11. FINANCIAL INFORMATION

11.1 HISTORICAL AND PROFORMA FINANCIAL INFORMATION

Our historical financial information throughout FYE 2019 to FYE 2022 has been prepared in accordance with MFRS and IFRS and were not subject to any audit qualification. There are no accounting policies which are peculiar to our Group regarding the nature of the business or industry which our Group is involved in. The selected financial information and financial analysis included in this Prospectus are not intended to predict our Group's financial position, performance and cash flows.

Our Company was incorporated in Malaysia under the Act on 9 June 2021 to facilitate our Listing, and we completed the Acquisition of CSSB on 3 February 2023. CSSB has been under the common control of our Promoters throughout FYE 2019 to FYE 2022 and is regarded as continuing entity. As such, the historical financial information of our Group for FYE 2019 to FYE 2022 is presented based on the audited combined financial statements of our Group.

11.1.1 Combined statements of profit or loss and other comprehensive income

The following table sets out a summary of our combined statements of profit or loss and other comprehensive income for FYE 2019 to FYE 2022 which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 11.2 and 12 respectively.

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Revenue	50,634	51,230	59,541	90,595
Cost of sales	(37,976)	(36,884)	(41,735)	(65,884)
GP	**12,658**	**14,346**	**17,806**	**24,711**
Other income	428	66	69	66
Administrative expenses	(2,789)	(2,526)	(3,009)	(4,497)
Selling and distribution expenses	(1,626)	(1,441)	(1,444)	(2,672)
Operating profits	8,671	10,445	13,422	17,608
Finance income	532	577	165	209
Finance costs	(3)	-	(10)	(16)
PBT	**9,200**	**11,022**	**13,577**	**17,801**
Tax expense	(2,664)	(2,673)	(3,331)	(4,648)
PAT/ Total comprehensive income	**6,536**	**8,349**	**10,246**	**13,153**
EBIT[(1)]	8,671	10,445	13,422	17,608
EBITDA[(1)]	9,224	10,823	13,821	18,042
GP margin (%)[(2)]	25.0	28.0	29.9	27.3
PBT margin (%)[(3)]	18.2	21.5	22.8	19.6
PAT margin (%)[(3)]	12.9	16.3	17.2	14.5
Effective tax rate (%)[(4)]	29.0	24.3	24.5	26.1
Basic EPS (sen)[(5)]	1.54	1.96	2.41	3.09
Diluted EPS (sen)[(6)]	1.23	1.57	1.93	2.47

11. FINANCIAL INFORMATION *(Cont'd)*

Notes:

(1) EBIT and EBITDA are calculated as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
PAT	6,536	8,349	10,246	13,153
Less:				
Finance income	(532)	(577)	(165)	(209)
Add:				
Finance costs	3	-	10	16
Taxation	2,664	2,673	3,331	4,648
EBIT	**8,671**	**10,445**	**13,422**	**17,608**
Add:				
Depreciation	553	378	399	434
EBITDA	**9,224**	**10,823**	**13,821**	**18,042**

(2) Calculated based on GP divided by revenue.

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

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

(5) Basic EPS is calculated based on PAT for the financial year divided by 425,280,000 enlarged number of Shares in issue before IPO.

(6) Diluted EPS is calculated based on PAT for the financial year divided by 531,600,000 enlarged number of Shares in issue after IPO.

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11.1.2 Combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 31 December 2019, 2020, 2021 and 2022 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 11.2 and 12 respectively.

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	679	751	883	4,026
Deferred tax assets	478	698	86	656
Total non-current assets	**1,157**	**1,449**	**969**	**4,682**
Current assets				
Inventories	1,202	2,922	1,868	2,685
Trade receivables	4,075	6,348	18,989	33,785
Other receivables	1,503	1,845	3,618	1,714
Contract assets	3,753	3,298	6,725	12,035
Cash and short-term deposits	21,459	19,297	14,312	11,678
Total current assets	**31,992**	**33,710**	**45,512**	**61,897**
Total assets	**33,149**	**35,159**	**46,481**	**66,579**
Equity				
Invested equity	1,500	1,500	1,500	1,500
Retained earnings	19,549	19,898	14,144	19,297
Total equity	**21,049**	**21,398**	**15,644**	**20,797**
Non-current liability				
Lease liability	-	-	85	85
Total non-current liability	**-**	**-**	**85**	**85**
Current liabilities				
Lease liability	-	-	196	196
Current tax liabilities	507	1,216	219	1,691
Trade payables	3,475	4,251	10,412	10,383
Other payables	2,596	1,947	10,433	17,025
Contract liabilities	5,522	6,347	9,492	16,402
Total current liabilities	**12,100**	**13,761**	**30,752**	**45,697**
Total liabilities	**12,100**	**13,761**	**30,837**	**45,782**
Total equity and liabilities	**33,149**	**35,159**	**46,481**	**66,579**

11.1.3 Combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2019 to FYE 2022 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 11.2 and 12 respectively.

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities				
PBT	9,200	11,022	13,577	17,801
Adjustments for:				
Depreciation of property, plant and equipment	553	378	399	434
Property, plant and equipment written off	-	-	11	13
Reversal of impairment losses on trade receivables	(425)	-	-	-
Reversal of bad debt written off	(3)	-	-	-
Gain on lease termination	-	-	-	(5)
Net unrealised foreign exchange gain	-	-	-	(55)
Finance costs	3	-	10	16
Finance income	(532)	(577)	(165)	(209)
Operating profit before changes in working capital	**8,796**	**10,823**	**13,832**	**17,995**
Changes in working capital:				
Inventories	3,068	(1,720)	1,054	(817)
Trade receivables	1,804	(2,273)	(12,641)	(14,796)
Other receivables	(871)	(342)	(1,773)	1,904
Contract assets	(2,066)	455	(3,427)	(5,310)
Trade payables	(543)	776	6,161	(29)
Other payables	1,621	(649)	482	6,473
Contract liabilities	(3,566)	825	3,145	6,910
Net cash generated from operations	**8,243**	**7,895**	**6,833**	**12,330**
Income tax paid	(1,681)	(2,184)	(3,716)	(3,746)
Interest received	532	577	165	209
Interest paid	(3)	-	-	-
Net cash from operating activities	**7,091**	**6,288**	**3,282**	**8,793**
Cash flows from investing activities				
Purchase of plant and equipment	(192)	(450)	(155)	(3,396)
Proceeds from disposal of property, plant and equipment	-	-	3	-
Change in pledged deposits	-	-	(225)	-
Net cash used in investing activities	**(192)**	**(450)**	**(377)**	**(3,396)**
Cash flows from financing activities				
Interest paid	-	-	(10)	(16)
Repayment of lease liability	-	-	(109)	(189)
Dividend paid	(1,000)	(8,000)	(8,000)	(8,000)
Amount owing to a director	-	-	4	119
Net cash used in financing activities	**(1,000)**	**(8,000)**	**(8,115)**	**(8,086)**
Net increase/(decrease) in cash and cash equivalents	**5,899**	**(2,162)**	**(5,210)**	**(2,689)**
Cash and cash equivalents at the beginning of the financial year	15,560	21,459	19,297	14,087
Effect of exchange rate changes on cash and cash equivalents	-	-	-	55
Cash and cash equivalents at the end of the financial year	**21,459**	**19,297**	**14,087**	**11,453**

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

The following discussion and segmental analysis of our combined financial statements for FYE 2019 to FYE 2022 should be read in conjunction with the Accountants' Report included in Section 12.

The discussion and analysis contain data derived from our audited combined financial statements as well as forward-looking statements that involve risks and uncertainties. The future results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those anticipated in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the Risk Factors as set out in Section 8.

11.2.1 Overview of our operations

(i) Principal activities

Our Company is an investment holding company. Through CSSB, our Group is principally involved in the provision of IT solutions comprising enterprise and data centre networking, and cybersecurity solutions as well as professional IT services in Malaysia.

Our customers mostly comprise of financial institutions, technology service providers and telecommunication companies in Malaysia. We also provide our solutions to multinational companies to cater for their operations based in Malaysia.

Please refer to Section 6 for our Group's detailed overview of our Group's business.

(ii) Revenue

Our revenue for the FYE 2019 to FYE 2022 was derived in Malaysia and segmented based on our revenue models.

Our revenue models comprise of the following:

(a) one-off project-based income model which we charge for the design and implementation of enterprise and data centre networking, and cybersecurity solutions. This revenue model comprises sales of hardware, software licence subscription and/or implementation service fees (referred to as "**one-off project-based income model**").

We recognise revenue from our one-off project income model at the point in time where the control of the products has been transferred and/or our performance obligation under the project is satisfied. For any sales of software, hardware and products as part of our enterprise and data centre networking and cybersecurity solutions, the revenue is recognised at the point in time when control of the products has been transferred to the customer (i.e. upon acceptance of delivery by the customers).

(b) recurring income model for our professional IT services business segment which typically comprises annual contract fees and service fees with a contract tenure of between 1 and 3 years (referred to as "**recurring income model"**).

Under recurring income model, we charge our customers the annual contract fees on an annual basis or service fees on a periodic basis. We recognise the fee charged as revenue on monthly basis throughout the contract and service period.

(iii) Cost of sales

Our cost of sales mainly comprises the following:

(a) Hardware and software

Purchase of hardware and software that we use in the implementation of our solutions and services. Purchase of hardware and software is the main component of our cost of sales, which contributed between 74.4% to 81.1% of our total cost of sales for FYE 2019 to FYE 2022.

(b) Direct labour costs

Salaries, performance bonuses and other related staff costs for Technical Services personnel directly attributable to the implementation of our solutions and services.

(c) Subcontractor costs

Outsourcing cost to third party subcontractor for installation services (i.e. equipment installation works for project sites that are located outside of Klang Valley) and other non-IT related specialised works such as electrical wiring, cabling, and building structural works.

(d) Other direct costs

Incidental expenses incurred for the implementation of our solutions and services such as freight charges, depreciation charges on equipment and travelling expenses of Technical Services personnel.

(iv) Other income

Other income mainly comprises reversal of impairment loss on trade receivables, reversal of bad debt written off, Government wages subsidy and gain on foreign exchange.

(v) Administrative expenses

Administrative expenses mainly comprise directors' remuneration, staff cost, rental expenses, staff training expenses, travelling expenses, professional fees, depreciation charges and recruitment expenses.

(vi) Selling and distribution expenses

Selling and distribution expenses mainly comprises cost attributable to sales and marketing of our solutions and services such as sales and marketing staff cost, travelling expenses and claims of Sales personnel as well as the sales commission for the Sales personnel.

(vii) Finance income

Mainly interest income on cash balances and short-term deposit.

(viii) Finance costs

Mainly interest expense on lease liability.

(ix) Recent developments

There were no other significant events subsequent to our Group's audited combined financial statements for FYE 2022.

(x) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2019 to FYE 2022. In addition, our audited financial statements for the financial years under review were not subject to any audit qualifications.

11.2.2 Review of our results of operations

(i) Revenue

Revenue by revenue model

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
One-off project-based income model								
Enterprise and data centre networking solutions	25,055	49.5	19,544	38.2	20,492	34.4	36,527	40.3
Cybersecurity solutions	10,609	21.0	15,701	30.6	21,276	35.7	36,324	40.1
Sub-total	**35,664**	**70.5**	**35,245**	**68.8**	**41,768**	**70.1**	**72,851**	**80.4**
Recurring income model								
Professional IT services	14,970	29.5	15,985	31.2	17,773	29.9	17,744	19.6
Total	**50,634**	**100.0**	**51,230**	**100.0**	**59,541**	**100.0**	**90,595**	**100.0**

Revenue by type of customers

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Financial institutions	30,212	59.7	41,405	80.8	50,932	85.6	80,318	88.7
Technology services providers	8,706	17.2	5,867	11.5	1,086	1.8	3,467	3.8
Others [(1)]	11,716	23.1	3,958	7.7	7,523	12.6	6,810	7.5
	50,634	**100.0**	**51,230**	**100.0**	**59,541**	**100.0**	**90,595**	**100.0**

Note:

(1) Mainly comprises customers who are involved in the telecommunication, education, construction, oil and gas and property industries.

Our Group's total revenue increased from RM50.63 million in FYE 2019 to RM90.60 million in FYE 2022. Our one-off project-based income model was the major contributor to our Group's total revenue for FYE 2019, FYE 2020, FYE 2021 and FYE 2022, contributing 70.5%, 68.8%, 70.1% and 80.4% to our total revenue, respectively.

Our customers mainly comprise financial institutions followed by technology service providers. The revenue contribution from financial institution customers increased from 59.7% in FYE 2019 to 88.7% in FYE 2022 as we built up our track records and credentials with the successful implementation of our projects for customers in the financial industry.

<u>Comparison between FYE 2019 and FYE 2020</u>

Comparison by revenue model

In FYE 2020, our revenue increased by RM0.60 million or 1.2% to RM51.23 million from RM50.63 million recorded in FYE 2019. The increase was mainly driven by the increase in revenue for our recurring income model. The overall increase in revenue was partly offset by the decrease in revenue from one-off project-based income model.

<u>One-off project-based income model</u>

In FYE 2020, our revenue from one-off project-based income model declined marginally by RM0.41 million or 1.1% from RM35.66 million in FYE 2019 to RM35.25 million in FYE 2020. This was mainly due to lower revenue from offering enterprise and data centre networking solutions.

Revenues from offering enterprise and data centre networking solutions decreased by RM5.52 million or 22.0% to RM19.54 million from RM25.06 million recorded in FYE 2019. The decrease was mainly due to the following:

(i) completion of a network infrastructure project (secured from Infomina Berhad which is our direct customer) for the headquarters and disaster recovery centre of a local financial institution (being the end-user customer and not our major customer) located at Ampang, Kuala Lumpur, Wilayah Persekutuan and Bandar Baru Bangi, Selangor respectively during FYE 2019. The said project contributed a total revenue of RM3.62 million in FYE 2019 which did not recur in FYE 2020; and

(ii) completion of a network infrastructure project for a private education institution located in Bandar Sunway, Selangor during FYE 2019. The said project contributed a total revenue of RM1.33 million in FYE 2019 which did not recur in FYE 2020.

Nevertheless, our decline in revenue from one-off project-based income model was partially mitigated from an increase in revenue from offering cybersecurity solutions. In FYE 2020, our revenue from cybersecurity solutions increased by RM5.09 million or 48.0% to RM15.70 million from RM10.61 million recorded in FYE 2019.

The increase was mainly due to the following:

(i) contribution from new one-off project related to upgrading of cybersecurity solutions for the IT and training centre of Customer F located in Bandar Baru Bangi, Selangor with a project value of RM4.05 million of which the entire amount was fully recognised in FYE 2020; and

(ii) commencement and completion of a cybersecurity solution upgrade project for the branch office of Customer D located in Petaling Jaya, Selangor during the year with a project value of RM1.30 million of which the entire amount was fully recognised in FYE 2020.

<u>Recurring income model</u>

In FYE 2020, our revenue from recurring income model increased by RM1.02 million or 6.8% to RM15.99 million from RM14.97 million recorded in FYE 2019. The increase was mainly due to the following:

(i) a new professional IT service contract secured from Customer G which contributed a total revenue of RM0.56 million in FYE 2020; and

(ii) a new professional IT service contract secured from Customer A which contributed a total revenue of RM0.66 million in FYE 2020.

Comparison by type of customers

In term of revenue contribution by type of customers, the revenue contribution by our financial institution customers accounted for 80.8% of our revenue in FYE 2020 as compared with 59.7% in FYE 2019. The higher revenue contribution from financial institution customers was due to the new cybersecurity solution projects secured. In FYE 2020, the revenue derived from our cybersecurity solution projects with financial institution customers amounted to RM13.86 million, representing 88.3% of our total revenue derived from our offering of cybersecurity solutions in FYE 2020 as compared to RM6.45 million or 60.8% in FYE 2019.

<u>Comparison between FYE 2020 and FYE 2021</u>

Comparison by revenue model

In FYE 2021, our revenue increased by RM8.31 million or 16.2% to RM59.54 million from RM51.23 million recorded in FYE 2020. The increase was mainly driven by the increase in revenue from both our one-off project-based income and recurring income models.

<u>One-off project-based income model</u>

In FYE 2021, our revenue from our one-off project-based income model increased by RM6.52 million or 18.5% from RM35.25 million in FYE 2020 to RM41.77 million in FYE 2021. This was largely driven by an increase in revenues from our enterprise and data centre networking and cybersecurity solution projects.

Revenues from enterprise and data centre networking solution projects increased by RM0.95 million or 4.9% to RM20.49 million from RM19.54 million recorded in FYE 2020 mainly due to a new network infrastructure and software-defined infrastructure projects secured from a local technology and business process outsourcing company with an aggregate project value of RM1.49 million for its corporate office located in Kuala Lumpur, Wilayah Persekutuan which contributed a total revenue of RM1.16 million in FYE 2021.

Meanwhile, revenues from cybersecurity solution projects increased by RM5.58 million or 35.5% to RM21.28 million from RM15.70 million recorded in FYE 2020. The increase was mainly due to the following:

(i) new one-off cybersecurity project secured from Customer E with a project value of RM4.19 million for its technical operation centre located in Kuala Lumpur, Wilayah Persekutuan which was fully recognised as revenue in FYE 2021;

(ii) commencement and completion of a new intrusion prevention system solution refresh project during the year with a project value of RM1.86 million for the headquarters of Customer B located in Kuala Lumpur, Wilayah Persekutuan which was fully recognised as revenue in FYE 2021; and

(iii) new data loss prevention project secured from Customer B with a project value of RM0.96 million for its headquarters located at Kuala Lumpur, Wilayah Persekutuan which contributed a total revenue of RM0.94 million in FYE 2021.

<u>Recurring income model</u>

In FYE 2021, our revenue from recurring income model increased by RM1.78 million or 11.1% to RM17.77 million from RM15.99 million recorded in FYE 2020. The increase was mainly due to the following:

(i) a new professional IT services contract secured from the IT centre of Customer G located at Bandar Baru Bangi, Selangor which contributed a total revenue of RM2.51 million in FYE 2021; and

(ii) new orders received from Customer B to provide professional IT services on its existing cybersecurity infrastructure which contributed a total revenue of RM0.23 million in FYE 2021.

The increase was partially offset by the completion of a professional IT services contract for Customer A which contributed a total revenue of RM0.66 million in FYE 2020. The said contract did not recur for FYE 2021.

Comparison by type of customers

In term of revenue contribution by type of customers, financial institution customers accounted for 85.6% of our total revenue in FYE 2021 as compared with 80.8% in FYE 2020. The higher revenue contribution was due to the new cybersecurity solution projects and professional IT service contracts secured from financial institution customers. In FYE 2021, the revenue derived from our cybersecurity solution projects with financial institution customers amounted to RM16.43 million, representing 77.2% of our total revenue derived from our offering of cybersecurity solutions in FYE 2021 as compared to RM13.86 million or 88.3% in FYE 2020.

Comparison between FYE 2021 and FYE 2022

Comparison by revenue model

In FYE 2022, our revenue increased by RM31.06 million or 52.2% to RM90.60 million from RM59.54 million recorded in FYE 2021. The increase was mainly driven by the increase in revenue from our one-off project-based income model.

One-off project-based income model

In FYE 2022, our revenue from our one-off project-based income model increased by RM31.08 million or 74.4% from RM41.77 million in FYE 2021 to RM72.85 million in FYE 2022. This was driven by an increase in revenue from both of our enterprise and data centre networking and cybersecurity solution projects.

Revenue from enterprise and data centre networking solution project increased by RM16.04 million or 78.3% to RM36.53 million from RM20.49 million recorded in FYE 2021. The increase was mainly due to the following:

(i) completion of a network infrastructure refresh project for the data centres of Customer B located at Cyberjaya and Petaling Jaya, Selangor with a project value of RM3.64 million of which the entire amount was fully recognised in FYE 2022;

(ii) completion of a network infrastructure upgrade project for a private tertiary education institution located at Semenyih, Selangor with a project value of RM2.89 million of which the entire amount was fully recognised in FYE 2022;

(iii) new network infrastructure upgrade and relocation project secured from Customer D with a project value of RM3.50 million for its headquarters located at Kuala Lumpur, Wilayah Persekutuan which contributed a total revenue of RM2.23 million in FYE 2022;

(iv) completion of a software-defined WAN project for the branches and data centres of Customer G (secured from Heitech Padu Berhad which is our direct customer) with a project value of RM2.11 million of which the entire amount was fully recognised in FYE 2022;

(v) completion of a network infrastructure implementation project at the headquarters of Customer D located at Kuala Lumpur, Wilayah Persekutuan with a project value of RM2.09 million of which the entire amount was fully recognised in FYE 2022;

(vi) new network infrastructure implementation project secured from Customer G with a project value of RM5.18 million for its IT centre located at Bandar Baru Bangi, Selangor which contributed a total revenue of RM1.60 million in FYE 2022;

(vii) completion of a network infrastructure upgrade project for the IT centre of Customer G located at Bandar Baru Bangi, Selangor with a project value of RM1.01 million of which the entire amount was fully recognised in FYE 2022; and

(viii) completion of a network infrastructure upgrade project for the headquarter of Customer G located at Kuala Lumpur, Wilayah Persekutuan with a project value of RM0.85 million of which the entire amount was fully recognised in FYE 2022.

Meanwhile, revenue from cybersecurity solution projects increased by RM15.04 million or 70.7% to RM36.32 million from RM21.28 million recorded in FYE 2021. The increase was mainly due to the following:

(i) new cybersecurity solutions implementation project secured from Customer D with a project value of RM8.61 million for the new data centre of its headquarter located in Kuala Lumpur, Wilayah Persekutuan which contributed a total revenue of RM7.47 million in FYE 2022;

(ii) completion of a new cybersecurity solutions implementation project for the IT security office of Customer G located at Bandar Baru Bangi, Selangor with a project value of RM5.60 million of which the entire amount was fully recognised in FYE 2022;

(iii) new DDoS protection system implementation project for the IT centre of Customer F located in Bandar Baru Bangi, Selangor with a project value of RM2.53 million of which the entire amount was fully recognised in FYE 2022; and

(iv) completion of a threat intelligence platform refresh project for the IT centre of Customer F located in Bandar Baru Bangi, Selangor with a project value of RM2.42 million of which the entire amount was fully recognised in FYE 2022.

Recurring income model

In FYE 2022, our revenue from recurring income model decreased marginally by RM0.03 million or 0.2% to RM17.74 million from RM17.77 million recorded in FYE 2021 mainly due to an one-off discount extended to Customer G for a professional IT services contract.

Further, despite the significant increase in revenue from our one-off project-based income model in FYE 2022, there was no corresponding increase in our revenue for our recurring income model as majority of our revenue recognised for one-off project-based model are from projects which are completed towards the end of FYE 2022. As such, the subsequent professional IT services contracts have yet to commenced as at FYE 2022 and recognised as revenue. Revenue from these contracts will be recognised progressively as revenue in FYE 2023 and subsequent financial years. Kindly refer to Section 11.6 for the unbilled contract value for our recurring income model.

Comparison by type of customers

In term of revenue contribution by type of customers, financial institution customers accounted for 88.7% of our total revenue in FYE 2022 as compared with 85.6% in FYE 2021. The higher revenue contribution was due to more enterprise and data centre networking solutions and cybersecurity solutions project secured from our financial institution customer as we continue to build on our track records and credentials with successful implementation of projects for financial institution customers.

(ii) Cost of sales, GP and GP margin

Analysis of cost of sales by components

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Hardware and software	29,490	77.7	27,432	74.4	32,654	78.2	53,461	81.1
Direct labour cost	4,320	11.4	4,913	13.3	4,569	11.0	6,146	9.3
Subcontractor cost	3,166	8.3	3,703	10.0	3,701	8.9	5,436	8.3
Other direct cost	1,000	2.6	836	2.3	811	1.9	841	1.3
	37,976	**100.0**	**36,884**	**100.0**	**41,735**	**100.0**	**65,884**	**100.0**

The major components of our cost of sales are purchase of hardware and software as well as direct labour cost, which contributed between 87.7% to 90.4% of our total cost of sales for FYE 2019 to FYE 2022.

Analysis of cost of sales by revenue model

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
One-off project-based income model								
Enterprise and data centre networking solutions	19,662	51.8	15,595	42.3	14,970	35.9	25,983	39.4
Cybersecurity solutions	9,708	25.6	13,949	37.8	19,356	46.4	32,203	48.9
Sub-total	**29,370**	**77.4**	**29,544**	**80.1**	**34,326**	**82.3**	**58,186**	**88.3**
Recurring income model								
Professional IT services	8,606	22.6	7,340	19.9	7,409	17.7	7,698	11.7
Total	**37,976**	**100.0**	**36,884**	**100.0**	**41,735**	**100.0**	**65,884**	**100.0**

Comparison between FYE 2019 and FYE 2020

Our cost of sales decreased slightly by RM1.10 million or 2.9% from RM37.98 million in FYE 2019 to RM36.88 million in FYE 2020 mainly attributable to decrease in:

(a) purchases of hardware and software by RM2.06 million or 7.0% from RM29.49 million to RM27.43 million due to lesser purchases of hardware and software incurred for rendering professional IT services; and

(b) other direct cost by RM0.16 million or 16.0% from RM1.00 million in FYE 2019 to RM0.84 million in FYE 2020 mainly due to lesser travelling by our Technical Services personnel as we transition to remote working arrangement in compliance with the imposition of MCO by the Government.

The decrease was partially offset by increase in:

(a) direct labour cost by RM0.59 million or 13.7% from RM4.32 million in FYE 2019 to RM4.91 million in FYE 2020 attributable to recruitment of additional Technical Services personnel to support the growth in our business operations. Between FYE 2019 and FYE 2020, our total headcount under our Technical Services division increased from 21 as at the beginning of FYE 2019 to 38 as at the end of FYE 2020; and

(b) subcontractor cost by RM0.53 million or 16.7% from RM3.17 million in FYE 2019 to RM3.70 million in FYE 2020 which correspond with the increase in our revenue.

In terms of revenue model, the cost of sales declined between FYE 2019 and FYE 2020 mainly due to a decline in cost of sales from our recurring income model. This was a result of a new contract to perform professional IT services for Customer G where lower equipment replacement cost was incurred throughout the contract period.

The decrease in cost of sales was partially offset from an increase in cost of sales from one-off project-based income as there were higher cost of sales generated from cybersecurity solution projects in FYE 2020 as compared to FYE 2019, in line with an increase in revenue generated from cybersecurity solutions.

Comparison between FYE 2020 and FYE 2021

Our cost of sales increased by RM4.86 million or 13.2% from RM36.88 million in FYE 2020 to RM41.74 million in FYE 2021 mainly attributable to increase in purchases of hardware and software by RM5.22 million or 19.0% from RM27.43 million to RM32.65 million in line with the growth in our revenue.

The increase was partially offset by the decrease in direct labour cost by RM0.34 million or 6.9% from RM4.91 million in FYE 2020 to RM4.57 million in FYE 2021 which was mainly due to the absence of performance bonus provision for our Technical Services personnel in FYE 2021.

In terms of revenue model, the increase in cost of sales was attributable to an increase in cost of sales from both our one-off project-based income model and recurring income model due to an increase in cost of sales generated for cybersecurity solution projects and professional IT service contracts. This was in line with growth in revenue from cybersecurity solutions and professional IT services.

The increase was partially offset by the decrease in cost of sales generated from enterprise and data centre networking solution projects in FYE 2021 which was mainly attributable to cost savings achieved from special discount on purchases of hardware and software from our suppliers as our purchase volume increases in tandem with the growth of our revenue.

Comparison between FYE 2021 and FYE 2022

Our cost of sales increased by RM24.14 million or 57.8% from RM41.74 million in FYE 2021 to RM65.88 million in FYE 2022 mainly attributable to the increase in purchases of hardware and software by RM20.81 million or 63.7%, which is in line with the growth in our revenue.

Other than the increase in purchases, the overall increase in our cost of sales was also attributable to the following:

(a) direct labour cost increased by RM1.58 million or 34.6% from RM4.57 million in FYE 2021 to RM6.15 million in FYE 2022 due to the recruitment of additional Technical Services personnel to support the growth in our business operations. The total headcount under our Technical Services division increased from 39 in FYE 2021 to 52 as at the end of FYE 2022. Further, the increase in direct labour cost also attributable to the performance bonus extended to our Technical Services personnel in view of the growth of our revenue; and

(b) subcontractor cost increased by RM1.74 million or 47.0% from RM3.70 million in FYE 2021 to RM5.44 million in FYE 2022 which correspond with the increase in our revenue.

In term of revenue model, the increase in cost of sales was mainly attributable to the increase in cost of sales from our one-off project-based income model, which is in line with the growth in revenue from our offerings of enterprise and data centre networking solutions as well as cybersecurity solutions.

Despite a slight decrease in revenue, the total cost of sales from our recurring income model segment increased by RM0.29 million or 3.9% mainly due to increased usage of subcontractor to undertake equipment installation works as well as other non-IT related specialised works such as electrical wiring, cabling and building structural works for our professional IT services contract. Further, the absence of corresponding increase in revenue with the cost of sales for our recurring income model segment was also attributable to the one-off discount extended to Customer G for a professional IT services contract.

Analysis of GP and GP margin by revenue model

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	GP	GP Margin	GP	GP Margin	GP	GP Margin	GP	GP Margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
One-off project-based income model								
Enterprise and data centre networking solutions	5,393	21.5	3,949	20.2	5,522	26.9	10,544	28.9
Cybersecurity solutions	901	8.5	1,752	11.2	1,920	9.0	4,121	11.3
Sub-total	**6,294**	**17.6**	**5,701**	**16.2**	**7,442**	**17.8**	**14,665**	**20.1**
Recurring income model								
Professional IT services	6,364	42.5	8,645	54.1	10,364	58.3	10,046	56.6
Total	**12,658**	**25.0**	**14,346**	**28.0**	**17,806**	**29.9**	**24,711**	**27.3**

The GP margin for our cybersecurity solutions is generally lower than the GP margin for enterprise and data centre networking solutions as a higher proportion of inputs for cybersecurity solutions consist of third-party software where minimal customisation is involved, and therefore, sold at a lower margin. Further, the lower margin for our cybersecurity solutions was also partly due to the competitive pricing offered by us on certain cybersecurity projects to build up our credentials and strengthen our presence as one of the trusted cybersecurity solutions provider in Malaysia.

Comparison between FYE 2019 and FYE 2020

Our GP increased by RM1.69 million or 13.3% from RM12.66 million in FYE 2019 to RM14.35 million in FYE 2020.

Our overall GP margin also improved from 25.0% in FYE 2019 to 28.0% in FYE 2020, which was mainly attributable to the GP margin for our recurring income model improved from 42.5% in FYE 2019 to 54.1% in FYE 2020 mainly due to a new professional IT service contract secured from Customer G, which commanded a higher margin as lower equipment replacement cost was incurred throughout the contract period. For clarification, the pricing for our professional IT service contracts takes into consideration, amongst others, the direct labour cost (i.e. staff cost for our Technical Services personnel) and the estimated equipment replacement cost to be incurred during the contractual period. An actual equipment replacement cost that is lower than the amount estimated will result in higher overall contract margin.

Notwithstanding the above, the improvement in the GP margin for our recurring income model was partly offset by the decrease in GP margin for our one-off project-based income model which saw a decrease in GP margin from 17.6% in FYE 2019 to 16.2% in FYE 2020 as we enjoy lower rebate from our suppliers due to the decrease in purchases of hardware and software, which is in line with the lower revenue recorded for our enterprise and data centre networking solutions in FYE 2020.

<u>Comparison between FYE 2020 and FYE 2021</u>

Our GP increased by RM3.46 million or 24.1% from RM14.35 million in FYE 2020 to RM17.81 million in FYE 2021.

On the other hand, our GP margin improved from 28.0% in FYE 2020 to 29.9% in FYE 2021, which was mainly attributable to the following:

(a) GP margin for our one-off project-based income model improved from 16.2% in FYE 2020 to 17.8% in FYE 2021. This was due to cost savings for our enterprise and data centre networking solutions, where we managed to obtain special discount on hardware purchases from our suppliers as our purchase volume increases in tandem with the growth of our revenue; and

(b) GP margin for our recurring income model improved from 54.1% in FYE 2020 to 58.3% in FYE 2021 mainly due to a professional IT service contract which commanded a higher margin as lower equipment replacement cost was incurred during the contract period.

Notwithstanding the above, the improvement in the GP margin was partly offset by the decrease in GP margin for offering cybersecurity solutions which saw a decrease in GP margin from 11.2% in FYE 2020 to 9.0% in FYE 2021. The decrease was mainly due to competitive pricing offered for a cybersecurity solution project secured from a local telecommunication company with a project value of RM4.19 million for its technical operation centre located in Kuala Lumpur, Wilayah Persekutuan during FYE 2021 as we continue to build up our credentials and strengthen our presence as one of the trusted cybersecurity solutions provider in Malaysia.

<u>Comparison between FYE 2021 and FYE 2022</u>

Our GP increased by RM6.90 million or 38.7% from RM17.81 million in FYE 2021 to RM24.71 million in FYE 2022.

Our overall GP margin decreased from 29.9% in FYE 2021 to 27.3% in FYE 2022, which was attributable to the decrease in GP margin for our recurring income model which saw a decrease from 58.3% in FYE 2021 to 56.6% in FYE 2022. The decrease in GP was mainly due to a one-off discount extended on our professional IT services contract to one of our major customer, namely Customer G. Further, the decrease in GP margin was also attributable to the increased usage of subcontractor to undertake equipment installation works as well as other non-IT related specialised works such as electrical wiring, cabling and building structural works for our professional IT services contract.

Notwithstanding the above, the decrease in our overall GP margin was partly offset by the increase in GP margin for our one-off project-based income model which saw an improvement from 17.8% in FYE 2021 to 20.1% in FYE 2022. The increase was mainly due to the following:

(a) GP margin for our offering of enterprise and data centre networking solutions increased from 26.9% in FYE 2021 to 28.9% in FYE 2022 mainly due to the following:

(i) our projects secured and implemented in FYE 2022 commanded a higher margin than those implemented in FYE 2021. We managed to secured projects with higher complexity and greater scope due to our good track record through the successful implementation of previous projects; and

(ii) cost savings on our purchases as we managed to obtain special discount on hardware purchases for certain project from our suppliers as our purchase volume increases in tandem with the growth of our revenue.

(b) GP margin for our offering of cybersecurity solutions increased from 9.0% in FYE 2021 to 11.3% in FYE 2022 as our projects secured and implemented in FYE 2022 commanded a higher margin than those implemented in FYE 2021. We managed to secured projects with higher complexity and greater scope due to our good track record through the successful implementation of previous projects.

(iii) Other income

Our other income amounted to RM0.43 million, RM0.07 million, RM0.07 million and RM0.07 million, representing 0.8%, 0.1%, 0.1% and 0.1% of our total revenue for FYE 2019 to FYE 2022 respectively.

	FYE 2019		**FYE 2020**		**FYE 2021**		**FYE 2022**	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Reversal of impairment losses on trade receivables	425	99.3	-	-	-	-	-	-
Reversal of bad debt written off	3	0.7	-	-	-	-	-	-
Government wages subsidy	-	-	66	100.0	69	100.0	-	-

11. FINANCIAL INFORMATION *(Cont'd)*

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Net unrealised foreign exchange gain	-	-	-	-	-	-	55	83.3
Net realised foreign exchange gain	-	-	-	-	-	-	6	9.1
Gain on lease termination	-	-	-	-	-	-	5	7.6
	428	**100.0**	**66**	**100.0**	**69**	**100.0**	**66**	**100.0**

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our other income decreased by RM0.36 million or 83.7% to RM0.07 million from RM0.43 million in FYE 2019.

The decrease in our other income was attributable to the absent of reversal of impairment loss on trade receivables and reversal of bad debt written off amounted to a total of RM0.43 million in FYE 2019 following the collection of doubtful debts provided in the previous year which was related to long overdue receivable amount from our customer in FYE 2018.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our other income remained at RM0.07 million which was attributable to Government wages subsidy.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, we recorded other income of RM0.07 million which mainly comprises gains on foreign exchange derived from the conversion of our bank balances denominated in USD.

(iv) Administrative expenses

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Directors' remuneration	1,068	38.3	1,163	46.0	1,357	45.1	1,722	38.3
Staff cost	417	14.9	425	16.8	607	20.2	981	21.8
Rental	277	9.9	233	9.2	92	3.1	20	0.5
Staff training	280	10.0	139	5.5	117	3.9	152	3.4
Travelling expenses	295	10.6	30	1.2	37	1.2	69	1.5
Professional fees	93	3.3	112	4.4	318	10.6	851	18.9
Depreciation charges	58	2.1	74	2.9	186	6.2	278	6.2
Recruitment expenses	49	1.8	104	4.1	3	0.1	120	2.7
Telephone charges	72	2.6	72	2.9	80	2.6	92	2.1
Printing and stationary	68	2.4	57	2.3	22	0.7	41	0.9
Utilities	49	1.8	47	1.9	46	1.5	51	1.1
Subscription[(1)]	33	1.2	36	1.4	50	1.7	73	1.6
Others[(2)]	30	1.1	34	1.4	94	3.1	47	1.0
	2,789	**100.0**	**2,526**	**100.0**	**3,009**	**100.0**	**4,497**	**100.0**

Notes:

(1) Mainly comprises subscriptions of web hosting services, cloud collaboration and productivity software for office usage.

(2) Comprises computer supplies and other miscellaneous expenses such as office cleaning fee, postage and courier charges and office upkeep charges.

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our administrative expenses decreased by RM0.26 million or 9.3% to RM2.53 million from RM2.79 million in FYE 2019. The overall decrease in the administrative expenses was mainly attributable to the following:

(a) travelling expenses decreased by RM0.27 million or 90.0% from RM0.30 million in FYE 2019 to RM0.03 million in FYE 2020 due to lesser traveling by our staff in view of the movement restriction measure imposed by the Government to combat against the outbreak of COVID-19;

(b) staff training expenses decreased by RM0.14 million or 50.0% from RM0.28 million in FYE 2019 to RM0.14 million in FYE 2020 as lesser training sessions were organised during FYE 2020 due to the outbreak of the COVID-19 pandemic; and

(c) rental expenses decreased by RM0.05 million or 17.9% from RM0.28 million in FYE 2019 to RM0.23 million in FYE 2020 due to revision of monthly rental and rental rebate extended by landlord in view of the COVID-19 pandemic.

The decrease was mainly offset by the increase in Directors' remuneration by RM0.09 million or 8.4% from RM1.07 million in FYE 2019 to RM1.16 million in FYE 2020, which is in line with the improvement in our financial performance.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our administrative expenses increased by RM0.48 million or 19.0% to RM3.01 million from RM2.53 million in FYE 2020. The overall increase in the administrative expenses was mainly attributable to the following:

(a) professional fees increased by RM0.21 million or 190.9% from RM0.11 million in FYE 2020 to RM0.32 million in FYE 2021 mainly due to the recognition of professional fees associated with the Listing which amounting to RM0.21 million;

(b) staff cost increased by RM0.18 million or 41.9% from RM0.43 million in FYE 2020 to RM0.61 million in FYE 2021 mainly due to the recruitment of 2 additional Finance and Administrative personnel during FYE 2021. Besides, the increase in staff cost also attributable to the increase in staff medical expenses due to COVID-19 screening test by employees before returning to office and entering customers' premises; and

(c) depreciation charges increased by RM0.12 million or 171.4% from RM0.07 million in FYE 2020 to RM0.19 million in FYE 2021 due to the depreciation charge over our rented headquarters located at Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan pursuant to the initial application of MFRS 16 - Leases.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, our administrative expenses increased by RM1.49 million or 49.5% to RM4.50 million from RM3.01 million in FYE 2021. The overall increase in the administrative expenses was mainly attributable to the following:

(a) professional fees increased by RM0.53 million or 165.6% from RM0.32 million in FYE 2021 to RM0.85 million in FYE 2022 mainly due to the recognition of professional fees associated with the Listing which amounting to RM0.71 million in FYE 2022;

(b) staff cost increased by RM0.37 million or 60.7% from RM0.61 million in FYE 2021 to RM0.98 million in FYE 2022 mainly due to recruitment of 3 additional finance and administrative personnel during FYE 2022. Our total headcount for Finance and Administrative Division increased from 7 in FYE 2021 to 10 in FYE 2022. Further, the increase in staff cost also attributable to the annual salary increment for staffs in view of the improved business performance in FYE 2021;

(c) increase in Directors' remuneration by RM0.36 million or 26.5% from RM1.36 million in FYE 2021 to RM1.72 million in FYE 2022, which is in line with the improvement in our financial performance. The increase in Directors' remuneration in FYE 2022 was also attributable to the payment of Directors fee to our Independent Non-Executive Directors, which were appointed to our Board during FYE 2022;

(d) increase in recruitment expenses by RM0.12 million from RM3,403 in FYE 2021 to RM0.12 million in FYE 2022 as we actively recruit suitable talents to support the growth in our business during FYE 2022. Our total headcount increased from 57 in FYE 2021 to 75 in FYE 2022; and

(e) increase in depreciation charges by RM0.09 million or 47.4% from RM0.19 million in FYE 2021 to RM0.28 million in FYE 2022 mainly due to the depreciation charge over our rented headquarters located at Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan.

(v) Selling and distribution expenses

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs	1,496	92.0	1,394	96.7	1,374	95.2	2,532	94.8
Travelling expenses	130	8.0	47	3.3	70	4.8	140	5.2
	1,626	**100.0**	**1,441**	**100.0**	**1,444**	**100.0**	**2,672**	**100.0**

Comparison between FYE 2019 and FYE 2020

In FYE 2020, our selling and distribution expenses decreased by RM0.19 million or 11.7% to RM1.44 million from RM1.63 million in FYE 2019. The overall decrease in our selling and distribution expenses was mainly due to the following:

(a) staff cost decreased by RM0.11 million or 7.3% from RM1.50 million in FYE 2019 to RM1.39 million in FYE 2020 mainly due to the reversal in provision for unutilised leave balance recognised in FYE 2019; and

(b) travelling expenses decreased by RM0.08 million or 61.5% from RM0.13 million in FYE 2019 to RM0.05 million in FYE 2020 due to lesser business travel by our sales personnel in view of the implementation of various phases of the MCO.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our selling and distribution expenses remained at RM1.44 million. Nevertheless, we recorded a higher travelling expense of RM0.07 million in FYE 2021 as compared with RM0.05 million in FYE 2020 as our Sales division gradually transition back to physical engagement with our customers following the relaxation of movement control restriction by the Government in FYE 2021.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, our selling and distribution expenses increased by RM1.23 million or 85.4% to RM2.67 million from RM1.44 million in FYE 2021. The increase was mainly due to the following:

(a) staff cost increased by RM1.16 million or 84.7% from RM1.37 million in FYE 2021 to RM2.53 million in FYE 2022 mainly due to sales commission paid to our sales personnel which is in line with the growth in our revenue. Besides, the increase was also attributable to the recruitment of 2 additional sales personnel as well as annual salary increment for sales personnel in FYE 2022; and

(b) travelling expenses increased by RM0.07 million or 100.0% from RM0.07 million in FYE 2021 to RM0.14 million in FYE 2022 due to more business travel by our Sales division as we prioritise face to face engagement with our customers to ensure we conduct our customer service and engagement more effectively.

(vi) Finance income

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income	532	100.0	577	100.0	165	100.0	209	100.0
	532	**100.0**	**577**	**100.0**	**165**	**100.0**	**209**	**100.0**

Our finance income amounted to RM0.53 million, RM0.58 million, RM0.17 million and RM0.21 million, representing 1.1%, 1.1%, 0.3% and 0.2% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 respectively.

In FYE 2021, our interest income decreased by RM0.41 million or 70.7% to RM0.17 million from RM0.58 million which is in line with the lower bank balances in FYE 2021. Our cash and short-term deposits reduced from RM19.30 million as at 31 December 2020 to RM14.31 million as at 31 December 2021.

In FYE 2022, our interest income increased by RM0.04 million or 23.5% to RM0.21 million from RM0.17 million due to usage of liquidity management feature for our conventional current account, which yielded a higher interest income.

(vii) Finance costs

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	**%**	**RM'000**	**%**	**RM'000**	**%**	**RM'000**	**%**
Interest expense on:								
Advances from a related party	3	100.0	-	-	-	-	-	-
Lease liability	-	-	-	-	10	100.0	16	100.0
	3	**100.0**	**-**	**-**	**10**	**100.0**	**16**	**100.0**

<u>Comparison between FYE 2019 and FYE 2020</u>

Our Group did not incur any interest expense in FYE 2020 as we do not have any borrowing for FYE 2020. Kindly refer to Section 9.1 for further details on the interest expense on advances from a related party of RM3,000 in FYE 2019.

<u>Comparison between FYE 2020 and FYE 2021</u>

Our Group recorded interest of RM0.01 million in FYE 2021 for lease liabilities in relation to the rental of our current headquarters located in Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan.

<u>Comparison between FYE 2021 and FYE 2022</u>

In FYE 2022, our group recorded an interest expense of RM0.02 million which was in relation to the rental of our current headquarters located in Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan.

(viii) PBT and PAT

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	**RM'000**	**RM'000**	**RM'000**
PBT (RM'000)	9,200	11,022	13,577	17,801
PBT margin (%)	18.2	21.5	22.8	19.6
PAT (RM'000)	6,536	8,349	10,246	13,153
PAT margin (%)	12.9	16.3	17.2	14.5

<u>Comparison between FYE 2019 and FYE 2020</u>

In FYE 2020, we recorded a higher PBT and PAT of RM11.02 million and RM8.35 million respectively as compared with RM9.20 million and RM6.54 million recorded in FYE 2019. The increase in our PBT and PAT in FYE 2020 are in line with the higher revenue achieved by our Group during the year, mainly driven by the growth in revenue from offering cybersecurity solutions and professional IT services. Further, the higher PBT and PAT achieved in FYE 2020 also attributable to the lower cost of sales recorded from offering enterprise and data centre networking solutions and professional IT services due to reasons as discussed in Section 11.2.2(ii) above.

Our PBT and PAT margin also increased from 18.2% and 12.9% respectively in FYE 2019 to 21.5% and 16.3% in FYE 2020, in line with the increase in our GP margin from 25.0% in FYE 2019 to 28.0% in FYE 2020. Further, the improved PBT and PAT margin was also attributable to the decrease in our administrative expenses as well as selling and distribution expenses due to reasons as discussed in Section 11.2.2 (iv) and (v) above.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, we recorded a higher PBT and PAT of RM13.58 million and RM10.25 million respectively as compared with RM11.02 million and RM8.35 million recorded in FYE 2020. The increase in our PBT and PAT in FYE 2021 are in line with the higher revenue achieved by our Group during the year mainly driven by the growth from offering cybersecurity solutions and professional IT services.

Our PBT and PAT margin also increased from 21.5% and 16.3% respectively in FYE 2020 to 22.8% and 17.2% in FYE 2021 which was in line with the increase in our GP margin from 28.0% in FYE 2020 to 29.9% in FYE 2021.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, we recorded a higher PBT and PAT of RM17.80 million and RM13.15 million respectively as compared with RM13.58 million and RM10.25 million recorded in FYE 2021. The increase in our PBT and PAT in FYE 2022 are in line with the higher revenue achieved by our Group during the year which was attributable by the reasons as explained in Section 11.2.2(i) above.

Despite a higher PBT and PAT, our PBT and PAT margin decreased from 22.8% and 17.2% respectively in FYE 2021 to 19.6% and 14.5% in FYE 2022. The decrease was mainly attributable to the decrease in our GP margin from 29.9% in FYE 2021 to 27.3% in FYE 2022. Further, the decrease in our PBT and PAT margin is also contributed by the increase in our administrative expenses as well as selling and distribution expenses due to reasons as discussed in Section 11.2.2 (iv) and (v) above.

(ix) Tax expense

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Tax expense	2,664	2,673	3,331	4,648
Statutory tax rate (%)	24.0	24.0	24.0	24.0
Effective tax rate (%)	29.0	24.3	24.5	26.1

FYE 2019

Our overall effective tax rate for FYE 2019 of 29.0% was higher than the statutory tax rate of 24.0%. The higher effective tax rate was mainly attributable to the underprovision of prior financial year's deferred tax amounting to RM0.71 million.

FYE 2020

Our overall effective tax rate for FYE 2020 of 24.3% was slightly higher than the statutory tax rate of 24.0% mainly due to non-deductible expenses amounting to RM0.03 million mainly comprises depreciation expense for non-qualifying asset.

FYE 2021

Our overall effective tax rate for FYE 2021 of 24.5% was slightly higher than the statutory tax rate of 24.0% due to non-deductible expenses such as professional fees associated with the Listing amounting to RM0.07 million in FYE 2021.

FYE 2022

Our overall effective tax for FYE 2022 of 26.1% was higher than the statutory tax rate of 24.0% mainly due to non-deductible expenses of RM0.31 million which mainly comprises professional fees associated with the Listing.

There were no tax penalties imposed by the Inland Revenue Board on our Group during the FYE 2019 to FYE 2022 in relation to provision of taxes.

11.2.3 Review of financial position

(i) Assets

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	679	751	883	4,026
Deferred tax assets	478	698	86	656
Total non-current assets	**1,157**	**1,449**	**969**	**4,682**
Current assets				
Inventories	1,202	2,922	1,868	2,685
Trade receivables	4,075	6,348	18,989	33,785
Other receivables	1,503	1,845	3,618	1,714
Contract assets	3,753	3,298	6,725	12,035
Cash and short-term deposits	21,459	19,297	14,312	11,678
Total current assets	**31,992**	**33,710**	**45,512**	**61,897**
Total assets	**33,149**	**35,159**	**46,481**	**66,579**

Comparison between FYE 2019 and FYE 2020

Our total assets increased by RM2.01 million or 6.1% from RM33.15 million as at 31 December 2019 to RM35.16 million as at 31 December 2020. This was mainly due to the increase in current asset by RM1.72 million and increase in non-current assets by RM0.29 million as at 31 December 2020.

The increase in current assets was primarily attributable to:

(a) increase of RM2.27 million was due to increase in trade receivables in line with the higher revenue achieved by our Group in FYE 2020;

(b) increase of RM0.34 million due to increase in other receivables mainly due to one off advance payment made to suppliers to shorten supplies delivery lead time in view of the possible supply chain disruption due to the COVID-19 pandemic; and

(c) increase in inventories by RM1.72 million mainly due to the increase of supplies and equipment purchased that are awaiting to be deployed for ongoing projects of enterprise and data centre networking solutions and cybersecurity solutions as at 31 December 2020. Our inventories predominantly comprise of supplies and equipment in-transit, where the ownership of such supplies and equipment will be transferred to customers upon project delivery or completion of project milestone.

The increase in current assets was partially offset by the decrease in:

(a) contract assets by RM0.45 million due to the issuance of invoices to customers for our enterprise and data centre networking solutions and cybersecurity solutions as well as the professional IT services; and

(b) decrease in cash and cash equivalents by RM2.16 million.

The increase in non-current assets was mainly due to:

(a) increase in deferred tax assets by RM0.22 million which was mainly due to the temporary difference of taxation between the revenue and in contract liabilities recognised in FYE 2020; and

(b) increase in property, plant and equipment amounting to RM0.07 million mainly due to the purchase of engineering spares amounting to RM0.29 million during FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our total assets increased by RM11.32 million or 32.2% from RM35.16 million as at 31 December 2020 to RM46.48 million as at 31 December 2021. This was mainly due to the increase in current asset by RM11.80 million.

The increase in current assets was primarily attributable to:

(a) increase of RM12.64 million in trade receivables which was due to the higher revenue achieved by our Group in FYE 2021. Further, the higher trade receivables as at FYE 2021 was also due to more billings towards the end of FYE 2021, which has yet to reach its payment deadline;

(b) increase in other receivables by RM1.77 million mainly due to prepayment to supplier for the purchase of supplies and equipment for a network maintenance and support services for Customer G which has yet to commence as at FYE 2021; and

(c) increase in contract asset by RM3.43 million due to timing difference where revenue was recognised based on works completed for enterprise and data centre networking and cybersecurity solution projects but the actual milestone for progress billings to the Group's customers has not been met.

Notwithstanding the above, the increase in current assets was partly offset by the decrease in non-current assets of RM0.48 million from RM1.45 million in FYE 2020 to RM0.97 million in FYE 2021. The decrease in non-current assets was due to the decrease of deferred tax assets from RM0.70 million in FYE 2020 to RM0.09 million in FYE 2021.

Comparison between FYE 2021 and FYE 2022

Our total asset increased by RM20.10 million or 43.2 % from RM46.48 million as at 31 December 2021 to RM66.58 million as at 31 December 2022. This was mainly due to the increase in current asset and non-current asset by RM16.39 million and RM3.71 million respectively.

The increase in current assets was mainly attributable to:

(a) increase of RM14.80 million in trade receivables which was in line with the higher revenue achieved by our Group in FYE 2022 and also the higher billings toward the end of FYE 2022;

(b) increase in contract asset by RM5.31 million due to timing difference between the completion of works for our projects under one-off income model and the actual issuance of billings to our customer; and

(c) increase in inventories by RM0.82 million which mainly comprises the supplies and equipment that are pending deployment to our ongoing projects and service obligation.

The increase in non-current asset was mainly driven by the increase in property, plant and equipment of RM3.14 million due to progressive milestone payment for the New Office amounting to RM2.93 million.

(ii) Liabilities

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Non-current liability				
Lease liability	-	-	85	85
Total non-current liability	**-**	**-**	**85**	**85**
Current liabilities				
Lease liability	-	-	196	196
Current tax liabilities	507	1,216	219	1,691
Trade payables	3,475	4,251	10,412	10,383
Other payables	2,596	1,947	10,433	17,025
Contract liabilities	5,522	6,347	9,492	16,402
Total current liabilities	**12,100**	**13,761**	**30,752**	**45,697**
Total liabilities	**12,100**	**13,761**	**30,837**	**45,782**

Comparison between FYE 2019 and FYE 2020

Our total liabilities increased by RM1.66 million or 13.7% from RM12.10 million as at 31 December 2019 to RM13.76 million as at 31 December 2020 which was solely due to the increase in our current liabilities. We do not have any non-current liabilities for both the FYE 2019 and FYE 2020.

The increase in our current liabilities was mainly due to:

(a) increase in contract liabilities by RM0.82 million mainly due to contract fees and licensing fees charged to our customers of our enterprise and data centre networking solutions and cybersecurity solutions as well as professional IT services, for deliverables or orders which has yet to be fulfilled and recognised as revenue;

(b) increase in trade payables by RM0.78 million due to more purchases towards the end of FYE 2020 which mainly comprises supplies and equipment to be deployed for ongoing enterprise and data centre networking and cybersecurity solution projects; and

(c) increase in tax liabilities by RM0.71 million due to higher taxable income from the growth of our business in FYE 2020. Further the increase was also attributable to the under provision of current tax expenses for FYE 2020 of RM0.15 million.

Comparison between FYE 2020 and FYE 2021

Our total liabilities increased by RM17.08 million or 124.1% from RM13.76 million as at 31 December 2020 to RM30.84 million as at 31 December 2021. The increase was mainly attributable to the increase in current liabilities of RM16.99 million.
The increase in current liabilities was mainly due to:

(a) increase of RM6.16 million in trade payables which is in line with the increase in our total cost of sales;

(b) increase of RM8.49 million in other payables mainly attributable to RM8.00 million final dividend declared for FYE 2021 which have not been paid; and

(c) increase in contract liabilities by RM3.15 million mainly due to contract fees and licensing fees charged to our customers for deliverables or orders which have yet to be fulfilled and recognised as revenue.

The increase in current liabilities was partially offset by the decrease in current tax liabilities by RM1.00 million due to higher tax instalments paid in FYE 2021 as compared with FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our total liabilities increased by RM14.94 million or 48.4% from RM30.84 million as at 31 December 2021 to RM45.78 million as at 31 December 2022 which was solely attributable to the increase in current liabilities.

The increase in current liabilities was mainly due to:

(a) increase of RM6.91 million in contract liabilities mainly due to contract fees and licensing fees charged to our customers of our enterprise and data centre networking solutions and cybersecurity solutions as well as professional IT services, for deliverables or orders which has yet to be fulfilled and recognised as revenue;

(b) increase of RM6.59 million in other payables mainly attributable to RM8.00 million final dividend declared for FYE 2022 which have not been paid; and

(c) increase of RM1.47 million in current tax liabilities mainly due to higher taxable income from the growth of our business in FYE 2022.

11.2.4 Impact of foreign exchange rates, interest rates and/or commodity prices on our Group's operations

(i) Impact of foreign exchange rates

Our financial results for FYE 2019 to FYE 2022 were not materially affected by fluctuations in foreign exchange rates as our transactions are mostly denominated in RM.

The transactions of our Group which are denominated in foreign currency during FYE 2019 to FYE 2022 are as follows:

	FYE 2019		FYE 2020		FYE 2021		FYE 2022	
	RM'000	(1)%	RM'000	(1)%	RM'000	(1)%	RM'000	(1)%
Sales transacted in USD	343	0.7	368	0.7	84	0.1	-	-
Purchases transacted in USD	60	0.2	819	2.2	817	2.0	899	1.4

Note:

(1) Divided by total revenue or cost of sales for the respective financial year.

(ii) Impact of interest rates

Our financial results for FYE 2019 to FYE 2022 were not materially affected by fluctuations in interest rates as we do not have any borrowings.

(iii) Impact of commodity prices

Due to the nature of our business, we are not affected by fluctuations in commodity prices.

11.2.5 Impact of inflation

During FYE 2019 to FYE 2022, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward should any increase in costs cannot be passed on to our customers through increase in prices of our solutions and services.

11.2.6 Impact of Government, economic, fiscal or monetary policies

There were no Government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during FYE 2019 to FYE 2022.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in Government, economic, fiscal or monetary policies or factors which may materially affect our operations moving forward. Risks relating to Government, economic, fiscal or monetary policies or factors which may materially affect our operations are set out in Section 8.

11.3 LIQUIDITY AND CAPITAL RESOURCES

11.3.1 Working capital

We finance our operations with cash generated from our operations, credit extended by trade creditors as well as cash and bank balances.

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

(a) our cash and short-term deposits of approximately RM14.95 million (including deposits of RM0.23 million pledged as securities for banking facility granted and after the payment of dividend amounting to RM8.00 million declared for FYE 2022) as at LPD;

(b) our expected future cash flows from operations taking into account the potential impact of COVID-19 and MCO on our business;

(c) proceeds expected to be raised from our Public Issue; and

(d) our pro forma gearing level of less than 0.01 times and net asset position of RM58.62 million, based on our pro forma consolidated statements of financial position as at 31 December 2022 after the Acquisition of CSSB, IPO and utilisation of proceeds.

We carefully consider our cash position and ability to obtain further financing before making significant capital commitments. At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our Finance and Administration personnel work closely with our Technical Services personnel for the collection of outstanding balances on monthly basis. This measure has proven to be effective while allowing us to maintain cordial relationship with our customers.

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11.3.2 Review of cash flows

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	7,091	6,288	3,282	8,793
Net cash used in investing activities	(192)	(450)	(377)	(3,396)
Net cash used in financing activities	(1,000)	(8,000)	(8,115)	(8,086)
Net increase/(decrease) in cash and cash equivalents	5,899	(2,162)	(5,210)	(2,689)
Cash and cash equivalents at the beginning of the financial year	15,560	21,459	19,297	14,087
Effect of exchange rate changes on cash and cash equivalents	-	-	-	55
Cash and cash equivalents at the end of the financial year	**21,459**	**19,297**	**14,087**	**11,453**

FYE 2019

Net cash for operating activities

In FYE 2019, we recorded net cash from operating activities of RM7.09 million. Our cash collection from our customers amounted to RM47.89 million, which was offset by the cash payment amounted to RM40.80 million. Such cash payments mainly comprise the following:

(i) payment of RM30.68 million to our suppliers;

(ii) staff cost and directors' remuneration of RM8.16 million, which includes staff salaries, bonuses, medical expenses, sales commission and incentive, employees' statutory contribution and directors' fee;

(iii) payment of income tax amounting to RM1.68 million; and

(iv) rental expenses of RM0.28 million for our headquarters located at Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan.

Net cash for investing activities

In FYE 2019, the net cash used in investing activities amounted to RM0.19 million which was mainly due to the purchase of engineering spares of RM0.12 million and computer equipment of RM0.06 million.

Net cash for financing activities

In FYE 2019, the net cash used in financing activities amounted to RM1.00 million which was due to the payment of dividend to shareholder.

FYE 2020

Net cash for operating activities

In FYE 2020, we recorded net cash from operating activities of RM6.29 million. Our cash collection from our customers amounted to RM50.65 million, which was offset by the cash payment amounted to RM44.36 million. Such cash payments mainly comprise the following:

(i) payment of RM32.74 million to our suppliers;

(ii) staff cost and directors' remuneration of RM9.21 million, which includes staff salaries, bonuses, medical expenses, sales commission and incentive, employees' statutory contribution and directors' fee;

(iii) payment of income tax amounting to RM2.18 million; and

(iv) rental expenses of RM0.23 million for our headquarters located at Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan.

Net cash for investing activities

In FYE 2020, the net cash used in investing activities amounted to RM0.45 million which was mainly attributable to the purchase of engineering spares of RM0.29 million and computer equipment of RM0.08 million and office equipment of RM0.06 million.

Net cash for financing activities

In FYE 2020, the net cash used in financing activities amounted to RM8.00 million which was due to the payment of dividend to shareholder.

FYE 2021

Net cash for operating activities

In FYE 2021, we recorded net cash from operating activities of RM3.28 million. Our cash collection from our customers amounted to RM47.43 million, which was offset by the cash payment amounted to RM44.15 million. Such cash payments mainly comprise the following:

(i) payment of RM31.42 million to our suppliers;

(ii) staff cost and directors' remuneration of RM8.94 million, which includes staff salaries, bonuses, medical expenses, sales commission and incentive, employees' statutory contribution and directors' fee;

(iii) payment of income tax amounting to RM3.72 million; and

(iv) rental expenses of RM0.07 million for our headquarters located at Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan.

Net cash for investing activities

In FYE 2021, the net cash used in investing activities amounted to RM0.38 million which was mainly attributable to the following:

(i) addition to property, plant and equipment of RM0.16 million mainly due to purchase of engineering spares as well as computer and office equipment; and

(ii) pledging of deposits with licensed bank of RM0.22 million for bank guarantee facilities granted to our Group.

Net cash for financing activities

In FYE 2021, the net cash used in financing activities amounted to RM8.12 million which was mainly due to the payment of first and second interim dividend for FYE 2021 of a total of RM8.00 million to shareholder.

FYE 2022

Net cash for operating activities

In FYE 2022, we recorded net cash from operating activities of RM8.79 million. Our cash collection from our customers amounted to RM78.86 million, which was offset by the cash payment amounted to RM70.07 million. Such cash payments mainly comprise the following:

(i) payment of RM53.54 million to our suppliers;

(ii) staff cost and directors' remuneration of RM12.57 million, which includes staff salaries, bonuses, medical expenses, sales commission and incentive, employees' statutory contribution and directors' fee;

(iii) payment of income tax amounting to RM3.75 million; and

(iv) rental expenses of RM0.21 million for our headquarters located at Solaris Mont' Kiara, Kuala Lumpur, Wilayah Persekutuan.

Net cash for investing activities

In FYE 2022, the net cash used in investing activities amounted to RM3.40 million which was attributable to the addition to property, plant and equipment mainly due to the progressive milestone payment for the New Office amounting to RM2.93 million.

Net cash for financing activities

In FYE 2022, the net cash used in financing activities amounted to RM8.09 million which was mainly due to payment of dividend amounting to RM8.00 million, being the final dividend declared for FYE 2021.

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11.3.3 Borrowings

As at 31 December 2022, our Group does not have any borrowings. We recorded lease liabilities of RM0.28 million in relation to the rental of our current headquarters located in Solaris Mont Kiara, Kuala Lumpur, Wilayah Persekutuan, details of which are set out below:

Purpose	Tenure	As at 31 December 2022
		RM'000
Lease liability payable within 1 year		
Rental of office	1 to 2 years	196
Lease liability payable after 1 year		
Rental of office	1 to 2 years	85
	Total	**281**

We also rely on bank guarantees for performance bonds. Such bank guarantees are used for all aspects of the project lifecycle from the start of the project to completion of the project in accordance with the terms of each contract or purchase order. The bank guarantees allow us to execute and guarantee our deliverables to our customers. The tenure requirements for the bank guarantees are structured to match the underlying project period with the respective counterparties.

We have only 1 financial guarantee as at 31 December 2022 stood at RM0.23 million, details as set out below. The financial guarantee is secured, non-interest-bearing and denominated in RM.

Type of facility	Purpose	Security	Tenure	Interest rate	As at 31 December 2022
				% per annum	RM'000
Bank guarantees	Performance guarantee for project carried out by our Group	(i) Pledged of RM225,000 deposits with the bank	On-demand	N/A	225

The liability in respect of the bank guarantee will only crystallise and become payable following a call by our customer of the performance bond in accordance with the terms and conditions of such contracts or purchase order. During FYE 2019 to FYE 2022, we did not experience any call of performance bonds issued to our customers.

As at the LPD, we do not have any borrowings. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings (if any) throughout the FYE 2019 to FYE 2022 and up to LPD.

As at the LPD, neither our Company nor our subsidiary is in breach of any terms, conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

11.3.4 Types of financial instruments used, treasury policies and objectives

We have been financing our operations with cash generated from our operations, credit extended by trade creditors as well as cash and bank balances. We do not rely on external sources of funds to finance our operations.

Our main treasury policies are to exercise prudent capital planning and ensure that we have adequate working capital to finance our operations. We carefully consider our financial position and ability to obtain external financing (if required) before committing to any significant capital commitments. As at the LPD, we do not utilise any financial instruments for hedging purposes. Majority of our cash and cash equivalent are held in RM and some of our cash and cash equivalent are held in USD, which was mainly used to settle our purchases transacted in USD.

11.3.5 Material capital commitments, litigation and contingent liabilities

Material capital commitments

As at LPD, we do not have any material capital commitments other than the following capital expenditure plan in relation to the acquisition of properties as set out in Section 6.8.1.3 and the following utilisation of the IPO proceeds:

(i) establishment of new SOC;

(ii) enhancement of existing NOC;

(iii) establishment of new public cloud infrastructure; and

(iv) relocation of corporate office;

as set out in Section 4.9.

Material litigation and contingent liabilities

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

As at LPD, our Directors confirm that there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our Group's business, financial performance or position.

11.4 KEY FINANCIAL RATIOS

The key financial ratios of our Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 are as follows:

	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 31 December 2022
Trade receivables turnover (days)[(1)]	36	37	78	106
Trade payables turnover (days)[(2)]	36	38	64	58
Current ratio (times)[(3)]	2.64	2.45	1.48	1.35
Gearing ratio (times)[(4)]	-	-	0.02	0.01
Inventory turnover (days)[(5)]	26	20	21	13

Notes:

(1) Computed based on average opening and closing trade receivables over revenue for each of the financial year and multiplied by 365 days:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade receivables	5,876	4,075	6,348	18,989
Closing trade receivables	4,075	6,348	18,989	33,785
Average trade receivables	4,975	5,212	12,669	26,387
Revenue	50,634	51,230	59,541	90,595

(2) Computed based on average opening and closing trade payables over costs of sales for each of the financial year and multiplied by 365 days:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening trade payables	4,018	3,475	4,251	10,412
Closing trade payables	3,475	4,251	10,412	10,383
Average trade payables	3,746	3,863	7,332	10,398
Cost of sales	37,976	36,884	41,735	65,884

(3) Computed based on current assets over current liabilities as at each financial year end.

(4) Computed based on total borrowings over total equity as at each financial year end.

(5) Computed based on average opening and closing inventory over cost of sales for each of the financial year and multiplied by 365 days:

	Audited			
	FYE 2019	**FYE 2020**	**FYE 2021**	**FYE 2022**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Opening inventory	4,270	1,202	2,922	1,868
Closing inventory	1,202	2,922	1,868	2,685
Average inventory	2,736	2,062	2,395	2,277
Cost of sales	37,976	36,884	41,735	65,884

11.4.1 Trade receivables turnover

The normal credit period granted by our Group ranges from 30 to 90 days from the date of invoices. Our credit terms offered to customers are determined and approved on a case-by-case basis where we take into consideration various factors such as relationship with customers, duration of business dealings with the customers, historical payment record, credit standing and quantum of invoices. We also practice cash terms for transaction with some of our new customers.

11. FINANCIAL INFORMATION *(Cont'd)*

Our trade receivables turnover for FYE 2019, FYE 2020, FYE 2021 and FYE 2022 was 36 days, 37 days, 78 days and 106 days respectively. There were no changes to our credit policies and procedures during the financial years under review. The trade receivable turnover period is dependent on the mix of customers and projects undertaken by us during the financial years under review.

The higher trade receivables turnover in FYE 2021 was due to higher billings toward the end of FYE 2021. With more billings coming in toward the end of FYE 2021, a higher proportion of our trade receivables as at 31 December 2021 relates to receivable amount which has yet to reach the payment deadline as at 31 December 2021. Our total trade receivables as at 31 December 2021 amounted to RM18.99 million, of which RM18.28 million or 96.3% of our total trade receivable is still within the credit period granted to our customers.

In FYE 2022, we recorded a trade receivables turnover of 106 days which exceeded the normal credit period granted by our Group that was attributable to more billings toward the end of FYE 2022. Out of the total trade receivables as at 31 December 2022 of RM33.79 million, RM30.22 million or 89.4% of the total trade receivable is still within the credit period granted to our customers.

We use ageing analysis to monitor the credit quality of our trade receivables. Our management closely monitors the recoverability of our overdue trade receivables on a regular basis and make the necessary impairment where recoverability is uncertain, based on previous dealings with customer as well as current and future economic conditions.

For any trade receivables which have exceeded the credit period granted by more than 30 days, we will follow up closely with the customers on the status of payment and when appropriate, provide the necessary impairment.

Our Group has not experienced any instances of significant bad debts for the financial years under review as majority of our customers are local financial institution with good credit standing. Further, our Group have not encountered any difficulty in collection of our trade receivables from FYE 2019 to FYE 2022. There was also no impairment of trade receivables or provided any impairment of our trade receivables from FYE 2019 to FYE 2022.

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11. FINANCIAL INFORMATION *(Cont'd)*

The ageing analysis of our trade receivables as at 31 December 2022 is as follows:

	Trade receivables as at 31 December 2022		Amount collected subsequent from 1 January 2023 up to LPD		Trade receivables net of subsequent collections	
	RM'000	Percentage of trade receivables	RM'000	Percentage collected	RM'000	Percentage of trade receivables net of subsequent collections
	(a)	(a)/total of (a)	(b)	(b) /Total of (a)	(c) = (a)-(b)	(c)/total of (a)
Neither past due nor impaired	30,216	89.4%	26,491	78.4%	3,725	11.0%
Past due but not impaired:						
• 1 to 30 days	2,233	6.6%	1,637	4.8%	596	1.8%
• 31 to 60 days	122	0.4%	122	0.4%	-	-
• 61 to 90 days	32	0.1%	12	^	20	0.1%
• More than 90 days	1,182	3.5%	212	0.6%	970	2.9%
Total	**33,785**	**100.0%**	**28,474**	**84.2%**	**5,311**	**15.8%**

Note:

^ Less than 0.1%

As at the LPD, we have collected RM28.47 million or 84.2% of the trade receivables as at 31 December 2022.

As at LPD, we are in the midst of following up closely with our customers to collect the remaining outstanding trade receivables of RM3.73 million (that have since exceeded the credit period as at the LPD), which mainly comprises receivables balances for projects implemented for Customer G and a local insurance provider who is not our major customer.

The remaining outstanding trade receivable that have past due as at 31 December 2022 of RM1.59 million are mainly due to additional configuration works requested by customers on the solution implemented by us. The outstanding amount will be collected upon completion of the additional configuration works and user acceptance test by the said customers.

With respect to overdue trade receivables, our Board is of the view that these trade receivables are recoverable taking into consideration of our relationship with these customers, their payment history, their credentials and we have generally been able to collect payment eventually as evident by our subsequent collections after FYE 2022.

11.4.2 Trade payables turnover

The normal credit terms granted by suppliers to our Group is between 30 to 45 days from the date of invoice.

Our trade payables turnover period for FYE 2019 and FYE 2020 is 36 days and 38 days for FYE 2019 and FYE 2020, respectively, which is within the range of credit period granted to us by our suppliers.

Our trade payables turnover period increased to 64 days in FYE 2021, which exceeded the normal credit terms granted to us by our suppliers due to higher purchases during the year. The higher purchases are in line with the increase in our revenue and attributable to the purchase of supplies required for our ongoing projects, which resulted in a higher outstanding balance.

In FYE 2022, our trade payable turnover period improved to 58 days from 64 days in FYE 2021. Despite the improvement, our trade payable turnover period for FYE 2022 still exceeded the normal credit terms granted by our suppliers as we match the timing of collection from our customers with the payment to suppliers for few of our cybersecurity solution projects. For instance, the trade payable of RM1.35 million which has past due for 61 to 90 days mainly comprises purchases for our cybersecurity solution projects.

Besides, the higher trade payables turnover period was also attributable to payables to certain suppliers which have exceeded the credit period as we match the timing of collection from our customers with the payment to suppliers as part of our internal project cash flows management. We have not encountered any issue with the said suppliers for the slower payment to them in view of our established business relationship as well as our historical payment record.

The ageing analysis of our trade payables as at 31 December 2022 is as follows:

	Trade payables as at 31 December 2022		**Amount paid subsequent from 1 January 2023 up to LPD**		**Trade payables net of subsequent payment**	
	RM'000	**Percentage of trade payables**	**RM'000**	**Percentage paid**	**RM'000**	**Percentage of trade payables net of subsequent payments**
	(a)	**(a)/total of (a)**	**(b)**	**(b) /Total of (a)**	**(c) = (a)-(b)**	**(c)/total of (a)**
Within credit period	4,977	47.9%	4,977	47.9%	-	-
Past due:						
• 1 to 30 days	3,509	33.8%	3,509	33.8%	-	-
• 31 to 60 days	462	4.4%	462	4.4%	-	-
• 61 to 90 days	1,346	13.0%	1,118	10.8%	228	2.2%
• More than 90 days	89	0.9%	89	0.9%	-	-
Total	**10,383**	**100.0%**	**10,155**	**97.8%**	**228**	**2.2%**

As at the LPD, we have settled RM10.16 million or 97.8% of our total outstanding trade payables as at 31 December 2022.

To maintain a good working relationship with our suppliers, we closely monitor the timing of our payment obligation and ensure that prompt payment to our suppliers. Should there be any anticipated delay in our payment, we will inform our suppliers in advance and seek their consent, if necessary. Besides, we also monitor and manage the timing of our payment to ensure that we capitalise on the credit terms granted to us by our suppliers.

As at the LPD, there are no disputes in respect of our trade payables and no legal action has been initiated by our suppliers to demand for payment. Further, we do not expect any dispute or legal action to be initiated by our suppliers.

11.4.3 Inventory turnover

Our inventory mainly comprises network equipment, network switches, cables and other IT equipment that we used in the provision of our solutions. Any purchases of supplies and equipment required for the implementation of projects are made by us with respective suppliers and the inventory is typically shipped directly to the respective projects' sites for installation and configuration. As such, our inventories predominantly comprise supplies and equipment in-transit, whereby we will transfer the ownership of such supplies and equipment upon project delivery.

As part of our inventory management to minimise wastage and write down of obsolete inventories, we take into consideration various factor such as supplies requirement for ongoing and upcoming projects, availability of supplies and delivery lead time of such supplies before making purchases of any supplies. As such, we have not recorded any write down of slow moving or obsolete inventories for FYE 2019 to FYE 2022.

Our inventory turnover period from FYE 2019 to FYE 2022 are 26 days, 20 days, 21 days and 13 days respectively.

Our inventory turnover period generally fluctuates, depending on the progress of project implemented by us. All the supplies and equipment in-transit will only be recognised as cost of sales upon the issuance of progress billings and handover of projects to our customers. As such, our inventory turnover period may be longer if we have multiple projects that spread across different financial year end.

11.4.4 Current ratio

Our current ratio throughout the financial years under review is as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Current assets	31,992	33,710	45,512	61,897
Current liabilities	12,100	13,761	30,752	45,697
Net current assets	**19,892**	**19,949**	**14,760**	**16,200**
Current ratio (times)	2.64	2.45	1.48	1.35

Our current liabilities mainly comprise liabilities incurred by our Group in the ordinary course of business, such as trade and other payables, contract liabilities and tax liabilities.

Our current ratio remains healthy throughout the financial years under review and ranged from 1.35 to 2.64 times. This indicates that our Group is capable to continuously meet our current obligations as our current assets (which can be readily converted to cash, together with our cash in the bank) are enough to meet immediate current liabilities.

The significant decrease in our current ratio from 2.45 times in FYE 2020 to 1.48 times in FYE 2021 is primarily attributable to the increase in current liabilities by RM16.99 million which was partially offset by increase in current assets by RM11.80 million.

Our current ratio in FYE 2022 decreased from 1.48 times in FYE 2021 to 1.35 times mainly due to the increase in current liabilities by RM14.95 million or 48.6% to RM45.70 million from RM30.75 million in FYE 2021, which outpaced the increase in current assets. The reasons for the increase in current liabilities are as set out in Section 11.2.3(ii).

11.4.5 Gearing ratio

Our gearing ratio throughout the financial years under review is as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022
	RM'000	RM'000	RM'000	RM'000
Total borrowings	-	-	281	281
Total equity	21,049	21,398	15,644	20,797
Gearing ratio (times)	-	-	0.02	0.01

Our Group has not undertaken any borrowings during the financial years under review. We fund our capital requirement via internally generated funds. We recorded a gearing ratio of 0.02 times and 0.01 times in FYE 2021 and FYE 2022, respectively, due to the recognition of lease liability for the rental of our headquarters located in Solaris Mont Kiara, Kuala Lumpur, Wilayah Persekutuan.

11.5 TREND INFORMATION

Based on our track record for FYE 2019 to FYE 2022, the following trends may continue to affect our business:

(i) During FYE 2019 to FYE 2022, all our revenue was derived from the provision of enterprise and data centre networking solutions, cybersecurity solutions and professional IT services. We expect that these solutions and services to continue contributing significantly to our revenue in the future;

(ii) The main components of our cost of sales are purchase of hardware and software, which accounted for more than 70.0% of our total cost of sales during FYE 2019 to FYE 2022. Moving forward, our cost of sales is expected to fluctuate in tandem with the growth of our business and would depend on amongst others, the availability and price fluctuation of hardware and software that we require in implementing our solutions and services; and

(iii) We achieved a GP margin of 25.0% to 29.9% during the financial years under review. Moving forward, our GP margin will depend on, amongst others, our continued ability to manage our costs efficiently and the types and complexity of projects that we can secure in the future.

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

(i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Section 6.5.15, 11.2 and 11.8;

(ii) Material commitments for capital expenditure save as disclosed in Section 11.3.5;

(iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Section 6.5.15, 11.2 and 11.8;

(iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Section 6.5.15, 11.2 and 11.8; and

(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 discussed in Section 6.5.15, 11.2 and 11.8.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the networking and cybersecurity solution industries in Malaysia as set out in the IMR Report in Section 7, our Group's competitive positions set out in Section 6.5.6 and our Group's intention to implement the future plans and business strategies as set out in Section 6.6.

11.6 ORDER BOOK

Due to the nature of our business, we do not maintain an order book. Our revenue was generated by way of purchase orders from our customers on an ongoing basis under our one-off project-based income model as well as contracts with our customers for a contract tenure of between 1 to 3 years under our recurring income model.

As at the LPD, our unbilled purchase orders and unbilled contracts value amount to RM65.33 million which will be recognised as revenue progressively up to FYE 2025, details of which are as follows:

	Revenue to be recognised			Total
	LPD up to end of FYE 2023	FYE 2024	FYE 2025	as at LPD
Revenue model/services	**RM'000**	**RM'000**	**RM'000**	**RM'000**
One-off project-based income model				
Enterprise and data centre networking solutions	23,024	7,876	-	30,900
Cybersecurity solutions	7,772	1,854	-	9,626
Cloud services and software applications	1,277	-	-	1,277
Sub-total	**32,073**	**9,730**	**-**	**41,803**
Recurring income model				
Professional IT services	6,868	8,925	7,656	23,449
Cloud services and software applications	25	25	25	75
	38,966	**18,680**	**7,681**	**65,327**

11.7 DIVIDEND POLICY

The dividend declared and paid by CSSB for the FYE 2019 to FYE 2022 as well as up to the LPD were as follows:

	FYE 2019	FYE 2020	FYE 2021	FYE 2022	1 January 2023 up to the LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Dividends declared	1,000	8,000	16,000	8,000	-
Dividends paid	1,000	8,000	8,000	(1)8,000	(2)8,000

Notes:

(1) Dividend paid on 3 March 2022 in relation to dividend declared in FYE 2021.

(2) Dividend paid on 2 March 2023 in relation to dividend declared in FYE 2022.

Our Group does not intend to declare and pay further dividend prior to the Listing. All the above dividends were paid using internally generated funds. Our Board does not foresee that dividends declared and paid during the financial period under review would affect the execution and implementation of our future plans or business strategies moving forward.

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent (if any) as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal activity). No withholding tax is imposed on the above transactions.

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year may require prior written consent from financial institution in relation to the covenants in our future financing agreements and shareholders' approval. It is our intention to pay dividends to shareholders in the future. However, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

11.8 SIGNIFICANT FACTORS AFFECTING OUR REVENUE

Our Directors are not aware of any significant changes that has occurred which may have a material effect on our financial position and results since the date of our audited combined financial statements for FYE 2022.

11.9 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

(i) Based on the latest unaudited financial information as at 31 March 2023; and

(ii) After adjusting for the effects of IPO and utilisation of proceeds.

	Unaudited as at 31 March 2023	After IPO and utilisation of proceeds
	RM'000	**RM'000**
Indebtedness		
Non-current		
Lease liability	34	34
Current		
Lease liability	198	198
Total indebtedness	**232**	**232**
Capitalisation		
Share capital	15,650	55,352
Total capitalisation	**15,650**	**55,352**
Total capitalisation and indebtedness	15,882	55,584
Gearing ratio(1)	0.01	(2)-

Notes:

(1) Calculated based on total indebtedness divided by total capitalisation.

(2) Less than 0.01.

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Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

10 April 2023

The Board of Directors
Cloudpoint Technology Berhad
Unit J-6-13, Block J
Solaris Mont' Kiara
No.2, Jalan Solaris, Mont' Kiara
50480 Kuala Lumpur

Dear Sirs,

Reporting Accountants' opinion on the Combined Financial Statements contained in the Accountants' Report of Cloudpoint Technology Berhad ("Cloudpoint" or the "Company")

Opinion

We have audited the accompanying combined financial statements of the Company and its operating entities as defined in Note 2 to the combined financial statements (collectively known as the "Group"), which comprise of the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 of the Group, the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022, and notes to the combined financial statements, including a summary of significant accounting policies, as set out on pages 6 to 78.

In our opinion, the accompanying combined financial statements contained in the Accountants' Report gives a true and fair view of the financial positions of the Group as at 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and of its financial performance and its cash flows for the financial years then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines as issued by the Securities Commission Malaysia.

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.

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CLOUDPOINT TECHNOLOGY BERHAD
(Incorporated in Malaysia)

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.

Responsibilities of the Directors for the Combined Financial Statements

The directors of the Company are responsible for the preparation of the combined financial statements in the Accountants' Report, so as to give a true and fair view in accordance with the Malaysian Financial Reporting Standards and the 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 statements of the Group that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements 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.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Reporting Accountants' Responsibilities for the Audit of the 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 a Reporting 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.

CLOUDPOINT TECHNOLOGY BERHAD
(Incorporated in Malaysia)

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (continued)

- 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 Reporting Accountants' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the 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 financial information 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 audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report is made solely to the board of directors of the Company and has been prepared solely to comply with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia and for inclusion in the Prospectus of the Company in connection with the listing and quotation of the entire issued share capital of the Company 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 persons for the content of this report.

Baker Tilly Monteiro Heng PLT	Paul Tan Hong
201906000600 (LLP0019411-LCA & AF 0117)	No. 03459/11/2023 J
Chartered Accountants	Chartered Accountant

Kuala Lumpur

Date: 10 April 2023

STATEMENT BY DIRECTORS

We, **CHOONG WAI HOONG** and **YEW CHOONG CHEONG**, being two of the directors of CLOUDPOINT TECHNOLOGY BERHAD, do hereby state that in the opinion of the directors, the accompanying combined financial statements are drawn up in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards so as to give a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 and of its financial performance and cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors:

....
CHOONG WAI HOONG
Director

....
YEW CHOONG CHEONG
Director

Kuala Lumpur

Date: 10 APR 2023

CLOUDPOINT TECHNOLOGY BERHAD
Accountants' Report

STATUTORY DECLARATION

I, **CHOONG WAI HOONG**, being the director primarily responsible for the financial management of CLOUDPOINT TECHNOLOGY BERHAD., do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying combined financial statements are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

....
CHOONG WAI HOONG

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur in the Federal Territory on
10 APR 2023

Before me,

PESURUHJAYA SUMPAH
W 761
HADINUR MOHD SYARIF
16.01.2022 - 31.12.2024
MALAYSIA

....
Commissioner for Oaths

CHAMBERS TWENTY - FIVE
NO 25, JALAN TUNKU, BUKIT TUNKU
50480 KUALA LUMPUR

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Audited as at 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
ASSETS					
Non-current assets					
Property, plant and equipment	5	679	751	883	4,026
Deferred tax assets	6	478	698	86	656
Total non-current assets		**1,157**	**1,449**	**969**	**4,682**
Current assets					
Inventories	7	1,202	2,922	1,868	2,685
Trade receivables	8	4,075	6,348	18,989	33,785
Other receivables	9	1,503	1,845	3,618	1,714
Contract assets	10	3,753	3,298	6,725	12,035
Cash and short-term deposits	11	21,459	19,297	14,312	11,678
Total current assets		**31,992**	**33,710**	**45,512**	**61,897**
TOTAL ASSETS		**33,149**	**35,159**	**46,481**	**66,579**
EQUITY AND LIABILITIES					
Equity attributable to the owners of the Company					
Invested equity	12	1,500	1,500	1,500	1,500
Retained earnings		19,549	19,898	14,144	19,297
TOTAL EQUITY		**21,049**	**21,398**	**15,644**	**20,797**
Non-current liability					
Lease liability	13	-	-	85	85
Total non-current liability		**-**	**-**	**85**	**85**
Current liabilities					
Lease liability	13	-	-	196	196
Current tax liabilities		507	1,216	219	1,691
Trade payables	14	3,475	4,251	10,412	10,383
Other payables	15	2,596	1,947	10,433	17,025
Contract liabilities	10	5,522	6,347	9,492	16,402
Total current liabilities		**12,100**	**13,761**	**30,752**	**45,697**
TOTAL LIABILITIES		**12,100**	**13,761**	**30,837**	**45,782**
TOTAL EQUITY AND LIABILITIES		**33,149**	**35,159**	**46,481**	**66,579**

The accompanying notes form an integral part of these combined financial statements.

CLOUDPOINT TECHNOLOGY BERHAD
Accountants' Report

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

		Audited FYE 31 December			
		2019	**2020**	**2021**	**2022**
	Note	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Revenue	**16**	50,634	51,230	59,541	90,595
Cost of sales		(37,976)	(36,884)	(41,735)	(65,884)
Gross profit		12,658	14,346	17,806	24,711
Other income	**17**	428	66	69	66
Administrative expenses		(2,789)	(2,526)	(3,009)	(4,497)
Selling and distribution expenses		(1,626)	(1,441)	(1,444)	(2,672)
Operating profit		8,671	10,445	13,422	17,608
Finance income	**18**	532	577	165	209
Finance costs	**19**	(3)	-	(10)	(16)
Profit before tax	**20**	9,200	11,022	13,577	17,801
Income tax expense	**22**	(2,664)	(2,673)	(3,331)	(4,648)
Profit for the financial year, representing total comprehensive income for the financial year		**6,536**	**8,349**	**10,246**	**13,153**
Earnings per share (RM)					
- Basic and diluted	**23**	4.36	5.57	6.83	8.77

The accompanying notes form an integral part of these combined financial statements.

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Attributable to the owners of the Company Share capital RM'000	 Retained earnings RM'000	Total equity RM'000
At 1 January 2019		**1,500**	**14,013**	**15,513**
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year		-	6,536	6,536
Transaction with owners				
Dividend paid on shares	24	-	(1,000)	(1,000)
At 31 December 2019		**1,500**	**19,549**	**21,049**
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year		-	8,349	8,349
Transaction with owners				
Dividend paid on shares	24	-	(8,000)	(8,000)
At 31 December 2020		**1,500**	**19,898**	**21,398**
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year		-	10,246	10,246
Transaction with owners				
Dividend paid on shares	24	-	(16,000)	(16,000)
At 31 December 2021		**1,500**	**14,144**	**15,644**
Total comprehensive income for the financial year				
Profit for the financial year, representing total comprehensive income for the financial year		-	13,153	13,153
Transaction with owners				
Dividend paid on shares	24	-	(8,000)	(8,000)
At 31 December 2022		**1,500**	**19,297**	**20,797**

The accompanying notes form an integral part of these combined financial statements.

COMBINED STATEMENTS OF CASH FLOWS

	Note	Audited FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Cash flows from operating activities					
Profit before tax:		9,200	11,022	13,577	17,801
Adjustments for:					
Depreciation on property,plant and equipment		553	378	399	434
Property, plant and equipment written off		-	-	11	13
Reversal of impairment losses on trade receivables		(425)	-	-	-
Reversal of bad debt written off		(3)	-	-	-
Gain on lease termination		-	-	-	(5)
Net unrealised foreign exchange gain		-	-	-	(55)
Finance costs		3	-	10	16
Finance income		(532)	(577)	(165)	(209)
Operating profit before changes in working capital		**8,796**	**10,823**	**13,832**	**17,995**
Changes in working capital:					
Inventories		3,068	(1,720)	1,054	(817)
Trade receivables		1,804	(2,273)	(12,641)	(14,796)
Other receivables		(871)	(342)	(1,773)	1,904
Contract assets		(2,066)	455	(3,427)	(5,310)
Trade payables		(543)	776	6,161	(29)
Other payables		1,621	(649)	482	6,473
Contract liabilities		(3,566)	825	3,145	6,910
Net cash generated from operations		**8,243**	**7,895**	**6,833**	**12,330**
Income tax paid		(1,681)	(2,184)	(3,716)	(3,746)
Interest received		532	577	165	209
Interest paid		(3)	-	-	-
Net cash from operating activities		**7,091**	**6,288**	**3,282**	**8,793**
Cash flows from investing activities					
Purchase of property, plant and equipment	**(a)**	(192)	(450)	(155)	(3,396)
Proceeds from disposal of property, plant and equipment		-	-	3	-
Change in pledged deposits		-	-	(225)	-
Net cash used in investing activities		**(192)**	**(450)**	**(377)**	**(3,396)**

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

	Note	Audited FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Cash flows from financing activities	**(b)**				
Interest paid		-	-	(10)	(16)
Payment of lease liability		-	-	(109)	(189)
Dividend paid		(1,000)	(8,000)	(8,000)	(8,000)
Amount owing to a director		-	-	4	119
Net cash used in financing activities		**(1,000)**	**(8,000)**	**(8,115)**	**(8,086)**
Net increase/(decrease) in cash and cash equivalents		5,899	(2,162)	(5,210)	(2,689)
Cash and cash equivalents at the beginning of the financial year		**15,560**	**21,459**	**19,297**	**14,087**
Effect of exchange rate changes on cash and cash equivalents		-	-	-	55
Cash and cash equivalents at the end of the financial year	11	**21,459**	**19,297**	**14,087**	**11,453**

(a) Purchase of property, plant and equipment:

	Note	Audited FYE 31 December 2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Purchase of property, plant and equipment	5	192	450	545	3,785
Financed by way of lease arrangements		-	-	(390)	(389)
Cash payments on purchase of property, plant and equipment		192	450	155	3,396

(b) Reconciliation of liabilities arising from financing activities:

	1.1.2021 RM'000	Cash flows RM'000	Non-cash Acquisition RM'000	31.12.2021 RM'000
Lease liability	-	(109)	390	281
Amount owing to a director	-	4	-	4
	-	(105)	390	285

COMBINED STATEMENTS OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (continued)

	1.1.2022 RM'000	Cash flows RM'000	Non-cash Acquisition RM'000	Non-cash Termination of lease RM'000	31.12.2022 RM'000
Lease liability	281	(189)	389	(200)	281
Amount owing to a director	4	119	-	-	123
	285	(70)	389	(200)	404

(c) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases of RM225,409 (2021: RM211,717; 2020: RM233,609 and 2019:RM276,751).

The accompanying notes form an integral part of these combined financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Cloudpoint Technology Berhad (the "Company") was incorporated on 9 June 2021 as a private limited liability company and is domiciled in Malaysia. The Company was converted to a public company limited by shares on 29 June 2022. The registered office of the Company is located at B-21-1, Level 21, Tower B Northpoint Mid Valley City, No. 1, Medan Syed Putra Utara, 59200 Kuala Lumpur Wilayah Persekutuan, Malaysia. The principal place of business of the Company is located at Unit J-6-13, Block J, Solaris Mont' Kiara, No.2, Jalan Solaris, Mont' Kiara, 50480 Kuala Lumpur.

The principal activity of the Company is investment holding. The details of the operating entities are as follows:

Operating entity	Principal place of business/ country of incorporation	Principal activities
Cloudpoint Solutions Sdn. Bhd.	Malaysia	Provision of network solutions comprising enterprise and data centre networking, and cybersecurity solutions as well as professional IT service

There have been no significant changes in the nature of these principal activities during the financial years under review.

The combined financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 April 2023.

2. BASIS OF PREPARATION

The combined financial statements of the Group (as defined herein) for the financial years ended ("FYE") 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 have been prepared pursuant to the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad which consist of the financial statements of the following entities under common control for each of the financial years.

Operating Entities	Audited FYE 31 December			
	2019	2020	2021	2022
Cloudpoint Technology Berhad	*	*	√,^	√,^
Cloudpoint Solutions Sdn. Bhd.	√,@	√,@	√,^	√,^

√ *The combined financial statements of the Group include the financial statements of these operating entities for the respective financial years.*

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

* *No financial statements available for Cloudpoint Technology Berhad as the Company was incorporated on 9 June 2021.*

@ *The combined financial statements of the Group for the respective financial years have been prepared based on the financial statements which were audited by Baker Tilly Monteiro Heng PLT for the purpose of inclusion into the combined financial statements of the Group. The audited financial statements which were lodged with Companies Commission of Malaysia were audited by a firm of chartered accountants other than Baker Tilly Monteiro Heng PLT.*

^ *The combined financial statements of the Group for the respective financial years have been prepared based on the audited financial statements which were audited by Baker Tilly Monteiro Heng PLT.*

The audited financial statements of all the operating entities within the Group for the relevant years reported above were not subject to any modifications. The combined financial statements of the Group for the relevant periods were prepared in a manner as if the entities under common control were operating as a single economic enterprise from the beginning of the earliest comparative period covered by the relevant period or the dates of incorporation of entities within the Group, if later.

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

The financial information presented in the combined financial statements may not correspond to those in the combined financial statements of the Group had the relevant transactions to legally constitute a group been incorporated in the combined financial statements for the respective financial years. Such financial information in the combined financial statements does not purport to predict the financial position, results and the cash flows of the entities under common control for those financial years.

The combined financial statements are prepared under the historical cost convention except otherwise indicated in the summary of significant accounting policies.

The accounting policies applied by the Group are consistently applied for all the financial years presented in these combined financial statements.

2.1 Statement of compliance

The combined financial statements of the Group have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and the International Financial Reporting Standards ("IFRSs").

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Changes in accounting policies

The Group has adopted MFRS 16 *Leases* which is effective for annual periods beginning on after 1 January 2019 and amendment to MFRS 16 *Leases* which is effective for annual periods beginning on or after 5 June 2020 or/and 6 April 2021.

MFRS 16 Leases

Effective 1 January 2019, MFRS 16 has replaced MFRS 117 *Leases* and IC Int 4 *Determining whether an Arrangement contains a Lease.*

Under MFRS 117, leases are classified either as finance leases or operating leases. A lessee recognises on its combined statements of financial position assets and liabilities arising from finance leases. For operating leases, lease payments are recognised as an expense on a straight-line basis over the lease term unless another systematic basis is more representative of the time pattern of the user's benefit.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. Instead, all leases are brought onto the combined statement of financial position except for short-term and low value asset leases.

The Group has applied MFRS 16 using the modified retrospective approach with any cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings at the date of initial application (i.e. 1 January 2019). As such, the comparative information was not restated and continues to be reported under MFRS 117 and IC Int 4.

Definition of a lease

MFRS 16 changes the definition of a lease mainly to the concept of control. MFRS 16 defines that a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group has elected the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, the definition of a lease under MFRS 16 was applied only to contracts entered or changed on or after 1 January 2019. Existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

Impact of the adoption of MFRS 16

The application of MFRS 16 resulted in changes in accounting policies and adjustments to the amounts recognised in the combined financial statements as at the date of initial application. Other than the enhanced new disclosures relating to leases, which the Group has complied with in the current financial year, the application of this standard does not have any significant effect on the combined financial statements of the Group.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.2 Changes in accounting policies (continued)

Short-term lease and low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases of office space and store room that have a lease term of 12 months or less and leases of low value assets based on the value of the underlying asset when new, such as decorative plants. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

(a) The Group has not adopted the following new MFRS and amendments/ improvements to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of MFRSs	1 January 2023#
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#/ 1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(a) The Group has not adopted the following new MFRS and amendments/ improvements to MFRSs that have been issued, but yet to be effective: (continued)

		Effective for financial periods beginning on or after
Amendments/Improvements to MFRSs (continued)		
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial Instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

Consequential amendments as a result of MFRS 17 Insurance Contracts

(b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below.

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

Amendments to MFRS 16 Leases

The amendments clarify how an entity should subsequently measure the leaseback liability that arise in a sale and leaseback transaction. Although MFRS 16 includes requirements on how to account for a sale and leaseback at the date the transaction takes place, it has not specified how to measure the sale and leaseback transaction when reporting after that date.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

***Amendments to MFRS 16 Leases* (continued)**

The amendments add subsequent measurement requirements for the right-of-use assets and lease liability arising from a sale and leaseback transaction by clarifying that a seller-lessee in a sale and leaseback transaction shall apply paragraphs 29 to 35 to the right-of-use asset arising from the leaseback and paragraphs 36 to 46 to the lease liability arising from the leaseback. The amendments will not change the accounting for leases other than those arising in a sale and leaseback transaction.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

In another amendments, an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support this amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

(b) The Group plans to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs are summarised below. (continued)

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors

The amendments revise the definition of accounting estimates to clarify how an entity should distinguish changes in accounting policies from changes in accounting estimates. The distinction is important because the changes in accounting estimates are applied prospectively to transactions, other events, or conditions from the date of that change, but changes in accounting policies are generally also applied retrospectively to past transactions and other past events.

Amendments to MFRS 112 Income Taxes

The amendments specify how an entity should account for deferred tax on transactions such as leases and decommissioning obligation.

In specified circumstances, MFRS 112 exempts an entity from recognising deferred tax when it recognises assets or liabilities for the first time. There had been some uncertainties about whether the exemption from recognising deferred tax applied to transactions such as leases and decommissioning obligations – transactions for which an entity recognises both an asset and a liability. The amendments clarify that the exemption does not apply and that entity is required to recognise deferred tax on such transactions.

(c) The initial application of the above applicable new MFRS and amendments/ improvements to MFRSs are not expected to have any material impact on the combined financial statements.

2.4 Functional and presentation currency

The combined financial statements of the Group are measured using the currency of the primary economic environment in which it operates (the "functional currency"). The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the Group's functional currency, unless otherwise stated.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.5 Basis of measurement

The combined financial statements of the Group have been prepared on the historical cost basis, except as otherwise disclosed in Note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the combined financial statements of the Group.

3.1 Basis of combination

The combined financial statements comprise the financial statements of the Company and Cloudpoint Solutions Sdn.Bhd.. The financial statements used in the preparation of the combined financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

Entities under a reorganisation does not result in any change in economic substance. Accordingly, the combined financial statements of the Group is a continuation of the Group and is accounted for as follows:

- the assets and liabilities of the acquired entity is recognised and measured in the combined financial statements at the pre-combination carrying amounts, without restatement to fair value;
- the retained earnings, and other equity balances of acquired entity immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the differences arising from the change in equity structure of the Group will be accounted for in other reserves.

(a) Business combination

The Group applies the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Combining entities acquired which have met the criteria for pooling of interest are accounted for using merger accounting policies. Under the merger method of accounting, the results of combining entities are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between the costs of acquisition over the nominal value of share capital of the combining entities is taken to reorganisation reserve or merger deficit.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of combination (continued)

(b) Transactions eliminated on combination

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the combined financial statements.

3.2 Foreign currency transactions

Translation of foreign currency transactions

Foreign currency transactions are translated to the functional currency of the Group using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

3.3 Financial instruments

Financial instruments are recognised in the combined statements of financial position when, and only when, the Group becomes a party to the contract provisions of the financial instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at FVPL are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers*.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as FVPL. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at FVPL.

(a) Subsequent measurement

The Group categorises the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income ("FVOCI") with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at FVPL

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business models for managing those assets change.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost**
  Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **FVOCI**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment is in accordance with Note 3.9(a). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(i) Financial assets (continued)

Debt instruments (continued)

- **FVPL**
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at FVPL, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at FVPL, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at FVPL on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at FVPL are carried in the combined statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

Equity instruments

The Group subsequently measures all equity investments at fair value. Upon initial recognition, the Group can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at FVOCI. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group categorises the financial instruments as follows: (continued)

(ii) Financial liabilities

The Group classifies its financial liabilities in the following measurement categories:

- Financial liabilities at FVPL
- Financial liabilities at amortised cost

Financial liabilities at FVPL

Financial liabilities at FVPL include financial liabilities held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or financial liabilities designated into this category upon initial recognition.

Subsequent to initial recognition, financial liabilities at FVPL are measured at fair value with the gain or loss recognised in profit or loss.

Financial liabilities designated upon initial recognition at FVPL are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group has not designated any financial liability as at FVPL.

Financial liabilities at amortised cost

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using effective interest method. Gains and losses are recognised in profit or loss when the financial liablities are derecognised and through the amortisation process.

(b) Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 *Financial Instruments* and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(c) **Regular way purchase or sale of financial assets**

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

A regular way purchase or sale of financial assets shall be recognised and derecognised as applicable, using trade date accounting (i.e. the date the Group commits itself to purchase or sell an asset).

Trade date accounting refers to:
(i) the recognition of an asset to be received and the liability to pay for it on the trade date; and
(ii) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

Generally, interest does not start to accrue on the asset and corresponding liability until the settlement date when title passes.

(d) **Derecognition**

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire; or
(ii) the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

The Group evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (continued)

(d) Derecognition (continued)

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

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

(e) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the combined statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.4 Property, plant and equipment

(a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Cost of assets includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (continued)

(b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

(c) Depreciation

All property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

	Useful lives (years)
Computer equipment	5
Engineering spares	5
Furniture and fittings	5
Office equipment	5
Renovation	5
Right-of-use	2

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

(d) Derecognition

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

3.5 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assess whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(b).

Lease liability

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

Lease payments included in the measurement of the lease liability comprise:
- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Leases (continued)

Lessee accounting (continued)

Lease liability (continued)

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

Variable lease payments that do not depend on an index or a rate are not included in the measurement the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the line "administrative expenses" in the combined statements of comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:
- spare parts and finished goods: purchase costs on a first-in first-out basis.
- work-in-progress: costs of direct materials and labour and a proportion of overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

3.7 Contract assets/(liabilities)

Contract asset is the right to consideration for goods or services transferred to the customers when that right is conditioned on something other than the passage of time (for example, the Group's future performance). The policy for the recognition and measurement of impairment losses is in accordance with Note 3.9(a).

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer.

3.8 Cash and cash equivalents

For the purpose of the combined statement of cash flows, cash and cash equivalents comprise cash in hand, bank balances and deposits and other short-term, highly liquid investments with a maturity of three months or less, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

3.9 Impairment of assets

(a) Impairment of financial assets and contract assets

Financial assets measured at amortised cost, financial assets measured at FVOCI, contract assets or a loan commitment and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 *Financial Instruments* which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

The Group measures loss allowance at an amount equal to lifetime expected credit loss, except for the following, which are measured as 12-month expected credit loss:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables and contract assets, the Group applies the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and including forward-looking information.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than the credit term.

The Group considers a financial asset to be in default when:

- the borrower is unable to pay its credit obligations to the Group in full, without taking into account any credit enhancements held by the Group; or
- the contractual payment of the financial asset is more than the credit term unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group is exposed to credit risk.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(a) Impairment of financial assets and contract assets (continued)

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group assesses whether financial assets carried at amortised cost and debt securities at FVOCI are credit-impaired. A financial asset is credit-impaired when one lor more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the combined statements of financial position.

The gross carrying amount of a financial asset is written off (either partially or fully) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedure for recovery of amounts due.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment of assets (continued)

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, contract assets and deferred tax assets) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group makes an estimate of the assets' recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset of a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds the recoverable amount, the carrying amount of the asset is reduced to its recoverable amount. Impairment losses recognised in respect of a CGU or groups of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to those units or groups of units and then, to reduce the carrying amount of the other assets in the unit or groups of units on a pro-rata basis.

Impairment losses are recognised in profit or loss, except for assets that were previously revalued with the revaluation surplus recognised in other comprehensive income. In the latter case, the impairment is recognised in other comprehensive income up to the amount of any previous revaluation.

For other assets, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Invested equity

An equity instrument is a contract that evidence a residual interest in the assets of the Company after deducting all of its liabilities. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3.11 Employee benefits

(a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group.

(b) Defined contribution plans

As required by law, the Group contributes to the Employees Provident Fund ("EPF"), the national defined contribution plan. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.12 Revenue and other income

The Group recognises revenue that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services.

Revenue recognition of the Group is applied for each contract with a customer or a combination of contracts with the same customer (or related parties of the customer). For practical expedient, the Group applied revenue recognition to a portfolio of contracts (or performance obligations) with similar characteristics if the Group reasonably expects that the effects on the combined financial statements would not differ materially from recognising revenue on the individual contracts (or performance obligations) within that portfolio.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue and other income (continued)

The Group measures revenue at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or service to a customer, excluding amounts collected on behalf of third parties such as sales and services tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group expects to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group estimates it by using the adjusted market assessment approach.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

A contract modification is a change in the scope or price (or both) of a contract that is approved by the parties to the contract. A modification exists when the change either creates new or changes existing enforceable rights and obligations of the parties to the contract. The Group has assessed the type of modification and accounted for as either creates a separate new contract, terminates the existing contract and creation of a new contract; or forms a part of the existing contracts.

Financing components

The Group has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components if the Group expect that the period between the transfer of the promised goods or services to the customer and payment by the customer will be one year or less.

(a) Data communication equipment and maintenance service contracts

The Group provides data communication equipment and related maintenance services under long-term contracts with customers. The data communication equipment and maintenance service contracts comprise multiple deliverables that require significant integration service and therefore accounted as a single performance obligation.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue and other income (continued)

(a) Data communication equipment and maintenance service contracts (continued)

Under the terms of the data communication equipment contracts, revenue is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Revenue from a contract to provide maintenance services is recognised over time as the services are rendered because the customer receives and uses the benefits simultaneously. This is determined based on the time elapsed (output method).

The Group recognised a contract asset for any excess of revenue recognised to date over the billings-to-date. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point when invoice is issued or timing for billing is due to passage of time. If the milestone billing exceeds the revenue recognised to date and any deposit or advances received from customers then the Group recognises a contract liability for the difference.

(b) Sale of goods

The Group sells a range of computer, data communication related equipment and accessories to local and oversea customers. Revenue from sale of trading goods is recognised at a point in time when control of the products has been transferred, being when the customer accepts the delivery of the goods.

Sales are made with credit term, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

(c) Installation services

Revenue from the installation services is recognised at a point in time when the performance obligation is satisfied upon the transfer of the services to the customer.

(d) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

Where the grant relates to an asset, it is recognised as deferred income in the combined statements of financial position and transferred to profit or loss over the expected useful life of the related asset. Where the grant relates to an expense item, it is recognised in profit or loss, under the heading of "other income", on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed.

3.14 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

3.15 Income tax

Income tax expense in profit or loss comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the combined statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Income tax (continued)

(b) Deferred tax (continued)

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax assets to be utilised.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the combined statements of financial position.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Group by the weighted average number of ordinary shares outstanding during the period, adjusted for own shares held.

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

3.17 Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Chief Executive Officer of the Group, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the chief operating decision-maker that makes strategic decisions.

3.18 Fair value measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group recognises transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

The preparation of combined financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the combined financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity that have the most significant effect on the Group's combined financial statements, or areas where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's combined financial statements within the next financial year are disclosed as follows:

(a) Depreciation and useful lives of property, plant and equipment

As disclosed in Note 3.4, the Group reviews the residual values, useful lives and depreciation methods at the end of each reporting period. Estimates are applied in the selection of the depreciation method, the useful lives and the residual values. The actual consumption of the economic benefits of the property, plant and equipment may differ from the estimates applied and therefore, future depreciation charges could be revised.

The carrying amounts of the Group's property, plant and equipment are disclosed in Note 5.

(b) Impairment of financial assets and contract assets

The impairment provisions for financial assets and contract assets are based on assumptions about risk of default and expected loss rate. The Group uses judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimate at the end of each reporting period.

The Group uses a provision matrix to calculate expected credit losses for trade receivable and contract assets. The provision rate depends on the number of days that a trade receivable is past due. The Group uses the grouping according to the customer segments that have similar loss patterns. The criteria include geographical region, product type, customer type and rating, collateral or trade credit insurance.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forward-looking estimate and expected credit losses is a significant estimate. The amount of expected credit loss is sensitive to changes in circumstances and forecast of economic conditions over the expected lives of the financial assets and contract assets. The Group's historical credit loss experience and forecast of the economic conditions may also not be representative of customer's actual default in the future.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Impairment of financial assets and contract assets (continued)

The information about the expected credit losses on the Group's financial assets and contract assets are disclosed in Note 25(b)(i).

(c) Measurement of income taxes

Significant judgement is required in determining the Group's estimation for current and deferred taxes. When the final outcome of the tax payable is determined with the tax authorities, the amounts might be different from the initial estimates of the taxes payables. Such differences may impact the current and deferred taxes in the period when such determination is made. The Group will make adjustments for current or deferred taxes in respect of prior years in the current period on those differences arise.

The income tax expenses of the Group are disclosed in Note 22.

(d) Impairment of non-financial assets

The Group assesses impairment of non-financial assets whenever the events or changes in circumstances indicate that the carrying amount of an asset may be irrecoverable i.e. the carrying amount of the asset is more than the recoverable amount.

Recoverable amount is measured at the higher of the fair value less cost of disposal for that asset and its value-in-use. The Group uses fair value less cost to sell as the recoverable amount. Fair values are arrived at using comparison method and valuation technique method to suit the assets characteristic of the Group.

The carrying amounts of the non-financial assets are disclosed in Note 5.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT

FYE 31 December 2019	Note	Computer equipment RM'000	Engineering spares RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2019		307	2,629	244	121	175	3,476
Additions		59	122	-	11	-	192
Written off		(101)	(516)	-	(6)	-	(623)
At 31 December 2019		265	2,235	244	126	175	3,045
Accumulated depreciation							
At 1 January 2019		202	1,707	240	112	175	2,436
Depreciation charge for the financial year	**20**	50	496	1	6	-	553
Written off		(101)	(516)	-	(6)	-	(623)
At 31 December 2019		151	1,687	241	112	175	2,366
Carrying amount							
At 1 January 2019		105	922	4	9	-	1,040
At 31 December 2019		114	548	3	14	-	679

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FYE 31 December 2020	Note	Computer equipment RM'000	Engineering spares RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Total RM'000
Cost							
At 1 January 2020		265	2,235	244	126	175	3,045
Additions		85	288	20	57	-	450
Written off		(40)	(1,272)	-	(18)	-	(1,330)
At 31 December 2020		310	1,251	264	165	175	2,165
Accumulated depreciation							
At 1 January 2020		151	1,687	241	112	175	2,366
Depreciation charge for the financial year	**20**	55	304	4	15	-	378
Written off		(40)	(1,272)	-	(18)	-	(1,330)
At 31 December 2020		166	719	245	109	175	1,414
Carrying amount							
At 1 January 2020		114	548	3	14	-	679
At 31 December 2020		144	532	19	56	-	751

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FYE 31 December 2021	Note	Computer equipment RM'000	Engineering spares RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Right-of-use RM'000	Total RM'000
Cost								
At 1 January 2021		310	1,251	264	165	175	-	2,165
Additions		59	65	-	31	-	390	545
Disposals		(8)	(1)	-	-	-	-	(9)
Written off		(71)	(439)	(8)	(24)	(8)	-	(550)
At 31 December 2021		290	876	256	172	167	390	2,151
Accumulated depreciation								
At 1 January 2021		166	719	245	109	175	-	1,414
Depreciation charge for the financial year	**20**	51	213	5	16	-	114	399
Disposals		(5)	(1)	-	-	-	-	(6)
Written off		(60)	(439)	(8)	(24)	(8)	-	(539)
At 31 December 2021		152	492	242	101	167	114	1,268
Carrying amount								
At 1 January 2021		144	532	19	56	-	-	751
At 31 December 2021		138	384	14	71	-	276	883

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

FYE 31 December 2022	Note	Computer equipment RM'000	Engineering spares RM'000	Furniture and fittings RM'000	Office equipment RM'000	Renovation RM'000	Building-in-progress RM'000	Right-of-use RM'000	Total RM'000
Cost									
At 1 January 2022		290	876	256	172	167	-	390	2,151
Additions		116	322	5	24	-	2,929	389	3,785
Disposals		-	-	-	-	-	-	-	-
Written off		(14)	(273)	-	(19)	-	-	(390)	(696)
At 31 December 2022		392	925	261	177	167	2,929	389	5,240
Accumulated depreciation									
At 1 January 2022		152	492	242	101	167	-	114	1,268
Depreciation charge for the financial year	20	55	156	5	23	-	-	195	434
Disposals		-	-	-	-	-	-	-	-
Written off		(10)	(273)	-	(10)	-	-	(195)	(488)
At 31 December 2022		197	375	247	114	167	-	114	1,214
Carrying amount									
At 1 January 2022		138	384	14	71	-	-	276	883
At 31 December 2022		195	550	14	63	-	2,929	275	4,026

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

5. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Right-of-use assets

The Company leases office space for operating purposes. The lease for office space has a lease term of one (1) year with an option to renew another year. As at 31 December 2021 and 31 December 2022, the Company has included the potential future cash flows of exercising the extension options in the lease liabilities.

Information about leases for which the Company is lessee is presented below:

	Office space RM'000	Total RM'000
Carrying amount		
At 1 January 2021	-	-
Additions	390	390
Depreciation	(114)	(114)
At 31 December 2021	276	276
Additions	389	389
Depreciation	(195)	(195)
Written off	(195)	(195)
At 31 December 2022	275	275

6. DEFERRED TAX ASSETS

Deferred tax relates to the following:

	At 1 January 2019 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31 December 2019 RM'000
Deferred tax assets:			
Property, plant and equipment	43	13	56
Contract liabilities	1,076	(654)	422
Provisions	102	(102)	-
	1,221	(743)	478

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

6. DEFERRED TAX ASSETS (CONTINUED)

Deferred tax relates to the following: (continued)

	At 1 January 2020 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31 December 2020 RM'000
Deferred tax liabilities:			
Property, plant and equipment	56	(96)	(40)
Deferred tax assets:			
Contract liabilities	422	316	738
	478	220	698

	At 1 January 2021 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31 December 2021 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(40)	(33)	(73)
Deferred tax assets:			
Contract liabilities	738	(579)	159
	698	(612)	86

	At 1 January 2022 RM'000	Recognised in profit or loss (Note 22) RM'000	At 31 December 2022 RM'000
Deferred tax liabilities:			
Property, plant and equipment	(73)	(56)	(129)
Unrealised foreign exchange	-	(13)	(13)
Deferred tax assets:			
Contract liabilities	159	639	798
	86	570	656

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

7. INVENTORIES

	Audited as at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
At cost:				
Goods in hand	1,202	2,922	1,868	2,685

The cost of inventories of the Group recognised as an expense in cost of sales during the financial year was RM53,461,295 (2021: RM32,654,184; 2020:RM27,431,784 and 2019: RM29,489,626).

8. TRADE RECEIVABLES

	Audited as at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Trade receivables				
- Third parties	2,344	6,348	18,989	33,785
- Related party	1,731	-	-	-
	4,075	6,348	18,989	33,785

Trade receivables are non-interest bearing and normal credit term offered by the Group ranges from 30 to 60 days (2021,2020 and 2019: 30 to 90 days) from the date of invoices. Other credit terms are assessed and approved on a case by case basis.

Receivables that are impaired

The Group's trade receivables that are impaired at the reporting date and the reconciliation of the movement in the impairment of trade receivables is as follow:

	Audited as at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
At 1 January	425	-	-	-
Reversal of impairment losses	(425)	-	-	-
At 31 December	-	-	-	-

The information about the credit exposures are disclosed in Note 25(b)(i).

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

9. OTHER RECEIVABLES

	Audited as at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Other receivables	946	1,305	3,080	1,410
Deposits	518	513	508	110
Prepayments	39	27	30	194
	1,503	1,845	3,618	1,714

10. CONTRACT ASSETS/(LIABILITIES)

	Audited as at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Contract assets relating to data comminucation equipment contracts	3,753	3,298	6,725	12,035
Total contract assets	3,753	3,298	6,725	12,035
Contract liabilities relating to data comminucation equipment contracts	2,327	2,613	1,858	2,352
Contract liabilities relating to maintenance service contracts	3,195	3,734	7,634	14,050
Total contract liabilities	5,522	6,347	9,492	16,402

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

10. CONTRACT ASSETS/(LIABILITIES) (CONTINUED)

Significant changes in contract balances

	Audited as at 31 December							
	2019		2020		2021		2022	
	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000	Contract assets Increase/ (decrease) RM'000	Contract liabilities (Increase)/ decrease RM'000
Revenue recognised that was included in contract liabilities at the beginning of the financial year	-	6,370	-	3,711	-	6,298	-	8,744
Increase due to billing issued to customers, but revenue not recognised	-	(2,803)	-	(4,536)	-	(9,443)	-	(15,654)
Increase due to revenue recognised for unbilled goods or services transferred to customers	3,753	-	3,298	-	5,518	-	10,450	-
Transfer from contract assets recognised at the beginning of the period to receivables	(1,687)	-	(3,753)	-	(2,091)	-	(5,140)	-

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

11. CASH AND SHORT-TERM DEPOSITS

	Audited as at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Cash and bank balances	3,406	10,971	14,036	11,453
Short-term deposits	18,053	8,326	276	225
	21,459	19,297	14,312	11,678

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

	Audited as at 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Short-term deposits	18,053	8,326	276	225
Less: Pledged deposits	-	-	(225)	(225)
	18,053	8,326	51	-
Cash and bank balances	3,406	10,971	14,036	11,453
	21,459	19,297	14,087	11,453

The short-term deposits are pledged with licensed bank for bank guarantee facilities granted to the Group.

.12. INVESTED EQUITY

	Number of ordinary shares				Amount			
	2019 Unit'000	2020 Unit'000	2021 Unit'000	2022 Unit'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Issued and fully paid up (no par value):								
At 1 January/31 December	1,500	1,500	1,500	1,500	1,500	1,500	1,500	1,500

For the purpose of this report, the total number of shares as at 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022 represent the aggregate number of issued shares of all entities within the Group.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Group. All ordinary shares rank equally with regard to the Group's residual assets.

The Group did not issue any new shares or debentures during the year.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

13. LEASE LIABILITY

	Audited as at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Lease liability	-	-	85	85
	-	-	85	85
Current:				
Lease liability	-	-	196	196
	-	-	196	196
Total lease liability:				
Lease liability	-	-	281	281
	-	-	281	281

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Audited as at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Minimum lease payments:				
Not later than one year	-	-	205	205
Later than one year but not later than five years	-	-	86	86
	-	-	291	291
Less: Future finance charges	-	-	(10)	(10)
Present value of minumum lease payments	-	-	281	281
Present value of minimum lease payments payable:				
Not later than one year	-	-	196	196
Later than one year but not later than five years	-	-	85	85
	-	-	281	281
Less: Amount due within twelve months	-	-	(196)	(196)
Amount due after twelve months	-	-	85	85

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

14. TRADE PAYABLES

	Audited as at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Trade payables				
- Third parties	3,475	4,251	10,412	10,383

Trade payables are non-interest bearing and the normal trade credit term granted to the Group ranges from 30 to 45 days.

For explanations on the Group's liquidity risk management processes, refer to Note 25(b)(ii).

15. OTHER PAYABLES

	Audited as at 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Other payables	29	12	7	27
Accruals	2,490	1,632	2,123	8,204
Dividend payable	-	-	8,000	8,000
Amount owing to a director	-	-	4	123
Sales and service tax ("SST") payable	77	303	299	613
Withholding tax payable	-	-	-	58
	2,596	1,947	10,433	17,025

Amount owing to a director

Amount owing to a director is unsecured, non-interest bearing and repayable upon demand.

For explanations on the Group's liquidity risk management processes, refer to Note 25(b)(ii).

16. REVENUE

	Audited FYE 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Sales of goods	35,379	35,219	41,162	70,952
Services rendered	15,255	16,011	18,379	19,643
	50,634	51,230	59,541	90,595

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

16. REVENUE (CONTINUED)

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Timing of revenue recognition:				
At a point in time	36,957	36,929	44,866	73,111
Over time	13,677	14,301	14,675	17,484
	50,634	51,230	59,541	90,595

17. OTHER INCOME

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Reversal of impairment loss on trade receivables	425	-	-	-
Reversal of bad debt written off	3	-	-	-
Government wages subsidy	-	66	69	-
Net unrealised foreign exchange gain	-	-	-	55
Net realised foreign exchange gain	-	-	-	6
Gain on lease termination	-	-	-	5
	428	66	69	66

18. FINANCE INCOME

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Interest income	532	577	165	209

19. FINANCE COSTS

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Interest expense on:				
- Advances from a related party	3	-	-	-
- Lease liability	-	-	10	16
	3	-	10	16

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

20. PROFIT BEFORE TAX

Other than disclosed elsewhere in the combined financial statements, the following items have been charged in arriving at profit before tax:

		Audited FYE 31 December			
	Note	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Auditors' remuneration:					
- current year		81	80	53	58
- prior year		-	-	8	11
Depreciation of property, plant and equipment	5	553	378	399	434
Property, plant and equipment written off		-	-	11	13
Net realised foreign exchange loss		2	7	7	-
Expense relating to short-term lease:					
- Office space		257	214	72	-
- Store room		19	19	19	19
Expense relating to lease of low value asset		*	*	*	*
Employee benefit expense	21	6,318	7,195	7,185	9,834
Incorporation fee		-	-	3	-

* *Less than RM1,000*

21. EMPLOYEE BENEFITS EXPENSE

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Salaries, bonuses and allowances	5,681	6,389	6,289	8,642
Defined contribution plans	598	761	849	1,130
Other staff related expenses	39	45	47	62
	6,318	7,195	7,185	9,834
Included in the employee benefits are:				
Directors' remuneration:				
- Fees	-	-	-	119
- Salaries, bonuses and allowances	963	1,076	1,152	1,356
- Defined contribution plans	103	189	204	246
- Other related expenses	2	2	2	2
	1,068	1,267	1,358	1,723

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

22. INCOME TAX EXPENSE

	Note	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
		Audited FYE 31 December			
Combined statements of comprehensive income					
Current income tax:					
- Current income tax charge		2,187	2,896	2,719	4,691
- Adjustment in respect of prior financial years		(266)	(3)	-	527
		1,921	2,893	2,719	5,218
Deferred tax:					
- Origination of temporary differences		34	(220)	612	(108)
- Adjustment in respect of prior financial years		709	-	-	(462)
	6	743	(220)	612	(570)
Income tax expense recognised in profit or loss		2,664	2,673	3,331	4,648

The income tax rate applicable to small and medium scale enterprise ("SME") incorporated in Malaysia with paid-up capital of RM2,500,000 and below and annual sales less than RM50,000,000 (2021 and 2020: RM50,000,000 and 2019: Nil) is subject to the statutory tax rate of 17% (2021, 2020 and 2019: 17%) on chargeable income up to RM600,000 (2021 and 2020: RM600,000 and 2019: RM500,000). For chargeable income excess of RM600,000 (2021 and 2020: RM600,000 and 2019:RM500,000), statutory tax rate of 24% (2021, 2020 and 2019: 24%) is still applicable.

The reconciliations from the tax amount at the statutory income tax rate to the Group's tax expense are as follows:

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
	Audited FYE 31 December			
Profit before tax	9,200	11,022	13,577	17,801
Tax at Malaysian statutory income tax rate of 24%	2,208	2,645	3,258	4,272
SME tax saving	(35)	-	-	-
Adjustments:				
Non-deductible expenses	48	31	73	311
Adjustment in respect of income tax of prior years	(266)	(3)	-	527
Adjustment in respect of deferred tax of prior years	709	-	-	(462)
Income tax expense	2,664	2,673	3,331	4,648

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

23. EARNINGS PER SHARE

Basic earnings per ordinary share and diluted earnings per ordinary share

Basic earnings per ordinary share are based on the profit for the financial years attributable to owner of the Group and the weighted average number of ordinary shares outstanding during the financial years.

Diluted earnings per ordinary share are based on the profit for the financial years attributable to owners of the Group and the weighted average number of ordinary shares outstanding during the financial years plus the weighted average number of ordinary shares that would be issued on conversion of all the dilutive potential ordinary shares into ordinary shares.

The basic and diluted earnings per ordinary share are computed as follow:

	Audited FYE 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	6,536	8,349	10,246	13,153
Weighted average number of ordinary shares for basic and diluted earnings per share	1,500	1,500	1,500	1,500
Basic and diluted earnings per share (RM)	4.36	5.57	6.83	8.77

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

24. DIVIDENDS

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Recognised during the financial years:				
Single tier first interim dividend for the financial year ended 31 December 2019: RM0.67 per ordinary share, paid on 28 March 2019	1,000	-	-	-
Single tier first interim dividend for the financial year ended 31 December 2020: RM4.00 per ordinary share, paid on 20 July 2020	-	6,000	-	-
Single tier second interim dividend for the financial year ended 31 December 2020: RM1.33 per ordinary share, paid on 22 December 2020	-	2,000	-	-
Single tier first interim dividend for the financial year ended 31 December 2021: RM4.00 per ordinary share, paid on 5 May 2021	-	-	6,000	-
Single tier second interim dividend for the financial year ended 31 December 2021: RM1.33 per ordinary share, paid on 8 September 2021	-	-	2,000	-
Single tier final dividend for the financial year ended 31 December 2021: RM5.33 per ordinary share paid on 3 March 2022	-	-	8,000	-
Single tier final dividend for the financial year ended 31 December 2022: RM5.33 per ordinary share	-	-	-	8,000

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned at amortised cost:

	Carrying amount RM'000	Amortised cost RM'000
At 31 December 2019		
Financial assets		
Trade receivables	4,075	4,075
Other receivables, less prepayments	1,464	1,464
Cash and short-term deposits	21,459	21,459
	26,998	26,998
Financial liability		
Trade payables	(3,475)	(3,475)
Other payables, less SST payable	(2,519)	(2,519)
	(5,994)	(5,994)
At 31 December 2020		
Financial assets		
Trade receivables	6,348	6,348
Other receivables, less prepayments	1,818	1,818
Cash and short-term deposits	19,297	19,297
	27,463	27,463
Financial liability		
Trade payables	(4,251)	(4,251)
Other payables, less SST payable	(1,644)	(1,644)
	(5,895)	(5,895)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the combined statements of financial position by the classes of financial instruments to which they are assigned at amortised cost: (continued)

	Carrying amount RM'000	Amortised cost RM'000
At 31 December 2021		
Financial assets		
Trade receivables	18,989	18,989
Other receivables, less prepayments	3,588	3,588
Cash and short-term deposits	14,312	14,312
	36,889	36,889
Financial liabilities		
Lease liability	(281)	(281)
Trade payables	(10,412)	(10,412)
Other payables, less SST payable	(10,134)	(10,134)
	(20,827)	(20,827)
At 31 December 2022		
Financial assets		
Trade receivables	33,785	33,785
Other receivables, less prepayments	1,520	1,520
Cash and short-term deposits	11,678	11,678
	46,983	46,983
Financial liabilities		
Lease liability	(281)	(281)
Trade payables	(10,383)	(10,383)
Other payables, less SST and withholding tax payable	(16,354)	(16,354)
	(27,018)	(27,018)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group's activities are exposed to a variety of financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and foreign currency risk. The Group's overall financial risk management objective is to optimise value for its shareholders. The Group does not trade in financial instruments.

The Board of Directors reviews and agrees to policies and procedures for the management of these risks, which are executed by the Group's senior management.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables and contract assets

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets are represented by their carrying amounts in the combined statements of financial position.

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

Credit risk concentration profile

The credit risk concentration profile of the Group's trade receivables at the reporting date are amounts due from one (1) customer (2021: four (4); 2020: Nil and 2019: one (1)) which made up of 51.6% (2021: 70.0%; 2020: Nil and 2019: 42.5%) of the Group 's total trade receivables.

The Group applies the simplified approach to provide for expected credit losses prescribed by MFRS 9 *Financial Instruments*, which permits the use of the lifetime expected loss provision for all trade receivables and contract assets. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows:

		Trade receivables						
	Contract assets RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	>120 days past due RM'000	Total RM'000
At 31 December 2019								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	3,753	2,966	33	257	48	362	409	4,075
Impairment losses	-	-	-	-	-	-	-	-
Net balance	3,753	2,966	33	257	48	362	409	4,075

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) **Financial risk management (continued)**

(i) **Credit risk (continued)**

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

		Trade receivables					
	Contract assets RM'000	**Current RM'000**	**1 to 30 days past due RM'000**	**31 to 60 days past due RM'000**	**61 to 90 days past due RM'000**	**91 to 120 days past due RM'000**	**>120 days past due RM'000**	**Total RM'000**
At 31 December 2020								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	3,298	2,322	857	311	602	721	1,535	6,348
Impairment losses	-	-	-	-	-	-	-	-
Net balance	3,298	2,322	857	311	602	721	1,535	6,348

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

		Trade receivables						
	Contract assets RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	>120 days past due RM'000	Total RM'000
At 31 December 2021								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	6,725	18,277	372	112	-	228	-	18,989
Impairment losses	-	-	-	-	-	-	-	-
Net balance	6,725	18,277	372	112	-	228	-	18,989

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables and contract assets (continued)

The information about the credit risk exposure on the Group's trade receivables and contract assets are as follows: (continued)

		Trade receivables						
	Contract assets RM'000	Current RM'000	1 to 30 days past due RM'000	31 to 60 days past due RM'000	61 to 90 days past due RM'000	91 to 120 days past due RM'000	>120 days past due RM'000	Total RM'000
At 31 December 2022								
Expected credit loss rate	0%	0%	0%	0%	0%	0%	0%	0%
Gross carrying amount at default	12,035	30,216	2,233	122	32	141	1,041	33,785
Impairment losses	-	-	-	-	-	-	-	-
Net balance	12,035	30,216	2,233	122	32	141	1,041	33,785

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents), the Group minimises credit risk by dealing exclusively with high credit rating counterparties. At the reporting date, the Group's maximum exposure to credit risk arising from other financial assets is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information. Especially the following indicators are incorporated:

- internal credit rating
- external credit rating (as far as available)
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations
- actual or expected significant changes in the operating results of the borrower
- significant increases in credit risk on other financial instruments of the same borrower
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than the credit term in making a contractual payment.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Other receivables and other financial assets (continued)

Refer to Note 3.9(a) for the Group's other accounting policies for impairment of financial assets.

As at the end of the reporting date, the Group did not recognise any loss allowance for impairment for other receivables and other financial assets.

(ii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations when they fall due. The Group's exposure to liquidity risk arise primarily from mismatches of the maturities between financial assets and liabilities. The Group's exposure to liquidity risk arise principally from trade and other payables and lease liability.

The Group maintains sufficient liquidity and available funds to meet daily cash needs, while maintaining controls and security over cash movements. The Group uses a series of processes to obtain maximum benefits from its flow of funds. The Group's finance department also ensures that there are sufficient funding and liquid assets available to meet both short-term and long-term funding requirements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Liquidity risk (continued)

Maturity analysis

The maturity analysis of the Group 's financial liabilities by their relevant maturity at the reporting date are based on contractual undiscounted repayment obligations are as follows:

		Contractual cash flows			
	Carrying amount RM'000	On demand or within one year RM'000	Between one and five years RM'000	More than five years RM'000	Total RM'000
At 31 December 2019					
Trade payables	3,475	3,475	-	-	3,475
Other payables	2,519	2,519	-	-	2,519
	5,994	5,994	-	-	5,994
At 31 December 2020					
Trade payables	4,251	4,251	-	-	4,251
Other payables	1,644	1,644	-	-	1,644
	5,895	5,895	-	-	5,895
At 31 December 2021					
Trade payables	10,412	10,412	-	-	10,412
Other payables	10,134	10,134	-	-	10,134
Lease liability	281	205	86	-	291
	20,827	20,751	86	-	20,837
At 31 December 2022					
Trade payables	10,383	10,383	-	-	10,383
Other payables	16,354	16,354	-	-	16,354
Lease liability	281	205	86	-	291
	27,018	26,942	86	-	27,028

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk

Foreign currency risk is the risk of fluctuation in fair value or future cash flows of a financial instrument as a result of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities (when sales and purchases that are denominated in a foreign currency).

The Group takes advantage of any natural effects of its foreign currencies revenues and expenses by maintaining current accounts in foreign currencies.

The foreign currency in which these transactions are denominated is United States Dollar ("USD").

The Group's unhedged financial assets and liabilities that are not denominated in their functional currencies are as follows:

	Audited FYE 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Financial assets and (liabilities) not held in functional currencies:				
Trade and other receivables				
USD	-	147	-	2
Cash and short-term deposits				
USD	-	93	785	812
Trade payables				
USD	-	(31)	(182)	-

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

25. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk
The Group's principal foreign currency exposure mainly relates to USD.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, with all other variables held constant on the Group's total equity and profit for the financial years.

	Change in rate	Effect on profit for the financial years/equity RM'000
31 December 2020		
- USD	+10%	16
	-10%	(16)
31 December 2021		
- USD	+10%	46
	-10%	(46)
31 December 2022		
- USD	+10%	62
	-10%	(62)

(c) Fair value measurement

The carrying amounts of cash and cash equivalents, short-term receivables and payables reasonably approximate their fair values due to the relatively short-term nature of these financial instruments.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTIES

(a) Identification of related parties

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:
(i) Ultimate holding company;
(ii) Entity in which a director has interests;
(iii) Entity in which directors are persons connected to a director of the Group; and
(iv) Key management personnel of the Group, comprise persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the combined financial statements are as follows:

	Audited FYE 31 December			
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Sales of goods				
- Entity in which certain directors have interests	3,483	-	-	-
- Entity in which certain directors are persons connected to a director of the Group	1,730	287	-	-
Purchase of goods				
- Entity in which certain directors have interests	2,284	-	-	-
- Entity in which certain directors are persons connected to a director of the Group	4,059	-	-	-
Dividend declared				
- Ultimate holding company	1,000	8,000	16,000	8,000
Rental expenses				
- Entities in which a director has interests	19	19	19	19

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

26. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions (continued)

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Interest paid				
- Entity in which certain directors have interests	3	-	-	-
Advances received				
- Entity in which certain directors have interests	500	-	-	-
Repayment of advances				
- Entity in which certain directors have interests	500	-	-	-

(c) Compensation of key management personnel

	Audited FYE 31 December			
	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Fees	-	-	-	119
Salaries, allowances and bonuses	963	1,076	1,152	1,356
Defined contribution plans	103	189	204	246
Other staff related benefits	2	2	2	2
	1,068	1,267	1,358	1,723

27. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value. The Group manages its capital structure and make adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies and processes during the financial years ended.

The Group monitors capital using gearing ratio. The gearing ratio is calculated as total interests bearing debts divided by total equity. There were no interests bearing debts for the financial year ended 31 December 2019, 31 December 2020, 31 December 2021 and 31 December 2022. Accordingly, calculation of gearing ratio is not meaningful to the Group.

There were no changes in the Group's approach to capital management during the financial years under review. The Group is not subject to externally imposed capital requirements.

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION

The Group prepared the following segment information in accordance with MFRS 8 *Operating Segments* based on the internal reports of the Group's strategic business units which are regularly reviewed by directors for the purpose of making decisions about resource allocation and performance assessment.

The two reportable operating segments are as follow:

Segments	**Product and services**
One-off project-based income model	Design and implementation of enterprise and data centre networking, and cybersecurity solutions. This revenue model comprises sales of hardware, software licence subscription and/or implementation service fees
Recurring income model	Professional IT services business segment which typically comprises annual contract fees and service fees with a contract tenure of between 1 and 3 years

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	One-off project-based income model RM'000	Recurring income model RM'000	Total RM'000
31 December 2019			
Revenue:			
Revenue from external customer	35,664	14,970	50,634
Segment profit	6,294	6,364	12,658
Other income			428
Unallocated expenses			(4,415)
Finance income			532
Finance costs			(3)
Income tax expense			(2,664)
Profit for the financial year			6,536
Results:			
Included in the measure of segment profit are:			
Depreciation of property, plant and equipment			553
Employee benefits expense			6,318

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	One-off project-based income model RM'000	Recurring income model RM'000	Total RM'000
31 December 2020			
Revenue:			
Revenue from external customer	35,245	15,985	51,230
Segment profit	5,701	8,645	14,346
Other income			66
Unallocated expenses			(3,967)
Finance income			577
Finance costs			-
Income tax expense			(2,673)
Profit for the financial year			8,349
Results:			
Included in the measure of segment profit are:			
Depreciation of property, plant and equipment			378
Employee benefits expense			7,195

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	One-off project-based income model RM'000	Recurring income model RM'000	Total RM'000
31 December 2021			
Revenue:			
Revenue from external customer	41,768	17,773	59,541
Segment profit	7,442	10,364	17,806
Other income			69
Unallocated expenses			(4,453)
Finance income			165
Finance costs			(10)
Income tax expense			(3,331)
Profit for the financial year			10,246
Results:			
Included in the measure of segment profit are:			
Depreciation of property, plant and equipment			399
Employee benefits expense			7,185

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

	One-off project-based income model RM'000	Recurring income model RM'000	Total RM'000
31 December 2022			
Revenue:			
Revenue from external customer	72,851	17,744	90,595
Segment profit	14,665	10,046	24,711
Other income			66
Unallocated expenses			(7,169)
Finance income			209
Finance costs			(16)
Income tax expense			(4,648)
Profit for the financial year			13,153
Results:			
Included in the measure of segment profit are:			
Depreciation of property, plant and equipment			434
Employee benefits expense			9,834

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONTINUED)

28. SEGMENT INFORMATION (CONTINUED)

Geographical information

The Group operates solely in Malaysia, hence, no geographical segment is presented.

Information about major customer

For cybersecurity, networking and professional IT services, revenue from two (2) (31.12.2021: two (2); 31.12.2020: four (4) and 31.12.2019: three (3)) customers represented approximately RM57,768,728 (31.12.2021: RM32,324,799; 31.12.2020: RM34,518,570 and 31.12.2019: RM28,019,634) of the Group's total revenue.

29. SIGNIFICANT EVENT DURING THE FINANCIAL YEARS

Acquisition of Cloudpoint Solutions Sdn. Bhd.

On 20 June 2022, the Company had entered into a conditional share sale and purchase agreement to acquire the entire issued share capital of Cloudpoint Solutions Sdn. Bhd. comprising 1,500,000 ordinary shares for a purchase consideration of RM15,650,304, which is to be fully satisfied through the issuance of 425,279,999 new shares at RM0.0368 each to the shareholders of Cloudpoint Solutions Sdn. Bhd.

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Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA)
Chartered Accountants (AF 0117)
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur, Malaysia

T : +603 2297 1000
F : +603 2282 9980

info@bakertilly.my
www.bakertilly.my

10 April 2023

The Board of Directors
Cloudpoint Technology Berhad
Unit J-6-13, Block J
Solaris Mont' Kiara
No. 2, Jalan Solaris, Mont' Kiara
50480 Kuala Lumpur

Dear Sirs,

CLOUDPOINT TECHNOLOGY BERHAD ("Cloudpoint" or the "Company") AND ITS SUBSIDIARY

REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2022 INCLUDED IN A PROSPECTUS

We have completed our assurance engagement to report on the compilation of the pro forma consolidated statements of financial position of Cloudpoint and its subsidiary, namely Cloudpoint Solutions Sdn. Bhd. (the "Group") for which the directors of Cloudpoint are solely responsible. The pro forma consolidated statements of financial position consist of the pro forma consolidated statements of financial position as at 31 December 2022 together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Cloudpoint have compiled the pro forma consolidated statements of financial position are as described in Note 2 to the pro forma consolidated statements of financial position and in accordance with the requirements of the *Prospectus Guidelines – Equity* issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated statements of financial position of the Group has been compiled by the directors of Cloudpoint, for illustrative purposes only, for inclusion in the prospectus of Cloudpoint ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of Cloudpoint on the ACE Market of Bursa Malaysia Securities Berhad ("Listing"), after making certain assumptions and such adjustments to show the effects on the pro forma consolidated financial position of the Group as at 31 December 2022 adjusted for the listing scheme and utilisation of proceeds as described in Notes 1.2 and 3.2.1 respectively.

As part of this process, information about Cloudpoint's pro forma consolidated statements of financial positions has been extracted by the directors of Cloudpoint from the audited financial statements of Cloudpoint and its subsidiary as follows:

Company Name	Financial Year Ended ("FYE")
Cloudpoint	31 December 2022
Cloudpoint Solutions Sdn. Bhd. ("CSSB")	31 December 2022

The audited financial statements of Cloudpoint and its subsidiary for the FYE 31 December 2022 were reported by us to its members without any modifications.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The directors of Cloudpoint are responsible for compiling the pro forma consolidated statements of financial position based on the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirement of the *By-Laws (on Professional Ethics, Conduct and Practice)* issued by the Malaysian Institute of Accountants and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)*, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies *International Standard on Quality Control 1 (ISQC 1), Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the directors of Cloudpoint based on the Applicable Criteria and in accordance with the Malaysian Institute of Accountants' Guidance Note for Issuers of Pro Forma Financial Information.

We conducted our engagement in accordance with *International Standard on Assurance Engagements 3420: Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of Cloudpoint have compiled, in all material respects, the pro forma consolidated statements of financial position based on the Applicable Criteria.

Reporting Accountants' Responsibilities **(continued)**

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated statements of financial position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated statements of financial position. In providing this opinion, we do not accept any responsibility for such reports or opinion beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the pro forma consolidated statements of financial position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted financial information of the Group as if the events had occurred or the transaction had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Cloudpoint in the compilation of the pro forma consolidated statements of financial position of the Group provide a reasonable basis for presenting the significant effects directly attributable to listing scheme as described in Note 1.2 to the pro forma consolidated statements of financial position, and to obtain sufficient appropriate evidence about whether:

(a) the pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of Cloudpoint and its subsidiary for the FYE 31 December 2022, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 31 December 2022; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events and transactions in respect of which the pro forma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

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

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CLOUDPOINT TECHNOLOGY BERHAD AND ITS SUBSIDIARY
Reporting Accountants' Report on the Compilation of the
Pro Forma Consolidated Statements of Financial Position
as at 31 December 2022 Included in a Prospectus

Opinion

In our opinion:

(a) the pro forma consolidated statements of financial position of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated statements of financial position, based on the audited financial statements of Cloudpoint and its subsidiary for the FYE 31 December 2022, and in a manner consistent with both the format of the financial statements and the accounting policies adopted by the Group in the preparation of its audited financial statements for the FYE 31 December 2022; and

(b) each material adjustment made to the information used in the preparation of the pro forma consolidated statements of financial position of the Group is appropriate for the purpose of preparing the pro forma consolidated statements of financial position.

Other Matters

This report has been prepared for inclusion in the Prospectus in connection with the Listing. As such, this report should not be used, circulated, quoted or otherwise referred to in any document or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

Baker Tilly Monteiro Heng PLT	Paul Tan Hong
201906000600 (LLP0019411-LCA) & AF 0117	No. 03459/11/2023 J
Chartered Accountants	Chartered Accountant

CLOUDPOINT TECHNOLOGY BERHAD AND ITS SUBSIDIARY

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

1. INTRODUCTION

The pro forma consolidated statements of financial position of Cloudpoint Technology Berhad ("Cloudpoint" or the "Company") and its subsidiary (hereinafter collectively referred to as the "Group") has been compiled by the directors of Cloudpoint, for illustrative purposes only, for inclusion in the prospectus of Cloudpoint in connection with the listing of and quotation for the entire enlarged issued share capital of Cloudpoint on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities")("Listing").

1.1 Cloudpoint is undertaking a listing of and quotation for its entire enlarged issued share capital of RM56,051,905 comprising 531,600,000 new ordinary shares in Cloudpoint ("Shares") on the ACE Market of Bursa Securities. The Listing comprises the following:

1.2 Listing Scheme

1.2.1 Acquisition of a subsidiary (the "Acquisition")

Acquisition of Cloudpoint Solutions Sdn. Bhd. ("CSSB")

On 20 June 2022, the Company had entered into a conditional share sale and purchase agreement to acquire the entire issued share capital of CSSB comprising 1,500,000 ordinary shares for a purchase consideration of RM15,650,304, which was fully satisfied through the issuance of 425,279,999 new Shares at RM0.0368 each to the vendor of CSSB.

The purchase consideration of CSSB was arrived on a willing-buyer willing-seller basis, after taking into consideration the audited net assets of CSSB as at 31 December 2021. CSSB became the Company's wholly owned subsidiary upon completion of the acquisition.

BAKER TILLY MONTEIRO HENG PLT
201906000600 (LLP0019411-LCA) & AF 0117
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CLOUDPOINT TECHNOLOGY BERHAD AND ITS SUBSIDIARY

PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

1.2 (continued)

1.2.2 **Public Issue**

The Public Issue of 106,320,000 new Shares, representing 20.00% of the enlarged issued share capital, at an issue price or RM0.38 per new Share, is subject to the terms and conditions of the Prospectus and will be allocated and allotted in the following manner:

(i) 26,580,000 new Shares available for application by the Malaysian public by way of balloting;

(ii) 13,290,000 new Shares available for application by eligible directors, employees and persons who have contributed to the success of the Group; and

(iii) 66,450,000 new Shares by way of private placement to Bumiputera investors approved by the Ministry of International Trade and Industry.

(Collectively hereinafter referred as "Public Issue").

1.2.3 **Offer for Sale**

Offer for Sale of 53,160,000 existing Shares by way of private placement to selected investors, at an issue price of RM0.38 per share.

1.3 **Listing**

Admission to the official list and the listing of and quotation for the entire enlarged issued share capital of Cloudpoint of RM56,051,905 comprising 531,600,000 Shares on the ACE Market of Bursa Securities.

2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

2.1 The pro forma consolidated statements of financial position have been prepared to illustrate the pro forma consolidated financial position of the Group as at 31 December 2022, adjusted for the Listing Scheme as described in Notes 1.2 and 3.2.1, respectively.

2.2 The pro forma consolidated statements of financial position have been prepared based on audited financial statements of Cloudpoint and its subsidiary for the financial year ended ("FYE") 31 December 2022:

Company Name	FYE
Cloudpoint	31 December 2022
CSSB	31 December 2022

2.3 The audited financial statements of Cloudpoint and its subsidiary for the financial year under review were reported by the auditors to their respective members without any modifications.

2.4 The pro forma consolidated statements of financial position of the Group have been prepared for illustrative purposes only and, such information may not, because of its nature, give a true picture of the actual financial position and the results of the Group and does not purport to predict the future financial position and results of the Group.

2.5 The pro forma consolidated statements of financial position of the Group have been properly prepared on the basis set out in the accompanying notes to the pro forma consolidated statements of financial position based on the audited financial statements of Cloudpoint and its subsidiary for the FYE 31 December 2022, which have been prepared in accordance with the Malaysian Financial Reporting Standards and the International Financial Reporting Standards.

BAKER TILLY MONTEIRO HENG PLT
(LLP0019411-LCA)
AF 0117
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2. BASIS OF PREPARATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONTINUED)

2.6 The pro forma consolidated statements of financial position of the Group have been prepared in a manner consistent with both the format of the audited financial statements and accounting policies adopted by the subsidiary in the preparation of its audited financial statements for the FYE 31 December 2022 and the adoption of the following new accounting policies, which had been adopted by the Group as the group's accounting policies.

Merger accounting

The subsidiary is accounted for using the merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling-of-interests are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the business combination had been effected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

Acquisition of entities under common control does not result in any change in economic substance. Accordingly, the Group is a continuation of the acquired entities and is accounted for as follows:

- the assets and liabilities of the acquired entities are recognised and measured in the combined financial statements at the pre-combination carrying amounts;
- the retained earnings and other equity balances of acquired entities immediately before the business combination are those of the Group; and
- the equity structure, however, reflects the equity structure of the Group and the difference arising from the change in equity structure of the Group will be accounted for in merger reserve or merger deficit.

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP

3.1 The pro forma consolidated statements of financial position of the Group as set out below, for which the directors of Cloudpoint are solely responsible, have been prepared for illustrative purposes only, to show the effects on the audited consolidated statements of financial position of the Group as at 31 December 2022, had the Listing Scheme as described in Note 1.2 and the utilisation of proceeds as described in Note 3.2.1 been effected on that date, and should be read in conjunction with the notes accompanying thereto.

	Audited Statement of Financial Position as at 31 December 2022 RM'000	Pro Forma I After the Acquisition RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	-	4,026	4,026	8,419
Deferred tax assets	-	656	656	656
Total non-current assets	-	4,682	4,682	9,075
Current assets				
Inventories	-	2,685	2,685	2,685
Trade receivables	-	33,785	33,785	33,785
Other receivables	150	1,714	1,714	1,564
Contract assets	-	12,035	12,035	12,035
Cash and short-term deposits	-	11,678	52,080	45,262
Total current assets	150	61,897	102,299	95,331
TOTAL ASSETS	150	66,579	106,981	104,406
EQUITY AND LIABILITIES				
Equity attributable to owners of the Company				
Share capital	*	15,650	56,052	55,352
Merger reserve	-	(14,150)	(14,150)	(14,150)
Retained earnings	(848)	19,297	19,297	17,422
TOTAL EQUITY	(848)	20,797	61,199	58,624

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3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.1 (Continued)

	Audited Statement of Financial Position as at 31 December 2022 RM'000	Pro Forma I After the Acquisition RM'000	Pro Forma II After Pro Forma I and the Public Issue RM'000	Pro Forma III After Pro Forma II and the Utilisation of Proceeds RM'000
Non-current liability				
Lease liability	-	85	85	85
Total non-current liability	-	85	85	85
Current liabilities				
Lease liability	-	196	196	196
Current tax liabilities	-	1,691	1,691	1,691
Trade payables	-	10,383	10,383	10,383
Other payables	998	17,025	17,025	17,025
Contract liabilities	-	16,402	16,402	16,402
Total current liabilities	998	45,697	45,697	45,697
TOTAL LIABILITIES	998	45,782	45,782	45,782
TOTAL EQUITY AND LIABILITIES	150	66,579	106,981	104,406
Number of ordinary shares assumed to be in issue ('000)	@	425,280	531,600	531,600

(Net liabilities)("NL")/NA^ (RM'000)	(848)	20,797	61,199	58,624
(NL)/NA per ordinary share (RM)	(848,076.40)	0.05	0.12	0.11

^ attributable to owners of Cloudpoint

* Amount is less than RM1,000.
@ Number of share is less than 1,000 unit.

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3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 Notes to the pro forma consolidated statements of financial position are as follows:

3.2.1 The proceeds from the Public Issue would be utilised in the following manner:

Details of utilisation	RM'000	%	Time frame for utilisation from the date of listing
Not reflected in pro forma consolidated statements of financial position			
Business expansion [(1)]	13,300	32.92	Within 36 months
Office renovation cost and purchase of office furniture and equipment [(1)]	1,192	2.95	Within 48 months
Other expenses for relocation [(1)]	18	0.05	Within 48 months
Working capital requirements	15,802	39.11	Within 24 months
Reflected in pro forma consolidated statements of financial position			
Purchase of new corporate office	6,590	16.31	Within 48 months
Estimated listing expenses	3,500	8.66	Within 1 month
Gross proceeds	40,402	100.00	

(1) As at the latest practicable date, the Company has yet to enter into any contractual binding agreement or issue any purchase order in relation to the proceeds earmarked for the business expansion, other expenses for relocation, office renovation cost and purchase of office furniture and equipment. Accordingly, the utilisation of proceeds earmarked for capital expenditure are not reflected in the pro forma consolidated statements of financial position.

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.2 The pro forma consolidated statements of financial position should be read in conjunction with the notes below:

(a) **Pro Forma I**

Pro Forma I incorporates the effects of the Acquisition as described in Note 1.2.1 on the pro forma consolidated statements of financial position of the Group as at 31 December 2022.

The merger reserve arising from the Acquisition is as follows:

	RM'000
Purchase consideration	15,650
Less: Share capital of subsidiary	(1,500)
Merger reserve	14,150

3. **PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)**

3.2 (Continued)

3.2.2 (Continued)

(a) **Pro Forma I (continued)**

The Acquisition had the following impact on the pro forma consolidated statements of financial position of the Group as at 31 December 2022:

	Increase/(Decrease)	
	Effects on Total Assets RM'000	**Effects on Total Liabilities/ Equity RM'000**
Property, plant and equipment	4,026	-
Deferred tax assets	656	-
Inventories	2,685	-
Trade receivables	33,785	-
Other receivables	1,564	-
Contract assets	12,035	-
Cash and short-term deposits	11,678	-
Share capital	-	15,650
Merger reserve	-	(14,150)
Retained earnings	-	20,145
Lease liability		
- non-current	-	85
- current	-	196
Current tax liabilities	-	1,691
Trade payables	-	10,383
Other payables	-	16,027
Contract liabilities	-	16,402
	66,429	66,429

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.2 (Continued)

(b) **Pro Forma II**

Pro Forma II incorporates the cumulative effects of Pro Forma I, the Public Issue and Offer of Sales as described in Notes 1.2.2 and 1.2.3 respectively.

The Public Issue will have the following impact on the pro forma consolidated statements of financial position of the Group as at 31 December 2022:

	Increase	
	Effects on Total Assets RM'000	**Effects on Equity RM'000**
Cash and short-term deposits	40,402	-
Share capital	-	40,402
	40,402	40,402

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.2 (Continued)

(c) **Pro Forma III**

Pro Forma III incorporates the cumulative effects of Pro Forma II and the utilisation of proceeds from the Public Issue of RM40.40 million after netting off RM3.50 million of estimated listing expenses. The remaining proceeds expected from the Public Issue of RM36.90 million will be used in the manner as described in Note 3.2.1.

The proceeds arising from the Public Issue earmarked for the business expansion, office renovation cost and purchase of office furniture and equipment, other expenses for relocation and working capital of RM30.31 million will be included in the Cash and Short-Term Deposits Account.

The acquisition of 2 units of corporate offices at Pavilion Damansara Heights, Kuala Lumpur, Wilayah Persekutuan ("New Office") has a total purchase consideration of RM7.32 million. The Group plans to finance RM0.73 million or 10.0% of the purchase consideration via internally generated funds. The remaining RM6.59 million or 90.0% of the purchase consideration will be financed by proceeds arising from the Public Issue earmarked for the purchase of the New Office. As at 31 December 2022, out of the RM7.32 million purchase consideration, RM2.93 million has been included in the Property, Plant and Equipment Account as per the incurred progress billings. The remaining purchase consideration of RM4.39 million will be debited to Property, Plant and Equipment Account.

As at 31 December 2022, out of the RM3.50 million listing expenses, RM0.92 million has been incurred and charged to the Retained Earnings Account, and RM0.15 million has been recorded in the Other Receivables Account as prepayment. Out of the remaining estimated lisitng expense to be incurred of RM2.43 million, RM1.88 million will be charged to Retained Earnings Account and RM0.55 million together with the prepaid RM0.15 million will be recognised in Share Capital Account as these are directly attributable expenses relating to the new issuance of shares.

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3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.2 (Continued)

(c) **Pro Forma III (continued)**

The utilisation of proceeds will have the following impact on the pro forma consolidated statements of financial position of the Group as at 31 December 2022:

	Increased/(Decrease)	
	Effects on Total Assets RM'000	**Effects on Total Equity RM'000**
Property, plant and equipment	4,393	-
Cash and short-term deposits	(6,818)	-
Other receivables	(150)	-
Share capital	-	(700)
Retained earnings	-	(1,875)
	(2,575)	(2,575)

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3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF THE GROUP (CONTINUED)

3.2 (Continued)

3.2.3 Movements in share capital and reserves are as follows:

	Share capital RM'000	Merger reserve RM'000	Retained earnings RM'000
Audited statement of financial position of Cloudpoint as at 31 December 2022	*	-	(848)
Arising from the Acquisition	15,650	(14,150)	20,145
Per Pro Forma I	15,650	(14,150)	19,297
Arising from the Public Issue	40,402	-	-
Per Pro Forma II	56,052	(14,150)	19,297
Arising from the Utilisation of Proceeds	(700)	-	(1,875)
Per Pro Forma III	55,352	(14,150)	17,422

* Amount is less than RM1,000.

3.2.4 Movements in cash and short-term deposits are as follows:

	RM'000
Audited statement of financial position of Cloudpoint as at 31 December 2022	-
Arising from Acquisition	11,678
Per Pro Forma I	11,678
Arising from the Public Issue	40,402
Per Pro Forma II	52,080
Arising from the Utilisation of Proceeds	(6,818)
Per Pro Forma III	45,262

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CLOUDPOINT TECHNOLOGY BERHAD AND ITS SUBSIDIARY

APPROVAL BY BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of Cloudpoint Technology Berhad in accordance with a resolution dated 10 APR 2023

....	....
Choong Wai Hoong	**Yew Choong Cheong**
Director	**Director**

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14. STATUTORY AND OTHER INFORMATION

14.1 OUR SHARE CAPITAL

As at LPD, our issued share capital is RM15,650,305 comprising 425,280,000 Shares. The movements in our share capital since the date of our incorporation are set out below:

Date of allotment	No. of Shares allotted	Consideration/Types of issue	Cumulative share capital
			RM
9 June 2021	1	RM1/ Subscribers' share	1
3 February 2023	425,279,999	RM15,650,304/ Consideration for the Acquisition of CSSB	15,650,305

As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another and we do not have any outstanding warrants, options, convertible securities and uncalled capital. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

Upon completion of our IPO, our enlarged share capital will increase to RM56,051,905 comprising 531,600,000 Shares.

Save for the Pink Form Allocations as disclosed in Section 4.3.3,

(i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiary; and

(ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiary.

Save for the issuance of our subscribers' share upon our incorporation and new Shares issued and to be issued for the Acquisition of CSSB and Public Issue, no shares of our Company or our subsidiary have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus. Other than our Public Issue as disclosed in Section 4.3, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.

14.2 SHARE CAPITAL OF OUR SUBSIDIARY

CSSB is the subsidiary of our Group. CSSB's share capital as at LPD is RM1,500,000 comprising 1,500,000 ordinary shares. The movements in its share capital since incorporation are as follows:

Date of allotment	No. of shares allotted	Consideration/ Type of issue	Cumulative share capital
			RM
22 January 2003	100	RM100/ Subscribers' shares	100
12 March 2003	99,900	RM99,900/ Cash allotment	100,000
10 November 2003	400,000	RM400,000/ Cash allotment	500,000
8 November 2004	1,000,000	RM1,000,000/ Cash allotment	1,500,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in CSSB. In addition, there are no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

14.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Constitution are based on the current Listing Requirements and the Act.

(1) Remuneration of Directors

Clause 115 - Remuneration

The fees and any benefits payable to the Directors from time to time, be subject to annual shareholder approval at general meeting and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, except that any Director, who shall hold office for part only of the period in respect of which such fees are payable, shall be entitled only to rank in such division for a proportion of the fees related to the period during which he has held office, PROVIDED ALWAYS that:

(a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

(b) salaries payable to executive Directors shall not include a commission on or percentage of turnover;

(c) fees and any benefits payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting; and

(d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of that Director.

Clause 116(1) - Reimbursement

The Directors shall be entitled to be reimbursed for all travelling or such other reasonable expenses as may be incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise, howsoever, in or about the business of the Company in the course of the performance of their duties as Directors.

Clause 120 - Directors' borrowing powers

(1) To the extent that the Act, the Listing Requirements and the Constitution allow, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and uncalled capital, or any part thereof, and to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of the Company or of any related third party, PROVIDED ALWAYS that nothing contained in this Constitution shall authorise the Directors to borrow any

money or mortgage or charge any of the Company's undertaking, property or any uncalled capital or to issue debentures and other Securities whether outright or as security for any debt, liability or obligation of an unrelated third party. Provided also that the Directors shall not issue any debt Securities convertible to ordinary shares without the prior approval of the Company in meeting of members.

(2) The Directors shall cause a proper register to be kept in accordance with Section 60 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard the registration of mortgages and charges therein specified or otherwise.

(3) Subject to the Act, if the Directors or any of them or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors, or other persons so becoming liable as aforesaid from any loss in respect of such liability.

(2) Voting of Directors

Clause 132 - Proceedings of meeting

A meeting of the Directors, for the time being at which a quorum is present, shall be competent to exercise all or any of the powers, authorities and discretion by or under the Constitution, vested in or exercisable by the Directors generally. Subject to the Constitution, questions arising at any meeting of the Directors shall be decided by a majority of votes.

Clause 133 - Chairman's casting vote

In case of equality of votes, the Chairman shall have a second or casting vote, except where only two (2) Directors are competent to vote on the questions at issue, or at the meeting where only two (2) Directors form the quorum.

(3) Share capital and variation of class rights

Clause 60 - Increase of share capital

The Company may, from time to time, whether all the Shares for the time being issued shall have been fully paid up or not, by Ordinary Resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount to be divided into Shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 12 - Power to Issue Preference Shares

The Company shall have power to issue preference shares ranking equally with or in priority to preference shares already issued and the Directors may, subject to the provisions of the Act, redeem such shares on such terms and in such manner as they may think fit.

Clause 13 - Rights of Preference Shareholders

(1) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference shares and subject to the Act, preference shareholders shall have the same right as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending general meetings of the Company.

(2) Save as otherwise specifically provided for under this Constitution in respect of any particular class of preference share, preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital of the Company or sanctioning a disposal of the whole of the Company's property, business and undertaking or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months or on a proposal to wind-up the Company or during the winding up of the Company, but shall have no other rights whatsoever.

(3) The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up.

Clause 61 – Issue of New Shares to Existing Members

Subject to any direction to the contrary that may be given by the Company in general meeting, all new Shares or other convertible Securities shall, before they are issued, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing Shares or Securities to which they are entitled. The offer shall be made by notice specifying the number of Shares or Securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of such time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the Shares or Securities offered, the Directors may dispose of those Shares or Securities in such manner as they think most beneficial to the Company. The Directors may, likewise, also dispose of any new Shares or Securities which (by reason of the ratio which the new Shares or Securities bear to Shares or Securities held by persons entitled to an offer of new Shares or Securities), cannot, in the opinion of the Directors, be conveniently, offered under this Clause.

Clause 25 - Modification of Rights

If at any time the share capital of the Company, by reason of the issuance of preference shares or otherwise is divided into different classes, the repayment of such preferred capital or all or any of the rights and privilege attached to each class may subject to the provisions of Section 91 of the Act, this Constitution and the provisions of any written law, be varied, modified, commuted, affected, abrogated or dealt with by resolution passed by the holders of at least three-fourth of the issued shares of that class at a separate meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall mutatis mutandis apply to every such meeting except that the quorum hereof shall be two (2) persons at least holding or representing by proxy one third of the issued shares of the class and for an adjourned meeting one (1) person holding shares of such class.

Provided however that in the event of the necessary majority for such a resolution not having been obtained in the manner aforesaid consent in writing may be secured by members holding at least three-fourths of the issued shares of the class and such consent if obtained within two (2) months from the date of the separate meeting shall have the force and validity of a resolution duly carried. To every such resolution the provisions of Section 91 of the Act, shall with such adaptations as are necessary apply.

Alteration of Capital

Clause 62 - Alteration of Capital

Subject to the Statutes, the Company may from time to time alter its share capital by passing a special resolution to:

(a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share, shall be the same as it was in the case of the share from which the subdivided share is derived;

(b) convert all or any of its issued paid-up shares into stock and reconvert that stock into paid up Shares;

(c) subdivide its shares or any of the shares, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived;

(d) cancel any Shares, which at the date of the passing of the resolution, which have not been taken or agreed to be taken by any person or which have been forfeited, and diminish the amount of its share capital by the amount of the Shares so cancelled; or

(e) subject to the provisions of the Constitution and the Act, convert and/or reclassify any class of Shares into any other class of Shares.

Clause 63 – Capital Reduction

The Company may by Special Resolution, reduce its share capital in accordance with Section 84 of the Act.

Clause 17 - Shares Issued for Purposes of Raising Money for the Construction of Works or Building

Subject to Section 130 of the Act and any other conditions and restrictions prescribed by the Act, if any Shares of the Company are issued for the purpose of raising money to defray the expenses of construction of any works or buildings or the provision of any plant which cannot be made profitable for lengthened period, the Company may pay interest on so much of that share capital as is for the time being paid up for the period, and may charge the sum so paid by way of interest to capital as part of the cost of construction of the works or buildings or the provision of plant or equipment.

(4) Transfer of securities

Clause 49 - Transfer of securities

The transfer of any Listed Securities or class of Listed Securities in the Company shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of Listed Security.

Clause 50 - Instrument of Transfer

Every instrument of transfer (for any share not being a Deposited Security) must be left for registration at the office of the Company's Registrar accompanied by the certificate of the shares comprised therein (if any) and such evidence as the Directors may reasonably require to prove the right of the transferor to make the transfer and the due execution by him of the instrument of transfer which is executed in accordance with the Statutes, and subject to the power vested in the Directors by this Constitution or the provisions of any other written law and if required, to reasonable evidence of nationality, the Company shall register the transferee as shareholder.

A fee not exceeding RM3.00 (excluding the stamp duty) or any amount as shall be determined from time to time by the Exchange may be charged for each transfer and shall if required by the Directors be paid before the registration thereof.

Clause 51 - Person Under Disability

No shares shall in any circumstances be transferred to any minor, bankrupt or person of unsound mind.

Clause 52(1) - Refusal to Transfer

Subject to Section 106 and any other relevant provisions of the Act, the Directors may refuse or delay to register the transfer of a share, not being a Deposited Security, to a person of whom they shall not approve.

Clause 52(2) - Notice of Refusal

If the Directors passed a resolution to refuse or delay the registration of a transfer, they shall, within seven (7) days of the resolution being passed, give to the lodging broker, transferor and the transferee written notice of the resolution setting out the precise reasons thereof.

Clause 53 - Non-Liability of the Company, its Directors and Officers in Respect of Transfer

Neither the Company nor its Directors nor any of its officers shall incur any liability for registering or acting upon a transfer of shares apparently made by sufficient parties, although the same may, by reason of any fraud or other cause not known to the Company or its Directors or other officers be legally inoperative or insufficient to pass the property in the shares proposed or professed to be transferred, and although the transfer may, as between the transferor and transferee, be liable to be set aside, and notwithstanding that the Company may have notice that such instrument of transfer was signed or executed and delivered by the transferor in blank as to the name of the transferee or the particulars of the shares transferred or otherwise in defective manner. And in every such case, the person registered as transferee, his executors, administrators and assigns alone shall be entitled to be recognised as the holder of such shares and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

(5) Winding up

Clause 194 – Distribution of assets in Specie

If the Company is wound up (whether the liquidation is voluntary, under supervision, or by the Court), the liquidator may, with the sanction of a special resolution of the Company and subject to the Act, divide amongst the members in specie or in kind the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of any such assets, in trustees upon such trusts for the benefit of the contributories as the liquidator, with the like sanction, thinks fit, but so that no member shall be compelled to accept any shares or other Securities whereon there is any liability.

14.4 GENERAL INFORMATION

(i) Save for the dividends paid to the shareholders of our subsidiary as disclosed in Section 11.7, purchase consideration paid for the Acquisition of CSSB as disclosed in Section 6.1.3(ii) and Directors' remuneration as disclosed in Section 5.5.1, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoter, Director or substantial shareholder.

(ii) Save as disclosed in Section 9.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.

(iii) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 15.

(iv) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.5 CONSENTS

(i) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;

(ii) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and Reporting Accountants' report relating to our pro forma consolidated statements of financial position in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

(iii) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

14.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

(i) Constitution;

(ii) Audited financial statements of Cloudpoint for FYE 2021 and FYE 2022;

(iii) Audited financial statements of CSSB for FYE 2019, FYE 2020, FYE 2021 and FYE 2022;

(iv) Accountants' Report as set out in Section 12;

(v) Reporting Accountants' report relating to our pro forma consolidated statements of financial position as set out in Section 13;

(vi) IMR Report as set out in Section 7;

(vii) Material contracts as set out in Section 6.7; and

(viii) Letters of consent as set out in Section 14.5.

14.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 9 May 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 15 May 2023

In the event of any changes to the date or time for closing, we will make an announcement on Bursa Securities' website and advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors and employees of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

15.2.2 Placement

Types of Application	Application Method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera Investors approved by MITI may still apply for our IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

(i) You must be one of the following:

(a) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

(b) a corporation/ institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/ trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or

(c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

(ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

(iii) You must submit Applications by using only one of the following methods:

(a) White Application Form; or

(b) Electronic Share Application; or

(c) Internet Share Application.

15.3.3 Application by eligible Directors and employees of our Group

The eligible Directors and employees of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated Issue Shares. The eligible Directors and employees of our Group must follow the notes and instructions in the said document and where relevant, in this Prospectus.

15.4 APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.38 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 739"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

(i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No.: 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

(ii) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur.

so as to arrive not later than 5.00 p.m. on 15 May 2023 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

(i) reject Applications which:

  (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

  (b) are illegible, incomplete or inaccurate; or

  (c) are accompanied by an improperly drawn up or improper form of remittance; or

(ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

(iii) bank in all Application monies (including those from unsuccessful/ partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at anytime within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 OVER/ UNDERSUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of our IPO Shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at https://tiih.online within 1 Market Day after the balloting event.

Pursuant to the Listing Requirements, we are required to have at least 25.0% of our total number of Shares for which listing is sought to be held by a minimum number of 200 public shareholders holding not less than 100 Shares each upon our admission to the Official List and completion of our IPO. We expect to achieve this at the point of Listing. In the event this requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all the Applications will be returned in full (without interest or any share of revenue or benefits arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

In the event of any undersubscription of the IPO Shares, subject to the clawback and reallocation provisions set out Section 4.3.4 of this Prospectus, any of the aforementioned Issue Shares not applied for will then be subscribed by the Underwriter subject to the terms and conditions of the Underwriting Agreement.

15.9 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/ partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Forms

(i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/ registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

(ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/ registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).

(iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/ distribution) or by issuance of banker's draft sent by ordinary/ registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

(i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.

(ii) You may check your account on the 5th Market Day from the balloting date.

(iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your application:

(i) Our IPO Shares allotted to you will be credited into your CDS Account.

(ii) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

(iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued/ offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Depository Rules.

(iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at +60 3 2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at https://tiih.online, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.