ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

2. GENERAL

ECA Integrated was incorporated on 28 September 2021 under the Act as a private limited company under the name of ECA Integrated Solution Sdn Bhd. On 1 March 2022, ECA Integrated was converted into a public limited company and assumed its present name. The Company is principally an investment holding company, and was incorporated to facilitate its IPO and Listing on the ACE Market of Bursa Securities.

The registered office of ECA Integrated is located at Room B, 3rd Floor, 309-K, Perak Road 10150 George Town, Pulau Pinang, Malaysia.

The principal place of business of ECA Integrated is located at Plot 248, Lorong Industries Bukit Minyak 16, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang, Malaysia.

The pro forma combined statements of financial position have been prepared solely for inclusion in the Prospectus of ECA Integrated in connection with the IPO and Listing on the ACE Market of Bursa Securities.

The details of the IPO and Listing are entailed in Note 3 below.

3. PRO FORMA GROUP AND BASIS OF PREPARATION

In conjunction with the IPO and Listing, the Company undertook the following:-

3.1 Pre-IPO Restructuring Exercise

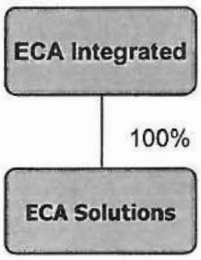
3.1.1 Share Split

On 26 January 2022, the Company completed the subdivision of issued shares for 1 existing Share into 25 new Shares. The issued shares of the Company has increased from 9 Shares to 225 Shares.

3.1.2 Acquisition of ECA Solutions

On 22 February 2022, ECA Integrated entered into a conditional share sale agreement to acquire the entire equity interest in ECA Solutions for a purchase consideration of RM17,100,000 to be satisfied entirely by the issuance of 427,500,000 new Shares in ECA Integrated at RM0.04 per Share ("Acquisition of ECA Solutions").

Following the completion of the Acquisition of ECA Solutions on 21 September 2022, the group structure of the Group is as follows:-



ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)

3.2. Listing Scheme

The listing scheme entails the following:-

3.2.1 Public Issue

Public issue of 150,000,000 new Shares at an issue price of RM0.17 per Share for application in the following manner:-

a. 28,880,000 Shares to the Malaysian Public (via balloting);
b. 14,400,000 Shares to the Eligible Directors and employees of the Group as well as persons who have contributed to the success of the Group; and
c. 106,720,000 Shares to the selected investors (via private placement);

3.2.2 Offer for Sale

Offer for sale of 48,000,000 existing Shares by Selling Shareholders at an issue price of RM0.17 by way of private placement to selected investors;

And

3.2.3 Listing

In conjunction with the above, ECA Integrated will seek the listing of and quotation for its entire enlarged issued share capital, comprising 577,500,225 Shares with market capitalisation of RM98,175,038 on the ACE Market of Bursa Securities.

(Collectively known as "IPO and Listing")

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ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.3. Basis of Preparation

3.3.1 The pro forma combined statements of financial position, of which the Directors of the Company is solely responsible, have been prepared for illustrative purposes only and based on the audited financial statements of ECA Integrated for eight (8) months FPE 30 June 2022 and also on the assumptions that the events and transactions as stated in Note 5 have been effected as at 30 June 2022, and should be read in conjunction with the notes accompanying thereto.

3.3.2 The pro forma combined statements of financial position have been prepared in accordance with the requirements of *Part II Division 1, Chapter 9 of the Prospectus Guidelines* issued by the Securities Commission Malaysia and *Guidance Note for Issuers of Pro Forma Financial Information* issued by Malaysian Institute of Accountants.

3.3.3 The pro forma combined statements of financial position have been prepared based on the audited financial statements of ECA Integrated for eight (8) months FPE 30 June 2022, which have been prepared in accordance with MFRS, IFRS and in a manner consistent with both the format of the financial statements and the accounting policies normally adopted by ECA Integrated.

3.3.4 The audited financial statements of ECA Integrated under review have been reported without any audit qualification or modification.

3.3.5 The pro forma combined statements of financial position are presented in RM and all values are rounded to the nearest thousand ("RM'000") except where otherwise indicated.

3.3.6 The pro forma combined statements of financial position, because of their nature, may not be reflective of the Group's actual financial position and results. Furthermore, such information does not purport to predict the future financial position and results of the Group.

3.3.7 The pro forma combined statements of financial position have been prepared using the merger method to account for the Acquisition of ECA Solutions as this business combination involves entities or businesses which are commonly controlled by the same parties before and after the business combination, and that control is not transitory.

(i) Under the merger method of accounting, the results of the subsidiary are presented as if the merger had been effected throughout the current financial period.

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

(iii) When the merger method is used, the difference between the cost of investment recorded by the Company (i.e. the consideration for the Acquisition of ECA Solution) and the share capital of ECA Solution is accounted for as reorganisation reserve.

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ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4. Pro Forma Combined Statements of Financial Position

	Audited as at 30 June 2022 RM'000	Pro forma I After Acquisition of ECA Solutions RM'000	Pro forma II After Pro forma I and Proposed IPO and Listing RM'000	Pro forma III After Pro forma II and Utilisation of Proceeds RM'000
ASSETS				
Non-current asset				
Property, plant and equipment	-	993	993	4,193
Right-of-use assets	-	1,757	1,757	1,757
	-	2,750	2,750	5,950
Current assets				
Inventories	-	5,796	5,796	5,796
Trade receivables	-	13,368	13,368	13,368
Other receivables, deposits and prepayments	-	1,719	1,719	669
Cash and bank balances	#	8,691	34,191	29,241
Current tax asset	-	1	1	1
	#	29,575	55,075	49,075
Total Assets	#	32,325	57,825	55,025
EQUITY AND LIABILITIES				
Share capital	#	17,100	42,600	41,657
Reorganisation reserve	-	(16,100)	(16,100)	(16,100)
(Accumulated losses) / Retained profits	(9)	20,619	20,619	18,762
Total Equity	(9)	21,619	47,119	44,319

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ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

4. Pro Forma Combined Statements of Financial Position (Cont'd)

		Pro forma I	Pro forma II	Pro forma III
	Audited as at 30 June 2022 RM'000	After Acquisition of ECA Solutions RM'000	After Pro forma I and Proposed IPO and Listing RM'000	After Pro forma II and Utilisation of Proceeds RM'000
Non-current liabilities				
Borrowings	-	1,477	1,477	1,477
Lease liabilities	-	1,040	1,040	1,040
Deferred tax liabilities	-	23	23	23
	-	2,540	2,540	2,540
Current liabilities				
Trade payables	-	3,600	3,600	3,600
Other payables and accruals	9	1,356	1,356	1,356
Borrowings	-	2,791	2,791	2,791
Lease liabilities	-	419	419	419
	9	8,166	8,166	8,166
Total Liabilities	9	10,706	10,706	10,706
Total Equity and Liabilities	#	32,325	57,825	55,025
No. of shares in issue ('000)	*	427,500	577,500	577,500
(NL)/NA (RM'000)	(9)	21,619	47,119	44,319
(NL)/NA per share attributable to the equity holders of the Company (RM)	(41.25)	0.05	0.08	0.08

Notes: -

\# *Denotes RM9*
* *Denotes 225 shares*

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ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position

5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:-

Pro forma I

Pro forma I reflects the Acquisition of ECA Solutions which involves acquisition of the entire equity interest in ECA Solutions for a purchase consideration of RM17,100,000, which was satisfied entirely by the issuance of 427,500,000 Shares at RM0.04 per share.

The acquisition of the entire issued share capital of ECA Solutions by ECA Integrated is part of the pre-IPO restructuring exercise and does not result in any change in economic substance. Accordingly, the pro forma combined statements of financial position of ECA Integrated are accounted as follows:-

i. The combined results of ECA Integrated are presented as if the Acquisition of ECA Solutions has been effected throughout the financial period under review; and

ii. ECA Integrated incorporates the assets and liabilities of ECA Solutions at their pre-combination carrying amounts. No adjustment is made to reflect their fair values, or recognise any new assets or liabilities at the date of combination that would otherwise have been done under the acquisition method.

The above pre-IPO reorganisation exercise will generate a reorganisation reserve of RM16,100,000, computed as follows:

	RM'000
Purchase consideration	17,100
Share capital of ECA Solutions	(1,000)
Reorganisation reserve	16,100

Pro forma II

Pro forma II incorporates the effects of Pro forma I and the following:-

i. Public Issue

Public issue of 150,000,000 new Shares at an issue price of RM0.17 per Share for application in the following manner:-

a. 28,880,000 Shares to the Malaysian Public (via balloting);
b. 14,400,000 Shares to the Eligible Directors and employees of the Group as well as persons who have contributed to the success of the Group; and
c. 106,720,000 Shares to the selected investors (via private placement);

ii. **Listing**

In conjunction with the above, ECA Integrated will seek the listing of and quotation for its entire enlarged issued share capital, comprising 577,500,225 Shares with market capitalisation of RM98,175,038 on the ACE Market of Bursa Securities.

The public issue of 150,000,000 new Shares at an issue price of RM0.17 is estimated to raise proceeds amounting to RM25,500,000.

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ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)

5.1 The pro forma adjustments to the pro forma combined statements of financial position are as follows:- (Cont'd)

Pro forma III

Pro forma III incorporates the effects of Pro forma II and the following:-

The proceeds from the Public Issue will be utilised as follows:-

	RM'000	Estimated timeframe for utilisation of proceeds upon Listing
Acquisition of machinery^	7,700	Within twenty-four (24) months
Repayment of bank borrowings#	1,000	Within six (6) months
Working capital	14,000	Within twenty-four (24) months
Estimated listing expenses*	2,800	Within three (3) months
	25,500	

^ As at 5 October 2022, being the latest practicable date prior to the date of this Prospectus ("LPD"), the Group has issued purchase order in relation to the acquisition of a unit of gantry machining centre amounting to RM3,200,000 of which down payment of RM1,050,000 has been paid. The balance of payment amounting to RM2,150,000 will be made by end 2022.

Apart from the above, the Group has yet to enter into any other contractual binding agreement pertaining to acquisition of machinery. Accordingly, the use of the remaining proceeds of RM5,550,000 intended for the acquisition of machinery are not reflected in the pro forma combined statements of financial position.

As at the LPD, the Group has yet to enter into any contractual binding agreement for the repayment of bank borrowings. As such, the use of proceeds for the repayment of bank borrowings is not reflected in the pro forma combined statements of financial position.

Should the repayment of bank borrowings be reflected in the pro forma combined statements of financial position, the movement in borrowings will be illustrated as follows:-

	Non-Current RM'000	Current RM'000	Total RM'000
Balance as at 30 June 2022	-	-	-
Acquisition of ECA Solutions	1,477	2,791	4,268
Pro forma I and II	1,477	2,791	4,268
Repayment of bank borrowings	(832)	(168)	(1,000)
Pro forma III	645	2,623	3,268

* The estimated listing expenses amounting to approximately RM2,800,000 which will be borne by the comprise professional fees, regulatory authority fees, underwriting, placement and brokerage fees and miscellaneous fees incidental to the IPO and Listing. A total of RM943,000 is assumed to be directly attributable to the issuance of new shares and therefore will be set off against the share capital. The remaining expenses of RM1,857,000 are assumed to be attributable to the application and submission for approval of IPO and Listing and therefore will be charged to the statements of profit or loss and other comprehensive income.

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ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)

5.2 Movement in Property, Plant and Equipment

	RM'000
Balance as at 30 June 2022	-
Acquisition of ECA Solutions	993
Pro forma I and II	993
Acquisition of machinery	2,150
Transfer from other receivables, deposits and prepayments	1,050
	3,200
Pro forma III	4,193

5.3 Movement in Cash and Bank Balances

	RM'000
Balance as at 30 June 2022	#
Acquisition of ECA Solutions	8,691
Pro forma I	8,691
Proceeds from IPO and Listing	25,500
Pro forma II	34,191
Acquisition of machinery	(2,150)
Estimated expenses for the IPO and Listing	(2,800)
	(4,950)
Pro forma III	29,241

 # Denotes RM9

5.4 Movement in Share Capital

	Share value RM	No. of shares'000	RM'000
Balance as at 30 June 2022	0.04	*	#
Issuance of shares upon Acquisition of ECA Solutions	0.04	427,500	17,100
Pro forma I	0.04	427,500	17,100
Issuance of shares from IPO	0.17	150,000	25,500
Pro forma II	0.07	577,500	42,600
IPO and Listing expenses		-	(943)
Pro forma III	0.07	577,500	41,657

* *Denotes 225 Shares*
\# *Denotes RM9*

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ECA INTEGRATED SOLUTION BERHAD
NOTES TO THE PRO FORMA COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5. Effect on The Pro forma Combined Statements of Financial Position (cont'd)

5.5 **Movement in Reorganisation Reserve**

	RM'000
Balance as at 30 June 2022	-
Acquisition of ECA Solutions	16,100
Pro forma I, II and III	16,100

5.6 **Movement in (Accumulated Losses) / Retained Profits**

	RM'000
Balance as at 30 June 2022	(9)
Acquisition of ECA Solutions	20,628
Pro forma I and II	20,619
Estimated expenses for IPO and Listing	(1,857)
Pro forma III	18,762

Approved by the Board of Directors

Signed on behalf of the Board in accordance with a resolution of the Directors of ECA Integrated dated 28 SEP 2022

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Ooi Chin Siew
Executive Director

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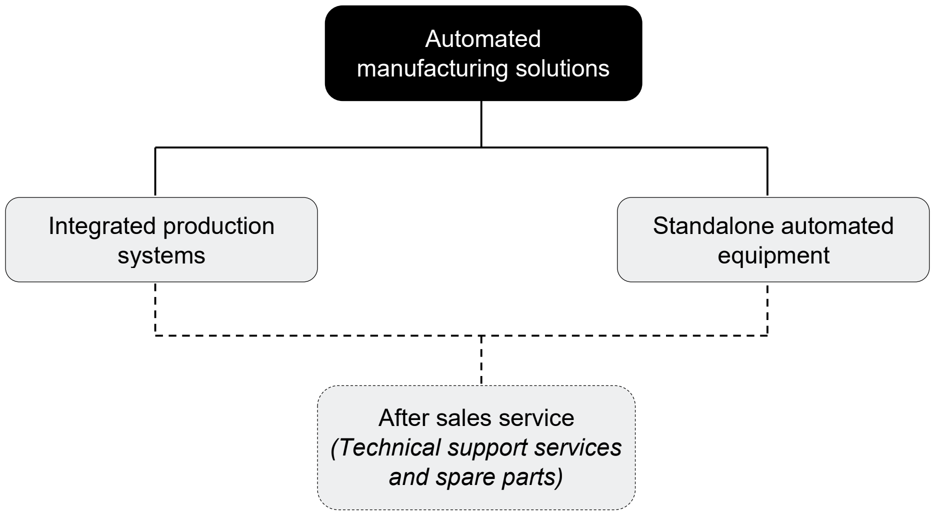
12.3 Management's discussion and analysis of financial condition and results of operations

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

This discussion and analysis may contain certain forward-looking statements that reflect our current views with respect to future events and our future financial performance. Our actual results may differ materially from those anticipated in these forward-looking statements as a result of a number of factors, including those set out under risk factors in **Section 5** of this Prospectus.

12.3.1 Overview of our operations

We are an automated manufacturing solutions provider, and are principally involved in the provision of integrated production systems and standalone automated equipment, as depicted in the diagram:-



Our business activities are described as follows:-

(i) **Integrated production systems:** We have the capability to undertake the complete process of providing integrated production systems, which include the following scope of works:-

- conceptualising and designing suitable integrated production systems to carry out the required operational processes;
- software programming and fabrication of parts and mechanical components;
- integration of modules and smart manufacturing solutions to form a complete integrated production system; and
- testing and commissioning of the integrated production system.

(ii) **Standalone automated equipment:** We design, fabricate, configure, test and commission standalone automated equipment, that are specific standard equipment or customised built equipment to perform specific roles or tasks.

(iii) **After sales service:** To complement our core business operation in the provision of automated manufacturing solutions, we also provide after sales service to our customers for the provision of technical support services and spare parts, which include maintenance services, replacement of spare parts and related materials, reconfiguration, and reprogramming the equipment to perform different tasks as required by changes in production process.

Please refer to **Section 7** of this Prospectus for further details of our business.

12.3.2 Overview of our results of operations

For the past 3 full financial years up to the FYE 2021, our revenue increased at a CAGR of 63.5%, from RM7.67 million in the FYE 2019 to RM20.51 million in the FYE 2021. We also recorded revenue of RM17.82 million in the FPE 2022. As depicted in the table below, our automated manufacturing solutions remained our biggest revenue contributor, which accounted for over 94.0% of total revenue:-

	Audited							
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automated manufacturing solutions								
- Integrated production systems	6,552	85.4	14,169	92.2	16,757	81.7	15,070	84.6
- Standalone automated equipment	1,099	14.3	1,144	7.5	3,544	17.3	1,762	9.9
	7,651	99.7	15,313	99.7	20,301	99.0	16,832	94.5
After sales service	20	0.3	54	0.3	210	1.0	984	5.5
Total	**7,671**	**100.0**	**15,367**	**100.0**	**20,511**	**100.0**	**17,816**	**100.0**

Our revenue from sales of automated manufacturing solutions is recognised at a point in time when performance obligation is satisfied and we have a present right to payments for our solutions rendered. This typically occurs after the delivery of products to designated destinations, implying that the control over the products has been transferred to our customers; whilst revenue from after sales service is recognised at a point in time when the services are rendered.

For the Financial Years/ Period Under Review, we primarily provide our solutions and services to multinational manufacturers that serve or operate in various industries, including but not limited to, semiconductor, automotive, solar, telecommunication and other commercial and industrial products.

We have gained access to both local and overseas markets as our customer base is now spread across several countries, covering the North America, Europe and the Asia Pacific region. For the Financial Years/ Period Under Review, our revenue by geographical market is illustrated in the table below:-

	Audited							
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	4,502	58.7	11,674	76.0	9,719	47.4	6,092	34.2
North America	2,988	39.0	2,897	18.8	122	0.6	7,613	42.7
Asia Pacific (excluding Malaysia)	181	2.3	796	5.2	5,707	27.8	1,238	7.0
Europe	-	-	-	-	4,963	24.2	2,873	16.1
Total	**7,671**	**100.0**	**15,367**	**100.0**	**20,511**	**100.0**	**17,816**	**100.0**

Please refer to **Section 12.3.6** of this Prospectus for our detailed year-on-year analysis of revenue.

12.3.3 Significant factors affecting our financial condition and results of operations

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

(i) Demand for automated manufacturing solutions

Our revenue and profitability are dependent on the demand conditions for automated manufacturing solutions in Malaysia and overseas markets. As an automation solutions provider, our machines and equipment form an integral part of the manufacturing activities. Accordingly, the demand for our solutions are expected to be driven particularly by the following factors:-

- growth and development in manufacturing related industries, including but not limited to semiconductor and electronics, EV and automotive as well as other manufactured products;
- continuous need for manufacturers to automate operations and/ or shift towards full automation to focus on, amongst others, minimise exposure to shortages of labour supply, improve production planning, optimise production processes and supply chain management, and increase operational efficiency; and
- increasing adoption of "just-in-time" practice, an inventory management method where materials are received from suppliers as and when needed, which in turn promotes the need for factory automation solutions to integrate the entire supply chain and manufacturing activities to achieve better operational efficiency and improve real-time control of processes.

For the Financial Years/ Period Under Review, our customers are mainly concentrated within the semiconductor, automotive, solar, telecommunication and other commercial and industrial product industries. Therefore, our business prospect may be affected by any adverse changes to the business and industries in which our customers serve or operate in. Please refer to **Section 5.1.2** of this Prospectus for the risk associated with dependency on our customers' business and industries.

(ii) Dependency on major customers, and ability to secure purchase orders

We are dependent on our major customers, namely Customer A group of companies and Customer B group of companies by virtue of their revenue contribution for the Financial Years/ Period Under Review. If there is a reduction or cessation of orders from these major customers and we are unable to secure other customers who can contribute similar revenue proportion by these major customers in a timely manner, our business, financial conditions and results of operations may be adversely affected. Please refer to **Section 7.15** of this Prospectus for further details on our major customers, and **Section 5.1.1** of this Prospectus for the risk associated with dependency on our major customers.

Like any of our customers, we do not enter into long term contract nor purchase commitment with our major customers, and that our sales are primarily based on purchase orders. Our Group's ability to maintain and establish business relationships are dependent on amongst others, our ability to keep up-to-date with technological developments, cater our solutions to meet customers' operational requirements, budget and capital expenditure, as well as competitive pricing and timely delivery of our solutions and services. As such, if we are unable to secure repeat or new purchase orders from existing and/ or new customers, our business, financial conditions and results of operations may be adversely affected. Please refer to **Section 5.1.5** of this Prospectus for the risk associated with absence of long term contract or purchase commitment.

(iii) Prolonged COVID-19 or other infectious diseases pandemic

The outbreak of COVID-19 or any infectious diseases pandemics may adversely affect our business operations and financial performance. We may face business disruptions in our operations if we are required to temporarily close our factory in event our employees test positive for COVID-19, or due to restrictions or lockdown imposed by the Government.

Since the implementation of the MCO on 18 March 2020 and up to 16 April 2020, our operations were temporarily suspended for about 1 month. On 17 April 2020 onwards, we were allowed to operate subject to a limiting workforce capacity of 50%. From then onwards up to August 2021, we were required to adhere with various restriction measures and SOPs introduced under the several phases of MCOs and NRP, which include changes in the maximum permitted workforce capacity, workplace safety and hygiene measures, disruption in supply chain, movement restrictions and containment measures. Due to these restrictions which led to inadvertent delay in our production schedule, we have sought extension from our customers to defer the delivery schedule by about 2 to 6 months, as well as increased our headcount of production floor workers particularly in the FYE 2021 to complete and fulfil our job orders, subject to SOPs put in place.

Further, we have also encountered disruption in our supply chain and trade logistics particularly due to shortage of input materials and movement restrictions on the back of COVID-19 pandemic. During the FYE 2020 and FYE 2021, we experienced delays in obtaining certain input materials from our suppliers, especially for IT hardware and programmable logic controllers (PLC) such as computers, human-machine interfaces, electronic control cards, and sensors, due to a shortage in semiconductor and other related electronic parts. The said shortage was mainly attributable to the surge in demand for consumer electronic products as well as restrictions in manufacturing activities of chip manufacturers caused by the COVID-19 pandemic. Notwithstanding this has also resulted in the delay of our delivery of solutions to our customers for about 2 to 6 months, we have been able to procure extensions from our customers to fulfil their delivery schedule, and accordingly, we have not experienced any delay in the delivery of our solutions which resulted in late delivery claims and/ or penalties enforced against us, nor cancellation of order thereof during the Financial Years/ Period Under Review.

However, in event the COVID-19 pandemic persists or worsens or if the Government implements further restrictions or prohibitions, our business operations and financial performance may be adversely impacted. Please refer to **Section 5.1.3** of this Prospectus for the risk associated with the impact of COVID-19 outbreak or other infectious diseases pandemic.

(iv) Timely delivery of orders

As set out in **Section 5.1.7** of this Prospectus, we agree and have to adhere to certain milestones for the delivery of our products and solutions to customers. In the event that we do meet the scheduled delivery date or if we are unable to procure extension to the delivery schedule from our customers, we may be subject to claims and/ or penalties imposed on our Group, or cancellation of order by our customers, which in turn may have an adverse effect on our financial performance.

As elaborated in **item (iii)** above, we have encountered delay in the delivery of our products and solutions to our customers by about 2 to 6 months in the FYE 2020 and FYE 2021 as a consequence of disruption in the business and supply chain on the back of COVID-19 pandemic. Notwithstanding this, we have been able to procure extensions from our customers to fulfil the delivery of our products and solutions. Throughout our production schedule, our project team are in close communication with our customers to ensure the smooth running of our progress in production planning up to delivery stage. We also provide timely notification to our customers on any supply disruption or material constraint arising from COVID-19 restrictions that is expected to delay our production schedule, and this provides transparency and assurance to our customers on our continued commitment to recalibrate and execute our production planning to meet customers' delivery schedule, where extended.

Since the implementation of MCO in March 2020 and up to the LPD, we have neither experienced any cancellation of purchase orders from our customers, nor any delay in the delivery of our solutions which resulted in late delivery claims and/ or penalties enforced against us.

(v) Foreign exchange fluctuation

A proportion of our sales to customers are transacted in foreign currencies, namely in USD, SGD and EUR. Accordingly, we are exposed to fluctuations in foreign exchange rates during the conversion of these foreign currencies into RM, which is our Group's functional and presentation currency as required by the provisions of the Act. Any adverse movements in the foreign exchange markets may have an adverse impact on our business performance, financial position and operating results. Please refer to **Section 5.1.12** of this Prospectus for the risk associated with the impact of foreign exchange risk on our profitability.

For the Financial Years/ Period Under Review, there was no material impact of foreign currency translations on our historical profits:-

	<--------------	--------Audited--------		-------------->
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**8-month FPE 2022 RM'000**
Realised loss on foreign exchange	(38)	(66)	(22)	(43)
Unrealised gain on foreign exchange	11	35	11	441
Net gain/ (loss)	**(27)**	**(31)**	**(11)**	**398**
As a percentage of PBT (%)	(2.5)	(0.6)	(0.1)	8.5

As at the LPD, we do not use any financial instruments to hedge our exposure against transactions in foreign currencies, in view that our sales and purchases are naturally hedged to an extent for those same currency denominations as well as that our exposure size is relatively manageable. However, we will monitor and review the need to utilise financial instruments, if required, to hedge our currency exposure after taking into consideration the size of exposure, exposure periods and transaction costs.

(vi) Revocation/ expiry/ non-renewal of pioneer status

We were granted a pioneer status by MITI under the Promotion of Investments Act 1986 which entitled us to a tax exemption of 100% on our statutory income for a period of 10 years. The said tax exemption applies to our statutory income derived from the following activities, namely (a) the production of 3D vision inspection machines, and (b) the production of factory automation systems. The 10-year tax incentive period is granted for an initial 5-year period, which would be extendable by another 5 years when the relevant conditions set out in **Section 7.17** are fulfilled. Our current tax incentive period under the pioneer status is valid for 5 years from 27 November 2017 to 26 November 2022. We intend to apply for a renewal of our pioneer status for the remaining validity period of 5 years effective from 27 November 2022 onwards. In the event of revocation or expiry or non-renewal of the pioneer status, our profitability will be directly affected as and when we revert to the applicable corporate tax rates in Malaysia.

(vii) Government, economic, regulatory, fiscal or monetary policies

We are subject to risks inherent in the government, economic, regulatory, fiscal and monetary policies in both Malaysia and overseas markets that we export to such as the North America, Asia Pacific region and Europe, which include but are not limited to, changes in the government laws, monetary and fiscal policies, methods of taxation and licensing regulations, changes in trade law and other regulatory changes, civil unrest, terrorism, riots, risk of war, expropriation, and changes in political leadership, where any unfavourable change may adversely affect our business, financial performance and prospects of our Group. Please refer to **Section 5.2.3** of this Prospectus for the risk associated with political, economic and regulatory risks relevant to our business operations.

For the Financial Years/ Period Under Review, save for the COVID-19 impact as disclosed in **item (iii)** above, there was no other material impact of government, economic, regulatory, fiscal or monetary policies on our financial results.

12.3.4 State of order book

We do not have any long term contracts with our customers as our sales are made based on purchase orders. As at the LPD, our unbilled purchase orders stood at RM14.70 million and are expected to be fulfilled over the next 2 financial years as set out below:-

Unbilled purchase orders (by business segments)	**RM'000**
To be recognised as revenue in the FYE 2022:-	
- Integrated production systems	5,133
- Standalone automated equipment	366
- After sales service	159
	5,658
To be recognised as revenue in the FYE 2023:-	
- Integrated production systems	5,285
- Standalone automated equipment	3,654
- After sales service	98
	9,037
Total	**14,695**

12.3.5 Significant changes

There are no significant changes that have occurred, which may have a material effect on the financial position and results of our Group subsequent to the FPE 2022 and up to the LPD.

12.3.6 Review of our historical results

(i) **Revenue**

(a) Revenue by business segments

	<------	------	Audited	------	------	------>	Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automated manufacturing solutions										
- Integrated production systems	6,552	85.4	14,169	92.2	16,757	81.7	1,250	46.7	15,070	84.6
- Standalone automated equipment	1,099	14.3	1,144	7.5	3,544	17.3	1,364	51.0	1,762	9.9
	7,651	99.7	15,313	99.7	20,301	99.0	2,614	97.7	16,832	94.5
After sales service	20	0.3	54	0.3	210	1.0	60	2.3	984	5.5
Total	**7,671**	**100.0**	**15,367**	**100.0**	**20,511**	**100.0**	**2,674**	**100.0**	**17,816**	**100.0**

Since our inception and up to the FYE 2019, we were mainly commissioned to fabricate, design and supply standalone automated equipment to our customers. In January 2019, we secured our first purchase order for the production of an integrated line system from Customer A group of companies, which represents a transformation shift from our conventional offering of standalone automated equipment. Please refer to **Section 6.1** of this Prospectus for further details on our Group's history and development, including our Promoters past business dealings with Customer A group of companies since 2009.

Our Group's revenue for the Financial Years/ Period Under Review can be segregated into the following segments:-

A. Integrated production systems

An integrated production system refers to an array of automated customised modules that are integrated and interconnected. The system is controlled through software that is programmed to automatically perform a complete set of sequential operational processes in order to produce/ manufacture the intended product.

Our revenue is recognised at a point in time when performance obligation is satisfied and we have a present right to payments for our integrated production systems. This typically occurs after the delivery of products to designated destinations, implying that the control over the products has been transferred to our customers.

This segment remained our biggest revenue contributor, which accounted for 85.4%, 92.2%, 81.7% and 84.6% of total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

B. Standalone automated equipment

Standalone automated equipment refers to specific standard equipment or custom-built equipment that can perform specific roles or tasks. This equipment is customised to perform a particular process of a manufacturing activity, such as testing and inspection, transfer and loading, laser drilling and packaging. It can operate on a standalone basis without being integrated into a production line system.

Our revenue is recognised at a point in time when performance obligation is satisfied and we have a present right to payment for our standalone automated equipment. This typically occurs after the delivery of products to designated destinations, implying that the control over the products has been transferred to our customers.

The revenue derived from this segment accounted for 14.3%, 7.5%, 17.3% and 9.9% of total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

C. After sales service

To complement our core business operation in the provision of automated manufacturing solutions, we also provide after sales service to our customers for the provision of technical support services and spare parts. These services include provision of maintenance services, replacement of spare parts and related materials, reconfiguration, and reprogramming the equipment to perform different tasks as required by changes in production process. Our revenue is recognised at a point in time when the services are rendered.

The revenue derived from this segment accounted for 0.3%, 0.3%, 1.0% and 5.5% of total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

12. FINANCIAL INFORMATION (CONT'D)

(b) Revenue by geographical market

	<-----	Audited	-----	-----	-----	----->	Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	4,502	58.7	11,674	76.0	9,719	47.4	2,545	95.2	6,092	34.2
Asia Pacific (excluding Malaysia)										
- Singapore	112	1.5	-	-	1,100	5.4	-	-	1,205	6.8
- Indonesia	57	0.7	-	-	-	-	-	-	-	-
- Vietnam	12	0.1	-	-	3,700	18.0	-	-	21	0.1
- Philippines	-	-	796	5.2	41	0.2	7	0.3	3	neg.
- PRC	-	-	-	-	866	4.2	-	-	9	0.1
	181	2.3	796	5.2	5,707	27.8	7	0.3	1,238	7.0
North America										
- USA	2,988	39.0	2,897	18.8	122	0.6	122	4.5	63	0.4
- Mexico	-	-	-	-	-	-	-	-	7,550	42.3
	2,988	39.0	2,897	18.8	122	0.6	122	4.5	7,613	42.7
Europe										
- Ukraine	-	-	-	-	4,894	23.9	-	-	-	-
- Hungary	-	-	-	-	69	0.3	-	-	2,829	15.9
- Poland	-	-	-	-	-	-	-	-	44	0.2
	-	-	-	-	4,963	24.2	-	-	2,873	16.1
Total	**7,671**	**100.0**	**15,367**	**100.0**	**20,511**	**100.0**	**2,674**	**100.0**	**17,816**	**100.0**

Our geographical revenue breakdown is typically recognised based on the location where our solutions and services are provided, including overseas markets such as the North America (USA and Mexico), Europe (Hungary, Ukraine and Poland) and the Asia Pacific region (Singapore, Vietnam, Philippines and PRC).

Revenue contribution from Malaysia accounted for 58.7%, 76.0%, 47.4% and 34.2% of total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, whilst revenue contribution from overseas markets accounted for 41.3%, 24.0%, 52.6% and 65.8% of total revenue respectively.

(c) Commentary on revenue

FYE 2019 to FYE 2020

Our revenue increased by RM7.70 million or 100.4% to RM15.37 million in the FYE 2020 (FYE 2019: RM7.67 million), primarily attributed to the following factors:-

- Revenue from provision of integrated production systems increased by RM7.62 million or more than 100.0% to RM14.17 million in the FYE 2020 (FYE 2019: RM6.55 million), mainly due to purchase orders secured from new customers. In the FYE 2020, we commenced business relationships with 2 new customers, namely Customer B1 and New Power Smart Modular Sdn Bhd, for the design, fabrication and supply of integrated production systems for their production and assembly process that caters to the solar and automotive industries, details of which are set out below:-

Descriptions	Industries	Country of operations	Contract value RM'000
Customer B1 Assembly line system for the production and assembly of:- - solar power systems - battery management system for EV	Solar/ Automotive	Malaysia	5,741
New Power Smart Modular Sdn Bhd Factory automation assembly system for the production and assembly of:- - PV junction box (solar panel component) - battery management system for EV	Solar/ Automotive	Malaysia	2,009

In addition, the increase in revenue for the provision of integrated production systems was also mainly attributable to new purchase orders secured from existing customers, notably Customer A group of companies and Customer C, for the design, fabrication and supply of integrated production systems for their production and assembly process that caters to the semiconductor and automotive industries, details of which are set out below:-

Descriptions	Industries	Country of operations	Contract value RM'000
<u>Customer A group of companies</u>			
(i) Customer A2 Integrated line system mainly comprising automated visual inspection machine, track assembly and testing station used for the back-end semiconductor process	Semiconductor	Commissioned by Singapore headquarter for the delivery of order to manufacturing plant based in the USA	2,546
(ii) Customer A1 Integrated line system mainly comprising rotary vision sorting machine used for the back-end semiconductor process	Semiconductor	Malaysia	1,079
<u>Customer C</u> Factory automation assembly system for the production and assembly of interior electronic systems and components for EV	Automotive	Malaysia	1,169

- Revenue from provision of standalone automated equipment increased by RM0.04 million or 3.6% to RM1.14 million in the FYE 2020 (FYE 2019: RM1.10 million). The revenue was contributed by the continued sales of standalone automated equipment such as vision sorting and test handling machines to Customer A group of companies, used for the testing and sorting of semiconductor devices in the semiconductor packaging process.

- Revenue from provision of after sales service increased by RM0.03 million or more than 100.0% to RM0.05 million in the FYE 2020 (FYE 2019: RM0.02 million), mainly due to sale of parts to Customer A group of companies as spare kits for wear and tear damages, together with repair and maintenance services rendered to our existing customers.

<u>FYE 2020 to FYE 2021</u>

Our revenue increased by RM5.14 million or 33.4% to RM20.51 million in the FYE 2021 (FYE 2020: RM15.37 million), primarily attributed to the following factors:-

- Revenue from provision of integrated production systems increased by RM2.59 million or 18.3% to RM16.76 million in the FYE 2021 (FYE 2020: RM14.17 million), mainly due to purchase orders secured from several new customers. In the FYE 2021, we were commissioned to design, fabricate and supply integrated production systems for the following customers, notably as set out below:-

Descriptions	Industries	Country of operations	Contract value RM'000
Customer B group of companies			
(i) Customer B2 Assembly line system for the production and assembly of 5G repeater in telecommunication equipment	Telecommunication	Ukraine	4,894
(ii) Customer B3 Assembly line system for the production and assembly of digital display tag for the retail sector	Commercial and industrial products	Vietnam	3,700
ECA Automation[*1] Production line system for commercial labelling products	Commercial and industrial products	Malaysia	3,329
Customer G Factory automation assembly system mainly comprising pick-and-place, burn in loader and auto packing machines used for back-end semiconductor process	Semiconductor	Malaysia	1,742

Note:-

*1 ECA Automation (a related company) had in the FYE 2021, assigned, transferred and novated a one-off job order from Customer F to our Group. Please refer to **Section 7.15(v)** of this Prospectus for further details of the novation agreement

In addition, the increase in revenue for the provision of integrated production systems was also mainly attributable to new purchase orders secured from existing customer, notably Customer C, for the design, fabrication and supply of integrated production systems for its production and assembly process that caters to the automotive industry, details of which are set out below:-

Descriptions	Industries	Country of operations	Contract value RM'000
Customer C Factory automation assembly systems for the production and assembly of interior electronic systems and components for EV	Automotive	Malaysia	1,087

12. FINANCIAL INFORMATION (CONT'D)

- Revenue from provision of standalone automated equipment increased by RM2.40 million or more than 100.0% to RM3.54 million in the FYE 2021 (FYE 2020: RM1.14 million), mainly due to higher purchase orders secured from Customer A group of companies. These standalone automated equipment predominantly comprise machines that carry out the primary functions of vision sorting, material transfer and test handling used for the testing and sorting of semiconductor devices in the semiconductor packaging process.

- Revenue from provision of after sales service increased by RM0.16 million or more than 100.0% to RM0.21 million in the FYE 2021 (FYE 2020: RM0.05 million), mainly due to sale of parts to Customer A group of companies and Customer C as spare kits for wear and tear damages, together with repair and maintenance services rendered to our existing customers.

<u>8-month FPE 2021 to 8-month FPE 2022</u>

Our revenue increased by RM15.15 million or more than 100.0% to RM17.82 million in the FPE 2022 (FPE 2021: RM2.67 million), primarily attributed to the following factors:-

- In 2021, our Group's operations were affected by the impact of Recovery MCO (10.06.2020 – 31.03.2021), followed by the Total Lockdown (01.06.2021 – 28.06.2021) in which we encountered supply chain disruptions as well as the 60% workforce ruling, thereby delaying our production schedules. As a result, lesser products and services were delivered in the FPE 2021 and majority of our billings to customers were stretched to the last quarter of FYE 2021, accounting for 86.5% of the total revenue. Notwithstanding that, we had in the FPE 2022 resumed our operations and business activities to pre-COVID levels following the transition to the endemic phase.

- Revenue from provision of integrated production systems increased by RM13.82 million or more than 100.0% to RM15.07 million in the FPE 2022 (FPE 2021: RM1.25 million), mainly due to purchase orders secured from new and existing customers. In the FPE 2022, we were commissioned to supply integrated production systems for the following customers, notably as set out below:-

Descriptions	Industries	Country of operations	Contract value RM'000
<u>Customer B group of companies</u>			
(i) Customer B5 Assembly line system for the production and assembly of digital display tags for the retail sector	Commercial and industrial products	Commissioned by Switzerland office for the delivery of order to manufacturing plant based in Mexico	7,550

12. FINANCIAL INFORMATION (CONT'D)

Descriptions	Industries	Country of operations	Contract value RM'000
(ii) Customer B2 Assembly line system for the production and assembly of wall switches used in electric/ solar powered home devices	Solar	Commissioned by Ukraine office for the delivery of order to manufacturing plant based in Hungary	1,782
<u>Customer H</u> Integrated line system mainly comprising insert and loading systems used for the back-end semiconductor process	Semiconductor	Malaysia	2,190
<u>Customer C</u> Factory automation assembly system for the production and assembly of interior electronic systems and components for EV	Automotive	Malaysia	1,867

- Revenue from provision of standalone automated equipment increased by RM0.40 million or 29.4% to RM1.76 million in the FPE 2022 (FPE 2021: RM1.36 million), mainly due to purchase orders secured from existing customers. In the FPE 2022, we were commissioned to supply machines used in the semiconductor packaging process for Customer A group of companies and Customer H.

- Revenue from provision of after sales service increased by RM0.92 million or more than 100.0% to RM0.98 million in the FPE 2022 (FPE 2021: RM0.06 million), mainly due to sale of parts to Customer A group of companies as spare kits for wear and tear damages, together with modification, repair and maintenance services rendered to our existing customers.

12. FINANCIAL INFORMATION (CONT'D)

(ii) Cost of sales

(a) Cost of sales by business segments

	<-------------Audited				------------->		Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Automated manufacturing solutions										
- Integrated production systems	3,142	81.8	6,281	90.5	7,201	78.0	758	44.7	9,016	82.1
- Standalone automated equipment	692	18.0	631	9.1	1,938	21.0	907	53.4	1,196	10.9
	3,834	99.8	6,912	99.6	9,139	99.0	1,665	98.1	10,212	93.0
After sales service	9	0.2	30	0.4	91	1.0	32	1.9	774	7.0
Total	**3,843**	**100.0**	**6,942**	**100.0**	**9,230**	**100.0**	**1,697**	**100.0**	**10,986**	**100.0**

Our cost of sales increased from RM3.84 million for the FYE 2019 to RM10.99 million for the FPE 2022 in tandem with revenue growth. These costs were primarily incurred for the provision of integrated production systems, which accounted for 81.8%, 90.5%, 78.0% and 82.1% of total cost of sales for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

Costs incurred for the provision of standalone automated equipment accounted for 18.0%, 9.1%, 21.0% and 10.9% of total cost of sales for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively; whilst disbursements for the provision of after sales service remained at less than 10.0% of total cost of sales.

(b) Cost of sales by cost components

	<-------------Audited				------------->		Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Direct materials	1,332	34.7	4,583	66.0	6,240	67.6	508	29.9	7,431	67.6
Direct labour	1,481	38.5	1,286	18.5	1,956	21.2	829	48.9	2,570	23.4
Production overheads	1,030	26.8	1,073	15.5	1,034	11.2	360	21.2	985	9.0
Total	**3,843**	**100.0**	**6,942**	**100.0**	**9,230**	**100.0**	**1,697**	**100.0**	**10,986**	**100.0**

A. Direct materials

Direct materials represent the key component, which accounted for 34.7%, 66.0%, 67.6% and 67.6% of total cost of sales for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. These direct materials are essentially input materials used by our Group for the manufacture of integrated production systems, standalone automated equipment as well as spare parts for wear and tear damages. Our input materials mainly consist of hardware, parts and components (i.e. robotic arm and plates, bracket, valve, dispensers), IT software/ hardware and electronic components (i.e. programmable logic controllers (PLC)), and metal works. Please refer to **Section 7.11** of this Prospectus for further details of the input materials purchased for our Group's production activities.

These input materials are sourced from both local and international suppliers. The prices of these input materials are mainly influenced by overall market supply and demand conditions.

For the FYE 2020, cost of direct materials increased by RM3.25 million or more than 100.0% to RM4.58 million (FYE 2019: RM1.33 million), which was in tandem with the increase in total revenue of 100.4% in the same financial year. As further elaborated in **Section 12.3.6(i)(c)** of this Prospectus, the increase in total revenue was primarily attributed to higher purchase orders secured for our integrated production systems from new and existing customers. These include 2 factory automation assembly systems for Customer B1 and New Power Smart Modular Sdn Bhd, which were amongst our larger projects and collectively accounted for 50.5% of total revenue in the FYE 2020. Accordingly, we had increased our purchase of high-value components (i.e. robotic arms, computers, human-machine interfaces and sensors) predominantly for the fabrication of the said factory automation assembly systems.

For the FYE 2021, cost of direct materials increased by RM1.66 million or 36.2% to RM6.24 million (FYE 2020: RM4.58 million), which was in tandem with the increase in total revenue of 33.4% in the same financial year. As further elaborated in **Section 12.3.6(i)(c)** of this Prospectus, the increase in total revenue was primarily attributed to higher purchase orders secured for our integrated production systems as well as standalone automated equipment from new and existing customers.

For the FPE 2022, cost of direct materials increased by RM6.92 million or more than 100.0% to RM7.43 million (FPE 2021: RM0.51 million), which was in tandem with the increase in total revenue of over 100.0% in the same financial period. As further elaborated in **Section 12.3.6(i)(c)** of this Prospectus, the increase in total revenue was primarily attributed to higher purchase orders secured for our integrated production systems from new and existing customers. In particular, an assembly line system delivered to Customer B5, which accounted for 42.4% of total revenue in the FPE 2022. Due to the project requirement, we increased our purchase of high-value components (i.e. robotic arms, computers, human-machine interfaces and sensors) for the fabrication of the said assembly line system. We had also incurred higher procurement costs for certain input materials, especially IT hardware and programmable logic controllers (PLC) due to global shortage on semiconductor and other related electronic parts.

B. Direct labour

Direct labour accounted for 38.5%, 18.5%, 21.2% and 23.4% of total cost of sales for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. They mainly consists of salaries, allowances, performance incentives and other staff-related benefits incurred in relation to production floor workers, i.e. engineers and technicians directly associated with our production activities, maintenance and technical support services, supply chain management and product development.

For the FYE 2020, cost of direct labour declined by RM0.19 million or 12.8% to RM1.29 million (FYE 2019: RM1.48 million), mainly attributed to lower overtime allowances for our production floor workers as our Group's operations were disrupted by the imposition of MCO by the Government during the same financial year. We had in the FYE 2020 maintained our production headcount at 26 employees (FYE 2019: 26 employees).

For the FYE 2021, cost of direct labour increased by RM0.67 million or 51.9% to RM1.96 million (FYE 2020: RM1.29 million), mainly attributed to increase in number of production floor workers to 39 employees in the same financial year (FYE 2020: 26 employees). The increase in headcount was to accommodate the execution of higher purchase orders secured for the provision of integrated production systems and standalone automated equipment.

For the FPE 2022, cost of direct labour increased by RM1.74 million or more than 100.0% to RM2.57 million (FPE 2021: RM0.83 million), mainly attributed to increase in number of production floor workers to 52 employees in the same financial period (FPE 2021: 44 employees), coupled with the higher overtime allowances incurred. The increase in headcount and overtime hours was to accommodate the execution of higher purchase orders secured for the provision of integrated production systems, standalone automated equipment, as well as for the after sales services rendered to our enlarged customer base.

C. Production overheads

Production overheads accounted for 26.8%, 15.5%, 11.2% and 9.0% of total cost of sales for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. They mainly consist of rental of factory building, depreciation on machinery and equipment deployed in our Group's manufacturing facilities, utilities expenses, subcontractors' charges, and other direct expenses such as packaging, forwarding and freight charges.

For the FYE 2020, production overheads increased by RM0.04 million or 3.9% to RM1.07 million (FYE 2019: RM1.03 million), mainly attributed to increase in subcontractors' charges, as we had in the same financial year engaged subcontractors to assist us in the commissioning of an integrated line system at our customer's manufacturing plant in the USA.

For the FYE 2021, production overheads declined by RM0.04 million or 3.7% to RM1.03 million (FYE 2020: RM1.07 million), mainly attributed to lesser subcontractors engaged to assist us in the commissioning of products at our customers' manufacturing plants. For on-site installation, we would usually engage an in-house team to carry out the testing and commissioning process ourselves, save for the USA based project in the FYE 2020, which we encountered COVID-19 related travel restrictions.

For the FPE 2022, production overheads increased by RM0.63 million or more than 100.0% to RM0.99 million (FPE 2021: RM0.36 million), mainly attributed to increase in subcontractors' charges as we had in the same financial period engaged subcontractors to commission an assembly line system in Mexico. We had also incurred higher cost of packaging and utilities expense in conjunction with the increased production activities during the FPE 2022.

(iii) <u>GP and GP margin</u>

As depicted in the table below, our Group's GP is mainly derived from the provision of integrated production systems, being our main revenue contributor:-

	<----------Audited	----------	---------->	Unaudited	Audited
	FYE 2019	**FYE 2020**	**FYE 2021**	**8-month FPE 2021**	**8-month FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	7,671	15,367	20,511	2,674	17,816
Cost of sales	(3,843)	(6,942)	(9,230)	(1,697)	(10,986)
GP	3,828	8,425	11,281	977	6,830
GP margin (%)	49.9	54.8	55.0	36.5	38.3
<u>Business segments</u>					
Integrated production systems					
Revenue	6,552	14,169	16,757	1,250	15,070
Cost of sales	(3,142)	(6,281)	(7,201)	(758)	(9,016)
GP	3,410	7,888	9,556	492	6,054
GP margin (%)	52.0	55.7	57.0	39.4	40.2
Standalone automated equipment					
Revenue	1,099	1,144	3,544	1,364	1,762
Cost of sales	(692)	(631)	(1,938)	(907)	(1,196)
GP	407	513	1,606	457	566
GP margin (%)	37.0	44.8	45.3	33.5	32.1

	<------------Audited	------------	------------>	Unaudited	Audited
	FYE 2019	**FYE 2020**	**FYE 2021**	**8-month FPE 2021**	**8-month FPE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**
After sales service					
Revenue	20	54	210	60	984
Cost of sales	(9)	(30)	(91)	(32)	(774)
GP	11	24	119	28	210
GP margin (%)	55.0	44.4	56.7	46.7	21.3

Commentary on GP and GP margin

FYE 2019 to FYE 2020

Our overall GP increased by RM4.60 million or more than 100.0% to RM8.43 million in the FYE 2020 (FYE 2019: RM3.83 million), in line with our increase in revenue from the provision of integrated production systems. This business segment alone accounted for 92.2% of total revenue for the FYE 2020. Similarly, our overall GP margin also improved to 54.8% in the FYE 2020 (FYE 2019: 49.9%) primarily attributed to higher margin recorded for our integrated production systems coupled with the decrease in our fixed operating costs (i.e. direct labour) by 12.8%. We had in the FYE 2020 maintained our production headcount at 26 employees (FYE 2019: 26 employees) and reduced overtime expenses as cost-saving measures adopted during the MCO period.

The GP contribution from the provision of integrated production systems increased by RM4.48 million or more than 100.0% to RM7.89 million in the FYE 2020 (FYE 2019: RM3.41 million), in tandem with revenue growth for this business segment by more than 100.0% in the same financial year. There was also an improvement in the GP margin for our integrated production systems to 55.7% in the FYE 2020 (FYE 2019: 52.0%) as we were able to command better pricing margins from our multinational customers, due to the scope of customisation involved to be delivered within a specified timeframe. Factors that influence our pricing include the scope of customisation involved in the design and planning of our integrated production systems, the turnaround time required to assemble these line systems as well as the value-added contribution to our customers' manufacturing process (i.e. reduce manual tasks, increase production capacity and product quality control).

FYE 2020 to FYE 2021

Our overall GP increased by RM2.85 million or 33.8% to RM11.28 million in the FYE 2021 (FYE 2020: RM8.43 million), in line with our increase in revenue from the provision of integrated production systems and standalone automated equipment. They had respectively accounted for 81.7% and 17.3% of total revenue for the FYE 2021. Similarly, our overall GP margin also improved to 55.0% in the FYE 2021 (FYE 2020: 54.8%), primarily attributed to sales mix of our integrated production systems and standalone automated equipment partially offset by the increase in our fixed operating costs (i.e. direct labour) by 51.9%. We had in the FYE 2021 expanded our production workforce by 50.0% to 39 employees (FYE 2020: 26 employees) for the execution of higher purchase orders secured.

The GP contribution from the provision of integrated production systems increased by RM1.67 million or 21.2% to RM9.56 million in the FYE 2021 (FYE 2020: RM7.89 million), in tandem with revenue growth for this business segment by 18.3% in the same financial year. There was also an improvement in the GP margin for our integrated production systems to 57.0% in the FYE 2021 (FYE 2020: 55.7%) as we were able to command better pricing margins from undertaking more large-scale and complex projects. Due to the amount of modules required to construct the comprehensive production line, these projects usually require a high degree of customisation in its development process (from designing, planning to the assembly and testing of the production line) to ensure that all modules are properly integrated and are functional together as a whole.

The GP contribution from the provision of standalone automated equipment increased by RM1.10 million or more than 100.0% to RM1.61 million in the FYE 2021 (FYE 2020: RM0.51 million), in tandem with revenue growth for this business segment by more than 100.0% in the FYE 2021. There was also an improvement in the GP margin for our standalone automated equipment to 45.3% in the FYE 2021 (FYE 2020: 44.8%) from the repeated sales of standalone automated equipment to Customer A group of companies. We were able to derive economies of scale from manufacturing the same machines, thereby reducing our unit cost of production. Shorter turnaround time and lesser workforce were involved in the process (from designing, planning to the assembly and testing of the machines) as we become more familiar with the customer's requirements and the procedures to be undertaken in commissioning the machines.

8-month FPE 2021 to 8-month FPE 2022

Our overall GP increased by RM5.85 million or more than 100.0% to RM6.83 million in the FPE 2022 (FPE 2021: RM0.98 million), in line with our increase in revenue from the provision of integrated production systems. Similarly, our overall GP margin also improved to 38.3% in the FPE 2022 (FPE 2021: 36.5%) primarily attributed to the increase in sales of our integrated production systems (high value products) following the resumption of our operations and business activities to pre-COVID levels in the current period. This business segment alone accounted for 84.6% of total revenue for the FPE 2022 (FPE 2021: 46.7%). However, the improvement in GP margin was partly offset by:-

i. increase in cost of direct materials, especially IT hardware and programmable logic controllers (PLC) due to the global shortage on semiconductor and other related electronic parts. The said supply chain disruption also led to higher shipping and logistics costs for the sourcing of our input materials to assure their timely arrival per production schedules; and

ii. increase in fixed operating costs (i.e. direct labour) as we had in the FPE 2022 expanded our production workforce by 18.2% to 52 employees (FPE 2021: 44 employees) and incurred longer overtime hours for the execution of higher purchase orders secured.

The GP contribution from the provision of integrated production systems increased by RM5.56 million or more than 100.0% to RM6.05 million in the FPE 2022 (FPE 2021: RM0.49 million), in tandem with revenue growth for this business segment by more than 100.0% in the same financial period. Albeit the higher material and labour costs incurred in the current period, our GP margin for integrated production systems remained fairly consistent at 40.2% in the FPE 2022 (FPE 2021: 39.4%) as we continued to undertake more large-scale and complex projects that commanded better pricing margins.

12. FINANCIAL INFORMATION (CONT'D)

(iv) Other income

	<---------Audited				--------->		Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	13	54.2	9	6.9	3	2.8	2	1.2	1	0.2
Unrealised gain on foreign exchange	11	45.8	35	26.9	11	10.6	70	43.2	441	99.8
Wages subsidy	-	-	86	66.2	11	10.6	11	6.8	-	-
Gain on disposal of plant and equipment	-	-	-	-	79	76.0	79	48.8	-	-
Total	**24**	**100.0**	**130**	**100.0**	**104**	**100.0**	**162**	**100.0**	**442**	**100.0**

Commentary on other income

FYE 2019 to FYE 2020

Our other income increased by RM0.106 million to RM0.130 million in the FYE 2020 (FYE 2019: RM0.024 million), mainly attributed to a subsidy received amounting to RM0.086 million under the wage subsidy programme. The said wage subsidy programme relates to the government grant introduced under the PRIHATIN stimulus package, to support employers whose operations were affected by COVID-19 with continuing operations and retaining employees. We had also recognised higher unrealised gain on foreign exchange by RM0.024 million primarily from the depreciation of exchange rates between RM against the USD. Notwithstanding that, the increase in other income was partially offset by lower interest income of RM0.004 million as a result of reduced deposit rates by licensed banks.

FYE 2020 to FYE 2021

Our other income declined by RM0.026 million to RM0.104 million in the FYE 2021 (FYE 2020: RM0.130 million), mainly attributed to a lower subsidy received amounting to RM0.011 million under the wage subsidy programme. We had also recognised lower unrealised gain on foreign exchange by RM0.024 million primarily from the appreciation of exchange rates between RM against the USD. Notwithstanding that, the decrease in other income was partially offset by a one-off gain on disposal of a CNC vertical machine amounting to RM0.079 million.

8-month FPE 2021 to 8-month FPE 2022

Our other income increased by RM0.280 million to RM0.442 million in the FPE 2022 (FPE 2021: RM0.162 million), mainly attributed to higher unrealised gain on foreign exchange by RM0.371 million primarily from the depreciation of exchange rates between RM against the USD.

12. FINANCIAL INFORMATION (CONT'D)

(v) Administrative expenses

	<----	Audited	----	----	---->		Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		8-month FPE 2021		8-month FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Employee benefits	2,199	79.2	2,314	78.4	2,477	77.8	703	77.0	1,788	72.1
Selling and distribution expenses	216	7.8	114	3.9	89	2.8	6	0.7	146	5.9
Upkeep of company assets	136	4.9	119	4.0	104	3.3	54	5.9	97	3.9
Depreciation	12	0.4	107	3.6	136	4.3	34	3.7	104	4.2
Realised loss on foreign exchange	38	1.4	66	2.2	22	0.7	7	0.8	43	1.7
Security	39	1.4	40	1.3	39	1.2	26	2.9	27	1.1
Professional fee	25	0.9	39	1.3	163	5.1	-	-	163	6.6
Auditors' remuneration	7	0.2	50	1.7	20	0.6	-	-	10	0.4
Bad debt written off	-	-	57	1.9	-	-	-	-	-	-
COVID-19 related expenses	-	-	4	0.1	50	1.6	40	4.4	9	0.4
Other administrative expenses[*1]	107	3.8	46	1.6	82	2.6	42	4.6	92	3.7
Total	**2,779**	**100.0**	**2,956**	**100.0**	**3,182**	**100.0**	**912**	**100.0**	**2,479**	**100.0**

Note:-

*1 Comprises, amongst others, donations, event costs, printing and stationery expenses. Each component under other administrative expenses represents less than 1% of total administrative expenses respectively

Commentary on administrative expenses

FYE 2019 to FYE 2020

Our administrative expenses increased by RM0.177 million to RM2.956 million in the FYE 2020 (FYE 2019: RM2.779 million) mainly attributed to the following:-

i. increase in employee benefits by RM0.115 million as we had made higher salary payments, in line with increase in total revenue, to our Directors and employees in the FYE 2020. There was also an increase in the number of office staffs to 8 employees in the FYE 2020 (FYE 2019: 7 employees);

ii. increase in depreciation by RM0.095 million due to purchase of PPE comprising primarily computers, as well as the hire purchase of three motor vehicles; and

iii. a one-off bad-debt written off amounting to RM0.057 million in the FYE 2020 for the supply of a standalone vision inspection equipment to a potential customer based in Indonesia.

After the acceptance of our POC demonstration, the potential customer had in January 2019 issued us a purchase order pertaining to the project, in which we had subsequently requested and invoiced for a payment of RM0.057 million. The decision to bill upfront was made after careful assessment, taking into consideration our first-time dealing with the potential customer (i.e. an Indonesia-based non-MNC) together with the intention to secure its purchase commitment before we commence work. This invoice accounted for 0.7% of total revenue for the FYE 2019, and we had in the current year written off the full amount after having unable to reach out to the potential customer on several attempts.

For the avoidance of doubt, our Group has never encountered other similar situations since incorporation. We will continue to uphold our assessment process for new customers on a case-to-case basis, and to adjust our payment terms and collection procedures (should the need arises) to minimise the risk of bad debts.

<u>FYE 2020 to FYE 2021</u>

Our administrative expenses increased by RM0.226 million to RM3.182 million in the FYE 2021 (FYE 2020: RM2.956 million) mainly attributed to the following:-

i. increase in employee benefits by RM0.163 million as we had made higher salary payments, in line with increase in total revenue, to our Directors and employees in the FYE 2021. There was also an increase in the number of office staffs to 10 employees in the FYE 2021 (FYE 2020: 8 employees);

ii. increase in professional fee by RM0.124 million due to expenses incurred relating to our Listing, i.e. pre-IPO restructuring, audit and secretarial matters in the FYE 2021; and

iii. an additional cost of RM0.050 million to implement precautionary measures at our premises to minimise the risk of COVID-19 infections and to comply with the SOPs imposed by the Government. These costs mainly include purchase of face masks, sanitisers and disinfection kits, and COVID-19 tests.

8-month FPE 2021 to 8-month FPE 2022

Our administrative expenses increased by RM1.57 million to RM2.48 million in the FPE 2022 (FPE 2021: RM0.91 million) mainly attributed to the following:-

i. increase in employee benefits by RM1.09 million as we had made higher salary payments, in line with increase in total revenue, to our Directors and employees in the FPE 2022. There was also an increase in the number of office staffs to 13 employees in the FPE 2022 (FPE 2021: 10 employees);

ii. increase in professional fee by RM0.16 million due to expenses incurred relating to our Listing, i.e. pre-IPO restructuring, audit and secretarial matters in the FPE 2022;

iii. increase in selling and distribution expenses by RM0.14 million due to the gradual resumption of advertising and marketing activities after the easing of COVID-19 related travel restrictions;

iv. increase in depreciation by RM0.07 million due to purchase of additional PPE comprising primarily computers and a motor vehicle; and

v. increase in loss on foreign exchange by RM0.04 million primarily from the appreciation of exchange rates between RM against the USD.

(vi) Finance costs

Our finance costs consist primarily of interest charged on trade and bank facilities granted by banking and financial institutions to fund our working capital requirements, as well as lease liabilities to finance the leasing of PPE and hire purchase of motor vehicles. Our finance costs were 0.1%, 0.2%, 1.0% and 0.7% of total revenue for the FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively.

Commentary on finance costs

FYE 2019 to FYE 2020

Our finance costs increased by RM0.026 million to RM0.032 million in the FYE 2020 (FYE 2019: RM0.006 million) mainly due to drawdown of new term loans and banker's acceptance to fund our working capital requirements, i.e. purchase of input materials for our production activities, as well as new lease liabilities to finance the hire purchase of three motor vehicles in the same financial year.

FYE 2020 to FYE 2021

Our finance costs increased by RM0.164 million to RM0.196 million in the FYE 2021 (FYE 2020: RM0.032 million) mainly due to drawdown of new term loans, banker's acceptance, letter of credit and trust receipt to fund our working capital requirements, i.e. purchase of input materials for our production activities, as well as new lease liabilities to finance the leasing of a CNC vertical machine and hire purchase of two motor vehicles in the same financial year.

8-month FPE 2021 to 8-month FPE 2022

Our finance costs increased by RM0.028 million to RM0.118 million in the FPE 2022 (FPE 2021: RM0.090 million) mainly due to drawdown of new term loans, banker's acceptance and trust receipt to fund our working capital requirements, i.e. purchase of input materials for our production activities in the same financial period.

(vii) Taxation

	<------------------Audited	------------------	------------------>	Unaudited	Audited
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	8-month FPE 2021 RM'000	8-month FPE 2022 RM'000
Income tax:-					
current financial year	(2)	-	-	-	-
over/ (under) provision in prior financial year	322	-	(1)	-	(1)
Deferred tax:-					
Relating to origination and reversal of temporary differences	(18)	-	171	-	(95)
Taxation	**302**	**-**	**170**	**-**	**(96)**
Effective tax rate (%)	-	-	-	-	2
Statutory tax rate (%)	24	24	24	24	24

Our taxation comprise the respective financial year's income tax, over or under provision of taxation in the previous financial years as well as deferred tax arising from the origination and reversal of temporary differences. For the Financial Years/ Period Under Review, our Group was entitled to tax exemption for a period of 10 years due to pioneer status granted by the MITI under the Promotion of Investment Act, 1986. The 10-year tax incentive period is granted for an initial 5-year period, which would be extendable by another 5 years when the relevant conditions set out in **Section 7.17** of this Prospectus are fulfilled.

Pursuant thereto, we are entitled to enjoy exemption from Malaysian tax on statutory income derived from our pioneer activities for a tax incentive period of 5 years, from 27 November 2017 to 26 November 2022. Our pioneer status is subject to renewal for the remaining validity period of another 5 years effective from 27 November 2022 onwards.

The said tax exemption applies to our statutory income derived from the following activities, namely (a) the production of 3D vision inspection machines, and (b) the production of factory automation systems, both of which form part of our solutions offering of integrated production systems and standalone automated equipment.

Commentary on taxation

FYE 2019

In the FYE 2019, we recognised taxation income of RM0.30 million mainly due to tax incentives arising from our pioneer status. Our Group had on 30 October 2019, obtained the approval from MITI for the commencement of our pioneer status beginning 27 November 2017, and as such there was a reversal of taxation in the FYE 2019 to reflect the over provision of taxation for the FYE 2018 of RM0.32 million. The taxation income was partially offset by tax expense on interest income in the same financial year, and deferred tax liabilities previously not recognised.

FYE 2020

In the FYE 2020, no taxation income nor expense was recorded.

FYE 2021

In the FYE 2021, we recognised taxation income of RM0.17 million mainly due to temporary timing differences between our internal depreciation rate (for accounting purpose) and capital allowance rate (for tax purpose), which resulted in a movement in deferred tax assets of RM0.17 million. The taxation income was partially offset by under provision of taxation in the preceding financial year on interest income.

8-month FPE 2022

In the FPE 2022, we recognised taxation expense of RM0.10 million mainly due to temporary timing differences between our internal depreciation rate (for accounting purpose) and capital allowance rate (for tax purpose), which resulted in a movement in deferred tax liabilities of RM0.10 million.

12. FINANCIAL INFORMATION (CONT'D)

(viii) PBT and PAT

	<-------------------Audited	-------------------	------------------->	Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	8-month FPE 2021	8-month FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	1,067	5,567	8,007	137	4,675
PBT margin (%)	13.9	36.2	39.0	5.1	26.2
PAT	1,369	5,567	8,177	137	4,579
PAT margin (%)	17.8	36.2	39.9	5.1	25.7

Commentary on PBT and PAT

FYE 2019 to FYE 2020

Our PBT increased over 100% to RM5.57 million in the FYE 2020 (FYE 2019: RM1.07 million), in line with the growth in overall GP of more than 100% for the FYE 2020. This was mainly contributed by the growth in our revenue from the provision of integrated production systems. Similarly, our PBT margin improved to 36.2% in the FYE 2020 (FYE 2019: 13.9%), in line with the increase in GP margin for our integrated production systems from 52.0% to 55.7% in the same financial year. The increase in PBT margin was also due to other income received from the wage subsidy programme, partly offset by slight increment in administrative expenses and higher finance costs.

In the FYE 2020, our Group is entitled to tax exemption on statutory income derived from our pioneer activities. As such, we recorded PAT and PAT margin of RM5.57 million and 36.2%, which corresponded to our PBT and PBT margin for the FYE 2020.

FYE 2020 to FYE 2021

Our PBT increased by 43.8% to RM8.01 million in the FYE 2021 (FYE 2020: RM5.57 million), in line with the growth in overall GP by 33.8% for the FYE 2021. This was mainly contributed by the growth in our revenue from the provision of integrated production systems and standalone automated equipment. Similarly, our PBT margin improved to 39.0% in the FYE 2021 (FYE 2020: 36.2%), in line with the increase in GP margins for our integrated production systems from 55.7% to 57.0%, as well as for our standalone automated equipment from 44.8% to 45.3% in the same financial year. This was partly offset by lower other income received from the wage subsidy programme, coupled with slight increment in administrative expenses and higher finance costs.

In the FYE 2021, our Group is entitled to tax exemption on statutory income derived from our pioneer activities. Meanwhile, our PAT in the same financial year was RM0.17 million higher than our PBT due to the taxation income recognised, accordingly, our PAT margin also improved to 39.9% in the FYE 2021 (FYE 2020: 36.2%).

8-month FPE 2021 to 8-month FPE 2022

Our PBT increased over 100.0% to RM4.67 million in the FPE 2022 (FPE 2021: RM0.14 million), in line with the growth in overall GP of more than 100.0% for the FPE 2022 mainly due to higher revenue generated from the provision of integrated production systems. Our Group recorded an exceptionally low PBT margin of 5.1% in the FPE 2021, as we continued to incur fixed operating costs, predominately direct labour and employee benefits, despite the operational disruptions faced during the MCO period. Notwithstanding that, we had in the current period resumed our operations and business activities to pre-COVID levels, thereby restoring our PBT margin to 26.2% in the FPE 2022.

In the FPE 2022, our Group is entitled to tax exemption on statutory income derived from our pioneer activities. Meanwhile, our PAT in the same financial period was RM0.10 million lower than our PBT due to the taxation expense recognised, accordingly, we recorded PAT margin of 25.7% in the FPE 2022 (FPE 2021: 5.1%).

12.4 Liquidity and capital resources

12.4.1 Working capital

Our Group's principal source of liquidity are our cash and bank balances, cash generated from our operations, trade and bank facilities granted by banking and financial institutions. Following our Listing, we expect to use the same principal source of liquidity to fund our working capital needs, in addition to the proceeds to be raised from our IPO.

As at the LPD, we have cash and bank balances of RM10.22 million as well as available bank facilities of RM9.20 million, of which RM3.24 million has yet to be utilised. Bank facilities granted to us comprise term loans, banker's acceptance, letter of credit, trust receipt and promissory note. Further, our Group also recorded working capital (i.e. difference between current assets and current liabilities) of RM23.27 million as at the LPD.

Premised on the above and after taking into consideration the risk associated with the impact of COVID-19 outbreak as detailed in **Section 5.1.3** of this Prospectus, our Board is of the opinion that, we have adequate working capital for a period of 12 months from the date of this Prospectus.

12.4.2 Cash flows

The following table sets out a summary of our historical audited statements of cash flows for Financial Years/ Period Under Review which have been extracted from the Accountants' Report included in **Section 13** of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

	<-----Audited			----->
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**8-month FPE 2022 RM'000**
Net cash from/ (used in) operating activities	479	(827)	846	3,450
Net cash from/ (used in) investing activities	(180)	(177)	(60)	(105)
Net cash from/ (used in) financing activities	1,102	2,325	(19)	(342)
Net increase in cash and cash equivalents	**1,401**	**1,321**	**767**	**3,003**
Cash and cash equivalents at beginning of the financial year/ period	1,507	2,908	4,229	4,996
Cash and cash equivalents at end of the financial year/ period*1	**2,908**	**4,229**	**4,996**	**7,999**

Note:-

*1 Details of the cash and cash equivalents are as follows:-

	<-----Audited			----->
	FYE 2019 RM'000	**FYE 2020 RM'000**	**FYE 2021 RM'000**	**8-month FPE 2022 RM'000**
Cash and bank balances	2,908	4,229	4,996	8,691
(Less): Bank overdraft	-	-	-	(692)
Cash and cash equivalents at end of the financial year/ period	**2,908**	**4,229**	**4,996**	**7,999**

There are no legal, financial or economic restrictions on the ability of our subsidiary to transfer/ receive funds to/ from our Company, subject to availability of distributable reserves and compliance with financial covenants, in the form of cash dividends, loans or advances.

Commentary on cash flows

<u>FYE 2019</u>

Net cash from operating activities

For the FYE 2019, we recorded net cash from operating activities of RM0.48 million. Cash receipts from our customers amounted to RM9.22 million, which was offset by total cash payments made to our suppliers and employees amounting to RM8.74 million, mainly comprising the following:-

i. payment of RM4.44 million to our suppliers, predominantly for the purchase of input materials for our production activities; and

ii. payment of staff costs of RM3.29 million, which includes staff salaries, Directors' remuneration, allowances, performance incentives, employees' EPF and SOCSO contributions.

Net cash used in investing activities

For the FYE 2019, we recorded net cash used in investing activities of RM0.18 million. This was mainly attributed to RM0.15 million used to fund the purchase of PPE comprising primarily door access control system, air conditioners, forklift and computers, coupled with RM0.03 million used to fund the leasing of a CNC vertical machine for our production facilities.

Net cash from financing activities

For the FYE 2019, we recorded net cash from financing activities of RM1.10 million. This was mainly attributed to advances of RM1.07 million from ECA Automation (a related company), coupled with RM0.10 million proceeds raised in the form of capital contribution made by our Promoters in exchange for the issuance of 99,000 ordinary shares in ECA Solutions to them. The net cash from financing activities was partially offset by the repayment of lease liabilities and amount due to directors, representing RM0.07 million in aggregate.

<u>FYE 2020</u>

Net cash used in operating activities

For the FYE 2020, we recorded net cash used in operating activities of RM0.83 million. Cash receipts from our customers amounted to RM6.42 million, which was offset by total cash payments made to our suppliers and employees amounting to RM7.25 million, mainly comprising the following:-

i. payment of RM2.75 million to our suppliers, predominantly for the purchase of input materials for our production activities; and

ii. payment of staff costs of RM3.43 million, which includes staff salaries, Directors' remuneration, allowances, performance incentives, employees' EPF and SOCSO contributions.

We recorded negative operating cash flows in the FYE 2020, primarily attributed to higher billings in the fourth quarter of FYE 2020, which accounted for 63.3% of total revenue. Our Group's operations were mainly affected in the first half of 2020 due to imposition of MCO by the Government. Accordingly, we had ramped up our production activities in the last quarter of FYE 2020 to make up for lost time in the first half of the year, as well as to meet the delivery schedule agreed with our customers. Besides that, we also granted Customer A group of companies a longer credit period to fulfil their payment obligations, as they had in the same financial year experienced workforce and operational restrictions arising from the COVID-19 pandemic.

Net cash used in investing activities

For the FYE 2020, we recorded net cash used in investing activities of RM0.18 million. This was mainly attributed to RM0.10 million used to fund the purchase of PPE comprising primarily computers, coupled with RM0.08 million used to fund the hire purchase of three motor vehicles.

Net cash from financing activities

For the FYE 2020, we recorded net cash from financing activities of RM2.33 million. This was mainly attributed to the drawdown of RM1.80 million new trade and bank facilities to part finance our working capital requirements, i.e. purchase of input materials for our production activities, the breakdown of which is set out below:-

	RM'000
Term loans	1,750
Banker's acceptance	51
	1,801

We had also in the same financial year received advances of RM0.54 million from ECA Automation (a related company), coupled with RM0.40 million proceeds raised in the form of capital contribution made by our Promoters in exchange for the issuance of 400,000 ordinary shares in ECA Solutions to them. The net cash from financing activities was partially offset by the repayment of lease liabilities and amount due to directors, representing RM0.42 million in aggregate.

FYE 2021

Net cash from operating activities

For the FYE 2021, we recorded net cash from operating activities of RM0.85 million. Cash receipts from our customers amounted to RM16.84 million, which was offset by total cash payments made to our suppliers and employees amounting to RM15.99 million, mainly comprising the following:-

i. payment of RM10.53 million to our suppliers, predominantly for the purchase of input materials for our production activities; and

ii. payment of staff costs of RM4.33 million, which includes staff salaries, Directors' remuneration, allowances, performance incentives, employees' EPF and SOCSO contributions.

12. FINANCIAL INFORMATION (CONT'D)

Net cash used in investing activities

For the FYE 2021, we recorded net cash used in investing activities of RM0.06 million. This was mainly due to the RM0.26 million used to fund the purchase of PPE comprising primarily CNC vertical and drilling machines, computers, software and other factory equipment for our production facilities, coupled with RM0.14 million used to fund the leasing of a CNC vertical machine and hire purchase of two motor vehicles.

Net cash used in financing activities

For the FYE 2021, we recorded net cash used in financing activities of RM0.02 million. This was mainly attributed to settlement of advances from ECA Automation (a related company), amounting to RM1.75 million, as well as RM0.16 million used for the repayment of lease liabilities. The net cash used in financing activities was partially offset by the drawdown of RM1.88 million new trade and bank facilities to part finance our working capital requirements, i.e. purchase of input materials for our production activities, the breakdown of which is set out below:-

	RM'000
Banker's acceptance	1,504
Term loans	320
Letter of credit	40
Trust receipt	20
	1,884

<u>8-month FPE 2022</u>

Net cash from operating activities

For the FPE 2022, we recorded net cash from operating activities of RM3.45 million. Cash receipts from our customers amounted to RM15.58 million, which was offset by total cash payments made to our suppliers and employees amounting to RM12.13 million, mainly comprising the following:-

i. payment of RM7.15 million to our suppliers, predominantly for the purchase of input materials for our production activities; and

ii. payment of staff costs of RM3.92 million, which includes staff salaries, Directors' remuneration, allowances, performance incentives, employees' EPF and SOCSO contributions.

Net cash used in investing activities

For the FPE 2022, we recorded net cash used in investing activities of RM0.11 million mainly to fund our office renovation as well as the purchase of PPE comprising primarily a motor vehicle, computers, furniture and fittings.

Net cash used in financing activities

For the FPE 2022, we recorded net cash used in financing activities of RM0.34 million mainly for the repayment of lease liabilities, trade and bank facilities.

12.4.3 Capitalisation and indebtedness

The following table summarises our capitalisation and indebtedness as at the LPD, and after adjusted for the IPO as well as the utilisation of proceeds as set out in **Section 4.9** of this Prospectus. The pro forma financial information below does not represent our actual capitalisation and indebtedness as at the LPD and is provided for illustration purpose only.

	As at the LPD RM'000	After IPO and utilisation of proceeds RM'000
Indebtedness[*1]		
Current		
Term loans[*2]	372	203
Lease liabilities	402	402
Banker's acceptance	2,178	2,178
Promissory note	1,302	1,302
Total Current Indebtedness	**4,254**	**4,085**

	As at the LPD RM'000	After IPO and utilisation of proceeds RM'000
Non-Current		
Term loans[*2]	1,407	576
Lease liabilities	955	955
Total Non-Current Indebtedness	**2,362**	**1,531**
Total Indebtedness	**6,616**	**5,616**
Capitalisation		
Total shareholders' equity	23,617	46,317
TOTAL CAPITALISATION AND INDEBTEDNESS	**30,233**	**51,933**
Gearing ratio (times)[*3]	**0.28**	**0.12**

Notes:-

*1 All of our indebtedness are either secured and/ or guaranteed

*2 We intend to utilise RM1.00 million from the proceeds of our IPO to partially repay our term loans. Please refer to **Section 4.9** of this Prospectus for further details on the utilisation of proceeds from the IPO

*3 Gearing ratio is computed based on total indebtedness over total shareholders' equity

Please refer to **Section 12.4.10** of this Prospectus for further details of our contingent liabilities as at the LPD.

12.4.4 Borrowings

As at 30 June 2022, our total borrowings were RM5.73 million, all of which are secured, interest-bearing and denominated in RM. Details of our borrowings are as set out below:-

12. FINANCIAL INFORMATION (CONT'D)

Financiers	Type of borrowings	Tenure	Effective interest rate per annum %	Outstanding as at 30 June 2022 RM'000	Security/ Guarantors[*1]
United Overseas Bank (Malaysia) Berhad[*2]	**Banking Facilities 1**				
	Term loans	84 months	6.57	566	1. Our Promoters, namely Mr Chua, Mr Ooi and Mr Kang; 2. ECA Automation; and 3. Charge over our factory building, which belongs to ECA Automation
	Banker's acceptance	120 days	2.75	885	
United Overseas Bank (Malaysia) Berhad[*2]	**Banking Facilities 2**				
	Term loan	84 months	6.57	276	1. Our Promoters, namely Mr Chua, Mr Ooi and Mr Kang; 2. ECA Automation; and 3. SJPP (a third party organisation as defined in Note 1)
RHB Bank Berhad[*2]	**Banking Facilities 1**				
	Term loan	60 months	3.50	729	1. Our Promoters, namely Mr Chua, Mr Ooi and Mr Kang; and 2. CGC (a third party organisation as defined in Note 1)
RHB Bank Berhad[*2]	**Banking Facilities 2**				
	Banker's acceptance	120 days	3.66	841	1. Our Promoters, namely Mr Chua, Mr Ooi and Mr Kang; and 2. SJPP (a third party organisation as defined in Note 1)
	Bank overdraft	-	7.20	692	
Public Bank Berhad[*3]	Term loan	84 months	3.50	279	Our Promoters, namely Mr Chua and Mr Ooi
	Lease liabilities	60 - 84 months	2.23 - 2.97	915	Motor vehicles under the hire purchase
Hitachi Capital Malaysia Sdn Bhd	Lease liabilities	48 months	12.32 -12.80	544	CNC vertical machines under the lease liabilities
Total Borrowings				**5,727**	

12. FINANCIAL INFORMATION (CONT'D)

Notes:-

*1 As set out in table above, our Promoters, ECA Automation (a related company) as well as several third party organisations, notably Syarikat Jaminan Pembiayaan Perniagaan Berhad ("**SJPP**") and Credit Guarantee Corporation Malaysia Berhad ("**CGC**") have jointly and severally provided guarantees for trade and bank facilities extended by the financiers

*2 In conjunction with our Listing, we have applied to the financiers, notably United Overseas Bank (Malaysia) Berhad and RHB Bank Berhad, to obtain a release and/ or discharge of the guarantees by substituting the same with a corporate guarantee from our Company. Until such release and/ or discharge are obtained from the respective financiers, the aforesaid persons will continue to guarantee the trade and bank facilities extended to our Group.

As at the date of this Prospectus, we have received conditional approvals from:-

- RHB Bank Berhad, to obtain a release and discharge of the guarantees by our Promoters by substituting the same with a corporate guarantee from our Company. The said discharge is conditional upon the success of our Listing and execution of a corporate guarantee by our Company; and

- United Overseas Bank (Malaysia) Berhad, to obtain a release and discharge of the guarantees by our Promoters by substituting the same with a corporate guarantee from our Company. The said discharge is conditional upon the success of our Listing, execution of a corporate guarantee by our Company, and the financier's internal credit clearance

*3 As set out in **Section 4.9** of this Prospectus, we have earmarked RM1.00 million of our IPO proceeds to repay our bank borrowings, in which a portion thereof will be utilised to fully repay the outstanding term loan facility under Public Bank Berhad immediately upon Listing. Following the repayment, the guarantees provided by 2 of our Promoters, namely Mr Chua and Mr Ooi, shall cease forthwith and thereupon be null and void in respect of the term loan facility

As at 30 June 2022, a total of RM3.26 million or 56.9% of our total borrowings carry floating interest rates; whilst RM2.47 million or 43.1% of our total borrowings carry fixed interest rates.

Our lease liabilities were used to fund the leasing of CNC vertical machines and hire purchase of motor vehicles; whilst all others trade and bank facilities (i.e. term loans, banker's acceptance and bank overdraft) were granted to us primarily for the purpose of financing our working capital requirements, including the purchase of all input materials from both local and overseas suppliers.

Our Group does not have any borrowings in foreign currency and has not defaulted on payments of either interest and/ or principal sums in respect of any borrowings for the Financial Years/ Period Under Review and up to the LPD. As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans, which could materially affect our financial position and results of business operations or the investment by holders of our securities. Further, we do not encounter any seasonality in our borrowings trend, nor any restriction on our committed borrowing facilities as at the LPD.

12. FINANCIAL INFORMATION (CONT'D)

12.4.5 Type of financial instruments used

As at the LPD, our cash and bank balances are held in RM, SGD, USD, EUR and RMB. We do not use any financial instruments to hedge our exposure against transactions in foreign currencies at this juncture. However, we will monitor and review the need to utilise financial instruments, if required, to hedge our currency exposure after taking into consideration the size of exposure, exposure periods and transaction costs.

12.4.6 Treasury policies and objectives

We have been financing our operations through a combination of internal and external sources of funds. Internal sources of funds mainly comprise of shareholders' equity, cash generated from operating activities, while external sources of funds mainly comprise of credit and loan facilities from financial institutions. As at the LPD, our Group has available bank facilities amounting to RM9.20 million, of which RM3.24 million has yet to be utilised.

Our funding policy is to obtain most suitable type of financing and favourable cost of funding whereas, our treasury policy is to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet estimated commitments arising from our operational expenditure and financial liabilities.

The decision to either utilise trade and bank facilities or internally generated funds for our operations depend on factors such as our cash reserves, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure and the prevailing interest rates of the trade and bank facilities.

12.4.7 Historical capital expenditure and divestures

(i) Capital expenditure

The following sets out our capital expenditure incurred over the past 3 full financial years up to the FYE 2021 and up to the LPD:-

At cost	FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	From 1 November 2021 up to the LPD RM'000	%
Plant and machinery	351	70.8	33	4.8	718	64.6	-	-
Motor vehicles	-	-	588	85.3	193	17.4	463	84.2
Computer and telecommunication equipment	44	8.9	35	5.1	145	13.0	41	7.5
Factory equipment	76	15.3	23	3.3	34	3.1	15	2.7
Office equipment, renovation, furniture and fittings	25	5.0	10	1.5	22	1.9	31	5.6
Total capital expenditure	**496**	**100.0**	**689**	**100.0**	**1,112**	**100.0**	**550**	**100.0**

Our capital expenditure was primarily funded via a combination of internally generated funds and borrowings.

For the FYE 2019, our capital expenditure of RM0.50 million mainly comprised RM0.35 million used for the purchase of a CNC vertical machine for our production facilities.

For the FYE 2020, our capital expenditure of RM0.69 million mainly comprised RM0.59 million used for the hire purchase of 3 motor vehicles for the management of our Group.

For the FYE 2021, our capital expenditure of RM1.11 million mainly comprised RM0.72 million used for the purchase of a CNC vertical machine for our production facilities. We had also in the same financial year utilised RM0.19 million for the hire purchase of 2 motor vehicles for the management of our Group, as well RM0.15 million used for the purchase of computers, software, upgrade of database server and licenses.

For 1 November 2021 up to the LPD, our capital expenditure of RM0.55 million mainly comprised RM0.46 million used for the hire purchase of 2 motor vehicles for the management of our Group.

(ii) Capital divestiture

The following sets out our capital divestiture incurred over the past 3 full financial years up to the FYE 2021 and up to the LPD:-

At selling price	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	From 1 November 2021 up to the LPD RM'000
Plant and machinery	-	-	340	-

Save for the disposal of a CNC vertical machine in the FYE 2021, there were no other capital divestures made by us. The above capital divestiture was carried out in the ordinary course of business to upgrade machines used in our production facilities, further details of the new machines are set out **Section 4.9(i)** of this Prospectus.

Moving forward, other than the proposed utilisation of proceeds from the IPO as disclosed in **Section 4.9** of this Prospectus, and our material capital commitments as set out in **Section 12.4.8** of this Prospectus, we do not have any material capital expenditures and divestitures currently in progress, within or outside Malaysia.

12.4.8 Material capital commitments

As at the LPD and save as disclosed below, we do not have any other material capital commitments incurred or known to be incurred by us that may have a material impact on our results of operations or financial position:-

12. FINANCIAL INFORMATION (CONT'D)

	Capital commitment	<------Source of funds------ Internally generated funds/ Borrowings	------> Proceeds from the IPO
	RM'000	RM'000	RM'000
Approved and contracted for:-			
Acquisition of machineries	2,150	-	2,150

12.4.9 Material litigation

As at the LPD, we are not engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and do not know any proceedings pending or threatened against our Group, or of any facts likely to give rise to any proceedings, which might materially or adversely affect our results of operations or financial position.

12.4.10 Contingent liabilities

As at the LPD and save as disclosed below, we do not have any contingent liabilities which, upon becoming enforceable, may have a material impact on our results of operations or financial position:-

	RM'000
Secured performance guarantee given to Customer C for the provision of an integrated production system, expected to be delivered in the first quarter of FYE 2023	176

12.4.11 Key financial ratios

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

	<------ FYE 2019	------Audited------ FYE 2020	FYE 2021	------> 8-month FPE 2022
Trade receivables turnover period*1 (days)	157	169	188	163
Trade payables turnover period*2 (days)	163	108	129	82
Inventories turnover period*3 (days)	70	57	140	134
Current ratio*4 (times)	1.25	2.41	3.59	3.57
Gearing ratio*5 (times)	0.10	0.28	0.29	0.26

12. FINANCIAL INFORMATION (CONT'D)

Notes:-

*1 $$\frac{\text{(Trade receivables at beginning + trade receivables at end)/ 2}}{\text{Revenue}} \times \text{365/ 242 days}$$

*2 $$\frac{\text{(Trade payables at beginning + trade payables at end) / 2}}{\text{Cost of sales}} \times \text{365/ 242 days}$$

*3 $$\frac{\text{(Inventories at beginning + inventories at end) / 2}}{\text{Cost of sales}} \times \text{365/ 242 days}$$

*4 $$\frac{\text{Total current assets}}{\text{Total current liabilities}}$$

*5 $$\frac{\text{Total borrowings}}{\text{Shareholders' equity}}$$

(i) Trade receivables

Our normal credit terms granted to customers is 90 days and extended up to 180 days for certain customers. Our credit terms are assessed and approved on a case-by-case basis after taking into consideration, amongst others, the background and credit-worthiness of the customer, payment history of the customer, our relationship with the customer and the scope of the project. We generally consider extending the credit periods granted to our customers after having evaluated their background and financial position, scale and complexity of the respective projects as well as payment history.

Further, our trade receivables turnover period also depends on our customers' acceptance policies and procedures, which may include payment processing only after the completion of their internal buyoff procedures that our Group is not involved in. In the context of manufacturing, a buyoff refers to a series of inspections, test runs and witnessing, performed by customers to ensure products delivered meet specifications and order requirements, prior to final acceptance of every new production lines and/ or machines bought. Depending on the complexity of our integrated production lines and/ or standalone automated machines, the buyoff procedures by our customers may range from 1 to 12 months, after accommodating for inspections from various departments, integration and calibration with existing set-ups as well as training with the machine operators.

In other words, our customers may only fulfil their payment obligations to us after their internal buyoff procedures, which may take up to 12 months to complete from the date we invoiced our customers. Should our customers take a longer time to complete their buyoff procedures, any outstanding invoices in relation thereto may prolong our trade receivables turnover period, depending on the balance due in our trade receivables as at the end of the financial year.

Commentary on trade receivables turnover period

FYE 2019

For the FYE 2019, our trade receivables turnover period of 157 days was higher than our Group's normal credit period (90 days), but within our extended credit period (180 days) granted to certain customers. The longer trade receivables turnover period in the FYE 2019 was due to amount owing from an existing customer (i.e. Customer A group of companies), whose credit period has been extended to 180 days. Upon customer's request to allow for sufficient time to complete its internal buyoff procedures, we had in the FYE 2019, granted a longer credit period to Customer A group of companies for the commissioning of an automated vision inspection system and test solutions for its manufacturing plant in the US.

We did not incur any bad debt in the FYE 2019.

FYE 2020

For the FYE 2020, our trade receivables turnover period of 169 days (FYE 2019: 157 days) was higher than our Group's normal credit period (90 days), but within our extended credit period (180 days) granted to certain customers. The longer trade receivables turnover period in the FYE 2020 was mainly attributed to the following:-

i. higher billings to customers in last quarter of FYE 2020, which accounted for 63.3% of total revenue. Our Group's operations were mainly affected in the first half of 2020 due to imposition of MCO by the Government. Accordingly, we had ramped up our production activities in the last quarter of FYE 2020 to make up for lost time in the first half of the year, as well as to meet the delivery schedule agreed with our customers; and

ii. amount owing from existing customers (mainly Customer A group of companies and Customer C), whose credit period has been extended to 180 days. We agreed to support these customers, who were experiencing workforce and operational restrictions arising from the COVID-19 pandemic with extended credit terms to complete their internal buyoff procedures after taking into consideration, amongst others, past business dealings and payment history, scale and complexity of the project, their background, financial position and reputation as multinational corporations.

Save for the uncollected deposit of RM0.06 million (representing 1.6% of trade receivables) from a potential customer, we did not incur any bad debt in the FYE 2020. This relates to a project involving the design, fabrication and supply of a standalone automated equipment, comprising vision inspection and loading systems to an Indonesia-based audio equipment manufacturer. The potential customer had on 30 January 2019 issued us a purchase order pertaining to the said project, in which we had subsequently on 11 March 2019 requested and invoiced for the deposit prior to commencement of work.

With the intention to secure the purchase commitment towards the standalone machine, the decision to bill upfront was made at our management's discretion, after taking into consideration our first-time dealing with the potential customer.

Despite constant efforts taken by us to recover the deposit, the overdue invoice remain unpaid. After several failed attempts to contact the potential customer, the bad debts amounting to RM0.06 million were written off in the FYE 2020. For the avoidance of doubt, we did not incur any cost of material purchased for the said project.

FYE 2021

For the FYE 2021, our trade receivables turnover period of 188 days (FYE 2020: 169 days) was higher than our Group's normal credit period (90 days) and also our extended credit period (180 days) granted to certain customers. The longer trade receivables turnover period in the FYE 2021 was mainly attributed to the following:-

i. higher billings to customers in the last quarter of FYE 2021, which accounted for 86.5% of total revenue. Our Group's operations were affected throughout 2021 mainly due to the impact of MCO, which temporarily restricted our workforce capacity and causing delays in the supply chain. We experienced delays in obtaining certain input materials from our suppliers, especially for IT hardware and programmable logic controllers (PLC), from the shortage in semiconductor and other related electronic parts.

   This has resulted in the rearrangement of our delivery schedule towards the last quarter of FYE 2021 to ensure that we satisfy our performance obligations to customers, for the delivery of the agreed products before the end of FYE 2021;

ii. amount owing from existing customers (mainly Customer A group of companies and Customer C), whose credit period has been extended to 180 days. We agreed to support these customers, who were experiencing workforce and operational restrictions arising from the COVID-19 pandemic with extended credit terms to complete their internal buyoff procedures after taking into consideration, amongst others, past business dealings and payment history, scale and complexity of the project, their background, financial position and reputation as multinational corporations; and

iii. amount owing from a new customer (i.e. Customer G), whose credit period has been extended to 180 days. In view of its first purchase with our Group, the customer had requested sufficient time to complete its internal buyoff procedures, in which we agreed to grant the customer extended terms for the commissioning of integrated production systems used for its semiconductor manufacturing activities. Other terms taken into consideration include their background, financial position and reputation as multinational corporations, and the impact of COVID-19 on their business operations.

We did not incur any bad debt in the FYE 2021.

8-month FPE 2022

For the FPE 2022, our trade receivables turnover period of 163 days (FYE 2021: 188 days) was higher than our Group's normal credit period (90 days), but within our extended credit period (180 days) granted to certain customers. The lower trade receivables turnover period in the FPE 2022 was mainly attributed to the collections from customers, partly offset by new billings in the current period. In addition, we also continued to grant our existing customers (mainly Customer A group of companies, Customer G and Customer C) with extended credit terms up to 180 days to complete their internal buyoff procedures.

We did not incur any bad debt in the FPE 2022.

The ageing analysis of our Group's trade receivables as at 30 June 2022 and the subsequent collections and balance of trade receivables as at the LPD are set out as follows:-

Credit period	Within credit period RM'000	<---Exceeding credit period 1-30 days RM'000	31-60 days RM'000	61-90 days RM'000	More than 90 days RM'000 --->	Total RM'000
As at 30 June 2022						
Trade receivables	13,277	90	1	-	-	13,368
% of trade receivables	99.3	0.7	< 0.1	-	-	100.0
As at the LPD						
Subsequent collections	6,974	88	1	-	-	7,063
% of total trade receivables	52.1	0.7	< 0.1	-	-	52.8
Net trade receivables	**6,303**	**2**	**-**	**-**	**-**	**6,305**
% of total trade receivables	47.2	< 0.1	-	-	-	47.2

As at the LPD, RM7.06 million or 52.8% of our trade receivables as at 30 June 2022 have been subsequently collected, while RM6.31 million or 47.2% still fall within our credit term.

Our Board is of the view that the remaining trade receivables balance as at the LPD are recoverable and no allowance for impairment is required at this juncture, after taking into consideration our relationships with these customers, as well as credit control measures implemented by our Group to minimise the incidence of customers' default.

(ii) Trade payables

The normal credit period granted to us by our suppliers ranges from 30 to 90 days and may vary upon negotiation. For the Financial Years/ Period Under Review, we managed to pay our suppliers within a period of 82 to 163 days. Notwithstanding that, there was no matter in dispute with respect to trade payables, nor was there any legal action initiated by any of our suppliers to demand for payment during the Financial Years/ Period Under Review and up until the LPD. Further, we have not defaulted on payments to our suppliers in the same period.

Commentary on trade payables turnover period

FYE 2019

For the FYE 2019, we recorded trade payables turnover period of 163 days, which exceeded the credit period granted by our suppliers. This is primarily attributed to higher closing trade payables of RM1.35 million recorded as at 31 October 2019. The higher closing trade payables was mainly due to purchase of input materials incurred in the last quarter of FYE 2019, for the manufacture of integrated production systems to be delivered to Customer A group of companies and Customer C in the following FYE 2020. The said project was secured towards the end of FYE 2019, and payment for these purchases were only made in the following financial year, within the credit terms.

FYE 2020

For the FYE 2020, we recorded trade payables turnover period of 108 days (FYE 2019: 163 days), which exceeded the credit period granted by our suppliers. This is primarily attributed to higher closing trade payables of RM2.74 million recorded as at 31 October 2020. The higher closing trade payables was mainly due to purchase of input materials incurred in the last quarter of FYE 2020, for customer orders scheduled to be delivered in the last quarter of FYE 2020. These orders had contributed to 63.3% of total revenue in the current year. As highlighted in **Section 12.4.2** of the Prospectus, we had ramped up our production activities in the last quarter of FYE 2020 to make up for lost time in the first half of the year brought about by the MCO. Payment for these purchases were only made in the following financial year, within the credit terms.

FYE 2021

For the FYE 2021, we recorded trade payables turnover period of 129 days (FYE 2020: 108 days), which exceeded the credit period granted by our suppliers. This is primarily attributed to higher closing trade payables of RM3.76 million recorded as at 31 October 2021. The higher closing trade payables was mainly due to purchase of input materials in the last quarter of FYE 2021, in tandem with growth in total revenue, where billings to customers in the fourth quarter of FYE 2021 accounted for 86.5% of total revenue, and in anticipation of additional purchase orders to be secured in the following financial year. As we recorded slower collections of trade receivables due to the impact of COVID-19 pandemic, our suppliers had also granted us extended credit terms in the FYE 2021.

8-month FPE 2022

For the FPE 2022, we recorded trade payables turnover period of 82 days (FYE 2021: 129 days), which was within the credit period granted by our suppliers. The lower trade payable turnover period in the FPE 2022 was primarily attributed to our timely payment to suppliers.

The ageing analysis of our Group's trade payable as at 30 June 2022 and the subsequent payments and balance of trade payable as at the LPD are set out as follows:-

Credit period	Within credit period RM'000	<------Exceeding credit period------> 1-30 days RM'000	31-60 days RM'000	61-90 days RM'000	More than 90 days RM'000	Total RM'000
As at 30 June 2022						
Trade payables	2,279	731	221	359	10	3,600
% of trade payables	63.3	20.3	6.1	10.0	0.3	100.0
As at the LPD						
Subsequent payment	1,044	633	180	150	6	2,013
% of total trade payables	29.0	17.6	5.0	4.1	0.2	55.9
Net trade payables	**1,235**	**98**	**41**	**209**	**4**	**1,587**
% of total trade payables	34.3	2.7	1.1	5.9	0.1	44.1

12. FINANCIAL INFORMATION (CONT'D)

As at the LPD, RM2.01 million or 55.9% of our trade payables as at 30 June 2022 have been subsequently paid. The remaining outstanding amount of RM1.59 million or 44.1% of our trade payables still falls within the extended credit period granted by our suppliers.

Notwithstanding that we required additional time to reconcile the outstanding balance of trade payables with our suppliers, our Board does not foresee any penalties to be imposed against us due to constant negotiations with our suppliers to reach a satisfactory outcome, as well as the credibility of our constant payments to them.

(iii) Inventories turnover

	<------Audited			------>
	FYE 2019	FYE 2020	FYE 2021	8-month FPE 2022
Inventories turnover period (days)	70	57	140	134
- Raw materials	-	3	11	25
- Work-in-progress	70	54	129	109

Our Board opines that there are no slow-moving/ obsolete inventories as at the LPD in view that our inventories comprise the following:-

i. input materials in the form of hardware, parts and components, IT software/ hardware and electronic components, finished/ semi-finished metal works and tools, which are used for our production operations and are long-lasting in nature; and

ii. work-in-progress which are partially finished integrated production systems before undergoing further production and assembly processing into finished goods prior to delivery in the following financial year.

Commentary on inventories turnover period

<u>FYE 2019 to FYE 2020</u>

For the FYE 2020, we recorded a decline in inventory turnover period to 57 days (FYE 2019: 70 days), due to lower work-in-progress as at 31 October 2020, following the delivery of integrated production systems to Customer A group of companies and Customer C in the same financial year. The delivery of the said integrated production systems had pared down our work-in-progress balance carried over from the previous financial year, thereby reducing our current inventory level and subsequently our inventory turnover period for the FYE 2020.

FYE 2020 to FYE 2021

For the FYE 2021, we recorded an increase in inventory turnover period to 140 days (FYE 2020: 57 days), due to higher work-in-progress as at 31 October 2021, primarily for the manufacture of assembly line systems to be delivered to Customer B group of companies in the following FYE 2022. We had also made higher purchase of input materials as inventories in the last quarter of FYE 2021, in anticipation of additional purchase orders to be secured in the following financial year.

FYE 2021 to 8-month FPE 2022

For the FPE 2022, we recorded a decrease in inventory turnover period to 134 days (FYE 2021: 140 days). Our inventories as at 30 June 2022 mainly comprised work-in-progress, primarily for the manufacture of integrated production systems and standalone automated equipment to be delivered to Customer A group of companies and Customer H by the end of the FYE 2022.

(iv) Current ratio

Our current assets comprise inventories, trade receivables, other receivables, deposits and prepayment, cash and bank balances and current tax asset; whilst our current liabilities comprise trade payables, other payables and accruals, amount due to directors, short-term borrowings, lease liabilities and current tax liabilities.

Commentary on current ratio

FYE 2019 to FYE 2020

For the FYE 2020, we recorded an increase in current ratio from 1.25 times in the FYE 2019 to 2.41 times, primarily attributed to the increase in total current assets arising from:-

i. higher trade receivables of RM10.49 million (FYE 2019: RM3.67 million) in tandem with revenue growth in the FYE 2020; and

ii. higher cash and bank balances of RM4.23 million (FYE 2019: RM2.91 million) in tandem with PAT growth in the FYE 2020, coupled with the drawdown of term loans and banker's acceptance, which has provided our Group with additional liquidity to meet our working capital requirements.

FYE 2020 to FYE 2021

For the FYE 2021, we recorded an increase in current ratio from 2.41 times in the FYE 2020 to 3.59 times, primarily attributed to the increase in total current assets arising from:-

i. higher inventories of RM6.35 million (FYE 2020: RM0.70 million) due to higher work-in-progress for the manufacture of assembly line systems to be delivered to Customer B group of companies in the following FYE 2022. We had also made higher purchase of input materials as inventories in the last quarter of FYE 2021, in anticipation of additional purchase orders to be secured in the following financial year; and

ii. higher other receivables, deposits and prepayment of RM1.81 million (FYE 2020: RM0.05 million) mainly due to deposit paid to part finance the purchase of a new CNC vertical machine. Further, we had also made prepayments to our trade suppliers for the purchase of input materials, in anticipation of additional purchase orders to be secured in the following financial year.

FYE 2021 to 8-month FPE 2022

For the FPE 2022, we recorded a decrease in current ratio from 3.59 times in the FYE 2021 to 3.57 times, primarily attributed to the increase in total current liabilities arising from:-

i. higher short-term borrowings of RM2.79 million (FYE 2021: RM1.99 million) to fund our working capital requirements, i.e. purchase of input materials for our production activities; and

ii. higher other payables and accruals of RM1.51 million (FYE 2021: RM0.49 million) mainly due to prepayments received from a new customer (Malaysia-based packaging company) and Customer C for the supply of integrated production systems, which have yet to be commissioned and delivered. The said integrated production systems are envisaged to be delivered in the last quarter of FYE 2022 for the new customer, and in the first quarter of FYE 2023 for Customer C.

(v) Gearing ratio

Commentary on gearing ratio

FYE 2019 to FYE 2020

For the FYE 2020, we recorded an increase in gearing ratio from 0.10 times in the FYE 2019 to 0.28 times, primarily attributed to higher borrowings from the drawdown of term loans, amounting to RM1.75 million to part finance our working capital requirements, i.e. purchase of input materials for our production activities, as well as new lease liabilities of RM0.51 million for the hire purchase of motor vehicles. This was partially offset by the growth in invested equity to RM1.00 million (FYE 2019: RM0.10 million), and retained profits to RM7.86 million (FYE 2019: RM2.80 million) in the FYE 2020.

FYE 2020 to FYE 2021

For the FYE 2021, we recorded a marginal increase in gearing ratio from 0.28 times in the FYE 2020 to 0.29 times, primarily attributed to higher borrowings from the drawdown of banker's acceptance, amounting to RM1.50 million to part finance our working capital requirements, i.e. purchase of input materials for our production activities, as well as new lease liabilities of RM0.71 million for the leasing of a CNC vertical machine and hire purchase of two motor vehicles. This was mainly offset by the growth in retained profits to RM16.04 million (FYE 2020: RM7.86 million) in the FYE 2021.

FYE 2021 to 8-month FPE 2022

For the FPE 2022, our gearing ratio improved from 0.29 times in the FYE 2021 to 0.26 times, primarily attributed to the growth in retained profits to RM20.62 million (FYE 2021: RM16.04 million). This was partly offset by the increase in borrowings and lease liabilities to RM5.73 million (FYE 2021: RM4.96 million) in the FPE 2022.

12.5 Trend information

As at the LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:-

i. known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position, operations and liquidity other than those discussed in this **Section 12** and those included in **Sections 5, 7 and 8** of this Prospectus;

ii. material commitment for capital expenditure, as set out in **Section 12.4.8** of this Prospectus;

iii. unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as disclose in this **Section 12** and those included in **Sections 5 and 7** of this Prospectus;

iv. known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our Group revenue and/ or profits save for those that have been disclosed in this **Section 12** and those included in **Sections 5 and 7** of this Prospectus;

v. known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those disclosed in this **Section 12** and those included in **Sections 5, 7 and 8** of this Prospectus; and

vi. known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, other than those discussed in this **Section 12** and those included in **Sections 5 and 7** of this Prospectus.

12. FINANCIAL INFORMATION (CONT'D)

12.6 Dividend policy

For the Financial Years/ Period Under Review and up to the LPD, our Group has not declared and paid any dividend. Additionally, our Group does not intend to declare and pay any dividend from the LPD up to the point of our Listing.

Our Company is an investment holding company whereby we conduct all our operations through our subsidiary namely ECA Solutions. Accordingly, our main source of income, which is an important factor in our ability to pay dividends to our shareholders, is the receipt of dividends and other forms of distributions to us from our aforesaid subsidiary.

It is our Group's intention to target a dividend payout ratio of up to 20% of our annual PAT attributable to the shareholders of our Company, after taking into account our results of operation, level of cash and bank balances, working capital requirements, and also subject to any applicable law and contractual obligations. As at the LPD, there are no dividend restrictions imposed on our Group pursuant to any covenants under our banking facilities agreements. Any dividend recommended and declared will be subject to the discretion of our Board, after taking into consideration various factors which include the following:-

i. the availability of adequate distributable reserves and cash flow;

ii. our operating cash flow requirements and financing commitment;

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

iv. any material impact of tax laws and other regulatory requirements; and/ or

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

Any final dividends declared will be subject to the approval of our shareholders at our AGM.

You should note that the above dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our future dividends which may be subject to modifications (including non-declaration thereof) at our Board's discretion. There is no assurance that we are able to pay any dividends in the future as a result of factors stated above. Please refer to **Section 5.3.3** of this Prospectus for further details on the risk factors which may affect or restrict our ability to pay dividends.

KRESTON
JOHN & GAN

Date: 6 October 2022

The Board of Directors
ECA Integrated Solution Berhad
Plot 248, Lorong Perindustrian Bukit Minyak 16
Kawasan Perindustrian Bukit Minyak
14100 Simpang Ampat
Pulau Pinang.

Dear Sirs,

Reporting Accountants' Opinion on the Combined Financial Statements Contained In the Accountants' Report of ECA Integrated Solution Berhad ("the Company" or "ECA Integrated")

Opinion

We have audited the accompanying combined financial statements of ECA Integrated Solution Berhad and its combining entity (collectively known as "the Group") which comprises the combined statements of financial position of the Group as at 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019, 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 8-months financial period ended 30 June 2022 and for the financial years ended 31 October 2021, 31 October 2020 and 31 October 2019, and a summary of significant accounting policies and other explanatory notes, as set on pages to 4 to 70.

The historical combined financial statements have been prepared for inclusion in the prospectus of ECA Integrated, in connection with the listing of and quotation for the entire enlarged issued share capital of ECA Integrated on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). This report is required by the *Prospectus Guidelines* issued by the Securities Commission Malaysia ("the Prospectus Guidelines") and is given for the purpose of complying with Chapter 10 of the Prospectus Guidelines and for no other purpose.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined financial position of the Group as at 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019 and of its combined financial performance and combined cash flows for the financial period/years then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

Basis for opinion

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

Independence and Other Ethical Responsibilities

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

KRESTON JOHN & GAN

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Responsibilities of the Directors for the Combined Financial Statements

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

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

Reporting Accountants' Responsibilities for the Audit of Combined Financial Statements

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

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

- Identify and assess the risks of material misstatement of the combined financial 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.

- 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 reporting accountants' report to the related disclosures in the combined 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

KRESTON JOHN & GAN

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Reporting Accountants' Responsibilities for the Audit of Financial Statements (Cont'd.)

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

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the combined financial statements of the entities or business activities within the Group to express an opinion on the combined financial statements 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 communicated 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 identified during our audit.

Restriction on Distribution and Use

This report has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of ECA Integrated in connection with the listing of and quotation for the entire enlarged issued share capital of ECA Integrated on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.

Kreston John & Gan
(AF 0113)
Chartered Accountants

Yong Chung Sin
Approval No: 02892/04/2024 J
Chartered Accountant

Kuala Lumpur,
Date : 6 October 2022

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Combined Statements of Financial Position

As at 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019

	Note	< Audited			>
		30.6.2022	31.10.2021	31.10.2020	31.10.2019
		RM	RM	RM	RM
ASSETS					
Non-Current Assets					
Plant and equipment	5	**992,563**	1,038,676	1,207,794	1,274,151
Right-of-use assets	6	**1,756,649**	1,444,427	775,403	310,500
Deferred tax asset	7	**-**	72,356	-	-
Total Non-Current Assets		**2,749,212**	2,555,459	1,983,197	1,584,651
Current Assets					
Inventories	8	**5,795,777**	6,346,973	698,560	1,469,844
Trade receivables	9	**13,368,154**	10,543,946	10,491,669	3,666,459
Other receivables, deposits and prepayments	10	**1,870,005**	1,805,735	51,344	38,444
Cash and bank balances		**8,690,762**	4,995,569	4,229,471	2,908,091
Current tax asset		**1,500**	4,306	2,250	-
Total Current Assets		**29,726,198**	23,696,529	15,473,294	8,082,838
Total Assets		**32,475,410**	26,251,988	17,456,491	9,667,489
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	11(i)	**9**	9	-	-
Invested equity	11(ii)	**1,000,000**	1,000,000	1,000,000	100,000
Retained profits	12	**20,619,195**	16,039,839	7,863,216	2,796,611
Total Equity		**21,619,204**	17,039,848	8,863,216	2,896,611
Non-Current Liabilities					
Borrowings	13	**1,477,126**	1,695,966	1,495,530	-
Lease liabilities	15	**1,040,321**	923,375	565,928	219,498
Deferred tax liabilities	7	**22,890**	-	99,068	99,068
Total Non-Current Liabilities		**2,540,337**	2,619,341	2,160,526	318,566

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Combined Statements of Financial Position

As at 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019

		<------	Audited		------>
	Note	**30.6.2022**	31.10.2021	31.10.2020	31.10.2019
		RM	RM	RM	RM
Current Liabilities					
Trade payables	16	**3,600,269**	3,756,860	2,737,219	1,350,082
Other payables and accruals	17	**1,506,046**	493,816	3,233,918	4,688,135
Amount due to directors	18	**-**	-	-	338,399
Borrowings	13	**2,790,476**	1,988,607	305,470	-
Lease liabilities	15	**419,078**	353,516	156,142	73,012
Current tax liabilities		**-**	-	-	2,684
Total Current Liabilities		**8,315,869**	6,592,799	6,432,749	6,452,312
Total Liabilities		**10,856,206**	9,212,140	8,593,275	6,770,878
Total Equity and Liabilities		**32,475,410**	26,251,988	17,456,491	9,667,489

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Combined Statements of Profit or Loss and Other Comprehensive Income

for the financial period/year ended 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019

	Note	**Audited 1.11.2021 to 30.6.2022 RM**	Unaudited 1.11.2020 to 30.6.2021 RM	<— Audited 1.11.2020 to 31.10.2021 RM	Audited 1.11.2019 to 31.10.2020 RM	Audited —> 1.11.2018 to 31.10.2019 RM
Revenue	19	**17,816,536**	2,673,736	20,511,107	15,367,241	7,670,888
Cost of sales		**(10,986,412)**	(1,697,084)	(9,230,231)	(6,942,227)	(3,842,715)
Gross profit		**6,830,124**	976,652	11,280,876	8,425,014	3,828,173
Other income	20	**442,223**	162,187	103,653	129,510	24,175
Administrative expenses		**(2,478,892)**	(912,160)	(3,181,811)	(2,955,919)	(2,779,253)
Profit from operations		**4,793,455**	226,679	8,202,718	5,598,605	1,073,095
Finance costs	21	**(118,281)**	(89,683)	(196,075)	(32,000)	(6,179)
Profit before taxation	22	**4,675,174**	136,996	8,006,643	5,566,605	1,066,916
Taxation	25	**(95,818)**	-	169,980	-	302,498
Profit for the financial period/year, representing total comprehensive income for the financial period/year attributable to the owners of the Company		**4,579,356**	136,996	8,176,623	5,566,605	1,369,414
Earnings per share (sen)						
- Basic	26	**457.87**	13.70	817.65	556.66	1,369.41
- Diluted	26	*	*	*	*	*

**There are no dilutive potential equity instruments that would give a diluted effect to the basic earnings per share.*

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

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ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Combined Statements of Changes in Equity

for the financial period/year ended 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019

	Non-Distributable		*Distributable*	
	Share capital RM	Invested equity RM	Retained profit RM	Total RM
Balance at 1 November 2018	-	1,000	1,427,197	1,428,197
Issuance of shares (Note 11)	-	99,000	-	99,000
Total comprehensive profit for the financial year	-	-	1,369,414	1,369,414
Balance at 31 October 2019	-	100,000	2,796,611	2,896,611
Capitalisation of retained earnings to share capital (Note 11)	-	500,000	(500,000)	-
Issuance of shares (Note 11)	-	400,000	-	400,000
Total comprehensive profit for the financial year	-	-	5,566,605	5,566,605
Balance at 31 October 2020	-	1,000,000	7,863,216	8,863,216
Issuance of share at the date of incorporation	9	-	-	9
Total comprehensive profit for the financial year	-	-	8,176,623	8,176,623
Balance at 31 October 2021	9	1,000,000	16,039,839	17,039,848
Total comprehensive profit for the financial period	-	-	**4,579,356**	**4,579,356**
Balance at 30 June 2022	**9**	**1,000,000**	**20,619,195**	**21,619,204**
Unaudited				
Balance at 1 November 2020	-	1,000,000	7,863,216	8,863,216
Total comprehensive profit for the financial period	-	-	136,996	136,996
Balance at 30 June 2021	-	1,000,000	8,000,212	9,000,212

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Combined Statement of Cash Flows

for the financial period/year ended 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019

	Note	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	Audited 1.11.2020 to 31.10.2021 RM	Audited 1.11.2019 to 31.10.2020 RM	Audited 1.11.2018 to 31.10.2019 RM
Cash flows from operating activities						
Profit before taxation		**4,675,174**	136,996	8,006,643	5,566,605	1,066,916
Adjustment for:-						
Bad debt written off		**-**	-	-	57,037	-
Depreciation of plant and equipment		**103,567**	51,108	167,039	167,491	157,378
Depreciation of right-of-use assets		**150,852**	45,274	184,071	122,630	34,500
Gain on disposal of plant and equipment		**-**	(78,700)	(78,700)	-	-
Interest expense		**118,281**	89,683	196,075	32,000	6,179
Interest income		**(1,557)**	(2,072)	(3,365)	(8,493)	(13,151)
Unrealised gain on foreign exchange		**(440,666)**	(70,615)	(10,788)	(34,617)	(11,024)
Operating profit before working capital		**4,605,651**	171,674	8,460,975	5,902,653	1,240,798
Changes in working capital:-						
Inventories		**551,196**	(7,421,290)	(5,648,413)	771,284	(1,469,844)
Trade receivables		**(2,363,952)**	7,126,910	(41,489)	(6,847,630)	(737,739)
Other receivables, deposits and prepayments		**(64,270)**	(1,643,102)	(1,754,391)	(12,900)	6,281
Trade payables		**(176,181)**	202,922	1,019,642	1,387,137	(713,643)
Other payables and accruals		**1,012,230**	(1,809,481)	(994,239)	(1,998,840)	2,146,392
Net cash from/(used in) operations		**3,564,674**	(3,372,367)	1,042,085	(798,296)	472,245
Interest paid		**(118,281)**	(89,683)	(196,075)	(32,000)	(6,179)
Interest received		**1,557**	2,072	3,365	8,493	13,151
Tax paid		**(1,750)**	(2,500)	(3,500)	(4,934)	-
Tax refund		**3,984**	-	-	-	-
Net cash generated from/(used in) operating activities		**3,450,184**	(3,462,478)	845,875	(826,737)	479,217

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

Combined Statement of Cash Flows

for the financial period/year ended 30 June 2022, 31 October 2021, 31 October 2020 and 31 October 2019

	Note	Audited 1.11.2021 to 30.6.2022 RM	Unaudited 1.11.2020 to 30.6.2021 RM	<—— Audited 1.11.2020 to 31.10.2021 RM	Audited 1.11.2019 to 31.10.2020 RM	Audited ——> 1.11.2018 to 31.10.2019 RM
Cash flows from investing activities						
Additions on right-of-use assets	27	**(47,074)**	(21,095)	(142,131)	(75,733)	(28,960)
Proceed from disposal of plant and equipment		**-**	340,000	340,000	-	-
Purchase of plant and equipment		**(57,454)**	(251,671)	(259,221)	(101,134)	(151,279)
Net cash (used in)/generated from investing activities		**(104,528)**	67,234	(61,352)	(176,867)	(180,239)
Cash flows from financing activities						
Proceeds from issuance of share capital		**-**	-	9	400,000	99,000
(Repayment)/Drawdown of borrowings	28	**(108,559)**	1,783,796	1,883,573	1,801,000	-
(Repayment)/Advance from other payable		**-**	-	(1,745,864)	544,623	1,071,241
Repayment of lease liabilities	28	**(233,492)**	(199,170)	(156,143)	(82,240)	(23,530)
Repayment to directors		**-**	-	-	(338,399)	(44,601)
Net cash (used in)/generated from financing activities		**(342,051)**	1,584,626	(18,425)	2,324,984	1,102,110
Net increase/(decrease) in cash and cash equivalents		**3,003,605**	(1,810,618)	766,098	1,321,380	1,401,088
Cash and cash equivalents at the beginning of the financial period/year		**4,995,569**	4,229,471	4,229,471	2,908,091	1,507,003
Cash and cash equivalents at the end of the financial period/year	29	**7,999,174**	2,418,853	4,995,569	4,229,471	2,908,091

The accompanying accounting policies and explanatory notes form an integral part of the financial statements

ECA Integrated Solution Berhad
(Incorporated in Malaysia, Registration No. 202101031471 (1431771-P))

ACCOUNTANTS' REPORT

1. General information

a) Introduction

This report has been prepared solely to comply with the Prospectus Guidelines - Equity issued by the Securities Commission Malaysia and for inclusion in the prospectus of ECA Integrated Solution Berhad ("the Company" or "ECA Integrated") in connection with the listing of and quotation for the entire enlarged issued share capital of ECA Integrated on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (hereinafter defined as "the Listing"), and should not be relied upon for any other purposes.

b) Background

The Company was incorporated on 28 September 2021 as ECA Integrated Solution Sdn Bhd, a private company limited by shares in accordance with the Companies Act, 2016.

On 1 March 2022, the Company was converted into a public company limited by shares in accordance with the Companies Act, 2016 and assumed its present name of ECA Integrated Solution Berhad.

The registered office of the Company is located at Room B, 3rd Floor, 309-K, Perak Road 10150 George Town, Pulau Pinang, Malaysia.

The principal place of business of the Company is located at Plot 248, Lorong Industries Bukit Minyak 16, Kawasan Perindustrian Bukit Minyak, 14100 Simpang Ampat, Pulau Pinang, Malaysia.

c) Pre-IPO restructuring exercise

As part of the pre-IPO restructuring exercise, the Company was formed to acquire the entire issued share capital of ECA Advanced Solutions Sdn Bhd comprising 1,000,000 ordinary shares ("Acquisition") prior to the Listing.

The purchase consideration for the above Acquisition is RM17,100,000, which was satisfied by the issuance of 427,500,000 new ordinary shares in the Company at RM0.04 per share.

Following the completion of the Acquisition on 21 September 2022, the group structure of ECA Integrated ("the Group") is as follows : -