	<b>105,889</b>
Gearing ratio (times) <sup>(2)</sup>	1.08	1.15	0.69

**Notes:**

- (1) After adjusting for the effects of the Acquisition.
- (2) Calculated based on the total indebtedness divided by the total capitalisation.
- (3) On 31 December 2024, TSM entered into a hire purchase facility-i agreement with PLC Credit & Factoring Sdn Bhd amounting to RM50.0 million. The proceeds were partially drawn down on 31 December 2024 amounting to RM2.6 million to pay suppliers for the purchase of ICT equipment to rent to a Government agency under a finance lease arrangement. The ICT equipment has been fully paid upon drawdown of the hire purchase loan.

## 13. ACCOUNTANTS' REPORT



### Crowe Malaysia PLT

201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

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Date: 6 January 2025

The Board of Directors  
**TECHSTORE BERHAD**  
No. 20-2 Jalan Suria Puchong 6  
Pusat Perniagaan Suria Puchong  
47110 Puchong Selangor

Dear Sirs/Madams,

### **REPORTING ACCOUNTANT'S OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANT'S REPORT OF TECHSTORE BERHAD ("TECHSTORE" OR "THE COMPANY")**

#### **OPINION**

We have audited the financial information contained in the Accountants' Report of TechStore Berhad, which is the combined financial statements of TechStore and its combining entity, Tech-Store Malaysia Sdn. Bhd. ("TSM") and its subsidiary ("TSM Group") (collectively TechStore and TSM Group are referred to as "TechStore Group" or "the Group"), which comprise the combined statements of financial position as at 31 December 2021, 2022 and 2023 and 31 July 2024 of the Group 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 financial period ended ("FPE") 31 July 2024 and notes to the combined financial statements, including material accounting policy information, as set out in pages 4 to 110.

This historical financial information has been prepared for inclusion in the prospectus of the Group in connection with the listing and quotation of the entire enlarged issued ordinary shares of the Group on the ACE Market of Bursa Malaysia Securities Berhad. This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC") (the Prospectus "Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the financial information gives a true and fair view of the combined financial position of the Group as at 31 December 2021, 2022 and 2023 and 31 July 2024 and of its combined financial performance and combined cash flows for each of the FYE 31 December 2021, 2022 and 2023 and FPE 31 July 2024 in accordance with the Malaysian Financial Reporting Standards and the 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.



**13. ACCOUNTANTS' REPORT (Cont'd)****BASIS FOR OPINION (CONT'D)***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.

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

The directors of the Group are responsible for the preparation of the financial information of the Group that gives 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 financial information of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the financial information of 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 ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION**

Our objectives are to obtain reasonable assurance about whether the 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 financial information.

As a 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 financial statements 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.

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



#### REPORTING ACCOUNTANT'S RESPONSIBILITY FOR THE AUDIT OF FINANCIAL INFORMATION (CONT'D)

As a 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):-

- 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 auditors' report to the related disclosures in the financial statements 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 our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the 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.

#### OTHER MATTERS

The significant events subsequent to the end of the FPE 31 July 2024 have been disclosed in Note 33 to this report.

#### RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the prospectus of TechStore in connection with the listing and quotation of the entire enlarged issued shares capital of TechStore 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

**Chin Kit Seong**  
03030/01/2025 J  
Chartered Accountant

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
COMBINED STATEMENTS OF FINANCIAL POSITION**

	Note	←-----FYE 31 December-----→			FPE 31 July
		2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	4	979,625	1,512,253	1,856,620	1,878,891
Right-of-use assets	5	1,759,607	2,360,091	2,352,084	2,259,237
Goodwill	6	-	-	-	1,321,874
Intangible assets	7	-	-	-	2,490,821
Trade and other receivables	8	-	-	-	27,297,682
Deferred tax assets	9	569,000	405,000	526,000	834,000
		<u>3,308,232</u>	<u>4,277,344</u>	<u>4,734,704</u>	<u>36,082,505</u>
<b>CURRENT ASSETS</b>					
Inventories	10	752,395	1,914,580	1,728,653	2,383,026
Trade and other receivables	8	3,550,107	5,879,671	14,995,394	29,680,124
Contract assets	11	14,977,908	28,570,210	22,751,298	14,867,037
Deposits and prepayments	12	514,959	1,063,793	1,297,958	3,906,905
Current tax assets		-	-	-	25,881
Cash and cash equivalents	13	10,197,296	7,580,560	18,093,844	15,279,098
		<u>29,992,665</u>	<u>45,008,814</u>	<u>58,867,147</u>	<u>66,142,071</u>
<b>TOTAL ASSETS</b>		<u><b>33,300,897</b></u>	<u><b>49,286,158</b></u>	<u><b>63,601,851</b></u>	<u><b>102,224,576</b></u>

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	←-----FYE 31 December----->			FPE 31 July
		2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	16(a)	-	-	-	1
Invested equity	16(b)	4,000,000	5,000,000	12,000,000	12,000,000
Retained profits		13,438,016	19,350,242	20,072,086	22,912,671
<b>TOTAL EQUITY</b>		<b>17,438,016</b>	<b>24,350,242</b>	<b>32,072,086</b>	<b>34,912,672</b>
<b>NON-CURRENT LIABILITIES</b>					
Lease liabilities	17	138,577	152,860	141,369	123,051
Long-term borrowings	18	1,973,696	3,974,871	3,989,834	31,202,779
		<b>2,112,273</b>	<b>4,127,731</b>	<b>4,131,203</b>	<b>31,325,830</b>
<b>CURRENT LIABILITIES</b>					
Trade and other payables	19	12,665,973	18,754,700	21,426,557	25,628,904
Contract liabilities	11	91,276	103,640	-	2,044,627
Lease liabilities	17	162,363	167,808	200,961	138,483
Short-term borrowings	18	242,784	660,884	4,610,023	7,236,855
Current tax liabilities		588,212	1,121,153	1,161,021	937,205
		<b>13,750,608</b>	<b>20,808,185</b>	<b>27,398,562</b>	<b>35,986,074</b>
<b>TOTAL LIABILITIES</b>		<b>15,862,881</b>	<b>24,935,916</b>	<b>31,529,765</b>	<b>67,311,904</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>33,300,897</b>	<b>49,286,158</b>	<b>63,601,851</b>	<b>102,224,576</b>

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

**TECHSTORE BERHAD  
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	←-----FYE 31 December----->			←-----FPE 31 July----->	
		2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
REVENUE	20	29,382,470	42,239,189	62,207,480	19,909,834	30,120,075
COST OF SALES		(18,975,747)	(31,273,792)	(47,143,460)	(14,435,297)	(23,415,278)
GROSS PROFIT		10,406,723	10,965,397	15,064,020	5,474,537	6,704,797
OTHER INCOME		192,363	1,208,682	289,424	150,554	1,948,407
		10,599,086	12,174,079	15,353,444	5,625,091	8,653,204
ADMINISTRATIVE EXPENSES		(3,325,444)	(2,732,437)	(3,405,708)	(1,732,210)	(4,350,638)
OTHER EXPENSES		(439,314)	(406,921)	(623,250)	(306,783)	(270,951)
FINANCE COSTS		(148,250)	(353,042)	(739,403)	(450,066)	(793,901)
NET IMPAIRMENT GAINS/(LOSSES) ON FINANCIAL ASSETS AND CONTRACT ASSETS	21	2,416,566	693,194	(89,557)	(38,180)	486,347
PROFIT BEFORE TAXATION	22	9,102,644	9,374,873	10,495,526	3,097,852	3,724,061
INCOME TAX EXPENSE	23	(2,340,294)	(2,162,647)	(2,773,682)	(1,027,682)	(883,476)
PROFIT AFTER TAXATION		6,762,350	7,212,226	7,721,844	2,070,170	2,840,585
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		6,762,350	7,212,226	7,721,844	2,070,170	2,840,585

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

**TECHSTORE BERHAD  
COMBINED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (CONT'D)**

	Note	<-----FYE 31 December----->			<-----FPE 31 July----->	
		2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
PROFIT AFTER TAXATION ATTRIBUTABLE TO:- Owners of the Company		6,762,350	7,212,226	7,721,844	2,070,170	2,840,585
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:- Owners of the Company		6,762,350	7,212,226	7,721,844	2,070,170	2,840,585
EARNINGS PER SHARE (SEN)	24					
- basic		56.35	60.10	64.35	17.25	23.67
- diluted		56.35	60.10	64.35	17.25	23.67

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
COMBINED STATEMENTS OF CHANGES IN EQUITY**

	Note	-----Audited-----			
		Share Capital RM	Invested Equity RM	Retained Profits RM	Total Equity RM
<b>Balance as at 1.1.2021</b>		-	4,000,000	6,675,666	10,675,666
Profit after taxation/Total comprehensive income for the financial year		-	-	6,762,350	6,762,350
<b>Balance as at 31.12.2021/1.1.2022</b>		-	4,000,000	13,438,016	17,438,016
Profit after taxation/Total comprehensive income for the financial year		-	-	7,212,226	7,212,226
Bonus issue of shares	16(b)	-	1,000,000	(1,000,000)	-
Dividends	26	-	-	(300,000)	(300,000)
Total contributions by and distributions to owners		-	1,000,000	(1,300,000)	(300,000)
<b>Balance as at 31.12.2022/1.1.2023</b>		-	5,000,000	19,350,242	24,350,242
Profit after taxation/Total comprehensive income for the financial year		-	-	7,721,844	7,721,844
Bonus issue of shares	16(b)	-	7,000,000	(7,000,000)	-
<b>Balance as at 31.12.2023/1.1.2024</b>		-	12,000,000	20,072,086	32,072,086
Issuance of shares at the date of incorporation	16(a)	1	-	-	1
Profit after taxation/Total comprehensive income for the financial period		-	-	2,840,585	2,840,585
<b>Balance as at 31.7.2024</b>		1	12,000,000	22,912,671	34,912,672

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

**TECHSTORE BERHAD  
COMBINED STATEMENTS OF CASH FLOWS**

Note	<-----FYE 31 December----->			<-----FYE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<b>CASH FLOWS FROM/(FOR) OPERATING ACTIVITIES</b>					
Profit before taxation	9,102,644	9,374,873	10,495,526	3,097,852	3,724,061
Adjustments for:-					
Allowance for impairment losses:					
- contract assets	-	-	-	13,000	245,000
- finance lease receivable	-	-	-	-	235,000
- trade receivables	-	-	579,557	168,180	-
Amortisation of intangible assets	-	-	-	-	178
Depreciation of property, plant and equipment	157,732	176,856	260,809	139,482	187,306
Depreciation of right-of-use assets	182,277	195,192	217,066	122,259	107,449
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- bankers' acceptances	-	-	15,165	962	32,934
- bank overdraft	-	-	-	-	16,540
- bank guarantee	11,115	116,177	355,758	234,109	98,144
- invoice financing	-	-	-	-	42,892
- term loans	86,847	198,575	292,400	167,623	584,269
Interest expenses on lease liabilities	20,017	23,994	25,049	14,149	10,702
Unrealised gain on foreign exchange	19,957	-	34,114	-	-
Finance income on finance lease receivable	-	-	-	-	(1,396,288)
Gain on lease modification due to termination	-	-	-	-	(2,641)
Operating profit before working capital changes bought forward	9,580,589	10,085,667	12,275,444	3,957,616	3,884,278



**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

Note	←-----FYE 31 December-----→			←-----FYE 31 July-----→	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Operating profit before working capital changes carried forward	9,580,589	10,085,667	12,275,444	3,957,616	3,884,278
Gain on reassessment of lease liabilities	(2,008)	(8,004)	(5,845)	(5,845)	(3,909)
Interest income on financial assets	(65,110)	(126,584)	(184,563)	(89,548)	(112,150)
Reversal of impairment losses:					
- contract assets	(10,000)	-	-	-	-
- non-trade receivables	(38,566)	(206,117)	-	-	-
- trade receivables	(2,368,000)	(487,077)	(490,000)	(143,000)	(966,347)
Operating profit before working capital changes	7,096,905	9,257,885	11,595,036	3,719,223	2,803,140
(Increase)/Decrease in inventories	(18,829)	(1,162,185)	185,927	(806,103)	(654,373)
(Increase)/Decrease in contract assets	(14,612,086)	(13,592,302)	5,818,912	16,391,018	7,639,261
(Decrease)/Increase in contract liabilities	(1,488,533)	12,364	(103,640)	2,954,894	2,044,627
Decrease/(Increase) in trade and other receivables	6,164,324	(2,350,600)	(9,482,651)	(9,393,378)	(7,988,142)
Increase/(Decrease) in trade and other payables	5,218,580	6,061,424	2,699,436	(9,649,172)	1,864,186
Decrease/(Increase) in amount owing by related parties	32,351	241,138	(32,812)	(370,932)	1,114,623
CASH FROM/(FOR) OPERATIONS	2,392,712	(1,532,276)	10,680,208	2,845,550	6,823,322
Income tax paid	(1,488,144)	(1,465,706)	(2,854,814)	(734,548)	(1,417,437)
Income tax refunded	990,862	-	-	-	-
Interest paid	-	-	-	-	(428,218)
NET CASH FROM/(FOR) OPERATING ACTIVITIES	1,895,430	(2,997,982)	7,825,394	2,111,002	4,977,667

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

**TECHSTORE BERHAD  
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	<-----FYE 31 December----->			<-----FYE 31 July----->	
		2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<b>CASH FLOWS FROM/(FOR) INVESTING ACTIVITIES</b>						
Advances to a director		-	(48,439)	-	-	-
Decrease/(Increase) in pledged fixed deposits with licensed banks		349,068	116,297	(1,025,072)	(779,758)	1,029,755
Development costs paid		-	-	-	-	(2,486,736)
Interest income received		65,110	126,584	184,563	89,548	112,150
Net cash outflow from acquisition of a subsidiary	25(c)	-	-	-	-	(136,620)
Purchase of property, plant and equipment	27(a)	(178,655)	(709,484)	(605,176)	(392,340)	(209,576)
Purchase of right-of-use assets	27(a)	-	(607,738)	-	-	-
Repayment from a director		-	-	48,439	48,439	-
<b>NET CASH FROM/(FOR) INVESTING ACTIVITIES</b>		<b>235,523</b>	<b>(1,122,780)</b>	<b>(1,397,246)</b>	<b>(1,034,111)</b>	<b>(1,691,027)</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	<-----FYE 31 December----->			<-----FYE 31 July----->	
		2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<b>CASH FLOWS (FOR)/FROM FINANCING ACTIVITIES</b>						
(Increase)/Decrease in restricted cash		(700,000)	-	886,625	-	(335,637)
Dividend paid	26	-	(300,000)	-	-	-
Drawdown of bankers' acceptances	27(b)	-	-	1,734,769	1,734,769	1,926,717
Drawdown of invoice financing	27(b)	-	-	3,050,000	-	1,741,136
Drawdown of term loan	27(b)	-	4,295,000	1,000,000	1,000,000	-
Interest paid		(117,979)	(338,746)	(688,372)	(416,843)	(357,263)
Proceeds from issuance of share		-	-	-	-	1
Repayment of bankers' acceptances	27(b)	-	-	(1,012,046)	(964,147)	(2,649,440)
Repayment of invoice financing	27(b)	-	-	-	-	(4,791,136)
Repayment of lease liabilities	27(b)	(157,583)	(160,206)	(181,552)	(101,702)	(88,848)
Repayment of term loans	27(b)	(189,537)	(1,875,725)	(808,621)	(465,606)	(852,798)
<b>NET CASH (FOR)/FROM FINANCING ACTIVITIES</b>		<b>(1,165,099)</b>	<b>1,620,323</b>	<b>3,980,803</b>	<b>786,471</b>	<b>(5,407,268)</b>

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

**TECHSTORE BERHAD  
COMBINED STATEMENTS OF CASH FLOWS (CONT'D)**

	Note	<-----FYE 31 December----->			<-----FYE 31 July----->	
		2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		965,854	(2,500,439)	10,408,951	1,863,362	(2,120,628)
EFFECTS OF FOREIGN EXCHANGE TRANSLATION		-	-	(34,114)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		4,814,109	5,779,963	3,279,524	3,279,524	13,654,361
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	13	<u>5,779,963</u>	<u>3,279,524</u>	<u>13,654,361</u>	<u>5,142,886</u>	<u>11,533,733</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**1. GENERAL INFORMATION**

On 23 January 2024, TechStore Berhad ("TechStore" or "the Company") was incorporated as a private limited liability company to facilitate the proposed initial public offering. On 6 June 2024, the Company was converted from a private limited company to a public limited company by shares.

The registered office and principal place of business are as follows:-

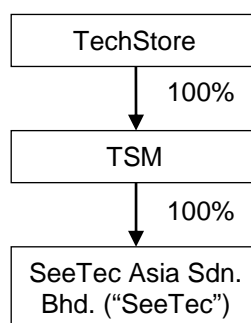
Registered office	:	B-21-1, Level 21, Tower B, Northpoint Mid Valley City No.1, Medan Syed Putra Utara 59200 Kuala Lumpur, W.P. Kuala Lumpur
Principal place of business	:	No. 20-2 Jalan Suria Puchong 6 Pusat Perniagaan Suria Puchong 47110 Puchong Selangor

For the purpose of listing the Group on the ACE Market of Bursa Malaysia Securities Berhad, the Company entered into Share Sale Agreements ("SSA") on 6 May 2024 to acquire 100% equity interests in Tech-Store Malaysia Sdn. Bhd. ("TSM").

TSM was incorporated in Malaysia on 19 April 2011 under the Companies Act 2016 as a private limited liability company limited by shares.

TSM is principally engaged in the business of the distribution and provision of professional project contracting services relating to software and hardware for security and ICT products.

Following the completion of the acquisition, the Group adopted the current structure as follows:-



**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION**

As the Group has not been in place as at 31 December 2023, there are no consolidated financial statements of the Group for FYE 31 December 2021, 2022 and 2023.

For the purpose of inclusion in the prospectus of TechStore in connection with the listing and quotation of the entire enlarged issued share capital of TechStore on the ACE Market of Bursa Malaysia Securities Berhad, the Group prepared the combined financial statements comprise the combined statements of financial position as at 31 December 2021, 2022 and 2023 and 31 July 2024 of the Group 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 the FYE 31 December 2021, 2022 and 2023 and FPE 31 July 2024.

The combined financial statements is a continuation of the acquired entity and the assets and liabilities of the acquired entity are stated at their existing carrying amounts.

The financial information as prepared in the combined financial statements may not correspond with the consolidated financial statements of the Group after incorporating or effecting the relevant acquisitions, as the combined financial statements reflect business combinations under common control for the purpose of listing the Company on the ACE Market of Bursa Malaysia Securities Berhad. Such financial information from the combined financial statements does not purport to predict the financial positions, results of operation and cash flows of the Group.

The combined financial statements of the Group are the combination or aggregation of all of the financial statements of the entities of the Group and have been prepared based on the financial statements for the relevant financial years/periods as follows:-

**Entities Under Common Control**

	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FYE 2023</b>	<b>FPE 2023</b>	<b>FPE 2024</b>
TechStore Group	*	*	*	*	✓, ^
Tech-Store Malaysia Group	@	@	@	@	✓, ^

\* *No financial statements are available for TechStore as the Company was incorporated on 23 January 2024.*

@ *The combined financial statements of the Group for the financial year/period have been prepared based on the audited financial statements of TSM for the FYE 31 December 2021, 2022 and 2023 which were audited by Crowe Malaysia PLT and the auditors' report expressed an unmodified opinion.*

✓ *The combined financial statements of the Group include the financial statements of these combining entities for the financial period.*

^ *The combined financial statements of the Group for the financial period have been prepared based on the audited financial statements which were audited by Crowe Malaysia PLT for the purpose of inclusion into the combined financial statements of the Group.*

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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**2. BASIS OF PREPARATION (CONT'D)**

The audited financial statements of all the combining entities were not subject to any modified audit opinions.

The combined financial statements of the Group are prepared under the historical cost convention and modified to include other bases of valuation as disclosed in other sections under material accounting policy information, and in compliance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, requirements of the Companies Act 2016 in Malaysia and the Prospectus Guidelines.

- 2.1 During the current financial period, the Group has adopted the following new accounting standards and/or interpretations (including the consequential amendments, if any):-

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

Amendments to MFRS 16: Lease Liability in a Sale and Leaseback

Amendments to MFRS 101: Classification of Liabilities as Current or Non-current

Amendments to MFRS 101: Non-current Liabilities with Covenants

Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

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

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****2. BASIS OF PREPARATION (CONT'D)**

- 2.2 The Group has not applied in advance the following accounting standards and/or interpretations (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 period:-

<b>MFRSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
MFRS 18 Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19 Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
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 121: Lack of Exchangeability	1 January 2025
Annual Improvements to MFRS Accounting Standards - Volume 11	1 January 2026

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the combined financial statements of the Group upon its initial application except as follows:-

MFRS 18 'Presentation and Disclosure in Financial Statements' will replace MFRS 101 'Presentation of Financial Statements' upon its adoption. This new standard sets out the new requirements for the presentation and disclosure of information in the primary financial statements and notes. The potential impact of the new standard on the combined financial statements of the Group has yet to be assessed.



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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**3. MATERIAL ACCOUNTING POLICY INFORMATION****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) Impairment of Goodwill and Intangible Assets**

The assessment of whether goodwill and intangible assets are impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill and intangible assets are allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amounts of goodwill and intangible assets as at the reporting date and the key assumptions are disclosed in Notes 6 and 7 to the combined financial statements respectively.

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

The Group determine whether an item of its property, plant and equipment and right-of-use assets are 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. The carrying amounts of property, plant and equipment and right-of-use assets as at the reporting date are disclosed in Notes 4 and 5 to the combined financial statements respectively.

**(c) Impairment of Trade Receivables, Finance Lease Receivable and Contract Assets**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables, finance lease receivable and contract assets. The finance lease receivable and contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. 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, finance lease receivable and contract assets. The carrying amounts of trade receivables, finance lease receivable and contract assets as at the reporting date are disclosed in Notes 10 and 11 to the combined financial statements respectively.

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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(d) Revenue Recognition for Contract Services**

The Group recognises certain contract services by reference to the contract services progress using the input method, determined based on the proportion of contract costs incurred for work performed to date over the estimated total contract costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amounts of contract assets and contract liabilities as at the reporting date are disclosed in Note 11 to the combined financial statements.

**(e) 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 amounts of current tax assets and liabilities as at the reporting date are RM25,881 (31.12.2021 - Nil, 31.12.2022 - Nil, 31.12.2023 - Nil) and RM937,205 (31.12.2021 - RM588,212, 31.12.2022 - RM1,121,153, 31.12.2023 - RM1,161,021) respectively.

**(f) Deferred Tax Assets**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits. The carrying amount of deferred tax assets as at the reporting date is disclosed in Note 8 to the combined financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(g) Purchase Price Allocation**

Purchase prices related to business combinations are allocated to the underlying acquired assets and liabilities based on their estimated fair value at the time of acquisition. The determination of fair value required the Group to make assumptions, estimates and judgements regarding future events. The allocation process is inherently subjective and impacts the amount assigned to individually identifiable assets and liabilities. As a result, the purchase price allocation impacts the Group's reported assets (including goodwill) and liabilities, future net earnings due to the impact on future depreciation and amortisation expense and impairment tests. The fair values of the assets acquired and liabilities assumed under the business combinations made during the current financial period are disclosed in Note 25(b) to the combined financial statements.

*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 other than as disclosed below:-

**Lease Terms**

Some leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. In determining the lease term, management considers all facts and circumstances including the past practice and any cost that will be incurred to change the asset if an option to extend is not taken. An extension option is only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

**3.2 FINANCIAL INSTRUMENTS****(a) Financial Assets**Financial Assets Through Profit or Loss

The financial assets are initially measured at fair value. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes recognised in profit or loss. The fair value changes do not include interest and dividend income.

Financial Assets at Amortised Cost

The financial assets are initially measured at fair value plus transaction costs except for trade receivables without significant financing component which are measured at transaction price only. Subsequent to the initial recognition, all financial assets are measured at amortised cost less any impairment losses.

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

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**TECHSTORE BERHAD**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)**

## 3.2 FINANCIAL INSTRUMENTS (Cont'd)

**(b) Financial Liabilities**Financial Liabilities at Amortised Cost

The financial liabilities are initially measured at fair value less transaction costs. Subsequent to the initial recognition, the financial liabilities are measured at amortised cost.

**(c) Equity**Ordinary Shares

Ordinary shares are recorded on initial recognition at the proceeds received less directly attributable transaction costs incurred. The ordinary shares are not remeasured subsequently.

## 3.3 BASIS OF COMBINATION

**(a) Combining Entities**

The combined financial statements comprise the financial statements of the Company and its combining entities as at the reporting dates. The financial statements of the Company and its combining entities used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entities ("Controlling Shareholders"), and are accounted for as if the Company and the combining entities are a single economic entity at the beginning of the earlier comparative period presented or, if later, at the date that common control was established; for this purpose comparatives are restated.

The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in the respective combining entities' financial statements. The components of equity of the combining entities' are added to the same components within the Group's equity and any resulting gain/loss is recognised directly in equity. The accounting policies of combining entities have been changed where necessary to align them with the policies adopted by the Group.

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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****3.3 BASIS OF COMBINATION (CONT'D)****(a) Combining Entities (Cont'd)**

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have de facto power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

**(b) Subsidiaries**

Subsidiaries are entities (including structured entities, if any) 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.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

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

**(c) 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.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****3.4 GOODWILL**

Goodwill is initially measured at cost. Subsequent to the initial recognition, the goodwill is measured at cost less accumulated impairment losses, if any. A bargain purchase gain is recognised in profit or loss immediately.

**3.5 PROPERTY, PLANT AND EQUIPMENT**

All items of property, plant and equipment are initially measured at cost.

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

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual depreciation rates are:-

Buildings	2%
Computer and software	20%
Equipment	10% to 20%
Furniture and fittings	20%
Motor vehicles	20%
Renovation	20%
Signboard	20%

**3.6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES****(a) Short-term Leases and Leases of Low-value Assets**

The Group apply the "short-term lease" and "lease of low-value assets" recognition exemption. For these leases, the Group recognise the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more appropriate.

**(b) Right-of-use Assets**

Right-of-use assets are initially measured at cost. Subsequent to the initial recognition, the right-of-use assets are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any remeasurement of lease liabilities.

The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of the estimated useful lives of the right-of-use assets or the end of the lease term.

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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)**

3.6 RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

**(c) Lease Liabilities**

Lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the entities' incremental borrowing rate. Subsequent to the initial recognition, the lease liabilities are measured at amortised cost and adjusted for any lease reassessment or modifications.

3.7 INTANGIBLE ASSETS

Intangible assets are initially measured at cost. Subsequent to the initial recognition, the intangible assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

**Intangible Assets with Definite Useful Lives**

The intangible assets are amortised using the straight-line method to allocate their depreciable amounts over the following periods:-

Trademark	10 years
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3.8 RESEARCH AND DEVELOPMENT COSTS

Research costs are recognised as an expense when they are incurred.

Capitalised development costs are initially measured at cost. Subsequent the to initial recognition, the development costs are stated at cost less accumulated amortisation and any accumulated impairment losses.

Capitalised development costs are amortised from the point at which the asset is available for use using the straight-line method over periods of 5 years. Prior to that, the capitalised development costs are tested for impairment annually and whenever there is an indication that they may be impaired.

3.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost method and comprises all costs of purchase plus other costs incurred in bringing the inventories to their present location and condition.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**4. PROPERTY, PLANT AND EQUIPMENT**

	-----Audited----->			
	At 1.1.2021 RM	Additions (Note 27(a)) RM	Depreciation Charges (Note 22) RM	At 31.12.2021 RM
<b>FYE 31 December 2021</b>				
<i>Carrying Amount</i>				
Buildings	530,274	-	(6,835)	523,439
Computer and software	83,761	118,740	(53,093)	149,408
Equipment	94,523	49,523	(31,377)	112,669
Furniture and fittings	4,901	10,392	(4,151)	11,142
Motor vehicles	240,542	-	(60,135)	180,407
Renovation	4,701	-	(2,141)	2,560
	<b>958,702</b>	<b>178,655</b>	<b>(157,732)</b>	<b>979,625</b>

	-----Audited----->			
	At 1.1.2022 RM	Additions (Note 27(a)) RM	Depreciation Charges (Note 22) RM	At 31.12.2022 RM
<b>FYE 31 December 2022</b>				
<i>Carrying Amount</i>				
Buildings	523,439	476,062	(18,709)	980,792
Computer and software	149,408	149,968	(50,890)	248,486
Equipment	112,669	35,680	(36,956)	111,393
Furniture and fittings	11,142	17,074	(5,181)	23,035
Motor vehicles	180,407	27,000	(63,285)	144,122
Renovation	2,560	3,700	(1,835)	4,425
	<b>979,625</b>	<b>709,484</b>	<b>(176,856)</b>	<b>1,512,253</b>



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	-----Audited----->			
	At 1.1.2023 RM	Additions (Note 27(a)) RM	Depreciation Charges (Note 22) RM	At 31.12.2023 RM
<b>FYE 31 December 2023</b>				
<i>Carrying Amount</i>				
Buildings	980,792	-	(21,003)	959,789
Computer and software	248,486	500,272	(131,388)	617,370
Equipment	111,393	52,087	(27,449)	136,031
Furniture and fittings	23,035	12,246	(6,538)	28,743
Motor vehicles	144,122	34,500	(72,235)	106,387
Renovation	4,425	6,071	(2,196)	8,300
	1,512,253	605,176	(260,809)	1,856,620

	-----Audited----->				
	At 1.1.2024 RM	Acquisition of a Subsidiary (Note 25(b)) RM	Additions (Note 27(a)) RM	Depreciation Charges (Note 22) RM	At 31.7.2024 RM
<b>FPE 31 July 2024</b>					
<i>Carrying Amount</i>					
Buildings	959,789	-	-	(12,252)	947,537
Computer and software	617,370	-	124,434	(106,548)	635,256
Equipment	136,031	1	63,345	(19,446)	179,931
Furniture and fittings	28,743	-	3,952	(4,963)	27,732
Motor vehicles	106,387	-	-	(42,253)	64,134
Renovation	8,300	-	17,845	(1,844)	24,301
	1,856,620	1	209,576	(187,306)	1,878,891

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	<-----Audited----->		
	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>At 31.12.2021</b>			
Buildings	574,131	(50,692)	523,439
Computer and software	890,464	(741,056)	149,408
Equipment	436,528	(323,859)	112,669
Furniture and fittings	316,683	(305,541)	11,142
Motor vehicles	438,350	(257,943)	180,407
Renovation	151,791	(149,231)	2,560
Signboard	10,750	(10,750)	-
	2,818,697	(1,839,072)	979,625
<b>At 31.12.2022</b>			
Buildings	1,050,193	(69,401)	980,792
Computer and software	1,040,432	(791,946)	248,486
Equipment	472,208	(360,815)	111,393
Furniture and fittings	333,757	(310,722)	23,035
Motor vehicles	465,350	(321,228)	144,122
Renovation	155,491	(151,066)	4,425
Signboard	10,750	(10,750)	-
	3,528,181	(2,015,928)	1,512,253
<b>At 31.12.2023</b>			
Buildings	1,050,193	(90,404)	959,789
Computer and software	1,540,704	(923,334)	617,370
Equipment	524,295	(388,264)	136,031
Furniture and fittings	346,003	(317,260)	28,743
Motor vehicles	499,850	(393,463)	106,387
Renovation	161,562	(153,262)	8,300
Signboard	10,750	(10,750)	-
	4,133,357	(2,276,737)	1,856,620

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	<-----Audited----->		
	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
<b>At 31.7.2024</b>			
Buildings	1,050,193	(102,656)	947,537
Computer and software	1,667,828	(1,032,572)	635,256
Equipment	589,925	(409,994)	179,931
Furniture and fittings	349,955	(322,223)	27,732
Motor vehicles	499,850	(435,716)	64,134
Renovation	179,407	(155,106)	24,301
Signboard	18,550	(18,550)	-
	4,355,708	(2,476,817)	1,878,891

The buildings of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 18 to the combined financial statements.

**5. RIGHT-OF-USE ASSETS**

	<-----Audited----->			
	At 1.1.2021 RM	Reassessment of Lease Liabilities RM	Depreciation Charges (Note 22) RM	At 31.12.2021 RM
<b>FYE 31 December 2021</b>				
<i>Carrying Amount</i>				
Leasehold lands	1,484,767	-	(19,138)	1,465,629
Office premises	39,088	234,112	(117,128)	156,072
Hostel	70,459	29,511	(29,223)	70,747
Equipment	83,947	-	(16,788)	67,159
	1,678,261	263,623	(182,277)	1,759,607

**13. ACCOUNTANTS' REPORT (Cont'd)**
**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**
**5. RIGHT-OF-USE ASSETS (CONT'D)**

-----Audited----->					
	At 1.1.2022 RM	Addition (Note 27(a)) RM	Reassessment of Lease Liabilities RM	Depreciation Charges (Note 22) RM	At 31.12.2022 RM
<b>FYE 31 December 2022</b>					
<i>Carrying Amount</i>					
Leasehold lands	1,465,629	607,738	-	(26,363)	2,047,004
Office premises	156,072	-	117,060	(117,056)	156,076
Hostel	70,747	-	29,268	(29,273)	70,742
Equipment	67,159	-	41,610	(22,500)	86,269
	1,759,607	607,738	187,938	(195,192)	2,360,091
-----Audited----->					
	At 1.1.2023 RM	Addition (Note 27(a)) RM	Reassessment of Lease Liabilities RM	Depreciation Charges (Note 22) RM	At 31.12.2023 RM
<b>FYE 31 December 2023</b>					
<i>Carrying Amount</i>					
Leasehold lands	2,047,004	-	-	(27,321)	2,019,683
Office premises	156,076	-	117,056	(117,056)	156,076
Hostels	70,742	62,729	29,274	(50,185)	112,560
Equipment	86,269	-	-	(22,504)	63,765
	2,360,091	62,729	146,330	(217,066)	2,352,084
-----Audited----->					
	At 1.1.2024 RM	Derecognition Due to Lease Modification RM	Reassessment of Lease Liabilities RM	Depreciation Charges (Note 22) RM	At 31.7.2024 RM
<b>FPE 31 July 2024</b>					
<i>Carrying Amount</i>					
Leasehold lands	2,019,683	-	-	(15,937)	2,003,746
Office premises	156,076	-	117,056	(68,279)	204,853
Hostels	112,560	(102,454)	-	(10,106)	-
Equipment	63,765	-	-	(13,127)	50,638
	2,352,084	(102,454)	117,056	(107,449)	2,259,237

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**5. RIGHT-OF-USE ASSETS (CONT'D)**

- (a) The Group has leases contract for leasehold lands, office premises, hostels and equipment used in its operations with the following lease terms:-

	<-----FYE 31 December----->			FPE 31 July
	2021 Audited	2022 Audited	2023 Audited	2024 Audited
Leasehold lands	84 years	84 years and 75 years	84 years and 75 years	84 years and 75 years
Office premises	1 year + 1 year renewal option	1 year + 1 year renewal option	1 year + 1 year renewal option	1 year + 1 year renewal option
Hostels	1 year + 2 years renewal option	1 year + 2 years renewal option	1 year + 2 years renewal option and 1 year + 1 year renewal option	NIL
Equipment	5 years	5 years	5 years	5 years

- (b) The Group also has leases with lease terms of 12 months or less and leases of office equipment with low value. The Group has applied the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.
- (c) The leasehold lands of the Group have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 18 to the combined financial statements.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**6. GOODWILL**

	<b>FPE 31 July 2024 RM Audited</b>
Cost:-	
At 1 January 2024	-
Acquisition of a subsidiary (Note 25(d))	1,321,874
At 31 July 2024	1,321,874
Accumulated impairment loss:-	
At 1 January 2024	-
Impairment during the financial period (Note 38)	-
At 31 July 2024	-
	<b>1,321,874</b>

The Group has assessed the recoverable amount of goodwill and determined that no impairment is required. The recoverable amount is determined using the value-in-use approach, and this is derived from the present value of the future cash flows from the cash-generating unit based on the projections of financial budgets approved by the management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

	<b>2024 %</b>	<b>Basis</b>
Revenue growth rate	1.80	Based on historical inflation rate
Gross profit margin	15.00	Based on the cost markup specified in the agreement.
Discount rate (pre-tax)	5.09	The rate reflects specific risks relating to the cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future projections in the cash-generating unit and are based on both external sources and internal historical data.

The management believes that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the cash-generating unit's carrying amount to exceed its recoverable amount.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****7. INTANGIBLE ASSETS**

	<b>FPE 31 July 2024 RM Audited</b>
Cost:-	
At 1 January 2024	-
Additions	2,486,736
Acquisition of a subsidiary	6,080
At 31 July 2024	<u>2,492,816</u>
Accumulated amortisation:-	
At 1 January 2024	-
Acquisition of a subsidiary	(1,817)
Amortisation during the financial period (Note 27)	(178)
At 31 July 2024	<u>(1,995)</u>
	<u>2,490,821</u>
Represented by:-	
Development cost	2,486,736
Trademark	4,085
	<u>2,490,821</u>
Included in additions during the financial period are:-	
Staff costs	<u>430,488</u>

The development costs are in respect of development of platform screen door and belong to the Design and Implementation of enterprise IT security and automation solutions segment.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****7. INTANGIBLE ASSETS (CONT'D)**

The Group has assessed the recoverable amount of development cost and determined that no impairment is required. Its recoverable amount is determined using the value in use approach, and this is derived from the present value of the future cash flows from platform screen door computed based on the projections of financial budgets approved by management covering a period of 5 years. The key assumptions used in the determination of the recoverable amount are as follows:-

	<b>2024</b> %	<b>Basis</b>
Gross profit margin	24.00	Based on similar project execute during past performance
Discount rate (pre-tax)	5.09	The rate reflects specific risks relating to the cash-generating unit.

The values assigned to the key assumptions represent management's assessment of future projections in the cash-generating unit and are based on both external sources and internal historical data.

The management believes that there is no reasonable possible change in the above key assumptions applied that is likely to materially cause the cash-generating unit's carrying amount to exceed its recoverable amount.



**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****8. TRADE AND OTHER RECEIVABLES**

	←-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
<b><u>Trade receivables</u></b>				
Third parties (Note (a))	4,086,254	3,468,703	9,541,624	16,259,736
Retention sums (Note (b))	1,628,865	3,797,847	7,047,497	7,526,269
	5,715,119	7,266,550	16,589,121	23,786,005
Allowance for impairment losses	(2,185,739)	(1,698,662)	(1,788,219)	(821,872)
	3,529,380	5,567,888	14,800,902	22,964,133
<b><u>Non-trade receivables</u></b>				
<b><u>Non-current</u></b>				
Finance lease receivable (Note (c))	-	-	-	27,297,682
<b><u>Current</u></b>				
Third parties	10,835	261,170	187,085	798,289
Finance lease receivable (Note (c))	-	-	-	6,149,112
Amount owing by related parties (Note (d))	216,009	2,174	7,407	3,590
Amount owing by a director (Note (e))	-	48,439	-	-
	226,844	311,783	194,492	6,950,991
	226,844	311,783	194,492	34,248,673
Allowance for impairment losses	(206,117)	-	-	(235,000)
	20,727	311,783	194,492	34,013,673
Total trade and non-trade receivables	3,550,107	5,879,671	14,995,394	56,977,806

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****8. TRADE AND OTHER RECEIVABLES (CONT'D)**

	<-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
<b>Trade receivables</b>				
Allowance for impairment losses:-				
At 1 January	4,553,739	2,185,739	1,698,662	1,788,219
Addition during the financial year/period (Note 21)	-	-	579,557	-
Reversal during the financial year/period (Note 21)	(2,368,000)	(487,077)	(490,000)	(966,347)
At 31 December/31 July	<u>2,185,739</u>	<u>1,698,662</u>	<u>1,788,219</u>	<u>821,872</u>
<b>Non-trade receivables</b>				
Allowance for impairment losses:-				
At 1 January	244,683	206,117	-	-
Addition during the financial year/period (Note 21)	-	-	-	235,000
Reversal during the financial year/period (Note 21)	(38,566)	(206,117)	-	-
At 31 December/31 July	<u>206,117</u>	<u>-</u>	<u>-</u>	<u>235,000</u>

(a) The Group's normal trade credit term is ranging from 30 to 60 (31.12.2021 - 30 to 60, 31.12.2022 - 7 to 60, 31.12.2023 - 30 to 60) days. Other credit terms are assessed and approved on a case-by-case basis.

(b) The retention sums are expected to be collected within the periods of 24 (31.12.2021 - 24, 31.12.2022 - 24, 31.12.2023 - 24) months.

(c) The Group entered into a finance lease arrangement for ICT equipment and lease to public sector. The lease is denominated in RM. The terms of finance lease entered is 5 years.

The interest rate inherent in the lease is fixed at the contract date for the entire lease term. The effective interest rate contracted is 10.46%.

The Group entered a specific charge and deed of assignment over finance lease receivable with licensed bank as security for banking facilities granted to the Group as disclosed in Note 18 to the combined financial statements.

(d) The amount owing by related parties is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing is to be settled in cash.

(e) In the FYE 31 December 2022, the amount owing by a director was non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**9. DEFERRED TAX ASSETS**

	←-----FYE 31 December-----→			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
At 1 January	1,095,000	569,000	405,000	526,000
Recognised in profit or loss (Note 21)	(526,000)	(164,000)	121,000	308,000
At 31 December/31 July	<u>569,000</u>	<u>405,000</u>	<u>526,000</u>	<u>834,000</u>

The deferred tax assets recognised at the end of the reporting period are as follows:-

	←-----FYE 31 December-----→			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
Deferred tax assets:-				
Finance lease receivable	-	-	-	328,000
Provisions	596,000	449,000	598,000	576,000
Deferred tax liability:-				
Accelerated capital allowances over depreciation	(27,000)	(44,000)	(72,000)	(70,000)
At 31 December/31 July	<u>569,000</u>	<u>405,000</u>	<u>526,000</u>	<u>834,000</u>

At the end of the reporting period, the amount of deferred tax assets not recognised (stated at gross) due to uncertainty of their realisation are as follows:-

	FYE 31 December 2023	FPE 31 July 2024
	RM	RM
	Audited	Audited
Unused tax losses:		
- expires in year of assessment 2028	721,000	688,000
- expires in year of assessment 2029	1,000	1,000
- expires in year of assessment 2031	17,000	17,000
- expires in year of assessment 2032	21,000	21,000
- expires in year of assessment 2033	27,000	27,000
- expires in year of assessment 2034	-	327,000
Unabsorbed capital allowance	2,000	2,000
Provisions	205,000	258,000
	<u>994,000</u>	<u>1,341,000</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**10. INVENTORIES**

	<-----FYE 31 December----->			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
At cost:- Spare parts, tools and consumables	752,395	1,914,580	1,728,653	2,383,026
	<-----FYE 31 December----->			<-----FPE 31 July----->
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited
Recognised in profit or loss:- Inventories recognised as cost of sales	2,481,981	4,408,313	11,390,859	6,048,926

None of the inventories is carried at net realisable value.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**11. CONTRACT ASSETS/(LIABILITIES)**

	←-----FYE 31 December----->			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
<b>Contract Assets</b>				
At 1 January	365,822	14,977,908	28,570,210	22,751,298
Performance obligations performed (Note 20)	21,660,526	37,515,702	56,091,006	21,660,355
Transfer to trade receivables	(7,048,440)	(24,027,040)	(61,909,918)	(29,299,616)
Transfer to contract liabilities	-	103,640	-	-
Allowance for impairment losses	-	-	-	(245,000)
<b>At 31 December/31 July</b>	<b>14,977,908</b>	<b>28,570,210</b>	<b>22,751,298</b>	<b>14,867,037</b>
<b>Allowance for impairment losses:-</b>				
At 1 January	10,000	-	-	-
Addition during the financial year/period (Note 21)	-	-	-	245,000
Reversal during the financial year/period (Note 21)	(10,000)	-	-	-
<b>At 31 December/31 July</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>245,000</b>

- (i) The contract assets primarily relate to the Group's right to consideration for work completed but not yet billed as at the reporting date. The amount will be transferred to trade receivables when the Group issues billing in the manner as established in the contracts with customers.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**11. CONTRACT ASSETS/(LIABILITIES) (CONT'D)**

	←-----FYE 31 December-----→			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
<b>Contract Liabilities</b>				
At 1 January	(1,579,809)	(91,276)	(103,640)	-
Contract liabilities at the beginning of financial year/period recognised as revenue (Note 18)	1,488,533	91,276	103,640	-
Performance obligations performed (Note 18)	-	-	34,000	1,817,448
Transfer to trade receivables	-	-	(34,000)	(3,862,075)
Transfer from contract assets	-	(103,640)	-	-
At 31 December/31 July	<u>(91,276)</u>	<u>(103,640)</u>	<u>-</u>	<u>(2,044,627)</u>

- (i) The contract liabilities primarily relate to advances received from customers to render contract services not yet redeemed. The amount will be recognised as revenue when the performance obligations are satisfied.

The transaction price allocated to unsatisfied and/or partially unsatisfied performance obligations as at the reporting date are as below:-

	←-----FYE 31 December-----→			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
Within 1 year	28,712,876	65,944,766	50,910,123	53,320,837
Between 2 to 5 years	32,074,341	24,635,890	11,087,799	20,012,592
	<u>60,787,217</u>	<u>90,580,656</u>	<u>61,997,922</u>	<u>73,333,429</u>

The amounts disclosed include variable consideration which is constrained.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**12. DEPOSITS AND PREPAYMENTS**

	←-----FYE 31 December-----→			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
Deposits	202,996	501,546	182,246	1,842,140
Prepayments	311,963	477,092	1,115,712	1,999,327
Accrued sales	-	85,155	-	65,438
	514,959	1,063,793	1,297,958	3,906,905

- (a) In FYE 31 December 2021, included in deposits is an amount of RM105,000 being deposit made to the vendor for acquisition of a property.
- (b) Included in deposits is an amount of RM1,361,100 being advance deposit to the Finance Service Revenue Account with financial institution and has been pledged to financial institution as security for banking facilities granted to the Group as disclosed in Note 18 to the combined financial statements.
- (c) Included in prepayments is an amount of RM1,020,691 (31.12.2021 - RM274,620, 31.12.2022 - RM329,620, 31.12.2023 - RM938,284) being advances made to suppliers and will be offset against future purchases from suppliers.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****13. CASH AND CASH EQUIVALENTS**

For the purpose of the combined statements of cash flows, cash and cash equivalents comprise the following:-

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Short-term investments (Note 14)	15,972	-	16,348	-	-
Fixed deposits with licensed banks (Note 15)	3,530,708	3,414,411	4,439,483	4,194,169	3,409,728
Cash and bank balances	6,650,616	4,166,149	13,638,013	6,029,511	11,869,370
	<u>10,197,296</u>	<u>7,580,560</u>	<u>18,093,844</u>	<u>10,223,680</u>	<u>15,279,098</u>
Less: Fixed deposits pledged to licensed banks (Note 15)	(3,530,708)	(3,414,411)	(4,439,483)	(4,194,169)	(3,409,728)
Restricted cash	(886,625)	(886,625)	-	(886,625)	(335,637)
	<u>5,779,963</u>	<u>3,279,524</u>	<u>13,654,361</u>	<u>5,142,886</u>	<u>11,533,733</u>

Included in the cash and bank balances of the Group is amount of RM335,637 (31.12.2021 - RM886,625, 31.12.2022 - RM886,625, 31.12.2023 - Nil), pledged as security for banking facilities to facilitate the issuance of performance guarantees for contracts awarded by customers.



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**14. SHORT-TERM INVESTMENTS**

	←-----FYE 31 December----->			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
Money market funds, at fair value	15,972	-	16,348	-

The money market funds represent investments in highly liquid money market instruments and deposits with financial institutions in Malaysia which are redeemable with seven (7) days notice at known amounts of cash, and are subject to an insignificant risk of changes in value.

**15. FIXED DEPOSITS WITH LICENSED BANKS**

- (a) The fixed deposits with licensed banks at the end of the reporting period bore effective interest rates ranging from 2.60% to 3.10% (31.12.2021 - 1.75% to 2.00%, 31.12.2022 - 1.55% to 3.00%, 31.12.2023 - 2.55% to 3.10%) per annum. The fixed deposits have a maturity periods ranging from 3 to 12 (31.12.2021 - 2 to 12, 31.12.2022 - 3 to 12, 31.12.2023 - 3 to 12) months.
- (b) Included in the fixed deposits with licensed banks of the Group at the end of the reporting period was an amount of RM3,409,728 (31.12.2021 - RM3,530,708, 31.12.2022 - RM3,414,411, 31.12.2023 - RM4,439,483) which has been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 16 to the combined financial statements.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**16. SHARE CAPITAL AND INVESTED EQUITY**

**(a) Share Capital**

	←-----FYE 31 December----->			FPE 31 July 2024 Audited
	2021 Audited	2022 Audited	2023 Audited	
<b>Issued and Fully Paid-Up</b>				
	Number Of Share			
Ordinary Share				
At 23 January 2024/ date of incorporation	-	-	-	1
At 31 December/ 31 July	-	-	-	1
	←-----FYE 31 December----->			FPE 31 July 2024 RM Audited
	2021 RM Audited	2022 RM Audited	2023 RM Audited	
<b>Issued and Fully Paid-Up</b>				
Ordinary Share				
At 23 January 2024/ date of incorporation	-	-	-	1
At 31 December/ 31 July	-	-	-	1

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**16. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)**

**(b) Invested Equity**

	←-----FYE 31 December----->			FPE 31 July
	2021 Audited	2022 Audited	2023 Audited	2024 Audited
<b>Issued and Fully Paid-Up</b>				
	Number Of Shares			
Ordinary Shares				
At 1 January	4,000,000	4,000,000	5,000,000	12,000,000
Bonus issue of shares	-	1,000,000	7,000,000	-
At 31 December/ 31 July	<u>4,000,000</u>	<u>5,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
	←-----FYE 31 December----->			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
<b>Issued and Fully Paid-Up</b>				
Ordinary Shares				
At 1 January	4,000,000	4,000,000	5,000,000	12,000,000
Bonus issue of shares	-	1,000,000	7,000,000	-
At 31 December/ 31 July	<u>4,000,000</u>	<u>5,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>

- (i) For the purpose of these combined financial statements, the invested equity at the end of the respective financial year/period is the share capital of TSM.
- (ii) In FYE 31 December 2022 and 2023, TSM issued 1,000,000 and 7,000,000 new ordinary shares respectively pursuant to the bonus issue exercise undertaken by TSM on the basis of seven bonus shares for every five existing ordinary shares held by the shareholders of TSM.

The new ordinary shares issued rank equally in all respects with the existing ordinary shares of the Group.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****16. SHARE CAPITAL AND INVESTED EQUITY (CONT'D)****(b) Invested Equity (Cont'd)****Ordinary shares**

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

**17. LEASE LIABILITIES**

	←-----FYE 31 December----->			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
At 1 January	196,908	300,940	320,668	342,330
Addition (Note 27(a))	-	-	62,729	-
Changes due to reassessment of lease liabilities	261,615	179,934	140,485	113,147
Derecognition due to lease modification	-	-	-	(105,095)
Interest expenses recognised in profit or loss (Note 22)	20,017	23,994	25,049	10,702
Repayment of principal	(157,583)	(160,206)	(181,552)	(88,848)
Repayment of interest expense	(20,017)	(23,994)	(25,049)	(10,702)
At 31 December/July	<u>300,940</u>	<u>320,668</u>	<u>342,330</u>	<u>261,534</u>
Analysed by:-				
Current liabilities	162,363	167,808	200,961	138,483
Non-current liabilities	138,577	152,860	141,369	123,051
	<u>300,940</u>	<u>320,668</u>	<u>342,330</u>	<u>261,534</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****18. BORROWINGS**

	←-----FYE 31 December----->			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
<b>Non-current</b>				
Term loans (Secured)	1,973,696	3,974,871	3,989,834	31,202,779
<b>Current</b>				
Term loans (Secured)	242,784	660,884	837,300	7,236,855
Bankers' acceptances	-	-	722,723	-
Invoice financing	-	-	3,050,000	-
	<u>242,784</u>	<u>660,884</u>	<u>4,610,023</u>	<u>7,236,855</u>

- (a) The borrowings are secured by:-
- (i) All monies facilities agreement between borrower and the financial institution;
  - (ii) Leasehold lands and buildings as disclosed in Notes 4 and 5 to the combined financial statements;
  - (iii) A specific charge and deed of assignment over finance lease receivable as disclosed in Note 8 to the combined financial statements;
  - (iv) Fixed deposits with licensed banks as disclosed in Note 15 to the combined financial statements;
  - (v) Memorandum of advance deposit to the Finance Service Revenue Account as disclosed in Note 12 to the combined financial statements and deposit of sinking fund;
  - (vi) Personal and joint and several guarantee by directors of the Group;
  - (vii) Syarikat Jaminan Pembiayaan Berhad (SJPP) guarantee under covid-19 special relief fund up to RM9,600,000 being 80% of the principal limit of the facility; and
  - (viii) Guarantee cover from the Government of Malaysia up to RM1,400,000 being 70% of the principal limit of the facility.
- (b) In connection with certain borrowings, the Group has to comply with the following significant covenants:-
- (i) Leverage ratio of not more than 2.50 times; and
  - (ii) Gearing ratio of not more than 1.50 times.
- (c) The Group has complied with the loan covenants.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**18. BORROWINGS (CONT'D)**

(d) The interest rates profile of the borrowings are summarised below:-

	<-----Effective Interest Rate----->			
	<-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	%	%	%	%
	Audited	Audited	Audited	Audited
Term loans:				
- floating rate	4.60	2.77 to 7.73	4.02 to 8.70	4.02 to 8.70
- fixed rate	3.50	3.50	3.50	NIL
Bankers' acceptances	NIL	NIL	5.47 to 5.62	NIL
Invoice financing	NIL	NIL	7.76	NIL

**19. TRADE AND OTHER PAYABLES**

	<-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
<b>Trade payables</b>				
Third parties	10,172,100	473,829	2,718,357	3,267,261
Retention sums	1,693,507	3,774,866	4,453,954	4,524,325
Provision of costs	353,677	81,215	81,215	-
Accrued subcontractor work	-	13,877,312	13,003,467	14,520,027
At 31 December/31 July	12,219,284	18,207,222	20,256,993	22,311,613
<b>Non-trade payables</b>				
Third parties	81,702	86,738	152,232	1,043,242
Amount owing to related parties	276	27,579	-	1,110,806
Deposits received	6,000	6,000	12,000	6,000
Accruals	358,711	310,155	893,134	1,085,693
Deferred income	-	117,006	112,198	71,550
At 31 December/31 July	446,689	547,478	1,169,564	3,317,291
	12,665,973	18,754,700	21,426,557	25,628,904

(a) The normal credit terms granted to the Group ranging from 30 to 90 (31.12.2021 - 30 to 90, 31.12.2022 - 30 to 90, 31.12.2023 - 30 to 90) days. Other credit terms are granted and approved by the suppliers on a case-by-case basis.

(b) The retention sums are expected to be settled within the period of 24 (31.12.2021 - 24, 31.12.2022 - 24, 31.12.2023 - 24) months.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****20. REVENUE**

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<u>Revenue recognised at a point in time</u>					
Sale of goods	713,549	1,197,363	1,143,431	353,628	4,503,435
<u>Revenue recognised over time</u>					
Contract services	23,240,335	37,515,702	56,228,646	17,117,841	23,477,802
Rendering of services	5,428,586	3,526,124	4,835,403	2,438,365	2,138,838
	26,668,921	41,041,826	61,064,049	19,556,206	25,616,640
	<u>29,382,470</u>	<u>42,239,189</u>	<u>62,207,480</u>	<u>19,909,834</u>	<u>30,120,075</u>

- (a) The information on transaction price allocated to unsatisfied and/or partially unsatisfied performance obligations as at the reporting date is disclosed in Note 11 to the combined financial statements.
- (b) The information about the performance obligations in contracts with customers is summarised below:-

Sale of goods

Revenue is recognised at a point in time when the goods have been delivered to the customer and upon its acceptance, and it is probable that the Group will collect the considerations to which it would be entitled to in exchange for the goods sold.

Contract services

The contract services include multiple distinct promises to customers and therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on the stand-alone selling prices.

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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**20. REVENUE (CONT'D)**

- (b) The information about the performance obligations in contracts with customers is summarised below (Cont'd):-

Contract services (Cont'd)

Revenue from contract services is recognised over time in the period in which the services are rendered using the input method, determined based on the proportion of contract costs incurred for work performed to date over the estimated total contract costs. Transaction price is computed based on the price specified in the contract and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the contract services are rendered 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. If the contract services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

A defect liability period is ranging from 6 to 24 months is given to the customers.

Rendering of services

Revenue is recognised over time in the period in which the services are rendered. As a practical expedient, the Group recognises revenue on a straight-line method over the period of service.



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**21. NET IMPAIRMENT (GAINS)/LOSSES ON FINANCIAL ASSETS AND CONTRACT ASSETS**

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<u>Impairment losses:</u>					
- contract assets (Note 11)	-	-	-	13,000	245,000
- finance lease receivable (Note 10)	-	-	-	-	235,000
- trade receivables (Note 10)	-	-	579,557	168,180	-
	-	-	579,557	181,180	480,000
<u>Reversal of Impairment losses:</u>					
- contract assets (Note 11)	(10,000)	-	-	-	-
- non-trade receivables (Note 10)	(38,566)	(206,117)	-	-	-
- trade receivables (Note 10)	(2,368,000)	(487,077)	(490,000)	(143,000)	(966,347)
	(2,416,566)	(693,194)	(490,000)	(143,000)	(966,347)
	(2,416,566)	(693,194)	89,557	38,180	(486,347)

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**22. PROFIT BEFORE TAXATION**

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Profit before taxation is arrived at after charging/(crediting):-					
Auditors' remuneration:					
- current financial year/period	40,000	49,000	59,000	34,000	54,617
- overprovision in the previous financial year	(954)	-	-	-	-
Amortisation of intangible assets	-	-	-	-	178
Depreciation:					
- property, plant and equipment (Note 4)	157,732	176,856	260,809	139,482	187,306
- right-of-use assets (Note 5)	182,277	195,192	217,066	122,259	107,449
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- bankers' acceptances	-	-	15,165	962	32,934
- bank overdraft	-	-	-	-	16,540
- bank guarantee	11,115	116,177	355,758	234,109	98,144
- invoice financing	-	-	-	-	42,892
- term loans	86,847	198,575	292,400	167,623	584,269
Interest expenses on lease liabilities (Note 17)	20,017	23,994	25,049	14,149	10,702
Lease expenses:					
- low-value assets	1,100	550	-	-	2,344
- short-term	2,200	11,702	41,200	-	14,329
Net loss/(gain) in foreign exchange:					
- realised	4,505	(108,863)	63,373	8,904	(42,135)
- unrealised	19,957	-	34,114	-	-

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**22. PROFIT BEFORE TAXATION (CONT'D)**

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021	2022	2023	2023	2024
	RM	RM	RM	RM	RM
	Audited	Audited	Audited	Unaudited	Audited
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-					
Staff costs:					
- salaries, bonuses, incentives and allowances	2,872,314	3,039,910	4,712,884	2,113,126	3,462,800
- defined contribution benefits	298,170	319,269	407,005	209,846	388,672
- other benefits	71,743	71,088	183,796	95,126	147,357
Fair value gain on financial assets measured at fair value through profit or loss mandatorily on short-term investments	-	(36,952)	(84,384)	(34,694)	(41,414)
Finance income from finance lease receivable	-	-	-	-	(1,396,288)
Gain on lease modification due to termination	-	-	-	-	(2,641)
Gain on reassessment of lease liabilities	(2,008)	(8,004)	(5,845)	(5,845)	(3,909)
Interest income on financial assets	(65,110)	(89,632)	(100,179)	(54,758)	(70,736)
Lease income	(24,000)	(24,000)	(44,200)	(14,000)	(15,400)
Reversal of overprovision of completed project	-	(853,677)	-	-	(81,215)

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**23. INCOME TAX EXPENSE**

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Current tax expense:					
- for the financial year/period	1,781,000	2,022,000	2,742,000	875,000	1,213,000
- under/(over) provision in the previous financial year/period	33,294	(23,353)	152,682	152,682	(21,524)
	1,814,294	1,998,647	2,894,682	1,027,682	1,191,476
Deferred tax:					
- origination and reversal of temporary differences	526,000	215,000	(115,000)	-	(282,000)
- overprovision in the previous financial year/period	-	(51,000)	(6,000)	-	(26,000)
	526,000	164,000	(121,000)	-	(308,000)
Income tax expense for the financial year/period	2,340,294	2,162,647	2,773,682	1,027,682	883,476

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**23. INCOME TAX EXPENSE (CONT'D)**

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:-

	←-----FYE 31 December-----→			←-----FPE 31 July-----→	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Profit before taxation	9,102,644	9,374,873	10,495,526	3,097,852	3,724,061
Tax at the statutory tax rate of 24%	2,184,000	2,250,000	2,519,000	743,000	894,000
Tax effects of:-					
Non-deductible expenses	152,000	203,000	130,000	24,000	184,000
Non-taxable income	(29,000)	(216,000)	(22,000)	(10,000)	(226,000)
Deferred tax assets not recognised during the financial year/period	-	-	-	118,000	79,000
Under/(Over) provision in the previous financial year/period:					
- current tax	33,294	(23,353)	152,682	152,682	(21,524)
- deferred tax	-	(51,000)	(6,000)	-	(26,000)
Income tax expense for the financial year/period	<u>2,340,294</u>	<u>2,162,647</u>	<u>2,773,682</u>	<u>1,027,682</u>	<u>883,476</u>

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year/period.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**23. INCOME TAX EXPENSE (CONT'D)**

Income tax savings during the financial year/period arising from:-

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021	2022	2023	2023	2024
	RM	RM	RM	RM	RM
	Audited	Audited	Audited	Unaudited	Audited
Utilisation of capital allowances:					
- current financial year/period	152,000	50,538	80,953	47,223	79,020

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**24. EARNING PER SHARE**

The basic earnings per share is calculated by dividing the combined profit attributable to owners of the Group for the financial year/period by the weighted average number of ordinary shares in issue during the financial year/period as follows:-

	←-----FYE 31 December-----→			←-----FPE 31 July-----→	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Profit after taxation	6,762,350	7,212,226	7,721,844	2,070,170	2,840,585
Weighted average number of ordinary shares in issue:					
- Ordinary shares at 1 January	4,000,000	4,000,000	5,000,000	5,000,000	12,000,000
- Effect of bonus shares <sup>#</sup>	8,000,000	8,000,000	7,000,000	7,000,000	-
	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>	<u>12,000,000</u>
Basic earnings per share (Sen)	<u>56.35</u>	<u>60.10</u>	<u>64.35</u>	<u>17.25</u>	<u>23.67</u>

The diluted earnings per share is equal to the basic earnings per share because there were no potential ordinary shares as at the end of the financial year/period.

The number of ordinary shares used for the calculation of earnings per share in a common control combination which is accounted for under reorganisation scheme, is the aggregate of the weighted average number of shares of the entity whose shares are outstanding after the combination.

Note:

<sup>#</sup> - The comparative figure for the weighted average number of ordinary shares in issue has been restated to reflect the adjustment arising from bonus shares of 1,000,000 and 7,000,000 which was completed on 4 January 2022 and 21 November 2023 respectively.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**25. ACQUISITION OF A SUBSIDIARY**

On 9 January 2024, TSM acquired 100% equity interests in SeeTec as disclosed in Note 33(b) to the combined financial statements.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the date of acquisition:-

**(a) Fair Value of Purchase Consideration**

	<b>FPE 31 July 2024 RM Audited</b>
Cash	200,000
Total purchase consideration	<u>200,000</u>

**(b) Identifiable Assets Acquired and Liabilities Assumed**

	<b>FPE 31 July 2024 RM Audited</b>
Property, plant and equipment (Note 5)	1
Intangible assets (Note 6)	4,263
Other receivables and deposits	14,101
Current tax assets	23,736
Bank balance	36,502
Other payables and accruals	(1,200,477)
Fair value of net identifiable liabilities assumed	<u>(1,121,874)</u>

**(c) Cash Flows Arising from Acquisition**

	<b>FPE 31 July 2024 RM Audited</b>
Purchase consideration settled in cash and cash equivalents (item (a) above)	200,000
Less: Cash and cash equivalents of subsidiary acquired (item (b) above)	(63,380)
Net cash outflow from the acquisition of a subsidiary	<u>136,620</u>



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**25. ACQUISITION OF A SUBSIDIARY (CONT'D)**

**(d) Goodwill Arising from Acquisition**

	<b>FPE 31 July 2024 RM Audited</b>
Total consideration transferred (item (a) above)	200,000
Add: Fair value of identifiable net assets liabilities (item (b) above)	1,121,874
Goodwill from the acquisition of a subsidiary (Note 9)	<u>1,321,874</u>

The goodwill is not deductible for tax purposes.

**(e) Impact of Acquisition on the Group's Results**

The acquired subsidiary has contributed the following results to the Group:-

	<b>FPE 31 July 2024 RM Audited</b>
Revenue	136,098
Profit after taxation	<u>32,978</u>

If the acquisition had taken place at the beginning of the current financial period, the Group's revenue and profit after taxation would have been RM136,098 and RM32,978 respectively.

There were no acquisitions of new subsidiaries in the previous financial year.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**26. DIVIDENDS**

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Final dividend of RM0.06 per ordinary share in respect of the financial year/period	-	300,000	-	-	-

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**27. CASH FLOW INFORMATION**

(a) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use asset are as follows:-

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<b>Property, plant and equipment</b>					
Cash of property, plant and equipment purchased (Note 4)	178,655	709,484	605,176	392,340	209,576
<b>Right-of-use asset</b>					
Cost of right-of-use asset acquired (Note 5)	-	607,738	62,729	62,729	-
Less: Addition of new lease liability (Note 17)	-	-	(62,729)	(62,729)	-
	-	607,738	-	-	-

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**27. CASH FLOW INFORMATION (CONT'D)**

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

	<-----Audited----->		
	Lease Liabilities RM	Term Loans RM	Total RM
<b>FYE 31 December 2021</b>			
At 1 January	196,908	2,406,017	2,602,925
<u>Changes in Financing</u>			
<u>Cash Flows</u>			
Repayment of principal	(157,583)	(189,537)	(347,120)
Repayment of interests	(20,017)	(86,847)	(106,864)
	(177,600)	(276,384)	(453,984)
<u>Other Changes</u>			
Interest expense recognised in profit or loss (Note 22)	20,017	86,847	106,864
Reassessments of leases (Note 17)	261,615	-	261,615
	281,632	86,847	368,479
At 31 December	300,940	2,216,480	2,517,420

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****27. CASH FLOW INFORMATION (CONT'D)**

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

	<-----Audited----->		
	Lease Liabilities RM	Term Loans RM	Total RM
<b>FYE 31 December 2022</b>			
At 1 January	300,940	2,216,480	2,517,420
<u>Changes in Financing</u>			
<u>Cash Flows</u>			
Proceeds from drawdown	-	4,295,000	4,295,000
Repayment of principal	(160,206)	(1,875,725)	(2,035,931)
Repayment of interests	(23,994)	(198,575)	(222,569)
	(184,200)	2,220,700	2,036,500
<u>Other Changes</u>			
Interest expense recognised in profit or loss (Note 22)	23,994	198,575	222,569
Reassessments of leases (Note 17)	179,934	-	179,934
	203,928	198,575	402,503
At 31 December	320,668	4,635,755	4,956,423

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**27. CASH FLOW INFORMATION (CONT'D)**

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

	<-----Audited----->				
	Lease Liabilities RM	Term Loans RM	Bankers' Acceptances RM	Invoice Financing RM	Total RM
<b>FYE 31 December 2023</b>					
At 1 January	320,668	4,635,755	-	-	4,956,423
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	-	1,000,000	1,734,769	3,050,000	5,784,769
Repayment of principal	(181,552)	(808,621)	(1,012,046)	-	(2,002,219)
Repayment of interests	(25,049)	(292,400)	(15,165)	-	(332,614)
	(206,601)	(101,021)	707,558	3,050,000	3,449,936
<u>Other Changes</u>					
Addition of new lease liability (Note 17)	62,729	-	-	-	62,729
Interest expense recognised in profit or loss (Note 22)	25,049	292,400	15,165	-	332,614
Reassessments of leases (Note 17)	140,485	-	-	-	140,485
	228,263	292,400	15,165	-	535,828
At 31 December	342,330	4,827,134	722,723	3,050,000	8,942,187

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**27. CASH FLOW INFORMATION (CONT'D)**

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

	<-----Unaudited----->			
	Lease Liabilities RM	Term Loans RM	Bankers' Acceptances RM	Total RM
<b>FPE 31 July 2023</b>				
At 1 January	320,668	4,635,755	-	4,956,423
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	1,000,000	1,734,769	2,734,769
Repayment of principal	(101,702)	(465,606)	(964,147)	(1,531,455)
Repayment of interests	(14,149)	(167,623)	(962)	(182,734)
	(115,851)	366,771	769,660	1,020,580
<u>Other Changes</u>				
Addition of new lease liability (Note 17)	62,729	-	-	62,729
Interest expense recognised in profit or loss (Note 22)	14,149	167,623	962	182,734
Reassessments of leases (Note 17)	140,485	-	-	140,485
	217,363	167,623	962	385,948
At 31 July	422,180	5,170,149	770,622	6,362,951

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**27. CASH FLOW INFORMATION (CONT'D)**

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

	-----Audited----->				
	Lease Liabilities RM	Term Loans RM	Bankers' Acceptances RM	Invoice Financing RM	Total RM
<b>FPE 31 July 2024</b>					
At 1 January	342,330	4,827,134	722,723	3,050,000	8,942,187
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	-	-	1,926,717	1,741,136	3,667,853
Repayment of principal	(88,848)	(852,798)	(2,649,440)	(4,791,136)	(8,382,222)
Repayment of interests	(10,702)	(156,051)	(32,934)	(42,892)	(242,579)
	(99,550)	(1,008,849)	(755,657)	(3,092,892)	(4,956,948)
<u>Other Changes</u>					
Acquisition of new finance lease	-	34,465,298	-	-	34,465,298
Interest expense recognised in profit or loss (Note 20)	10,702	584,269	32,934	42,892	670,797
Repayment of interests	-	(428,218)	-	-	(428,218)
Reassessments of leases (Note 17)	113,147	-	-	-	113,147
Derecognition of lease modification (Note 17)	(105,095)	-	-	-	(105,095)
	18,754	34,621,349	32,934	42,892	34,715,929
At 31 July	261,534	38,439,634	-	-	38,701,168



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**27. CASH FLOW INFORMATION (CONT'D)**

(c) The total cash outflows for leases as a lessee are as follows:-

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Payment of short-term leases	2,200	11,702	41,200	-	14,329
Payment of low-value assets	1,100	550	-	-	2,344
Interest paid on lease liabilities	20,017	23,994	25,049	14,149	10,702
Payment of lease liabilities	157,583	160,206	181,552	101,702	88,848
	180,900	196,452	247,801	115,851	116,223

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**28. RELATED PARTY DISCLOSURES**

(a) Significant Related Party Transactions and Balances

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

	←-----FYE 31 December-----→			←-----FPE 31 July-----→	
	2021	2022	2023	2023	2024
	RM	RM	RM	RM	RM
	Audited	Audited	Audited	Unaudited	Audited
<b>Related parties</b>					
Acquisition of shares	-	-	-	-	(200,000)
Consultation fees	-	-	(112,800)	(42,300)	(56,400)
Lease expenses	(157,800)	(157,800)	(157,800)	(73,150)	(78,550)
Lease income	-	-	18,000	-	-
Payment paid by	(15,235)	(20,712)	(19,185)	-	(3,590)
Payment paid on behalf of	35,251	2,463	54	1,197	3,590
Purchases	-	(55,000)	-	-	-
Subcontractor wages	(1,088,680)	(2,530,482)	(2,843,095)	(1,475,500)	-
Upkeep of office equipment	(2,018)	(2,148)	(2,148)	-	-

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.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**28. RELATED PARTY DISCLOSURES (CONT'D)**

(b) Key Management Personnel Compensation

Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The directors and certain members of senior management are the key management personnel of the Group.

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

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021	2022	2023	2023	2024
	RM	RM	RM	RM	RM
	Audited	Audited	Audited	Unaudited	Audited
<u>Directors of the Group</u>					
Short-term employee benefits:					
- fee	-	68,000	-	-	-
- salaries, commission and bonuses	852,030	538,591	577,285	282,262	720,381
- defined contribution benefits	106,917	68,616	56,243	32,952	85,937
- others benefits	2,302	2,950	3,468	2,028	2,221
	<u>961,249</u>	<u>678,157</u>	<u>636,996</u>	<u>317,242</u>	<u>808,539</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**28. RELATED PARTY DISCLOSURES (CONT'D)**

(b) Key Management Personnel Compensation (Cont'd)

The key management personnel compensation during the financial year/period are as follows (Cont'd):-

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<u>Other Key Management Personnel of the Group</u>					
Short-term employee benefits:					
- salaries, commission and bonuses	-	-	-	-	818,118
- defined contribution benefits	-	-	-	-	48,495
- others benefits	-	-	-	-	7,373
	-	-	-	-	873,986

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

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**TECHSTORE BERHAD**  
**NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**28. RELATED PARTY DISCLOSURES (CONT'D)**

(b) Key Management Personnel Compensation (Cont'd)

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Group was Nil (31.12.2021 - Nil, 31.12.2022 - Nil, 31.12.2023 - RM67,080).

**29. OPERATING SEGMENTS**

Operating segments are prepared in a manner consistent with the internal reporting provided to the directors as its chief operating decision maker in order to allocate resources to segments and to assess their performance on yearly basis. For management purposes, the Group is organised into business units based on their products and services provided. In addition, the businesses are also considered from a geographical perspective.

The Group is organised into 2 main reportable segments as follows:-

- Design and implementation of enterprise IT security and automation solutions ("Design and Implementation")
- Maintenance and support services ("Maintenance and Support")

(a) The directors as its chief operating decision maker assesses the performance of the reportable segments based on their operating income. The accounting policies of the reportable segments are the same as the Group's accounting policies.

(b) Segment assets and liabilities information are not provided to the director as its chief operating decision makers. Hence, no disclosure is made on segment assets and liabilities.

Transactions between reportable segments are carried out on agreed terms between both parties. The effects of such inter-segment transactions are eliminated on consolidation.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**29. OPERATING SEGMENTS (CONT'D)**

29.1 BUSINESS SEGMENTS

	Design and Implementation RM	Maintenance and Support RM	<b>The Group RM</b>
<b>FYE 31 December 2021</b>			
<b>Revenue</b>			
External revenue	23,240,335	6,142,135	29,382,470
Combined revenue			<u>29,382,470</u>
<b>Results</b>			
Segment profit	6,000,435	4,406,288	10,406,723
Other income			192,363
Administrative expenses			(3,325,444)
Other expenses			(439,314)
Finance costs			(148,250)
Net impairment gains on financial assets and contract assets			<u>2,416,566</u>
Combined profit before taxation			9,102,644
Income tax expense			(2,340,294)
Combined profit after taxation			<u>6,762,350</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**29. OPERATING SEGMENTS (CONT'D)**

29.1 BUSINESS SEGMENTS (CONT'D)

	Design and Implementation RM	Maintenance and Support RM	<b>The Group RM</b>
<b>FYE 31 December 2022</b>			
<b>Revenue</b>			
External revenue	37,515,701	4,723,488	42,239,189
Combined revenue			<u>42,239,189</u>
<b>Results</b>			
Segment profit	8,090,583	2,874,814	10,965,397
Other income			1,208,682
Administrative expenses			(2,732,437)
Other expenses			(406,921)
Finance costs			(353,042)
Net impairment gains on financial assets and contract assets			693,194
Combined profit before taxation			<u>9,374,873</u>
Income tax expense			(2,162,647)
Combined profit after taxation			<u>7,212,226</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**29. OPERATING SEGMENTS (CONT'D)**

29.1 BUSINESS SEGMENTS (CONT'D)

	Design and Implementation RM	Maintenance and Support RM	<b>The Group RM</b>
<b>FYE 31 December 2023</b>			
<b>Revenue</b>			
External revenue	56,228,647	5,978,833	62,207,480
Combined revenue			<u>62,207,480</u>
<b>Results</b>			
Segment profit	11,959,898	3,104,122	15,064,020
Other income			289,424
Administrative expenses			(3,405,708)
Other expenses			(623,250)
Finance costs			(739,403)
Net impairment losses on financial assets and contract assets			(89,557)
Combined profit before taxation			<u>10,495,526</u>
Income tax expense			(2,773,682)
Combined profit after taxation			<u>7,721,844</u>



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**29. OPERATING SEGMENTS (CONT'D)**

29.1 BUSINESS SEGMENTS (CONT'D)

	Design and Implementation RM	Maintenance and Support RM	<b>The Group RM</b>
<b>FPE 31 July 2023</b>			
<b>Revenue</b>			
External revenue	17,117,841	2,791,993	19,909,834
Combined revenue			<u>19,909,834</u>
<b>Results</b>			
Segment profit	3,705,257	1,769,280	5,474,537
Other income			150,554
Administrative expenses			(1,732,210)
Other expenses			(306,783)
Finance costs			(450,066)
Net impairment losses on financial assets and contract assets			(38,180)
Combined profit before taxation			<u>3,097,852</u>
Income tax expense			(1,027,682)
Combined profit after taxation			<u>2,070,170</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**29. OPERATING SEGMENTS (CONT'D)**

29.1 BUSINESS SEGMENTS (CONT'D)

	Design and Implementation RM	Maintenance and Support RM	<b>The Group RM</b>
<b>FPE 31 July 2024</b>			
<b>Revenue</b>			
External revenue	23,477,802	6,642,273	30,120,075
Combined revenue			<u>30,120,075</u>
<b>Results</b>			
Segment profit	5,028,785	1,676,012	6,704,797
Other income			1,948,407
Administrative expenses			(4,350,638)
Other expenses			(270,951)
Finance costs			(793,901)
Net impairment gains on financial assets and contract assets			486,347
Combined profit before taxation			3,724,061
Income tax expense			(883,476)
Combined profit after taxation			<u>2,840,585</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**29. OPERATING SEGMENTS (CONT'D)**

29.2 GEOGRAPHICAL INFORMATION

Revenue is based on country in which the customers are located.

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM	2022 RM	2023 RM	2023 RM	2024 RM
Malaysia	28,074,687	41,077,498	59,843,905	18,260,504	29,781,468
Singapore	1,307,783	1,161,691	2,363,575	1,694,330	338,607
	<u>29,382,470</u>	<u>42,239,189</u>	<u>62,207,480</u>	<u>19,909,834</u>	<u>30,120,075</u>

**30. CAPITAL COMMITMENTS**

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
Purchase of a motor vehicle	-	33,000	-	-	544,563
Purchase of a property	945,000	-	-	-	-
Purchase of computer and equipment	-	-	35,000,278	-	2,572,899
	<u>945,000</u>	<u>33,000</u>	<u>35,000,278</u>	<u>-</u>	<u>3,117,462</u>

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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**30. CAPITAL COMMITMENTS (CONT'D)**

In FYE 31 December 2021, the Group has paid a deposit of RM105,000 for the purchase of a property as disclosed in the Note 12 to the combined financial statements.

**31. FINANCIAL INSTRUMENTS**

The activities of the Group 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 overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group.

**31.1 FINANCIAL RISK MANAGEMENT POLICIES**

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

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

**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than the functional currency of the Group. The currencies giving rise to this risk are primarily United States Dollar ("USD") and Euro Dollar ("EURO"). Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(i) Foreign Currency Risk (Cont'd)

	←-----Audited-----→				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FYE 31 December 2021</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	3,529,380	3,529,380
Other receivables	-	-	-	10,835	10,835
Amount owing by a related party	-	-	-	9,892	9,892
Short-term investment	-	-	-	15,972	15,972
Fixed deposits with licensed banks	-	-	-	3,530,708	3,530,708
Cash and bank balances	737,039	506,752	1,776	5,405,049	6,650,616
	737,039	506,752	1,776	12,501,836	13,747,403

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL INSTRUMENTS (CONT'D)**

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

**(a) Market Risk (Cont'd)****(i) Foreign Currency Risk (Cont'd)**

	-----Audited-----				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FYE 31 December 2021</b>					
<u>Financial Liabilities</u>					
Trade payables	1,027,930	21,604	-	11,169,750	12,219,284
Other payables and accruals	-	-	-	440,413	440,413
Amount owing to a related party	-	-	-	276	276
Term loans	-	-	-	2,216,480	2,216,480
	1,027,930	21,604	-	13,826,919	14,876,453
Net financial (liabilities)/assets	(290,891)	485,148	1,776	(1,325,083)	(1,129,050)
Less: Net financial liabilities denominated in the Group's functional currencies	-	-	-	1,325,083	1,325,083
Currency exposure	(290,891)	485,148	1,776	-	196,033

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

	←-----Audited-----→				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FYE 31 December 2022</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	5,567,888	5,567,888
Other receivables	-	-	-	261,170	261,170
Amount owing by a related party	-	-	-	2,174	2,174
Amount owing by a director	-	-	-	48,439	48,439
Fixed deposits with licensed banks	-	-	-	3,414,411	3,414,411
Cash and bank balances	324,169	114,003	45,025	3,682,952	4,166,149
	324,169	114,003	45,025	12,977,034	13,460,231

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(i) **Foreign Currency Risk (Cont'd)**

	-----Audited-----				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FYE 31 December 2022</b>					
<u>Financial Liabilities</u>					
Trade payables	57,552	65,777	-	18,083,893	18,207,222
Other payables and accruals	-	-	-	396,893	396,893
Amount owing to a related party	-	-	-	27,579	27,579
Term loans	-	-	-	4,635,755	4,635,755
	57,552	65,777	-	23,144,120	23,267,449
Net financial assets/(liabilities)	266,617	48,226	45,025	(10,167,086)	(9,807,218)
Less: Net financial liabilities denominated in the Group's functional currencies	-	-	-	10,167,086	10,167,086
Currency exposure	266,617	48,226	45,025	-	359,868



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(i) Foreign Currency Risk (Cont'd)

	-----Audited-----				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FYE 31 December 2023</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	14,800,902	14,800,902
Other receivables	-	-	-	187,085	187,085
Amount owing by a related party	-	-	-	7,407	7,407
Short-term investments	-	-	-	16,348	16,348
Fixed deposits with licensed banks	-	-	-	4,439,483	4,439,483
Cash and bank balances	208,304	4,747	17,104	13,407,858	13,638,013
	208,304	4,747	17,104	32,859,083	33,089,238

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(i) **Foreign Currency Risk (Cont'd)**

	←-----Audited-----→				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FYE 31 December 2023</b>					
<u>Financial Liabilities</u>					
Trade payables	68,074	-	29,020	20,159,899	20,256,993
Other payables and accruals	-	-	-	1,045,366	1,045,366
Term loans	-	-	-	4,827,134	4,827,134
Bankers' acceptances	-	-	213,522	509,201	722,723
Invoice financing	-	-	-	3,050,000	3,050,000
	68,074	-	242,542	29,591,600	29,902,216
Net financial assets/(liabilities)	140,230	4,747	(225,438)	3,267,483	3,187,022
Less: Net financial assets denominated in the Group's functional currencies	-	-	-	(3,267,483)	(3,267,483)
Currency exposure	140,230	4,747	(225,438)	-	(80,461)

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(i) Foreign Currency Risk (Cont'd)

	-----Audited-----				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FPE 31 July 2024</b>					
<u>Financial Assets</u>					
Trade receivables	-	-	-	22,964,133	22,964,133
Finance lease receivable	-	-	-	33,211,794	33,211,794
Other receivables	-	-	-	798,289	798,289
Amount owing by related parties	-	-	-	3,590	3,590
Fixed deposits with licensed banks	-	-	-	3,409,728	3,409,728
Cash and bank balances	131,448	484	16,908	11,720,530	11,869,370
	131,448	484	16,908	72,108,064	72,256,904

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(i) **Foreign Currency Risk (Cont'd)**

	-----Audited-----				
	United States Dollar RM	Euro Dollar RM	Others RM	Ringgit Malaysia RM	Total RM
<b>FPE 31 July 2024</b>					
<u>Financial Liabilities</u>					
Trade payables	827,879	169,569	41,938	17,831,065	18,870,451
Other payables and accruals	357,080	-	124,051	5,570,097	5,570,097
Amount owing to related parties	-	-	-	1,110,806	1,110,806
Term loans	-	-	-	38,439,634	38,439,634
	1,184,959	169,569	165,989	62,569,620	64,090,137
Net financial (liabilities)/assets	(1,053,511)	(169,085)	(149,081)	9,538,444	8,166,767
Less: Net financial assets denominated in the Group's functional currencies	-	-	-	(9,538,444)	(9,538,444)
Currency exposure	(1,053,511)	(169,085)	(149,081)	-	(1,371,677)

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

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**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

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**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(i) Foreign Currency Risk (Cont'd)

*Foreign Currency Risk Sensitivity Analysis*

Any reasonably possible change in the foreign currency exchange rates at the end of the reporting period against the functional currency of the Group does not have a material impact on the profit after taxation and equity of the Group and hence, no sensitivity analysis is presented.

(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 exposure to interest rate risk arises mainly from interest-bearing financial liabilities. The Group adopts a policy of obtaining the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(ii) Interest Rate Risk (Cont'd)

*Interest Rate Risk Sensitivity Analysis*

The interest rate profile of the Group's significant interest-bearing financial instruments, based on carrying amounts as at the end of the reporting period was as follows:-

	<-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
<b>Fixed Rate Instruments</b>				
Fixed deposits with licensed banks	3,530,708	3,414,411	4,439,483	3,409,728
Term loans	(856,965)	(681,749)	(480,596)	-
Bankers' acceptances	-	-	(722,723)	-
Invoice financing	-	-	(3,050,000)	-
	2,673,743	2,732,662	186,164	3,409,728
<b>Floating Rate Instrument</b>				
Term loans	(1,359,515)	(3,954,006)	(4,346,538)	(38,439,634)

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

(ii) Interest Rate Risk

*Interest Rate Risk Sensitivity Analysis*

The interest rate sensitivity analysis on the fixed rate instruments is not disclosed as these financial instruments are measured at amortised cost. Therefore, they are not subject to interest rate risk as defined in MFRS 7 since neither their carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

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

	<-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
<b>Effects on Profit After Taxation</b>				
Increase of 100 basis points	(7,698)	(18,224)	(32,919)	(83,602)
Decrease of 100 basis points	7,698	18,224	32,919	83,602

(iii) Equity Price Risk

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

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL INSTRUMENTS (CONT'D)**

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

**(b) Credit Risk**

The exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages their exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including short-term investment, cash and bank balances and fixed deposits with licensed banks), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

**(i) Credit Risk Concentration Profile**

At the end of the reporting period, the Group's major concentration of credit risk relates to the amounts owing by 3 (31.12.2021 - 2, 31.12.2022 - 3, 31.12.2023 - 3) customers which constituted approximately 78% (31.12.2021 - 82%, 31.12.2022 - 77%, 31.12.2023 - 87%) of its trade receivables.

**(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 statement 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 on-going 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 against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- or
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.



**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL INSTRUMENTS (CONT'D)**

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

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

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

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more a lagging default criterion is more appropriate.

Trade Receivables, Finance Lease Receivable and Contract Assets

The Group applies the simplified approach to measuring expected credit losses using a lifetime expected credit loss allowance for all trade receivables, contract assets and finance lease receivable.

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

To measure the expected credit losses, trade receivables, finance lease receivable and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

The expected loss rates are based on the payment profiles of sales over 13 months (31.12.2021 - 13 months, 31.12.2022 - 13 months; 31.12.2023 - 13 months) before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts using the linear regressive analysis. The Group has identified the unemployment rate, inflation rate and customer price index as the key macroeconomic factors of the forward-looking information.

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

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL INSTRUMENTS (CONT'D)**

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

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

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

Trade Receivables, Finance Lease Receivable and Contract Assets (Cont'd)*Allowance for Impairment Losses*

	<-----Audited----->			
	Gross Amount RM	Lifetime Individual Allowance RM	Lifetime Collective Allowance RM	Carrying Amount RM
<b>FYE 31 December 2021</b>				
Current (not past due)	2,712,783	-	(142,000)	2,570,783
Past due:				
- 1 to 30 days	348,683	-	(13,000)	335,683
- 31 to 60 days	44,989	-	-	44,989
- 61 to 90 days	402,249	-	(209,000)	193,249
- more than 90 days	384,676	-	-	384,676
Credit impaired	1,821,739	(1,821,739)	-	-
Trade receivables	5,715,119	(1,821,739)	(364,000)	3,529,380
Contract assets	14,977,908	-	-	14,977,908
	20,693,027	(1,821,739)	(364,000)	18,507,288

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Trade Receivables, Finance Lease Receivable and Contract Assets (Cont'd)

*Allowance for Impairment Losses (Cont'd):-*

	<-----Audited----->		
	Gross Amount RM	Lifetime Individual Allowance RM	Carrying Amount RM
<b>FYE 31 December 2022</b>			
Current (not past due)	5,543,820	(5,850)	5,537,970
Past due:			
- 1 to 30 days	-	-	-
- 31 to 60 days	-	-	-
- 61 to 90 days	38,703	(8,785)	29,918
- more than 90 days	159,038	(159,038)	-
Credit impaired	1,524,989	(1,524,989)	-
Trade receivables	7,266,550	(1,698,662)	5,567,888
Contract assets	28,570,210	-	28,570,210
	<b>35,836,760</b>	<b>(1,698,662)</b>	<b>34,138,098</b>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

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

Trade Receivables, Finance Lease Receivable and Contract Assets (Cont'd)

*Allowance for Impairment Losses (Cont'd):-*

	-----Audited----->			Carrying Amount RM
	Gross Amount RM	Lifetime Individual Allowance RM	Lifetime Collective Allowance RM	
<b>FYE 31 December 2023</b>				
Current (not past due)	14,804,600	(55,779)	(93,000)	14,655,821
Past due:				
- 1 to 30 days	108,370	-	(8,000)	100,370
- 31 to 60 days	28,667	-	(2,000)	26,667
- 61 to 90 days	36,044	-	(18,000)	18,044
- more than 90 days	568,800	-	(568,800)	-
Credit impaired	1,042,640	(1,042,640)	-	-
Trade receivables	16,589,121	(1,098,419)	(689,800)	14,800,902
Contract assets	22,751,298	-	-	22,751,298
	<b>39,340,419</b>	<b>(1,098,419)</b>	<b>(689,800)</b>	<b>37,552,200</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL INSTRUMENTS (CONT'D)**

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

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

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

Trade Receivables, Finance Lease Receivable and Contract Assets (Cont'd)*Allowance for Impairment Losses (Cont'd):-*

	<-----Audited----->			
	Gross Amount RM	Lifetime Individual Allowance RM	Lifetime Collective Allowance RM	Carrying Amount RM
<b>FPE 31 July 2024</b>				
Current (not past due)	18,014,570	-	(65,597)	17,948,973
Past due:				
- 1 to 30 days	4,998,006	-	(57,000)	4,941,006
- 31 to 60 days	87,394	-	(14,000)	73,394
- 61 to 90 days	1,760	-	(1,000)	760
- more than 90 days	168,403	-	(168,403)	-
Credit impaired	515,872	(515,872)	-	-
Trade receivables	23,786,005	(515,872)	(306,000)	22,964,133
Finance lease receivable	33,446,794	-	(235,000)	33,211,794
Contract assets	15,112,037	-	(245,000)	14,867,037
	<b>72,344,836</b>	<b>(515,872)</b>	<b>(786,000)</b>	<b>71,042,964</b>

Trade receivables and contract assets that are individually determined to be impaired relate to debtors who are in significant financial difficulties and have defaulted on payments. These debtors are not secured by any collateral or credit enhancements.

Trade receivables and contract assets that are collectively determined to be impaired relate to expected credit losses measured based on the Group's observed default rates.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 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.

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*

	<-----Audited----->			
	Gross Amount RM	12-month Loss Allowance RM	Lifetime Loss Allowance RM	Carrying Amount RM
<b>FYE 31 December 2021</b>				
Low credit risk	20,727	-	-	20,727
Credit impaired	206,117	-	(206,117)	-
	226,844	-	(206,117)	20,727
<b>FYE 31 December 2022</b>				
Low credit risk	311,783	-	-	311,783

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 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 (Cont'd)

*Allowance for Impairment Losses (Cont'd)*

	<-----Audited----->			
	Gross Amount RM	12-month Loss Allowance RM	Lifetime Loss Allowance RM	Carrying Amount RM
<b>FYE 31 December 2023</b>				
Low credit risk	194,492	-	-	194,492
<b>FPE 31 July 2024</b>				
Low credit risk	801,879	-	-	801,879

Short-term Investments, Fixed Deposits with Licensed Banks and Cash and Bank Balances

The Group considers these licensed 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.

**(c) Liquidity Risk**

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

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

*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):-

	-----Audited----->					
	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 - 5 1 Year RM	Over 5 Years RM	Years RM
<b>FYE 31 December 2021</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	12,219,284	12,219,284	12,219,284	-	-
Other payables and accruals	-	440,413	440,413	440,413	-	-
Amount owing to a related party	-	276	276	276	-	-
Lease liabilities	6.69 - 6.71	300,940	324,700	177,600	147,100	-
Term loans	3.50 - 4.60	2,216,480	2,957,333	331,836	1,161,712	1,463,785
		15,177,393	15,942,006	13,169,409	1,308,812	1,463,785



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

*Maturity Analysis (Cont'd)*

	←-----Audited----->					
	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 - 5 1 Year RM	Over 5 Years RM	Years RM
<b>FYE 31 December 2022</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	18,207,222	18,207,222	18,207,222	-	-
Other payables and accruals	-	396,893	396,893	396,893	-	-
Amount owing to a related party	-	27,579	27,579	27,579	-	-
Lease liabilities	6.69 - 6.71	320,668	346,700	184,200	162,500	-
Term loans	2.77 - 7.73	4,635,755	6,223,345	908,632	2,575,694	2,739,019
		<b>23,588,117</b>	<b>25,201,739</b>	<b>19,724,526</b>	<b>2,738,194</b>	<b>2,739,019</b>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

*Maturity Analysis (Cont'd)*

	←-----Audited-----→					
	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 - 5 1 Year RM	Over 5 Years RM	Years RM
<b>FYE 31 December 2023</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	20,256,993	20,256,993	20,256,993	-	-
Other payables and accruals	-	1,045,366	1,045,366	1,045,366	-	-
Lease liabilities	6.69 - 6.71	342,330	365,100	217,800	147,300	-
Term loans	3.50 - 8.70	4,827,134	6,512,855	1,092,871	2,601,774	2,818,210
Bankers' acceptances	5.47 - 5.62	722,723	722,723	722,723	-	-
Invoice financing	7.76	3,050,000	3,050,000	3,050,000	-	-
		<b>30,244,546</b>	<b>31,953,037</b>	<b>26,385,753</b>	<b>2,749,074</b>	<b>2,818,210</b>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

*Maturity Analysis (Cont'd)*

	←-----Audited----->					
	Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	On Demand or Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
<b>FPE 31 July 2024</b>						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	18,870,451	18,870,451	18,870,451	-	-
Other payables and accruals	-	5,570,097	5,570,097	5,570,097	-	-
Amount owing to related parties	-	1,110,806	1,110,806	1,110,806	-	-
Lease liabilities	6.69 - 6.70	261,534	278,850	151,800	127,050	-
Term loans	4.25 - 8.70	38,439,634	44,269,692	9,020,483	32,523,942	2,725,267
		<b>64,252,522</b>	<b>70,099,896</b>	<b>34,723,637</b>	<b>32,650,992</b>	<b>2,725,267</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL INSTRUMENTS (CONT'D)**

## 31.2 CAPITAL RISK MANAGEMENT

The Group manages their capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support their 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 their 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.

The debt-to-equity ratio of the Group at the end of the reporting period are as follows:-

	<-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	RM	RM	RM	RM
	Audited	Audited	Audited	Audited
Term loans	2,216,480	4,635,755	4,827,134	38,439,634
Bankers' acceptances	-	-	722,723	-
Invoice financing	-	-	3,050,000	-
	2,216,480	4,635,755	8,599,857	38,439,634
Less: Cash and cash equivalents (Note 13)	(5,779,963)	(3,279,524)	(13,654,361)	(11,533,733)
(Net cash)/Net debt	(3,563,483)	1,356,231	(5,054,504)	26,905,901
Total equity	17,438,016	24,350,242	32,070,086	34,960,678
Debt-to-equity ratio	N/A	0.06	N/A	0.77

There was no change in the approach to capital management during the financial year/period.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****31. FINANCIAL INSTRUMENTS (CONT'D)**

## 31.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<-----FYE 31 December----->			FPE 31 July
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2024 RM Audited
<b>Financial Assets</b>				
<u>Fair Value Through Profit or Loss</u>				
Short-term investments	15,972	-	16,348	-
<u>Amortised Cost</u>				
Trade receivables	3,529,380	5,567,888	14,800,902	22,964,133
Finance lease receivable	-	-	-	33,211,794
Other receivables	10,835	261,170	187,085	798,289
Amount owing by a director	-	48,439	-	-
Amount owing by a related party	9,892	2,174	7,407	3,590
Fixed deposits with licensed banks	3,530,708	3,414,411	4,439,483	3,409,728
Cash and bank balances	6,650,616	4,166,149	13,638,013	11,869,370
	<u>13,747,403</u>	<u>13,460,231</u>	<u>33,089,238</u>	<u>72,256,904</u>
<b>Financial Liability</b>				
<u>Amortised Cost</u>				
Trade payables	12,219,284	18,207,222	20,256,993	18,870,451
Other payables and accruals	440,413	396,893	1,045,366	5,570,097
Amount owing to related parties	276	27,579	-	1,110,806
Term loans	2,216,480	4,635,755	4,827,134	38,439,634
Bankers' acceptances	-	-	722,723	-
Invoice financing	-	-	3,050,000	-
	<u>14,876,453</u>	<u>23,267,449</u>	<u>29,902,216</u>	<u>63,990,988</u>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	<-----FYE 31 December----->			<-----FPE 31 July----->	
	2021 RM Audited	2022 RM Audited	2023 RM Audited	2023 RM Unaudited	2024 RM Audited
<b>Financial Assets</b>					
<u>Fair Value Through Profit or Loss</u>					
Net gain recognised in profit or loss	-	36,952	84,384	34,694	41,414
<u>Amortised Cost</u>					
Net gain recognised in profit or loss	2,481,676	782,826	19,490	19,392	1,468,473
<b>Financial Liability</b>					
<u>Amortised Cost</u>					
Net loss recognised in profit or loss	(122,424)	(205,889)	(735,564)	(414,317)	(734,093)

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.5 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.

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

	<-----Audited----->						Total Fair Value RM	Carrying Amount RM
	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value				
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>FYE 31 December 2021</b>								
<u>Financial Asset</u>								
Short-term investments	-	15,972	-	-	-	-	15,972	15,972
<u>Financial Liabilities</u>								
Term loans:								
- Fixed rate	-	-	-	-	856,965	-	856,965	856,965
- Floating rate	-	-	-	-	1,359,515	-	1,359,515	1,359,515

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.5 FAIR VALUE INFORMATION (CONT'D)

	-----Audited----->						Total Fair Value RM	Carrying Amount RM
	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value				
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>FYE 31 December 2022</b>								
<u>Financial Liabilities</u>								
Term loans:								
- Fixed rate	-	-	-	-	681,749	-	681,749	681,749
- Floating rate	-	-	-	-	3,954,006	-	3,954,006	3,954,006
<hr/>								
<b>FYE 31 December 2023</b>								
<u>Financial Asset</u>								
Short-term investments	-	16,348	-	-	-	-	16,348	16,348
<hr/>								
<u>Financial Liabilities</u>								
Term loans:								
- Fixed rate	-	-	-	-	480,596	-	480,596	480,596
- Floating rate	-	-	-	-	4,346,538	-	4,346,538	4,346,538
<hr/>								



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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.5 FAIR VALUE INFORMATION (CONT'D)

	-----Audited-----						Total Fair Value RM	Carrying Amount RM
	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried At Fair Value				
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>FPE 31 July 2024</b>								
<u>Financial Asset</u>								
Finance lease receivable	-	-	-	-	33,211,794	-	33,211,794	33,211,794
	<hr/>			<hr/>			<hr/>	<hr/>
<u>Financial Liability</u>								
Term loans:								
- Floating rate	-	-	-	-	38,439,634	-	38,439,634	38,439,634
	<hr/>			<hr/>			<hr/>	<hr/>

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**31. FINANCIAL INSTRUMENTS (CONT'D)**

31.5 FAIR VALUE INFORMATION (CONT'D)

**(a) Fair Value of Financial Instruments Carried at Fair Value**

- (i) The fair value of money market funds is determined by reference to statement provided by the respective financial institution, with which the investment was entered into at the close of business at the end of the reporting period.

**(b) Fair Value of Financial Instruments Not Carried at Fair Value**

- (i) The fair value of term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rate on or near the reporting date.
- (ii) The fair value of finance lease receivable and term loan that carry fixed interest rate is 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:-

	<-----FYE 31 December----->			FPE 31 July
	2021	2022	2023	2024
	%	%	%	%
	Audited	Audited	Audited	Audited
Finance lease receivable	-	-	-	5.00
Term loan	3.50	3.50	3.50	-

There were no transfer between level 1 and level 2 during the financial year/period.

**13. ACCOUNTANTS' REPORT (Cont'd)****TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS****32. SIGNIFICANT EVENTS OCCURRING DURING THE REPORTING PERIOD**

- (a) On 6 December 2023, TSM signed a Letter of Offer with Koperasi Co-opbank Pertama Malaysia Berhad amounting to RM35 million. Subsequently on 22 March 2024, TSM entered into a Facility Agreement where the proceeds were drawdown on 3 May 2024 to lease to public sector under a finance lease arrangement. The ICT equipments has been fully paid to the supplier upon drawdown of the term loan.
- (b) On 9 January 2024, TSM acquired 100% equity interest of SeeTec for a total purchase consideration of RM200,000. The purchase of consideration was derived after considering its net liability position of RM878,242 as at 31 December 2022 and that SeeTec carries with it the software integration team which carries out key parts of TSM's projects. With this acquisition, SeeTec became a wholly-owned subsidiary of TSM. The principal activity of SeeTec is principally engaged in the business of security consulting, security systems, and research and development on information communication technology.

The determined fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition is as follows:-

	RM
Property, plant and equipment	1
Intangible assets	4,263
Other receivables and deposits	14,101
Current tax assets	23,736
Bank balance	36,502
Other payables and accruals	(1,200,477)
	<hr/>
Net liabilities assumed	(1,121,874)
	<hr/>

- (c) On 6 May 2024, TechStore entered into a Conditional Share Sale Agreement with the vendor of TSM to acquire the entire issued share capital of TSM for a total purchase consideration of RM32,062,500 satisfy by the issuance of 374,999,999 new shares, at an issue price of RM0.0855 per share. The total purchase consideration of RM32,062,500 was arrived at after taking into consideration the net assets position of TSM as at 31 December 2023 of RM32,072,086. The acquisition is conditional upon, amongst others, the approval of Bursa Malaysia Securities Berhad being obtained for the listing.

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**33. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD**

- (a) On 26 March 2024, TSM signed a Letter of Offer for Hire Purchase Facility with PLC Credit & Factoring Sdn. Bhd. for a total facility loan limit of RM50 million and subsequently on 29 November 2024, TSM entered into a Hire Purchase-i Agreement. The proceeds were partially drawdown on 31 December 2024 amounting RM2,572,899 to pay suppliers for the purchase of ICT equipment to lease to public sector under a finance lease arrangement. The ICT equipment has been fully paid to the supplier upon drawdown of the hire purchase loan.
- (b) On 10 September 2024, TSM signed a Hire Purchase Agreement with PBB. The proceeds were drawdown on 10 September 2024 amounting RM490,000 for the acquisition of a motor vehicle.
- (c) On 30 October 2024, TechStore acquired the entire issued and paid-up share capital of TSM for a total purchase consideration of RM32,062,500 by issuance of 374,999,999 new ordinary shares of TechStore at RM0.0855 each. In subsequent thereof, TSM became a wholly-owned subsidiary of TechStore.

**34. COMPARATIVE FIGURES**

The following figures have been reclassified to conform with the presentation of the current financial period:-

**Combined statements of cash flows for the financial year ended 31 December 2021 (Extract):-**

	<b>As Previously Reported RM</b>	<b>As Restated RM</b>
<u>Cash Flows From/(For) Investing Activities</u>		
Decrease/(Increase) in pledged fixed deposits with licensed banks	-	349,068
<u>Cash Flows (For)/From Financing Activities</u>		
Decrease/(Increase) in pledged fixed deposits with licensed banks	349,068	-

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

**TECHSTORE BERHAD  
NOTES TO THE COMBINED FINANCIAL STATEMENTS**

**34. COMPARATIVE FIGURES (CONT'D)**

The following figures have been reclassified to conform with the presentation of the current financial period (Cont'd):-

**Combined statements of cash flows for the financial year ended 31 December 2022 (Extract):-**

	<b>As Previously Reported RM</b>	<b>As Restated RM</b>
<u>Cash Flows From/(For) Investing Activities</u>		
Decrease/(Increase) in pledged fixed deposits with licensed banks	-	116,297
<u>Cash Flows (For)/From Financing Activities</u>		
Decrease/(Increase) in pledged fixed deposits with licensed banks	116,297	-

**Combined statements of cash flows for the financial year ended 31 December 2023 (Extract):-**

	<b>As Previously Reported RM</b>	<b>As Restated RM</b>
<u>Cash Flows From/(For) Investing Activities</u>		
Decrease/(Increase) in pledged fixed deposits with licensed banks	-	(1,025,072)
<u>Cash Flows (For)/From Financing Activities</u>		
Decrease/(Increase) in pledged fixed deposits with licensed banks	(1,025,072)	-

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

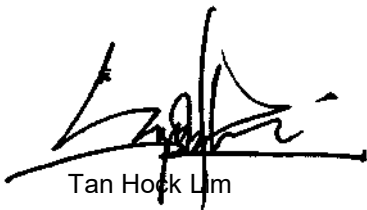
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**TECHSTORE BERHAD  
STATEMENT BY DIRECTORS**

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We, Tan Hock Lim and Mohd Fadzil Bin Mohd Daud, being two of the directors of TechStore Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 4 to 110 are drawn up in accordance Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group as at 31 December 2021, 2022 and 2023 and 31 July 2024 and of their financial performance and cash flows for the financial year/period ended on those dates.

Signed in accordance with a resolution of the directors dated **06 JAN 2025**



Tan Hock Lim



Mohd Fadzil Bin Mohd Daud

## **14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**



### **Crowe Malaysia PLT**

201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

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Malaysia

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[www.crowe.my](http://www.crowe.my)

Date: 6 January 2025

The Board of Directors

### **TECHSTORE BERHAD**

No. 20-2 Jalan Suria Puchong 6  
Pusat Perniagaan Suria Puchong  
47110 Puchong Selangor

Dear Sirs/Madams,

### **TECHSTORE BERHAD**

#### **("TECHSTORE" OR "THE COMPANY")**

#### **REPORT ON THE COMPILATION OF PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024 INCLUDED IN A PROPECTUS**

We have completed our assurance engagement to report on the compilation of Pro Forma Combined Statements of Financial Position of TechStore and its combining entity, Tech-Store Malaysia Sdn. Bhd. ("TSM") and its subsidiary ("TSM Group") (collectively TechStore and TSM Group are referred to as "TechStore Group" or "the Group") as at 31 July 2024 together with the accompanying notes thereon, for which we have stamped for the purpose of identification.

The application criteria on the basis of which the Board of Directors of the Company has compiled the Pro Forma Combined Statements of Financial Position are described in the Notes to the Pro Forma Combined Statements of Financial Position. The Pro Forma Combined Statements of Financial Position is prepared in accordance with the Propectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants ("Guidance Note").

The Pro Forma Combined Statements of Financial Position has been compiled by the Board of Directors of the Company to illustrate the impact of the transactions as described in the Notes to the Pro Forma Combined Statements of Financial Position as at 31 July 2024 if these events have been in existence throughout the financial period. As part of this process, information about the Group's financial position have been extracted by the Board of Directors of the Company from the Accountants' Report of TechStore.

### **THE BOARD OF DIRECTORS' RESPONSIBILITIES**

The Board of Directors of the Company is responsible for compiling the Pro Forma Combined Statements of Financial Position on the basis as described in the Notes to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

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**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
**(Cont'd)**

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**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

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

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

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Combined Statements of Financial Position has been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in the Notes to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

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

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

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



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**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
**(Cont'd)**

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**REPORTING ACCOUNTANTS' REPSONSIBILITIES (CONT'D)**

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

- the related pro forma adjustments give appropriate effect to those criteria; and
- the Pro Forma Combined Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Company, the events or transactions in respect of which the Pro Forma Combined Statements of Financial Position has been compiled, and other relevant engagement circumstances.

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

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

**OPINION**

In our opinion, the Pro Forma Combined Statements of Financial Position of the Company has been compiled, in all material respects, on the basis described in the Notes to the Pro Forma Combined Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

**OTHER MATTER**

This letter has been prepared solely for the purpose stated above for inclusion in the Prospectus of TechStore in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

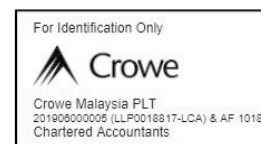
  
**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants

Kuala Lumpur

  
**Chin Kit Seong**  
03030/01/2025 J  
Chartered Accountant

Page 3 of 3

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION (Cont'd)**



Appendix A

**TECHSTORE BERHAD  
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024**

	Combined Statements of Financial Position As At 31.07.2024	Adjustments for Drawdown of Hire Purchase	Pro Forma I After Adjustments for Material Subsequent Event	Acquisition of TSM		Pro Forma II After Pro Forma I and After Acquisition of TSM	Pro Forma III After Pro Forma II and After Public Issue	Adjustments for Public Issue	Pro Forma III After Pro Forma II and After Public Issue	Adjustments for Utilisation of Proceeds	Pro Forma IV After Pro Forma III and Utilisation of Proceeds
Note	RM'000	RM'000	RM'000	Issuance of New Ordinary Shares RM'000	Reorganisation Accounting RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>											
<b>NON-CURRENT ASSETS</b>											
Investment in a subsidiary	6.1	-	-	32,062	(32,062)	-	-	-	-	-	-
Property, plant and equipment	6.2	1,879	3,063	4,942	-	4,942	-	4,942	-	4,942	
Right-of-use assets		2,259	-	2,259	-	2,259	-	2,259	-	2,259	
Intangible assets		2,491	-	2,491	-	2,491	-	2,491	-	2,491	
Goodwill		1,322	-	1,322	-	1,322	-	1,322	-	1,322	
Trade and other receivables		27,298	-	27,298	-	27,298	-	27,298	-	27,298	
Deferred tax assets		834	-	834	-	834	-	834	-	834	
		<u>36,083</u>	<u>3,063</u>	<u>39,146</u>	<u>32,062</u>	<u>(32,062)</u>	<u>39,146</u>	<u>-</u>	<u>39,146</u>	<u>-</u>	<u>39,146</u>
<b>CURRENT ASSETS</b>											
Inventories		2,383	-	2,383	-	2,383	-	2,383	-	2,383	
Trade and other receivables		29,680	-	29,680	-	29,680	-	29,680	-	29,680	
Contract assets		14,867	-	14,867	-	14,867	-	14,867	-	14,867	
Deposits and prepayments	6.3	3,907	-	3,907	-	3,907	-	3,907	(316)	3,591	
Current tax assets		26	-	26	-	26	-	26	-	26	
Cash and cash equivalents	6.4	15,279	-	15,279	-	15,279	25,000	40,279	(7,237)	33,042	
		<u>66,142</u>	<u>-</u>	<u>66,142</u>	<u>-</u>	<u>66,142</u>	<u>25,000</u>	<u>91,142</u>	<u>(7,553)</u>	<u>83,589</u>	
<b>TOTAL ASSETS</b>		<u>102,225</u>	<u>3,063</u>	<u>105,288</u>	<u>32,062</u>	<u>(32,062)</u>	<u>105,288</u>	<u>25,000</u>	<u>130,288</u>	<u>(7,553)</u>	<u>122,735</u>
<b>EQUITY AND LIABILITIES</b>											
<b>EQUITY</b>											
Share capital	6.5	#1	-	#1	32,062	-	32,062	25,000	57,062	(1,601)	55,461
Invested equity	6.6	12,000	-	12,000	-	(12,000)	-	-	-	-	-
Retained profits	6.7	22,913	-	22,913	-	-	22,913	22,913	(952)	21,961	
Reorganisation reserve	3.3	-	-	-	-	(20,062)	(20,062)	(20,062)	-	(20,062)	
<b>TOTAL EQUITY</b>		<u>34,913</u>	<u>-</u>	<u>34,913</u>	<u>32,062</u>	<u>(32,062)</u>	<u>34,913</u>	<u>25,000</u>	<u>59,913</u>	<u>(2,553)</u>	<u>57,360</u>

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION (Cont'd)**



Appendix A

**TECHSTORE BERHAD  
PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024 (CONT'D)**

	Combined Statements of Financial Position As At 31.07.2024	Adjustments for Drawdown of Hire Purchase	Pro Forma I After Adjustments for Material Subsequent Event	Acquisition of TSM		Pro Forma II After Pro Forma I and After Acquisition of TSM	Pro Forma III After Pro Forma II and After Public Issue	Adjustments for Public Issue	Pro Forma III After Adjustments for Utilisation of Proceeds	Pro Forma IV After Pro Forma III and Utilisation of Proceeds
Note	RM'000	RM'000	RM'000	Issuance of New Ordinary Shares RM'000	Reorganisation Accounting RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT LIABILITIES</b>										
Lease liabilities	123	-	123	-	-	123	-	123	-	123
Long-term borrowings	6.8 31,203	2,480	33,683	-	-	33,683	-	33,683	(2,660)	31,023
	31,326	2,480	33,806	-	-	33,806	-	33,806	(2,660)	31,146
<b>CURRENT LIABILITIES</b>										
Trade and other payables	25,629	-	25,629	-	-	25,629	-	25,629	-	25,629
Contract liabilities	2,045	-	2,045	-	-	2,045	-	2,045	-	2,045
Lease liabilities	138	-	138	-	-	138	-	138	-	138
Short-term borrowings	6.8 7,237	583	7,820	-	-	7,820	-	7,820	(2,340)	5,480
Current tax liabilities	937	-	937	-	-	937	-	937	-	937
	35,986	583	36,569	-	-	36,569	-	36,569	(2,340)	34,229
<b>TOTAL LIABILITIES</b>	<b>67,312</b>	<b>3,063</b>	<b>70,375</b>	<b>-</b>	<b>-</b>	<b>70,375</b>	<b>-</b>	<b>70,375</b>	<b>(5,000)</b>	<b>65,375</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>102,225</b>	<b>3,063</b>	<b>105,288</b>	<b>32,062</b>	<b>(32,062)</b>	<b>105,288</b>	<b>25,000</b>	<b>130,288</b>	<b>(7,553)</b>	<b>122,735</b>
<b>Number of ordinary shares in issue ('000)</b>	<b>#1</b>		<b>#1</b>	<b>375,000</b>		<b>375,000 #2</b>	<b>125,000</b>	<b>500,000</b>		<b>500,000</b>
<b>Net assets (RM'000)</b>	<b>34,913</b>		<b>34,913</b>			<b>34,913</b>		<b>59,913</b>		<b>57,360</b>
<b>Net assets per share (RM)</b>	<b>34,913,000</b>		<b>34,913,000</b>			<b>0.09</b>		<b>0.12</b>		<b>0.11</b>
<b>Total interest-bearing bank borrowings</b>	<b>38,440</b>		<b>41,503</b>			<b>41,503</b>		<b>41,503</b>		<b>36,503</b>
<b>Gearing (Times)</b>	<b>1.10</b>		<b>1.19</b>			<b>1.19</b>		<b>0.69</b>		<b>0.64</b>

Notes:-

#1 - Represent RM1 of 1 ordinary share

#2 - After subdivision of ordinary shares as set out in Section 5.1 of the Pro Forma Combined Statements of Financial Position

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION  
(Cont'd)**



Appendix A

**TECHSTORE BERHAD  
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT  
31 JULY 2024**

**1. ABBREVIATIONS**

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

ACE Market	:	ACE Market of Bursa Securities
Bursa Securities	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
IPO	:	Initial public offering comprising the Public Issue
IPO Price	:	RM0.20 per IPO Share, being the indicative price payable by investors under the Public Issue
IPO Shares	:	The Issue Shares and Offer Shares, collectively
Issue Shares	:	New Shares to be issued by the Company pursuant to the Public Issue
TechStore or the Company	:	TechStore Berhad (Registration No. 202401003419 (1549269-M))
TechStore Group or the Group	:	TechStore and its subsidiaries, collectively
SeeTec Asia	:	SeeTec Asia Sdn Bhd (Registration No. 201201025310 (1009800-X))
TSM	:	Tech-Store Malaysia Sdn Bhd (Registration No. (201101003927 (932067-M))
Vendors of TSM	:	Tan Hock Lim, Mohd Fadzil Bin Mohd Daud and Nor Azman Bin Abd Razak, collectively
Listing	:	Admission to the Official List and the listing and quotation for the Company's entire enlarged Shares on the ACE Market
NA	:	Net assets
Offer for Sale	:	Offer for sale by the Selling Shareholder of 25,000,000 Offer Shares at the IPO Price
Offer Shares	:	The existing Shares to be offered by the Offeror pursuant to the Offer for Sale
Offeror	:	Mohd Fadzil Bin Mohd Daud
Official List	:	A list specifying all securities listed on Bursa Securities

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION  
(Cont'd)**



Appendix A

**TECHSTORE BERHAD  
 NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT  
 31 JULY 2024**

**1. ABBREVIATIONS (CONT'D)**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

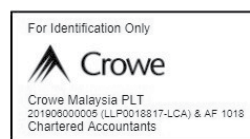
MITI	:	Ministry of International Trade and Industry of Malaysia
Pro Forma CSOFP	:	Pro Forma Combined Statements of Financial Position
Public Issue	:	Public issue of 125,000,000 new TechStore Shares at the IPO Price
RM and sen	:	Ringgit Malaysia and sen, the lawful currency of Malaysia
Subsidiaries	:	TSM and SeeTec Asia, collectively

**2. INTRODUCTION**

The Pro Forma CSOFP as at 31 July 2024 together with the related notes, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for inclusion in the Prospectus in connection with the IPO of TechStore Shares and the listing of and quotation for the entire enlarged issued share capital of the Company on the Ace Market of Bursa Securities.

The Pro Forma CSOFP together with the notes have been prepared based on the assumption that the transactions as set out in Section 5 to the Pro Forma CSOFP were effected on 31 July 2024.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
*(Cont'd)*



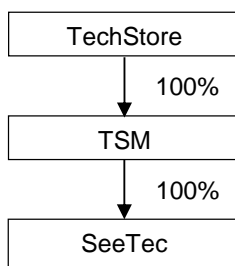
Appendix A

**TECHSTORE BERHAD**  
**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT**  
**31 JULY 2024**

**3. BASIS OF PREPARATION**

**3.1 Group Structure**

The pro forma corporate structure of TechStore Group is presented as follows:-



**3.2 Accountants' Report And Audited Financial Statements**

The Pro Forma CSOFP are prepared based on the Accountants' Report of TechStore for the FPE 31 July 2024 in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRS"), and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Accountants' Report used in the preparation of these Pro Forma CSOFP was not subject to any audit qualification, modification or disclaimer of opinion. All amounts are presented in RM.

The Pro Forma CSOFP as at 31 July 2024 has been prepared for illustrative purposes only to show the effects of the transactions as set out in Section 4 of the Pro Forma CSOFP as at 31 July 2024 had the transactions been effected on 31 July 2024, and should be read in conjunction with the notes in this Section. Such information, because its hypothetical nature, does not give a true picture of the actual effects of the transactions or event on the financial information presented had the transaction or event occurred on 31 July 2024. Further, such information does not purport to predict the Group's future financial position.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
**(Cont'd)**



Appendix A

**TECHSTORE BERHAD**

**NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024**

**4. LISTING SCHEME**

The following proposals were undertaken in conjunction with, and as an integral part of the Listing:-

**4.1 Subsequent Events**

**(a) Drawdown of Hire Purchase Loan with PLC Credit & Factoring Sdn. Bhd. ("PLCCF")**

On 26 March 2024, TSM signed a Letter of Offer for Hire Purchase Facility with PLCCF for a total facility loan limit of RM50 million and subsequently on 31 December 2024, TSM entered into a Hire Purchase-i Agreement. The proceeds were partially drawdown on 31 December 2024 amounting RM2,572,899 to pay suppliers for the purchase of ICT equipment to rent to public sector under a finance lease arrangement. The ICT equipment has been fully paid to the supplier upon drawdown of the hire purchase loan.

**(b) Drawdown of Hire Purchase Loan with Public Bank Berhad ("PBB")**

On 10 September 2024, TSM signed a Hire Purchase Agreement with PBB. The proceeds were drawdown on 10 September 2024 amounting RM490,000 for the acquisition of a motor vehicle.

**(c) TSM Acquisition**

On 6 May 2024, TechStore entered into a Conditional Share Sale Agreement with the vendors of TSM to acquire the entire issued share capital of TSM for a total purchase consideration of RM32,062,500 satisfy by the issuance of 374,999,999 new Shares at an issue price of RM0.0855 per Share. The total purchase consideration of RM32,062,500 was arrived at after taking into consideration the audited NA position of TSM as at 31 December 2023 of RM32,072,086. The acquisition is conditional upon, amongst others, the approval of Bursa Securities being obtained for the Listing. The acquisition was completed on 30 October 2024.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION  
(Cont'd)**



Appendix A

**TECHSTORE BERHAD  
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT  
31 JULY 2024**

**4. LISTING SCHEME (CONT'D)**

The following proposals were undertaken in conjunction with, and as an integral part of the Listing (Cont'd):-

**4.2 IPO**

**(a) Public Issue**

Public issue of 125,000,000 Issue Shares at the IPO Price, representing 25% of the entire enlarged Shares in the following manner:-

- (i) 25,000,000 Issue Shares, representing 5% of the entire enlarged Shares will be made available for application by the Malaysian Public;
- (ii) 25,000,000 Issue Shares, representing 5% of the entire enlarged Shares will be made available for application by the Eligible Persons;
- (iii) 12,500,000 Issue Shares, representing 2.5% of the entire enlarged Shares will be made available by way of private placement to selected investors; and
- (iv) 62,500,000 Issue Shares, representing 12.5% of the entire enlarged Shares made available by way of private placement to identified Bumiputera investors approved by the MITI.

**(b) Offer for Sale**

25,000,000 Offer Shares, representing 5% of the entire enlarged Shares, will be made available at the IPO Price by way of private placement to selected investors.

**4.3 Listing**

The admission of TechStore to the official list of Bursa Securities, and the listing of and quotation for the entire enlarged issued Shares of TechStore, comprising 500,000,000 Shares on the ACE Market of Bursa Securities will be sought.

**5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA CSOFP**

**5.1 Pro Forma I and II**

Pro Forma I and II incorporates the effects of the subsequent events as set out in Section 4.1 above.

**5.2 Pro Forma III**

Pro Forma III incorporates the effects of Pro Forma I and II, and the effects of the Public Issue as set out in Section 4.2 above.



**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION  
(Cont'd)**

Appendix A

**TECHSTORE BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT  
31 JULY 2024****5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA CSOFP (CONT'D)****5.3 Pro Forma IV**

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

	Amount RM'000	%	Estimated timeframe for utilisation from the Listing date
Working capital #	11,480	45.9	Within 24 months
Repayment of bank borrowings	5,000	20.0	Within 6 months
Recruitment of business development personnel #	2,718	10.9	Within 30 months
Capital expenditure #	2,302	9.2	Within 24 months
Estimated listing expenses *^	3,500	14.0	Within 1 month
<b>Total</b>	<b>25,000</b>	<b>100.0</b>	

Notes:-

# - *As at the latest practicable date, the Company has yet to enter into any contractual binding arrangements or issue any purchase orders in relation to the above purposes. Accordingly, the use of proceeds earmarked for these purposes are not reflected in the Pro Forma CSOFP and is remained in the cash and cash equivalents.*

\* - *If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for our general working capital requirements. Conversely, if our actual listing expenses are lower than the amount budgeted, the excess will be utilised for our general working capital requirements.*

^ - *The estimated listing expenses of RM1,601,000 directly attributable to the Public Issue will be offset against share capital.*

*As at 31 July 2024, the Group paid RM1,265,000 listing expenses and has recognised RM948,375 and RM316,125 to the profit or loss and prepayment respectively. The remaining estimated listing expenses of RM952,000 and prepayment of RM316,125 attributable to Listing will be expensed off to profit or loss and capitalised to prepayment respectively.*

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
**(Cont'd)**

Appendix A

**TECHSTORE BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024****6. EFFECTS ON THE PRO FORMA CSOFP****6.1 Investments in a subsidiary**

	Note	RM'000
As at 31.07.2024/As per Pro Forma I		-
Add: Acquisitions of TSM	4.1(c)	32,062
Less: Reorganisation accounting	4.1(c)	(32,062)
As per Pro Forma II, III and IV		-

**6.2 Property, plant and equipment**

	Note	RM'000
As at 31.07.2024		1,879
Add: Drawdown of hire purchase payables	4.1(a), 4.1(b)	3,063
As per Pro Forma I, II, III and IV		4,942

**6.3 Deposits and prepayments**

	Note	RM'000
As at 31.07.2024/As per Pro Forma I, II and III		3,907
<u>Item expensed off to the statement of profit or loss and other comprehensive income</u>		
Less: Estimated listing expenses	5.3	(316)
As per Pro Forma IV		3,591

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
**(Cont'd)**

Appendix A

**TECHSTORE BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024****6. EFFECTS ON THE PRO FORMA CSOFP (CONT'D)****6.4 Cash and cash equivalents**

	Note	RM'000
As at 31.07.2024/As per Pro Forma I and II		15,279
Add: Proceeds from Public Issue	4.2	25,000
As per Pro Forma III		40,279
<u>Utilisation of proceeds from Public Issue</u>		
Less: Estimated listing expenses	5.3	(2,237)
Less: Repayment of bank borrowings	5.3	(5,000)
As per Pro Forma IV		33,042

**6.5 Share capital**

	Note	Number of Ordinary Shares ('000)	Amount of Share Capital RM'000
As at 31.07.2024/As per Pro Forma I		#	#
Add: Pursuant to acquisition of TSM	4.1(c)	375,000	32,062
As per Pro Forma II		375,000	32,062
Add: Public Issue	4.2	125,000	25,000
As per Pro Forma III		500,000	57,062
<u>Item set off against the share capital in equity</u>			
Less: Estimated listing expenses	5.3	-	(1,601)
As per Pro Forma IV		500,000	55,461

Note:-

# - Represent RM1 of 1 ordinary share

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
**(Cont'd)**

Appendix A

**TECHSTORE BERHAD****NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION AS AT 31 JULY 2024****6. EFFECTS ON THE PRO FORMA CSOFP (CONT'D)****6.6 Invested equity**

	Note	RM'000
As at 31.07.2024/As per Pro Forma I		12,000
Less: Reorganisation accounting	4.1(c)	(12,000)
As per Pro Forma II, III and IV		-

**6.7 Retained profits**

	Note	RM'000
As at 31.07.2024/As per Pro Forma I, II and III		22,913
<u>Item expensed off to the statement of profit or loss and other comprehensive income</u>		
Less: Estimated listing expenses	5.3	(952)
As per Pro Forma IV		21,961

**6.8 Borrowings**

	Note	Current RM'000	Non-current RM'000	Total RM'000
As at 31.07.2024		7,237	31,203	38,440
<u>Changes in Capital Structure</u>				
Add: Drawdown of hire purchase payables	4.1(a), 4.1(b)	583	2,480	3,063
As per Pro Forma I, II, and III		7,820	33,683	41,503
<u>Utilisation of proceeds from Public Issue</u>				
Less: Repayment of bank borrowings	5.3	(2,340)	(2,660)	(5,000)
As per Pro Forma IV		5,480	31,023	36,503

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA FINANCIAL INFORMATION**  
**(Cont'd)**



Appendix A

**TECHSTORE BERHAD**

**APPROVAL BY THE BOARD OF DIRECTORS**

Approved and adopted by the Board of Directors of TechStore in accordance with a resolution dated **06 JAN 2025**

On behalf of the Board of Directors,

Tan Hock Lim

Mohd Fadzil Bin Mohd Daud

## 15. STATUTORY AND OTHER INFORMATION

### 15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.3,
- (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the new Shares issued to the subscribers shareholder pursuant to the Acquisition as disclosed in Section 6.2 and to be issued for the Public Issue as disclosed in Section in 4.3.1, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

### 15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below.

#### 15.2.1 TSM

TSM's share capital as at LPD is RM12,000,000 comprising 12,000,000 ordinary shares. The movements in its share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
9 February 2011	8	RM8/ Subscribers' shares	8
5 October 2011	99,992	RM99,992/ Cash	100,000
23 December 2013	200,000	RM200,000/ Cash	300,000
1 August 2014	50,000	RM50,000/ Cash	350,000
3 August 2015	500,000	RM500,000/ Cash	850,000
21 August 2015	650,000	RM650,000/ Cash	1,500,000
30 August 2016	500,000	RM500,000/ Cash	2,000,000

**15. STATUTORY AND OTHER INFORMATION (Cont'd)**

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
24 October 2016	1,000,000	RM1,000,000/ Cash	3,000,000
30 October 2017	1,000,000	RM1,000,000/ Cash	4,000,000
4 January 2022	1,000,000	RM1,000,000/ Bonus shares	5,000,000
21 November 2023	7,000,000	RM7,000,000/ Bonus shares	12,000,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in TSM. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

**15.2.2 SeeTec Asia**

SeeTec Asia's share capital as at LPD is RM200,000 comprising 200,000 ordinary shares. The movements in its share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
13 July 2012	2	RM2/ Subscribers' shares	2
21 July 2015	99,998	RM99,998/ Cash	100,000
21 December 2015	100,000	RM100,000/ Cash	200,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in SeeTec Asia. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

**15.3 CONSTITUTION**

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

**15.3.1 Changes in share capital and variation of class rights**

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

**Clause 10 – Authority of Directors to Allot Shares**

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to Section 75 of the Act and to the conditions, restrictions and limitations expressed in this Constitution, the Directors shall have the power to issue and allot shares, grant Options over shares, grant rights to subscribe for shares.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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- (2) Subject to the Listing Requirements, Constitution and the provision of any resolution of the Company, the Directors are authorised, to:
- (a) allot shares or grant any rights to subscribe for shares, under an offer made to shareholders in proportion to the shareholders' shareholdings;
  - (b) allot shares or grant any rights to subscribe for shares, on a bonus issue to shareholders in proportion to the shareholders' shareholdings;
  - (c) allot shares to a Promoter of the Company which the Promoter has agreed to take;
  - (d) allot shares or grant any rights where shares are to be issued as consideration or part consideration for the Company to acquire shares or assets. Shareholders must be notified of the intention to issue such shares at least 14 days before their issue.

**Clause 12 – Power to issue preference shares**

The Company shall have power to issue preference shares ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner as they may think fit.

**Clause 13 – Rights of preference shareholders**

- (1) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference shares and subject to the Act, preference shareholders shall have the same right as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending general meetings of the Company.
- (2) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference share, preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital of the Company or sanctioning a disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than 6 months or on a proposal to wind-up the Company or during the winding up of the Company, but shall have no other rights whatsoever.
- (3) The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.

**Clause 16 – Power to paying commission**

In addition to all other powers of paying commissions, the Company (or the Board on behalf of the Company) may exercise the powers conferred by Section 80 of the Act of applying its shares or cash in paying commissions to persons subscribing or procuring subscriptions for shares of the Company, or agreeing so to do whether absolutely or conditionally, provided that the percentage or the amount of the commission paid or agreed to be paid shall be disclosed in the manner required by the Act, and shall not exceed ten per cent (10%) of the price at which the shares, in respect whereof the commission is paid, are issued or an amount equivalent thereto. The Company (or the Board on behalf of the Company) may also, on any issue of the shares, pay such brokerage as may be lawful.



**15. STATUTORY AND OTHER INFORMATION (Cont'd)****Clause 17 – Shares issued for purposes of raising money for the construction of works or building**

Subject to Section 130 of the Act and any other conditions and restrictions prescribed by the Act, if any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant or equipment which cannot be made profitable for a lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period, and may charge the sum so paid by way of interest to capital as part of the costs of construction of the work or building or the provision of plant or equipment.

**Clause 20 – Trusts not to be recognised**

Except as required by law and as provided under the Rules, no person shall be recognised by the Company as holding any share upon any trust and the Company shall not, even when having notice thereof, be bound or compelled to recognise any equitable, contingent, future or partial interest in any share, or any interest in any fractional part of a share, or (except only as by this Constitution otherwise expressly provided or as required by law) any other right in respect of any share except an absolute right to the entirety thereof in the registered holder.

**Clause 21 – Issue of securities**

Subject to the provisions of this Constitution and Listing Requirement, and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company shall ensure that it shall not issue any shares or convertible securities if the total number of shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding 12 months, exceeds the allowed threshold by the prevailing rules and regulation, except where the shares or convertible securities are issued with the prior approval of the members in general meeting of the precise terms and conditions of the issue.

**Clause 25 – Modification of rights**

If at any time the share capital of the Company, by reason of the issuance of preference shares or otherwise is divided into different classes, the repayment of such preferred capital or all or any of the rights and privileges attached to each class of shares may subject to the provisions of Section 91 of the Act, this Constitution and the provisions of any written law, be varied, modified, commuted, affected, abrogated or dealt with by resolution passed by the holders of at least three-fourth of the issued shares of that class at a separate meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall mutatis mutandis apply to every such meeting except that the quorum hereof shall be 2 persons at least holding or representing by proxy one third of the issued shares of the class and for an adjourned meeting 1 person holding shares of such class.

Provided however that in the event of the necessary majority for such a resolution not having been obtained in the manner aforesaid consent in writing may be secured by members holding at least three- fourths of the issued shares of the class and such consent if obtained within 2 months from the date of the separate meeting shall have the force and validity of a resolution duly carried. To every such resolution the provisions of Section 91 of the Act, shall with such adaptations as are necessary apply.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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**Clause 26 – Special right to any class of share**

The special rights attached to any class of shares having preferential rights shall not unless otherwise expressly provided by the terms of issue thereof be deemed to be varied by the creation or issue of further shares ranking as regards participation in profits or assets of the Company in some or all respects *pari passu* therewith but in no respect in priority thereto, the Company purchasing its own shares and the Company redeeming redeemable preference shares.

**Clause 60 – Increase of share capital**

The Company may, from time to time, whether all the shares for the time being issued shall have been fully paid up or not, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

**Clause 61 – Increase of new shares to existing members**

Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible Securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or Securities offered, the Directors may dispose of those shares or Securities in such manner as they think most beneficial to the Company. The Directors may, likewise, also dispose of any new shares or Securities which (by reason of the ratio which the new shares or Securities bear to shares or Securities held by persons entitled to an offer of new shares or Securities) cannot, in the opinion of the Directors, be conveniently offered under this Clause. For the avoidance of doubt, where approval of the Members is obtained in a general meeting for any issuance of shares or convertible Securities, including approvals obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable. In any case and in respect of any issuance of shares or convertible Securities, the pre-emptive rights of members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of the pre-emptive rights to the new Shares shall not apply.

Subject to Act and Listing Requirements, the Board is authorised, without a resolution of the Company, to:

- (a) allot shares or grant any rights to subscribe for shares, under an offer made to shareholders in proportion to the shareholders' shareholdings;
- (b) allot shares or grant any rights to subscribe for shares on a bonus issue to shareholders in proportion to the shareholders' shareholdings; or

allot shares or grant any rights where shares are to be issued as consideration or part consideration for the Company to acquire shares or assets. Shareholders must be notified of the intention to issue such shares at least fourteen (14) days before their issue.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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**Clause 63 – Alteration of share capital**

Subject to the Statutes, the Company may from time to time alter its share capital by passing a special resolution to:

- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived;
- (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares;
- (c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;
- (d) cancel any shares, which at the date of the passing of the resolution, which have not been taken or agreed to be taken by any person or which have been forfeited, and diminish the amount of its share capital by the amount of the shares so cancelled; or
- (e) subject to the provisions of this Constitution and the Act, convert and/or reclassify any class of shares into any other class of shares.

**Clause 64 – Capital reduction**

The Company may by special resolution, reduce its share capital in accordance with Section 84 of the Act

**15.3.2 Borrowing and voting powers of the directors**

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contracts in which they are interested are as follows:

**Clause 121 – Directors' borrowing powers**

- (1) To the extent that the Act, the Listing Requirements and the Constitution allow, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party, PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party. Provided also that the Directors shall not issue any debt Securities convertible to ordinary shares without the prior approval of the Company in meeting of members.
- (2) The Directors shall cause a proper register to be kept in accordance with Section 60 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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- (3) Subject to the Act, if the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or persons so becoming liable as aforesaid, from any loss in respect of such liability.

**Clause 134 – Chairman has casting vote**

In case of equality of votes, the Chairman shall have a second or casting vote, except where only 2 Directors are competent to vote on the question at issue or at the meeting where only 2 Directors form the quorum.

**Clause 138 – Disclosure of interest in contracts, property, officers, etc**

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company. This clause is subject to the Listing Requirements.

**Clause 139 – Directors refrained from voting in interested transactions**

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested, either as an officer of that other company or as a holder of shares or other Securities in that other company.

**Clause 141 – Director may vote on the giving of security or indemnity where he is interested**

Subject to Clause 138, a Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by the deposit of a security.

By an ordinary resolution of the Company, the provisions of this Clause may at any time be suspended or relaxed to any extent and, either generally or in respect of any particular contract, arrangement or transaction, and any particular contract, arrangement or transaction carried out in contravention of this Clause, may be ratified.

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**15. STATUTORY AND OTHER INFORMATION (Cont'd)**

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**15.3.3 Remuneration of directors**

The provisions in our Constitution dealing with the remuneration of Directors are as follows:

**Clause 116 – Remuneration of directors**

The fees and any benefits payable to the Directors from time to time, be subject to annual shareholder approval at general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, except that any Director, who shall hold office for part only of the period in respect of which such fees are payable, shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office, PROVIDED ALWAYS that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) salaries payable to executive Directors shall not include a commission on or percentage of turnover;
- (c) fees and any benefits payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of that Director.

**15.3.4 Transfer of Shares**

The provisions in our Constitution dealing with transfer of Shares are as follows:

**Clause 49 – Transfer of securities**

The transfer of any Listed Securities or class of Listed Securities in the Company shall be by way of book entry by Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Listed Security.

**Clause 50 – Instrument of transfer**

- (1) Every instrument of transfer (for any share not being a Deposited Security) must be left for registration at the office of the Company's Registrar accompanied by the certificate of the shares comprised therein (if any) and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the instrument of transfer which is executed in accordance with the Statutes, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.
- (2) A fee not exceeding RM3 (excluding the stamp duty) or any amount as shall be determined from time to time by the Exchange may be charged for each transfer and shall if required by the Directors be paid before the registration thereof.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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**Clause 51 – Pension under disability**

No share shall in any circumstances be transferred to any minor, bankrupt or person of unsound mind.

**Clause 52 – Refusal to transfer and notice of refusal**

- (1) Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a Deposited Security, to a person of whom they shall not approve.
- (2) If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within 7 days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

**Clause 53 – Non-liability of the Company, its Directors and Officers in respect of transfer**

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

**15.4 GENERAL INFORMATION**

- (a) Save for the dividends paid to our shareholders in FYE 2022 and remuneration of our Directors and key senior management as disclosed in Sections 12.16, 5.2.4 and 5.3.5 respectively, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoter, Directors or substantial shareholders.
- (b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16.
- (d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

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## **15. STATUTORY AND OTHER INFORMATION *(Cont'd)***

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### **15.5 CONSENTS**

- (a) The written consents of our Adviser, Sponsor, Underwriter, Placement Agent, solicitors, share registrar, company secretaries and issuing house to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (b) The written consents of our Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (c) The written consent of our IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

### **15.6 DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (a) Constitution;
- (b) Audited financial statements of TechStore from the date of incorporation up to 31 July 2024;
- (c) Audited financial statements of TSM and SeeTec Asia for FYE 2021 to 2023;
- (d) Accountants' Report as set out in Section 13;
- (e) Reporting Accountants' Report relating to our pro forma combined statements of financial position as set out in Section 14;
- (f) IMR Report as set out in Section 8;
- (g) Material contracts as set out in Section 6.5; and
- (h) Letters of consent as set out in Section 15.5.

### **15.7 RESPONSIBILITY STATEMENTS**

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE**

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.**

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

### **16.1 OPENING AND CLOSING OF APPLICATION PERIOD**

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 22 January 2025

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 4 February 2025

In the event of any changes to the timetable, we will advertise the notice of such changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia and make an announcement on Bursa Securities' website.

**Late applications will not be accepted.**

### **16.2 METHODS OF APPLICATIONS**

#### **16.2.1 Retail Offering**

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<b>Types of Application and category of investors</b>	<b>Application Method</b>
Applications by our Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only



## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

### **16.2.2 Placement**

#### **Types of Application**

Applications by selected investors

#### **Application Method**

The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

Applications by Bumiputera investors approved by MITI

MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Eligible Persons, selected investors and Bumiputera investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

## **16.3 ELIGIBILITY**

### **16.3.1 General**

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

### **16.3.2 Application by Malaysian Public**

You can only apply for our IPO Shares if you fulfill all of the following:

- (a) You must be one of the following:
  - (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (c) You must submit Applications by using only one of the following methods:
- (i) White Application Form; or
  - (ii) Electronic Share Application; or
  - (iii) Internet Share Application.

### **16.3.3 Application by our Eligible Persons**

Our Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. Applicants must follow the notes and instructions on the said documents and where relevant, in this Prospectus.

### **16.4 APPLICATION BY WAY OF APPLICATION FORMS**

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The **FULL** amount payable is RM0.20 for each IPO Share.

Payment must be made out in favour of "**TIH SHARE ISSUE ACCOUNT NO. 790**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd  
(Registration No. 197101000970 (11324-H))  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
8, Jalan Kerinchi  
59200 Kuala Lumpur

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

So as to arrive not later than 5.00 p.m. on 4 February 2025 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

**16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

**16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions or Participating Securities Firms, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, Malayan Banking Berhad, Public Bank Berhad, CGS International Securities Malaysia Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), MooMoo Securities Malaysia Sdn Bhd and Malacca Securities Sdn Bhd. A processing fee will be charged by the respective Internet Participating Financial Institutions or Participating Securities Firms (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions or Participating Securities Firms.

**16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE**

The Issuing House, on the authority of our Board reserves the right to:

- (a) reject Applications which:
- (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (ii) are illegible, incomplete or inaccurate; or

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (iii) are accompanied by an improperly drawn up or improper form of remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

**16.8 OVER / UNDER SUBSCRIPTION**

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tiih.online> within 1 Market Day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25.0% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or our Eligible Persons, subject to the clawback and reallocation as set out in Section 4.3.3, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

**16.9.1 For applications by way of Application Forms**

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).
- (d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

**16.9.2 For applications by way of Electronic Share Application and Internet Share Application**

- (a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions or Participating Securities Firms of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution or Participating Securities Firms (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (b) You may check your account on the 5<sup>th</sup> Market Day from the balloting date.

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions or Participating Securities Firms (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

### **16.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (a) Our IPO Shares allotted to you will be credited into your CDS Account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and Depository Rules.
- (d) In accordance with Section 29 of the Central Depositories Act, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

### **16.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House Enquiry Services Telephone at 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution or Participating Securities Firms and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **1 Market Day** after the balloting date.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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