

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

Our Company was only incorporated on 4 August 2022 to facilitate our Listing. The historical financial information of our Group for FYE 2019 to 2022 and FPE 2023 is therefore presented based on the audited combined financial statements of our Group.

The audited combined financial statements throughout the FYE 2019 to 2022 and FPE 2023 have been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

**12.1.1 Historical combined statements of profit or loss and other comprehensive income**

The following table sets out a summary of our historical combined statements of profit or loss and other comprehensive income for FYE 2019 to 2022 and FPE 2022 and 2023, which have been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	13,311	16,395	20,003	20,982	8,883	10,800
Cost of sales	(5,268)	(6,741)	(8,651)	(9,332)	(3,850)	(4,420)
<b>GP</b>	<b>8,043</b>	<b>9,654</b>	<b>11,352</b>	<b>11,650</b>	<b>5,033</b>	<b>6,380</b>
Other income	312	718	2,010	411	346	138
Administrative and other expenses	(1,420)	(2,207)	(3,392)	(3,924)	(1,790)	(2,665)
Finance costs	(50)	(41)	(14)	(5)	(3)	(2)
(Net impairment losses)/ Net reversal of impairment losses on financial assets	(94)	1	474	340	(268)	(106)
<b>PBT</b>	<b>6,791</b>	<b>8,125</b>	<b>10,430</b>	<b>8,472</b>	<b>3,318</b>	<b>3,745</b>
Tax expense	(94)	(1,254)	(2,530)	(1,424)	(646)	(1,000)
<b>PAT</b>	<b>6,697</b>	<b>6,871</b>	<b>7,900</b>	<b>7,048</b>	<b>2,672</b>	<b>2,745</b>
<b>Other comprehensive income</b>						
<u>Item that will not be reclassified subsequently to profit or loss</u>						
Fair value changes of equity investment	75	848	-	-	-	-
<b>Total comprehensive income</b>	<b>6,772</b>	<b>7,719</b>	<b>7,900</b>	<b>7,048</b>	<b>2,672</b>	<b>2,745</b>
EBIT <sup>(1)</sup>	6,830	8,048	10,352	8,407	3,303	3,668
EBITDA <sup>(1)</sup>	7,043	8,244	10,601	8,588	3,398	3,748
GP margin (%) <sup>(2)</sup>	60.4	58.9	56.8	55.5	56.7	59.1
PBT margin (%) <sup>(3)</sup>	51.0	49.6	52.1	40.4	37.4	34.7
PAT margin (%) <sup>(3)</sup>	50.3	41.9	39.5	33.6	30.1	25.4
Effective tax rate (%) <sup>(4)</sup>	1.4	15.4	24.3	16.8	19.5	26.7
Basic EPS (sen) <sup>(5)</sup>	1.2	1.2	1.4	1.3	0.5	0.5
Diluted EPS (sen) <sup>(6)</sup>	1.0	1.0	1.2	1.1	0.4	0.4

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

(1) EBIT and EBITDA are calculated as follows:

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT	6,697	6,871	7,900	7,048	2,672	2,745
Less:						
Interest income	(11)	(118)	(92)	(70)	(18)	(79)
Add:						
Finance costs	50	41	14	5	3	2
Taxation	94	1,254	2,530	1,424	646	1,000
<b>EBIT</b>	<b>6,830</b>	<b>8,048</b>	<b>10,352</b>	<b>8,407</b>	<b>3,303</b>	<b>3,668</b>
Add:						
Depreciation	213	196	249	181	95	80
<b>EBITDA</b>	<b>7,043</b>	<b>8,244</b>	<b>10,601</b>	<b>8,588</b>	<b>3,398</b>	<b>3,748</b>

(2) GP margin is calculated based on GP over revenue.

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

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

(5) Basic EPS is calculated based on PAT over enlarged share capital of 561,900,200 Shares before IPO.

(6) Diluted EPS is calculated based on PAT over enlarged share capital of 671,187,000 Shares after IPO.

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

The following table sets out the historical combined statements of financial position of our Group as at 31 December 2019, 2020, 2021, 2022 and 30 June 2023, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>				
	<b>31 December</b>				<b>30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>					
Property, plant and equipment	800	1,118	1,040	809	833
Investment properties	4,644	4,546	4,097	-	-
Right-of-use assets	-	-	153	94	133
Intangible assets	-	-	549	1,183	1,519
Other investments	493	1,377	-	-	-
Deferred tax assets	302	259	123	33	42
<b>Total non-current assets</b>	<b>6,239</b>	<b>7,300</b>	<b>5,962</b>	<b>2,119</b>	<b>2,527</b>
<b>Current assets</b>					
Inventories	200	260	328	280	231
Trade receivables	3,209	2,898	1,926	2,359	2,851
Other receivables, deposits and prepayments	278	440	55	569	708
Contract assets	-	-	262	135	397
Current tax assets	-	-	-	189	384
Other investments	699	936	-	-	-
Fixed deposits with licensed banks	430	7,197	2,018	5,550	5,550
Cash and bank balances	1,819	2,531	3,463	5,283	4,659
<b>Total current assets</b>	<b>6,635</b>	<b>14,262</b>	<b>8,052</b>	<b>14,365</b>	<b>14,780</b>
<b>Total assets</b>	<b>12,874</b>	<b>21,562</b>	<b>14,014</b>	<b>16,484</b>	<b>17,307</b>
<b>Equity and liabilities</b>					
<b>Equity</b>					
Share capital	-	-	-	(1)	(1)
Invested capital	260	360	380	380	380
Fair value reserve	75	923	-	-	-
Retained earnings	10,583	12,704	9,926	12,233	13,978
<b>Total equity</b>	<b>10,918</b>	<b>13,987</b>	<b>10,306</b>	<b>12,613</b>	<b>14,358</b>
<b>Non-current liabilities</b>					
Lease liabilities	-	-	105	64	108
Term loans	917	898	-	-	-
Deferred tax liabilities	3	4	4	179	232
<b>Total non-current liabilities</b>	<b>920</b>	<b>902</b>	<b>109</b>	<b>243</b>	<b>340</b>
<b>Current liabilities</b>					
Trade payables	268	529	652	710	392
Other payables, deposits and accruals	678	5,686	2,112	2,885	2,189
Lease liabilities	-	-	49	33	28
Term loans	54	68	-	-	-
Current tax liabilities	36	390	786	-	-
<b>Total current liabilities</b>	<b>1,036</b>	<b>6,673</b>	<b>3,599</b>	<b>3,628</b>	<b>2,609</b>
<b>Total liabilities</b>	<b>1,956</b>	<b>7,575</b>	<b>3,708</b>	<b>3,871</b>	<b>2,949</b>
<b>Total equity and liabilities</b>	<b>12,874</b>	<b>21,562</b>	<b>14,014</b>	<b>16,484</b>	<b>17,307</b>

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

(1) Less than RM1,000.

**12.1.3 Historical combined statements of cash flows**

The following table sets out the historical combined statements of cash flows of our Group for FYE 2019 to 2022 and FPE 2023, which has been extracted from the Accountants' Report as set out in Section 13. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow from operating activities</b>					
Profit before taxation	6,791	8,125	10,430	8,472	3,745
Adjustments for:					
Depreciation of investment properties	98	98	99	16	-
Depreciation of property, plant and equipment	115	98	127	129	64
Depreciation of right-of-use assets	-	-	23	36	16
Dividend income	(11)	(13)	(25)	(1)-	-
Gain on disposal of other investments	(71)	(66)	(1,780)	-	(36)
Gain on disposal of plant and equipment	-	-	-	(25)	-
Gain on disposal of investment properties	-	-	-	(270)	-
Gain on lease termination	-	-	-	(1)-	-
Plant and equipment written off	-	-	-	14	-
Fair value gain on other investments	(75)	(155)	-	-	-
Impairment loss on trade receivables	94	-	79	39	117
Impairment loss on investment properties	-	-	350	-	-
Interest expenses on lease liabilities	-	-	2	5	2
Interest expenses	50	41	12	-	-
Interest income	(11)	(118)	(92)	(70)	(79)
Loss on disposal of plant and equipment	2	-	-	(1)-	2
Rental income	(123)	(106)	(80)	(14)	-
Reversal of impairment loss on trade receivables	-	(1)	(553)	(379)	(11)
Operating profit before changes in working capital	6,859	7,903	8,592	7,953	3,820
Movements in working capital:					
Decrease/(Increase) in inventories	11	(60)	(68)	48	49
(Increase)/Decrease in contract assets	-	-	(262)	127	(262)
(Increase)/Decrease in trade and other receivables	(1,179)	150	1,831	(606)	(737)
Increase/(Decrease) in trade and other payables	365	769	1,049	831	(1,014)
Cash generated from operations	6,056	8,762	11,142	8,353	1,856
Income tax paid	(57)	(856)	(2,027)	(2,134)	(1,151)
Income tax refunded	21	-	29	-	-
<b>Net cash from operating activities</b>	<b>6,020</b>	<b>7,906</b>	<b>9,144</b>	<b>6,219</b>	<b>705</b>

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

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flow (for)/from investing activities</b>					
Additional investment in intangible assets	-	-	(549)	(634)	(336)
Dividend received	11	13	25	(1)-	-
Interest received	11	118	92	70	79
Rental received	123	106	80	14	-
Proceeds from disposal of other investments	370	277	4,093	-	67
Proceeds from disposal of plant and equipment	(1)-	-	3	1	1
Purchase of other investments	(189)	(329)	-	-	(31)
Purchase of plant and equipment (Placement)/ Withdrawal of fixed deposits with tenure more than 3 months	(155)	(416)	(52)	(268)	(91)
	(310)	(13)	443	-	-
<b>Net cash (for)/ from investing activities</b>	<b>(139)</b>	<b>(244)</b>	<b>4,135</b>	<b>(817)</b>	<b>(311)</b>
<b>Cash flow for financing activities</b>					
Dividend paid	(5,840)	(250)	(16,101)	(11)	(1,000)
Interest paid	(50)	(41)	(14)	(5)	(2)
Repayment of lease liabilities	-	-	(22)	(34)	(16)
Repayment of term loans	(55)	(5)	(966)	-	-
Proceeds from issue of share capital	-	100	20	(1)-	-
<b>Net cash used in financing activities</b>	<b>(5,945)</b>	<b>(196)</b>	<b>(17,083)</b>	<b>(50)</b>	<b>(1,018)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(64)</b>	<b>7,466</b>	<b>(3,804)</b>	<b>5,352</b>	<b>(624)</b>
<b>Cash and cash equivalents at the beginning of financial year/period</b>	<b>1,883</b>	<b>1,819</b>	<b>9,285</b>	<b>5,481</b>	<b>10,833</b>
<b>Cash and cash equivalents at the end of financial year/period</b>	<b>1,819</b>	<b>9,285</b>	<b>5,481</b>	<b>10,833</b>	<b>10,209</b>

**Note:**

(1) Less than RM1,000.

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**12. FINANCIAL INFORMATION (Cont'd)****12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and segmental analysis of our audited combined financial statements for FYE 2019 to 2022 and FPE 2023 should be read with the Accountants' Report included in Section 13.

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

We are principally involved in the following business activities:

- (i) development, customisation, implementation and integration of our Retail Management Eco-system; and
- (ii) other business segments comprising:
  - trading of third-party software;
  - trading of IT hardware; and
  - software customisation, implementation and integration of process control and automation solutions.

Please refer to Section 7 for our Group's detailed business overview.

**(b) Revenue**

Our revenue for FYE 2019 to 2022 and FPE 2023, representing 99.98%, 99.99%, 99.73%, 99.97% and 98.85% of our total revenue respectively, was derived in Malaysia and segmented based on our products offering and revenue models.

Our revenue models for our business segments are summarised as follows:

**(i) Retail Management Eco-system**

- One-off income

Our Group earns a one-off income from:

- the initial licensing of its Retail Management Eco-system to customers;
- the services rendered for project implementation of Retail Management Eco-system;
- outright sale of IT hardware; and
- training of customers' personnel on the usage of the Retail Management Eco-system.

The revenue is recognised at a point in time upon the delivery of goods/services that are accepted by customers.

Our Group generally collects a percentage of the income as a deposit upfront, upon execution of the contracts with customers, and the remainder is charged upon acceptance by customers.

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

- Recurring fees

In addition to the one-off license fee mentioned above, our Group charges a yearly recurring fee for the continuous use of the Retail Management Eco-system, namely for HQ Centralised Management, Store Operations and Financial Management solution, fees are agreed upon on an annual basis pursuant to the contracts with customers. Our Group bills such fees upfront on a monthly, quarterly or annual basis. As our standard practice is to bill our customers upfront on a quarterly basis. However, we may also bill our customers upfront on a monthly or annual basis, depending on our customers' request. Revenue in this respect is recognised over time on a monthly basis.

Our Group also earns recurring fees charged as monthly subscription fees based on the usage of Omni-channel Engagement and xBridge B2B solutions as follows:

- xBridge B2B solution: based on the number of electronic documents uploaded by the retail chain stores.
- Omni-channel Engagement solution: based on number of active members registered and online sales amount generated via the customer's e-commerce platform.

Our Group charges cloud server management service fees on an annual basis for the use of cloud-based infrastructure required for Retail Management Eco-system. Customers are billed the annual fee upfront, and revenue in this respect is recognised over time on a monthly basis.

**(ii) Other businesses**

- One-off income

Our Group earns one-off income from the outright sale of IT hardware as well as software licence fee for third-party software sold. Our Group also earns a one-off project customisation and implementation fee for process control and automation solutions. The revenue is recognised at a point in time upon the delivery of goods/services that are accepted by customers.

- Recurring fees

Our Group earns recurring fees as it charges annual support maintenance fee for the use of third-party software. The fees are agreed upon and billed on an annual basis. Revenue in this respect is recognised over time on a monthly basis.

**(c) Cost of sales**

Our cost of sales comprises the following:

**(i) Purchase costs**

Our purchase costs comprise of the purchases of third-party software and IT hardware that are used in the implementation of our solutions or purchased by our customers, which collectively represented 65.2%, 53.7%, 47.1%, 49.1% and 41.8% of our total cost of sales for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023 respectively.

**12. FINANCIAL INFORMATION (Cont'd)****(ii) Staff costs**

Our staff costs comprise salaries, bonuses and other related benefits for our Software Development Engineering, CTS and technical support (being part of Hardware, IT Infrastructure & Third Party Solution Services) departments that are attributable to the software development, customisation, integration, implementation and maintenance of our Retail Management Eco-system and third-party software, which contributed between 34.4%, 39.4%, 44.3%, 36.5% and 40.9% of our total cost of sales for FYE 2019, FYE 2020, FYE 2021, FYE 2022 and FPE 2023, respectively.

**(iii) Commission**

Commission is paid to the retail chain stores whose suppliers use our xBridge B2B solution. The commission is derived based on a percentage of the subscription fees collected from retail chain stores' suppliers. Each supplier is required to register for a new subscription under for each individual retail chain store. This allows for the usage of the solution per store and supplier to be determined, and in turn, the commission to be paid.

**(iv) Director's remuneration**

Salary, allowances and other related benefits for our Executive Director/ Chief Technology Officer that is directly attributable to the development, enhancement and customisation of our solutions and therefore can be directly accounted as cost of sales. He began drawing salary since October 2020 upon the mutual agreement from the existing shareholders of Panda Software. Prior to FYE 2020, he was compensated solely as a shareholder, by dividend.

**(d) Other income**

Other income comprises mainly gain on fair value of other investments, gain on disposal of other investments, gain on disposal of investment properties, interest income, rental income and wages subsidy.

**(e) Administrative expenses**

Administrative expenses mainly comprise administrative staff costs, benefits and welfare, IPO expenses, depreciation of property, plant and equipment and investment properties, directors' remuneration, impairment loss on investment properties, professional fees, rental expenses, transportation and accommodation, upkeep of property, plant and equipment, and utilities and telecommunication.

**(f) Net impairment losses/ (net reversal of impairment losses) on financial assets**

Being the provision for impairment losses on our trade receivables based on assessment on the expected credit loss made on the trade receivable in accordance with MFRS 9.

**(g) Finance costs**

Finance costs comprise interest expense on term loans and interest expense on lease liabilities.



**12. FINANCIAL INFORMATION (Cont'd)****(h) Recent developments**

Save for the Acquisitions, there were no other significant events subsequent to our audited combined financial statements for FPE 2023.

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

There were no exceptional or extraordinary items during FYE 2019 to 2022 and FPE 2023. In addition, our audited combined financial statements for the financial years under review were not subject to any audit qualifications.

**(j) Significant factors affecting our business**

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

**(i) Dependency on our Executive Directors and key senior management for the continued success and growth of our business**

The continued success and growth of our business is dependent on our ability to retain our Executive Directors and key senior management team. Our Executive Directors, namely Loo Chee Wee and Tay Kheng Seng, who are also our Chief Executive Officer and Chief Technology Officer respectively, have played an instrumental role in leading our Group's growth and success since incorporation.

Our Executive Directors are supported by our key senior management who collectively has an average of 20 years of relevant working experience in their respective fields. These individuals have been vital in the growth and development of our business.

As such, the loss of our Executive Directors or any of our key senior management without suitable and timely replacement could have a material impact on our competitiveness, business and operations.

Please refer to Section 9.1.1.

**(ii) Dependency on our experienced and skilled personnel for the success of our Group**

We are dependent on the technical expertise of our technical personnel involved in software development, project implementation, business development and after-sales support services to our customers.

Being in an industry with high requirements for technical competency, our future success is mainly dependent on our ability to attract, hire and retain qualified and experienced technical personnel to support our business operations. However, we may also face competition and challenges to recruit suitable technical talents, due to intensified competition amongst other industry players. Although we generally have not faced difficulties in hiring required technical personnel and have not faced any mass staff resignation in this respect, there is no assurance that we will be able to recruit or retain sufficient qualified and experienced technical personnel to sustain our current operations and to grow our business as set out in Section 7.18. Failure in such recruitment or retention may adversely affect our business operations and financial conditions.

Please refer to Section 9.1.2.

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

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**(iii) Dependency on our ability to secure orders from existing and new customers**

Due to the nature of our business, our future profitability and financial performance depend on our ability to secure new orders from existing and new customers.

The absence of long-term contracts of more than 1 year poses a risk of sustaining our business growth since our customers are not obliged to continue engaging us for our solutions and services. If we were to lose any of our customers, particularly our major customers, and are unable to secure orders from new customers or additional orders from existing customers in a timely manner, our business and financial performance may be adversely affected.

Additionally, the number and scale of orders from customers and the amount of revenue that we are able to derive therefrom are affected by a number of factors including, but not limited to, changes in our customers' businesses, economic downturn and slowdown in the retail industry (as illustrated in Section 9.2.1). Consequentially, our revenue may vary significantly from period to period.

Please refer to Section 9.1.3.

**(iv) Competition risk**

We face competition from established multinational and local retail management solution providers as well as potential new entrants/distributors.

The industry we operate in is highly competitive in terms of technology and software know-how, functionality and features, quality of service, timeliness of project delivery as well as technical support and response time. As such, our competitors may be equipped with better resources, capabilities and technical expertise allowing for them to offer a more comprehensive range of services, wider range of specialised services or improved service and timeliness as compared to us.

As such, failure to remain competitive within the industry may have materially adverse impact on our business operations and financial performance.

Please refer to Section 9.2.2.

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

**12.2.2 Review of our results of operations**

**(a) Revenue**

**Analysis of revenue by product/services and revenue model**

	Audited						Unaudited		Audited			
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2023			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
	<b>11,266</b>	<b>84.6</b>	<b>12,702</b>	<b>77.5</b>	<b>14,598</b>	<b>73.0</b>	<b>14,310</b>	<b>68.2</b>	<b>5,888</b>	<b>66.3</b>	<b>7,130</b>	<b>66.0</b>
Retail Management Eco-system:												
• HQ Centralised Management, Store Operations and Financial Management solution <sup>(1)</sup>	8,777	65.9	9,611	58.6	10,869	54.4	9,866	47.0	3,602	40.6	4,544	42.1
• One-off	2,489	18.7	3,091	18.9	3,729	18.6	4,444	21.2	2,286	25.7	2,586	23.9
• Recurring												
• xBridge B2B solution	<b>370</b>	<b>2.8</b>	<b>1,314</b>	<b>8.0</b>	<b>2,447</b>	<b>12.2</b>	<b>3,144</b>	<b>15.0</b>	<b>1,455</b>	<b>16.4</b>	<b>1,759</b>	<b>16.3</b>
• One-off	234	1.8	372	2.3	226	1.1	274	1.3	118	1.3	64	0.6
• Recurring	136	1.0	942	5.7	2,221	11.1	2,870	13.7	1,337	15.1	1,695	15.7
• Omni-Channel Engagement solution	<b>396</b>	<b>3.0</b>	<b>1,041</b>	<b>6.3</b>	<b>1,374</b>	<b>6.9</b>	<b>1,365</b>	<b>6.5</b>	<b>571</b>	<b>6.4</b>	<b>986</b>	<b>9.1</b>
• One-off	366	2.8	731	4.4	625	3.1	441	2.1	134	1.5	455	4.2
• Recurring	30	0.2	310	1.9	749	3.8	924	4.4	437	4.9	531	4.9
Others:												
• Outright sale of IT hardware and third-party software	<b>1,269</b>	<b>9.6</b>	<b>1,299</b>	<b>8.0</b>	<b>1,545</b>	<b>7.7</b>	<b>2,046</b>	<b>9.7</b>	<b>889</b>	<b>10.0</b>	<b>866</b>	<b>8.0</b>
• One-off	1,062	8.0	1,075	6.6	1,309	6.5	1,797	8.5	652	7.3	614	5.7
• Recurring	207	1.6	224	1.4	236	1.2	249	1.2	237	2.7	252	2.3
• Software customisation, implementation and integration of process control and automation solutions	<b>10</b>	<b>&lt;0.1</b>	<b>39</b>	<b>0.2</b>	<b>39</b>	<b>0.2</b>	<b>117</b>	<b>0.6</b>	<b>80</b>	<b>0.9</b>	<b>59</b>	<b>0.6</b>
• One-off	10	<0.1	39	0.2	39	0.2	117	0.6	80	0.9	59	0.6
	<b>13,311</b>	<b>100.0</b>	<b>16,395</b>	<b>100.0</b>	<b>20,003</b>	<b>100.0</b>	<b>20,982</b>	<b>100.0</b>	<b>8,883</b>	<b>100.0</b>	<b>10,800</b>	<b>100.0</b>

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

**Note:**

- (1) Includes sales of IT hardware and third-party software associated with the solutions offered by our Group.

**Analysis of revenue by customer segment**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	FPE 2022	%	FPE 2023	%
									RM'000		RM'000	
Retail chain stores												
• Grocery retail stores	10,136	76.2	11,861	72.4	14,615	73.0	14,052	67.0	5,550	62.5	7,382	68.4
• General merchandise retailers	949	7.1	579	3.5	679	3.4	755	3.6	345	3.9	286	2.6
• Speciality stores	324	2.4	1,138	6.9	561	2.8	629	3.0	399	4.5	320	3.0
• Convenient stores	138	1.0	78	0.5	56	0.3	186	0.9	108	1.2	46	0.4
Retail chain stores suppliers	401	3.0	1,357	8.3	2,461	12.3	3,168	15.1	1,462	16.4	1,790	16.6
Others <sup>(1)</sup>	1,363	10.3	1,382	8.4	1,631	8.2	2,192	10.4	1,019	11.5	976	9.0
	<b>13,311</b>	<b>100.0</b>	<b>16,395</b>	<b>100.0</b>	<b>20,003</b>	<b>100.0</b>	<b>20,982</b>	<b>100.0</b>	<b>8,883</b>	<b>100.0</b>	<b>10,800</b>	<b>100.0</b>

**Note:**

- (1) Comprises mainly manufacturing, general trading, car workshop, professional services, F&B, property developers and construction.

**Comparison between FYE 2019 and FYE 2020**

Our Group's total revenue increased by RM3.1 million or 23.3% from RM13.3 million in FYE 2019 to RM16.4 million in FYE 2020, due to the following:

- (i) increased revenue of RM1.4 million from HQ Centralised Management, Store Operations and Financial Management solution, contributed by:
- (aa) increase in one-off fees of RM0.8 million from sales of the solution to 253 new retail chain stores, of which 163 new stores are from our Group's existing customers and 90 stores from 24 new customers in FYE 2020 (FYE 2019: 193 new stores, of which 147 new stores are from our Group's existing customers and 46 stores are from 10 new customers); and
- (bb) increase in recurring revenue of RM0.6 million from software license maintenance fees charged for 193 new retail chain stores established in FYE 2019;

## 12. FINANCIAL INFORMATION (Cont'd)

- (ii) an increase in revenue from xBridge B2B solution by RM1.0 million, as we managed to secure 4 retail chain stores to use our xBridge B2B solution, which captured a total of 1,946 registrations for our xBridge B2B solution in FYE 2020 (FYE 2019: 2 retail chain stores; 727 registrations), which resulted in the increase in recurring fees of RM0.8 million (from higher usage); and
- (iii) an increase in revenue generated from Omni-channel Engagement solution by RM0.7 million, mainly due to:
  - (aa) 19 new retail chain stores (2019: 10) secured to use the solution, which translated to RM0.4 million increase in one-off fees; and
  - (bb) increased recurring fees of RM0.3 million, resulting from an increase in online customers who registered as members of retail chain stores via our Omni-channel Engagement solution, and the launch of our mobile application solution, with which we secured 13 new customers.

### Comparison between FYE 2020 and FYE 2021

Our Group's total revenue increased by RM3.6 million or 22.0% from RM16.4 million in FYE 2020 to RM20.0 million in FYE 2021 due to the following:

- (i) revenue from HQ Centralised Management, Store Operations and Financial Management solution which increased by RM1.9 million, due to the following:
  - (aa) increase in revenue of RM1.3 million from one-off fees from the sales of the solution to 288 new retail chain stores, of which 271 new stores are operated by our Group's existing customers and 17 stores are operated by 14 new customers in FYE 2021 (FYE 2020: 253 new retail chain stores of which 163 new stores are operated by our Group's existing customers and 90 stores are operated by 24 new customers); and
  - (bb) increase in revenue of RM0.6 million from recurring software license maintenance fees for HQ Centralised Management, Store Operations and Financial Management solution mainly due from maintenance fees charged to 253 retail chain stores which we secured in FYE 2020;
- (ii) increase in revenue from xBridge B2B solution by RM1.1 million, mainly from recurring monthly subscription fees charged to the retail chain store suppliers, which is in line with the increase in cumulative total registrations of 2,705 in FYE 2021 (FYE 2020: 1,946 registrations) as well as the higher usage of the solution by retail chain stores;
- (iii) increase in revenue from Omni-channel Engagement solution by RM0.3 million, mainly driven by the increase in recurring fees of RM0.4 million from more member registrations via our Group's Omni-channel Engagement. This was offset by the decrease in revenue from one-off project implementation charges of RM0.1 million, due to lower contribution from the implementation of CRM from 15 new customers in FYE 2020 to 10 in FYE 2021 as well as mobile application solution from 13 new customers in FYE 2020 to 6 in FYE 2021; and
- (iv) an increase in revenue from other business segments increased by RM0.2 million, mainly driven by growth of outright sales of IT hardware due to the upward price adjustment of IT hardware which is market driven.

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

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**Comparison between FYE 2021 and FYE 2022**

Our Group's total revenue increased by RM1.0 million or 5.0% from RM20.0 million in FYE 2021 to RM21.0 million in FYE 2022 due to the following:

- (i) increase in revenue from xBridge B2B solution by RM0.7 million, mainly from recurring monthly subscription fees charged to retail chain store suppliers, which is in line with the increased usage of the solution by the retail chain stores suppliers. The increased usage of the solution was driven by the increase in cumulative total registrations of 3,555 in FYE 2022 (FYE 2021: 2,705 cumulative total registrations); and
- (ii) revenue from other business segments increased by RM0.5 million, mainly contributed by the growth in outright sales of third-party accounting software by RM0.5 million, the sales of which were driven mainly by competitive pricing promoted by Auto Count Sdn Bhd in FYE 2022.

The above increase in revenue was offset by the decrease in revenue earned from HQ Centralised Management, Store Operations and Financial Management solution, which decreased by RM1.0 million of one-off income from the sales of the solution due to fewer new retail stores secured in FYE 2022 (FYE 2021: 256 new retail chain stores; FYE 2021: 288 new retail chain stores), which was cushioned by RM0.7 million increase in recurring revenue from maintenance fees charged to 288 new retail chain stores which we secured in FYE 2021 (as compared to 253 new retail chain stores which we secured in FYE 2020).

**Comparison between FPE 2022 and FPE 2023**

Our Group's total revenue increased by RM1.9 million or 21.3% from RM8.9 million in FPE 2022 to RM10.8 million in FPE 2023 due to the following:

- (i) revenue from HQ Centralised Management, Store Operations and Financial Management solution which increased by RM1.2 million, due to the following:
  - (aa) increase in revenue of RM0.9 million from one-off fees from the sales of the solution to 105 new retail chain stores, of which 98 new stores are operated by our Group's existing customers and 7 stores are operated by 6 new customers in FPE 2023 (FPE 2022: 74 new retail chain stores of which 70 new stores are operated by our Group's existing customers and 4 stores are operated by 4 new customers); and
  - (bb) increase in revenue of RM0.3 million from recurring software license maintenance fees for HQ Centralised Management, Store Operations and Financial Management solution mainly due from maintenance fees charged to 256 new retail chain stores which we secured in FYE 2022 (FPE 2022 was contributed by 288 new retail chain stores which we secured in FYE 2021);
- (ii) increase in revenue from Omni-channel Engagement solution by RM0.4 million, mainly driven by increase in revenue from one-off project implementation charges by RM0.3 million, where 7 new customers were secured in FPE 2023 (FPE 2022: 4 new customers were secured); and



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

- (iii) increase in revenue from xBridge B2B solution by RM0.3 million, mainly from recurring monthly subscription fees charged to the retail chain store suppliers, which is in line with the increase in cumulative total registrations of 3,785 in FPE 2023 (FPE 2022: 3,074 registrations) as well as the higher usage of the solution by retail chain stores.

**(b) Cost of sales, GP and GP margin**

**Analysis of cost of sales by components**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	FPE 2022	%	FPE 2023	%
Purchase of IT hardware	2,988	56.7	2,914	43.2	3,216	37.2	3,354	35.9	1,436	37.3	1,162	26.3
Staff costs	1,813	34.4	2,658	39.4	3,834	44.3	3,402	36.5	1,345	34.9	1,809	40.9
Purchase of third-party software and services	449	8.5	707	10.5	857	9.9	1,234	13.2	474	12.3	685	15.5
Commission	18	0.4	354	5.3	658	7.6	991	10.6	464	12.1	562	12.7
Director's remuneration	-	-	108	1.6	86	1.0	351	3.8	131	3.4	202	4.6
	<b>5,268</b>	<b>100.0</b>	<b>6,741</b>	<b>100.0</b>	<b>8,651</b>	<b>100.0</b>	<b>9,332</b>	<b>100.0</b>	<b>3,850</b>	<b>100.0</b>	<b>4,420</b>	<b>100.0</b>

**Analysis of cost of sales by product and revenue model**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	FPE 2022	%	FPE 2023	%
Retail Management Eco-system:	<b>3,953</b>	<b>75.0</b>	<b>4,645</b>	<b>68.9</b>	<b>5,717</b>	<b>66.1</b>	<b>6,039</b>	<b>64.7</b>	<b>2,473</b>	<b>64.2</b>	<b>2,715</b>	<b>61.4</b>
• HQ Management, Operations and Financial Management solution	2,899	55.0	3,077	45.6	3,421	39.6	3,817	40.9	1,554	40.3	1,547	35.0
• One-off	1,054	20.0	1,568	23.3	2,296	26.5	2,222	23.8	919	23.9	1,168	26.4
• Recurring	<b>164</b>	<b>3.1</b>	<b>522</b>	<b>7.8</b>	<b>905</b>	<b>10.5</b>	<b>1,181</b>	<b>12.6</b>	<b>542</b>	<b>14.1</b>	<b>760</b>	<b>17.2</b>
• xBridge B2B solution	53	1.0	71	1.1	127	1.5	85	0.9	38	1.0	27	0.6
• One-off	111	2.1	451	6.7	778	9.0	1,096	11.7	504	13.1	733	16.6
• Recurring												

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

	Audited			Unaudited		
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2022	Audited
	RM'000	RM'000	RM'000	RM'000	RM'000	FPE 2023
	%	%	%	%	%	%
• Omni-Channel Engagement solution	384	722	997	753	301	433
	7.3	10.7	11.5	8.1	7.8	9.8
• One-off	266	482	715	416	158	265
• Recurring	118	240	282	337	143	168
	5.1	7.2	8.3	4.5	4.1	6.0
	2.2	3.5	3.2	3.6	3.7	3.8
Others:						
• Outright sale of IT hardware and third-party software	760	781	1,022	1,215	486	458
	14.5	11.6	11.8	13.1	12.6	10.4
• One-off	702	688	895	1,105	442	364
• Recurring	58	93	127	110	44	94
	13.4	10.2	10.3	11.9	11.5	8.3
	1.1	1.4	1.5	1.2	1.1	2.1
• Software customisation, implementation and integration of process control and automation solutions	7	71	10	144	48	54
• One-off						
	0.1	1.0	0.1	1.5	1.3	1.2
	7	71	10	144	48	54
	0.1	1.0	0.1	1.5	1.3	1.2
	5,268	6,741	8,651	9,332	3,850	4,420
	100.0	100.0	100.0	100.0	100.0	100.0

**Analysis of GP and GP margin by product and revenue model**

	Audited			Unaudited		
	FYE 2019	FYE 2020	FYE 2021	FYE 2022	FYE 2022	Audited
	GP	GP	GP	GP	GP	FPE 2023
	RM'000	RM'000	RM'000	RM'000	RM'000	GP
	%	%	%	%	%	RM'000
	GPM	GPM	GPM	GPM	GPM	GP
	%	%	%	%	%	RM'000
Retail Management Eco-system:						
• HQ	7,313	8,057	8,881	8,271	3,415	4,415
• Centralised Store Operations and Financial Management solution	64.9	63.4	60.8	57.8	58.0	61.9
• One-off	5,878	6,534	7,448	6,049	2,048	2,997
• Recurring	1,435	1,523	1,433	2,222	1,367	1,418
	67.0	68.0	68.5	61.3	56.9	66.0
	57.7	49.3	38.4	50.0	59.8	54.8



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

	Audited						Unaudited					
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FPE 2022		FPE 2023	
	GP	GPM	GP	GPM	GP	GPM	GP	GPM	GP	GPM	GP	GPM
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
• xBridge B2B solution	206	55.7	792	60.3	1,542	63.0	1,963	62.4	913	62.7	999	56.8
• One-off	181	77.4	301	80.9	99	43.8	189	69.0	80	67.8	37	57.8
• Recurring	25	18.4	491	52.1	1,443	65.0	1,774	61.8	833	62.3	962	56.8
• Omni-Channel Engagement solution	12	3.0	319	30.6	377	27.4	612	44.8	270	47.3	553	56.1
• One-off	100	27.3	249	34.1	(90)	(14.4)	25	5.7	(24)	(17.9)	190	41.8
• Recurring	(88)	(293.3)	70	22.6	467	62.3	587	63.5	294	67.3	363	68.4
Others:	509	40.1	518	39.9	523	33.8	831	40.6	403	45.3	408	47.1
• Outright sale of IT hardware and third-party software	360	33.9	387	36.0	414	31.6	692	38.5	210	32.2	250	40.7
• One-off	149	72.0	131	58.5	109	46.2	139	55.8	193	81.4	158	62.7
• Recurring	3	30.0	(32)	(82.1)	29	74.4	(27)	(23.1)	32	40.0	5	8.5
• Software customisation, implementation and integration of process control and automation solutions	3	30.0	(32)	(82.1)	29	74.4	(27)	(23.1)	32	40.0	5	8.5
• One-off	3	30.0	(32)	(82.1)	29	74.4	(27)	(23.1)	32	40.0	5	8.5
	<b>8,043</b>	<b>60.4</b>	<b>9,654</b>	<b>58.9</b>	<b>11,352</b>	<b>56.8</b>	<b>11,650</b>	<b>55.5</b>	<b>5,033</b>	<b>56.7</b>	<b>6,380</b>	<b>59.1</b>

**Comparison between FYE 2019 and FYE 2020**

Our Group's cost of sales increased by RM1.4 million or 26.4%, from RM5.3 million in FYE 2019 to RM6.7 million in FYE 2020 mainly due to the following:

- (i) increase in staff cost by RM0.9 million, being the addition of 13 headcount to our Software Development Engineering, CTS and technical support (being part of Hardware, IT Infrastructure & Third Party Solution Services) departments, which were needed to service our growing customer base, coupled with salary increments;

## 12. FINANCIAL INFORMATION (Cont'd)

- (ii) commission of RM0.4 million paid to retail chain stores whose suppliers used our xBridge B2B solution. The increase in commission was in line with the increase in revenue from recurring fees of xBridge B2B solution in FYE 2020 which was also determined in the same manner; and
- (iii) purchase of third-party software increased by RM0.3 million mainly due to the higher demand from our customers in FYE 2020 for third-party cloud server management services which we sell together with our Retail Management Eco-system.

The increase in cost of sales by products and revenue model is analysed as follows:

- (i) increase in cost of sales for HQ Centralised Management, Store Operations and Financial Management solution amounting to RM0.7 million:
    - (aa) in relation to recurring fees, which increased by RM0.5 million, were mainly staff costs attributable to increased support tickets resolved, in line with growth in number of new stores secured. Additionally, there are higher purchases for the cloud server management services as more customers opted for such services.
    - (bb) in relation to one-off fees, which increased by RM0.2 million, were due to more assignment of Software Development Engineering staff, in line with growth in new stores secured in FYE 2020, as well as salary increments for Software Development Engineering and Business Development & Project Delivery departments. This was partially offset by decreased purchase of IT hardware by RM0.1 million as compared to FYE 2019 where the IT hardware was for a one-off project;
  - (ii) increase in cost of sales for xBridge B2B solution of RM0.3 million, mainly relating to recurring fees where we paid more commission to the retail chain stores in FYE 2020 in line with our growth in revenue from this segment;
  - (iii) increase in cost of sales for Omni-Channel Engagement solution amounting to RM0.3 million, mainly relating to one-off fees, being staff costs for Software Development Engineering personnel assigned for enhancement of our CRM solution and mobile application which were launched in FYE 2019 and the development and deployment of our e-commerce and mobile applications in FYE 2020. Cost of sales relating to recurring fees also increased, mainly attributable to higher purchases for the cloud server management services from a third-party vendor; and
  - (iv) increase in cost of sales for other business segments amounting to RM0.1 million, mainly relating to one-off fee solutions for software customisation, implementation and integration of process control and automation solutions as we secured a new customised process control project in FYE 2020.
- Our Group's GP increased by RM1.6 million or 20.0% in line with growth in its revenue. However, our Group's overall GP margin decreased from 60.4% in FYE 2019 to 58.9% in FYE 2020, which is the result of:
- (i) relatively higher increases in CTS staff costs assigned to HQ Centralised Management, Store Operations and Financial Management solution to handle increasing volume of support work in FYE 2020, resulting in a slightly lower GP margin for this segment of 63.4% in FYE 2020 as compared to 64.9% in FYE 2019;

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

- (ii) GP margin improvement from 55.7% in FYE 2019 to 60.3% for our xBridge B2B solution in FYE 2020 due to economies of scale, as most of the incremental revenue were recurring fees generated on the back of existing manpower; and
- (iii) increased GP generated from Omni-channel Engagement solution by RM0.3 million as it was a newly established segment in FYE 2019. We have recorded a gross loss on recurring fees in FYE 2019 due to the overhead cost incurred to support the newly established segment which did not generate much revenue. GP margin increased from 3.0% in FYE 2019 to 30.6% in FYE 2020, which reflects a full year's operations of this segment.

**Comparison between FYE 2020 and FYE 2021**

Our Group's cost of sales increased by RM1.9 million or 28.4%, from RM6.7 million in FYE 2020 to RM8.6 million in FYE 2021 mainly due to:

- (i) increase in staff costs by RM1.1 million or 44.2%, being increments in salaries and bonuses in FYE 2021;
- (ii) purchase of IT hardware increased by RM0.3 million due to higher purchase price of IT hardware compared to FYE 2020;
- (iii) higher commission of RM0.3 million paid to retail chain stores whose suppliers use our xBridge B2B solution, in line with higher transaction volume; and
- (iv) purchase of third-party software by RM0.2 million mainly due to the higher demand for third-party cloud server management services in line with the growth of revenue of Retail Management Eco-system in FYE 2021.

The increase in cost of sales by products and revenue model is analysed as follows:

- (i) increase in cost of sales for HQ Centralised Management, Store Operations and Financial Management solution amounting to RM1.1 million:
  - (aa) relating to recurring fees, which increased by RM0.7 million, were mainly attributable to CTS staff assigned in line with growth in new retail chain stores secured, and coupled with salary increments.
  - (bb) relating to one-off fees, which increased by RM0.3 million, were mainly due to Software Development Engineering staff assigned in line with growth in new retail chain stores secured, coupled with salary increments, as well as purchase of IT hardware of additional RM0.1 million as required by customers.
- (ii) increase in cost of sales for xBridge B2B solution amounting to RM0.4 million mainly relating to recurring fees, being commission paid to the retail chain stores in FYE 2021. Additionally, there were salary increments for Software Development Engineering department personnel handling the xBridge B2B solution software support to our customers;
- (iii) increase in cost of sales for Omni-Channel Engagement solution amounting to RM0.3 million mainly relating to one-off fees. The increased costs were mainly salary increments for Software Development Engineering department personnel and CTS personnel assigned; and

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

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(iv) increase in cost of sales for other business segment amounting to RM0.1 million mainly due to the increase in purchase price of IT hardware which is market driven.

Our Group's GP increased by RM1.7 million in line with growth in revenue. Overall GP margin decreased from 58.9% in FYE 2020 to 56.8% in FYE 2021, as a result of the following:

- (i) for the HQ Centralised Management, Store Operations and Financial Management solution, GP margin decreased from 63.4% in FYE 2020 to 60.8% in FYE 2021, mainly due to increments in salaries and bonuses in FYE 2021; and
- (ii) improvement in GP margin from xBridge B2B solution from 60.3% in FYE 2020 to 63.0% in FYE 2021 due to economies of scale, as the incremental recurring fees generated were exponentially higher than staff cost increments and bonuses, as commensurate increase in headcount was not required.
- (iii) GP margin for Omni-channel Engagement solution decreased from 30.6% in FYE 2020 to 27.4% in FYE 2021, due to the launch of delivery module during the year which required more staff allocation on the enhancement of the module on the back of lower one-off fees generated, which resulted in a gross loss in that respect.

**Comparison between FYE 2021 and FYE 2022**

Our Group's cost of sales increased by RM0.7 million or 8.1%, from RM8.6 million in FYE 2021 to RM 9.3 million, mainly due to:

- (i) increase in purchase of third-party software by RM0.4 million for upgrades as required by our existing customers in FYE 2022;
- (ii) increase in commission by RM0.3 million paid to retail chain stores whose suppliers use our xBridge B2B solution as a result of continued growth in transaction volume in FYE 2022; and
- (iii) increment in Director's remuneration of RM0.3 million in consideration of our Group's business growth.

Nevertheless, the increase in cost of sales was partially offset by the decrease in staff cost by RM0.4 million due to higher bonuses incurred in FYE 2021 as compared to FYE 2022.

The increase in cost of sales by products and revenue model is analysed as follows:

- (i) increases in cost of sales for HQ Centralised Management, Store Operations and Financial Management solution by RM0.3 million, was mainly due to more Software Development Engineering staff assigned in FYE 2022 for enhancement of the existing modules as well as the increase in Director's remuneration; and

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

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(ii) increase in cost of sales for other business segments by RM0.3 million was in relation to the purchases of third-party accounting software, which was in line with the growth in outright sales of third-party accounting software in FYE 2022.

Our Group's GP increased by RM0.3 million or 2.7%, from RM11.3 million in FYE 2021 to RM11.6 million in FYE 2022, which was in line with growth in revenue. Overall GP margin decreased from 56.8% in FYE 2021 to 55.5% in FYE 2022, as a combined result of the following:

- (i) relatively higher Software Development Engineering staff costs and Director's remuneration assigned to HQ Centralised Management, Store Operations and Financial Management solution to enhance the existing modules in FYE 2022, which resulted in lower GP margin for this segment from 60.8% in FYE 2021 to 57.8% in FYE 2022;
- (ii) GP margin increased for Omni-channel Engagement solution from 27.4% in FYE 2021 to 44.8% in FYE 2022, due to lower manpower allocated on the enhancement of launched products as compared to FYE 2021, resulting in lower staff costs incurred; and
- (iii) the decrease in staff costs for the recurring revenue of other business segments in FYE 2022 due to lower bonus as compared to FYE 2021. This contributed to the increase in GP margin for other business segment from 34.8% in FYE 2021 to 37.2% in FYE 2022.

**Comparison between FPE 2022 and FPE 2023**

Our Group's cost of sales increased by RM0.6 million or 15.8% from RM3.8 million in FPE 2022 to RM4.4 million in FPE 2023 mainly due to:

- (i) increase in staff cost by RM0.5 million or 38.5%, being the addition of 13 headcount to our Software Development Engineering, CTS and technical support (being part of Hardware, IT Infrastructure & Third Party Solution Services) departments, coupled with the salaries increments; and
- (ii) increase in purchase of third-party software by RM0.2 million or 40.0%, due to higher demand from our customers for Autocount accounting software, which was in line with the growth of revenue in HQ Centralised Management, Store Operations and Financial Management solution.

Nevertheless, the increase in cost of sales was offset by the purchase of IT hardware, which decreased by RM0.2 million or 14.3% due to less demand from customers in relation to IT hardware for HQ Centralised Management, Store Operations and Financial Management solution.

The increase in cost of sales by products and revenue model is analysed as follows:

- (i) increase in cost of sales for HQ Centralised Management, Store Operations and Financial Management solution of RM0.2 million mainly in relation to recurring fees by RM0.2 million, being staff costs attributable to increase in support tickets resolved, in line with the growth in number of new retail chain stores secured and coupled with salaries increments;



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

- (ii) increase in cost of sales for xBridge B2B solution of RM0.2 million, mainly in relation to recurring fees, being additional Software Development Engineering department personnel assigned for enhancement of the e-invoicing process flow of our xBridge B2B solution to ensure compatibility with our E-invoice Financing solution, of which the development is expected to be completed by 4<sup>th</sup> quarter of 2023. Additionally, there was an increase in commission paid to retail chain stores where their suppliers utilised our xBridge B2B solution as a result of growth in transaction volume (which in line with the increase in cumulative total registrations by suppliers from 3,074 registrations in FPE 2022 to 3,785 registrations in FPE 2023); and
- (iii) increase in cost of sales for Omni-Channel Engagement solutions of RM0.1 million, mainly in relation to one-off fees, as there were additional manpower allocated for the enhancement of the solutions upon our customers' request as well as for the deployment of the solutions due to the increase in implementation of the solutions, which was in line with the growth in number of new customers secured in FPE 2023.
- Our Group recorded higher GP of RM1.4 million in FPE 2023 in line with the revenue growth, as well as an increase in overall GP margin from 56.7% in FPE 2022 to 59.1% in FPE 2023, as a result of the following:
- (i) GP margin improved from 58.0% in FPE 2022 to 61.9% in FPE 2023 for HQ Centralised Management, Store Operations and Financial Management solution due to economies of scale, as the incremental one-off fees generated were exponentially higher than staff cost increments; and
- (ii) GP margin for Omni-channel Engagement solution increased from 47.3% in FPE 2022 to 56.1% in FPE 2023 due to the improved utilisation of our overhead for one-off fees generated in FPE 2023 as compared to FPE 2022. Despite the higher allocation of staff cost to Omni-Channel, the increase in revenue outweighed the increase in staff cost. This is mainly driven by the increase in the revenue contribution of CRM and mobile application and digital content management products which yielded a higher margin with less staff cost incurred on the product enhancement and product implementation.

**(c) Other income**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	Audited		Audited		Audited		Unaudited		Audited	
Gain on fair value of other investments	75	24.0	155	21.6	-	-	-	-	-	-
Gain on disposal of other investments <sup>(1)</sup>	71	22.8	66	9.2	1,780	88.6	-	-	-	36
Gain on disposal of investment properties <sup>(2)</sup>	-	-	-	-	-	-	270	65.7	270	78.0
Interest income	11	3.5	118	16.4	92	4.6	70	17.0	18	5.2
Rental income <sup>(3)</sup>	123	39.4	106	14.8	80	4.0	14	3.4	14	4.1
Wages subsidy	-	-	238	33.1	-	-	-	-	-	-
Others <sup>(4)</sup>	32	10.3	35	4.9	58	2.8	57	13.9	44	12.7
	<b>312</b>	<b>100.0</b>	<b>718</b>	<b>100.0</b>	<b>2,010</b>	<b>100.0</b>	<b>411</b>	<b>100.0</b>	<b>346</b>	<b>100.0</b>
									<b>138</b>	<b>100.00</b>

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

### **Notes:**

- (1) Comprises gain on disposal of quoted shares due to appreciation of quoted shares invested.
- (2) Disposal of investment properties of a unit of 1 1/2 storey cluster factory, 2 units of intermediate 2-storey shop offices, an intermediate 3-storey shop office located in Johor to Goldcoin Pavilion and 1<sup>st</sup> floor of 3-storey terraced shop office building located in Melaka to KK Computer's major shareholders by virtue of dividend-in specie on 28 February 2022. Please refer to Sections 6.5(a) and (b) for our Group's material contracts and Section 10.1 for further information on the transaction.
- (3) Rental of the investment properties of 2 units of intermediate 2-storey shop office, 1 unit of intermediate 3-storey shop office and 1 unit of 1 1/2 storey cluster factory located in Johor Bahru which were disposed to Goldcoin Pavilion by virtue of dividend-in specie to our Group's Executive Directors on 28 February 2022. Please refer to Section 6.5(a) for our Group's material contracts and Section 10.1 for further information on the transaction.
- (4) Mainly comprises dividend income on quoted shares, gain on disposal of property, plant and equipment and commission on sale of IT hardware and software.

### **Comparison between FYE 2019 and FYE 2020**

Our Group's other income increased by RM0.4 million or 133.3%, from RM0.3 million in FYE 2019 to RM0.7 million in FYE 2020 mainly due to:

- (i) wage subsidies amounting to RM0.2 million received from SOCSO for our employees in line with the Wages Subsidy Programme introduced in FYE 2020 as part of the COVID-19 economic stimulus package;
- (ii) increase of interest income by RM0.1 million from additional placement of fixed deposits with licensed banks from RM0.4 million in FYE 2019 to RM7.2 million in FYE 2020; and
- (iii) gain on fair value of other investments, being quoted equity, which increased by RM0.1 million, where the fair value was determined based on the quoted closing bid prices at the end of the reporting period.

On the flip side, the increase in other income was partially offset by lower rental income received from renting the investment properties held by our Group compared to FYE 2019, as we reduced the rental fees for the benefit of our tenants during the COVID-19 pandemic.

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

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**Comparison between FYE 2020 and FYE 2021**

Our Group's other income increased by RM1.3 million or 185.7%, from RM0.7 million in FYE 2020 to RM2.0 million in FYE 2021, was mainly due to the gain on disposal of other investments of the entire quoted equity by RM1.8 million in relation to the appreciation of quoted shares invested. The increase in other income was however offset by a decrease in rental income by RM0.03 million, where we continued to reduce the rental of our tenants of the investment properties for a longer period during FYE 2021. Furthermore, there were no gain on fair value of other investments as the quoted equity were fully disposed in FYE 2021. Additionally, there was an absence of the wage subsidies in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our Group's other income decreased by RM1.6 million or 80.0%, from RM2.0 million in FYE 2021 to RM0.4 million in FYE 2022. In FYE 2021, there was a gain on disposal of other investments which amounted to RM1.8 million. In FYE 2022, there was a disposal of investment properties which resulted in a gain on disposal of investment properties of RM0.3 million. Please refer to Sections 6.5(a) and (b) for further details of the said disposal.

**Comparison between FPE 2022 and FPE 2023**

Our Group's other income decreased by RM0.2 million or 66.7%, from RM0.3 million in FPE 2022 to RM0.1 million in FPE 2023. In FPE 2022, there was a gain on disposal of investment properties of RM0.3 million. Please refer to Sections 6.5(a) and (b) for further details of the said disposal. In FPE 2023, there was an increase in interest income by RM0.1 million from the additional placement of fixed deposits with licensed banks and a gain on disposal of other investments of RM0.03 million in relation to the disposal of quoted shares.

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**12. FINANCIAL INFORMATION (Cont'd)****(d) Administrative and other expenses**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		Unaudited FPE 2022		Audited FPE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative staff costs, benefits and welfare	570	40.1	1,198	54.3	1,699	50.1	1,729	44.1	693	38.7	985	37.0
Depreciation of property, plant and equipment	115	8.1	98	4.4	127	3.7	129	3.3	60	3.4	64	2.4
Depreciation of investment properties	98	6.9	98	4.4	99	2.9	16	0.4	16	0.9	-	-
Directors' remuneration	71	5.0	172	7.8	488	14.4	714	18.2	302	16.9	349	13.1
Impairment loss on investment properties	-	-	-	-	350	10.3	-	-	-	-	-	-
IPO expenses	-	-	-	-	-	-	-	-	-	-	654	24.5
Professional fees	35	2.5	71	3.2	106	3.1	470	12.0	336	18.8	206	7.7
Rental expenses	22	1.6	54	2.5	56	1.7	71	1.8	29	1.6	42	1.6
Transportation and accommodation	195	13.7	146	6.6	78	2.3	228	5.8	58	3.2	97	3.6
Upkeep of property, plant and equipment	30	2.1	65	3.0	55	1.6	135	3.4	74	4.1	56	2.1
Utilities and telecommunication	60	4.2	66	3.0	70	2.1	70	1.8	31	1.7	32	1.2
Others <sup>(1)</sup>	224	15.8	239	10.8	264	7.8	362	9.2	191	10.7	180	6.8
	<b>1,420</b>	<b>100.0</b>	<b>2,207</b>	<b>100.0</b>	<b>3,392</b>	<b>100.0</b>	<b>3,924</b>	<b>100.0</b>	<b>1,790</b>	<b>100.0</b>	<b>2,665</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> Comprised mainly insurance, entertainment, printing, postage and stationery, quit rent and assessment, purchase of small value assets, property, plant and equipment written off, and sundry expenses.

**Comparison between FYE 2019 and FYE 2020**

Our Group's administrative expenses increased by RM0.8 million or 57.1%, from RM1.4 million in FYE 2019 to RM2.2 million in FYE 2020 mainly due to:

- (i) administrative staff costs, benefits and welfare which increased by RM0.6 million, mainly attributable to the expansion of our administrative workforce in line with our business growth, from 9 employees in FYE 2019 to 15 employees in FYE 2020, coupled with salary increments;

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

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- (ii) incremental Director's remuneration of RM0.1 million in consideration of our business growth;
- (iii) professional fees which increased by RM0.04 million, mainly for review of our business process and interior design services for the renovation plan of our HQ; and
- (iv) rental expenses which increased by RM0.03 million, which was attributable to our office expansion in Melaka as well as the new service hub in Kota Kinabalu, Sabah.

**Comparison between FYE 2020 and FYE 2021**

Our Group's administrative expenses increased by RM1.2 million or 54.5% from RM2.2 million in FYE 2020 to RM3.4 million in FYE 2021 mainly due to the following:

- (i) increase in administrative staff costs, benefits and welfare by RM0.5 million due to the salary increments and bonuses rewarded to our employees as well as the further expansion for our administrative workforce from 15 employees in FYE 2020 to 17 employees in FYE 2021;
- (ii) impairment loss on investment properties of 1 unit of 2-storey shop office and 1 unit of 1 ½ storey cluster factory in Johor Bahru amounting to RM0.4 million, based on valuations by a registered valuer; and
- (iii) incremental Director's remuneration of RM0.3 million in consideration of our business growth.

**Comparison between FYE 2021 and FYE 2022**

Our Group's administrative expenses increased by RM0.5 million or 14.7% from RM3.4 million in FYE 2021 to RM3.9 million in FYE 2022 mainly due to the following:

- (i) increase in professional fees by RM0.4 million, mainly due to legal fee and stamp duty amounting to RM0.2 million paid for the discharge of charges made by licensed banks on our investment properties, as well as other professional fees in preparation for our Listing amounting to RM0.2 million in FYE 2022;
- (ii) increment in Director's remuneration of RM0.2 million in consideration of our Group's business growth;
- (iii) increase in transportation and accommodation by RM0.2 million due to the travelling expenses incurred by our Executive Director / Chief Executive Officer for business development purposes as well as for our staffs to conduct training at our customers' premises in East Coast of Peninsular Malaysia and East Malaysia; and
- (iv) increase in productivity software subscription which is categorised under the upkeep of property, plant and equipment by RM0.1 million which were incurred for our expanded workforce.

## 12. FINANCIAL INFORMATION (Cont'd)

Nevertheless, the increase in administrative expenses was partially offset by the decrease in impairment loss on investment properties of a unit of 2-storey shop office and a unit of 1½ storey cluster factory in Johor Bahru by RM0.4 million to nil in FYE 2022 as the said properties were disposed in February 2022.

### Comparison between FPE 2022 and FPE 2023

Our Group's administrative expenses increased by RM0.9 million or 50.0%, from RM1.8 million in FPE 2022 to RM2.7 million in FPE 2023 was mainly due to:

- (i) increase in IPO expenses by RM0.7 million in FPE 2023 in relation to our Listing; and
- (ii) increase in administrative staff costs, benefits and welfare by RM0.3 million due to the salary increments as well as further expansion of our administrative workforce from 17 employees in FPE 2022 to 22 employees in FPE 2023.

Nevertheless, the increase in administrative expenses was partially offset by the decrease in professional fees by RM0.1 million, mainly due to legal fee and stamp duty amounting to RM0.2 million paid for the discharge of charge by licensed banks on our investment properties in FPE 2022.

### (e) Net impairment losses/ (net reversal of impairment losses) on financial assets

	Audited				Unaudited							
	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FYE 2023			
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%		
Impairment losses on trade receivables	94	100.0	-	-	79	16.7	39	11.5	268	100.0	117	110.4
Reversal of impairment loss on trade receivables	-	-	(1)	100.0	(553)	(116.7)	(379)	(111.5)	-	-	(11)	(10.4)
	<b>94</b>	<b>100.0</b>	<b>(1)</b>	<b>100.0</b>	<b>(474)</b>	<b>100.0</b>	<b>(340)</b>	<b>100.0</b>	<b>268</b>	<b>100.0</b>	<b>106</b>	<b>100.0</b>

### Comparison between FYE 2019 and FYE 2020

We have provided for the impairment loss on our trade receivables in FYE 2019, being an assessment on the expected credit loss made on the trade receivables in accordance with MFRS 9.

### Comparison between FYE 2020 and FYE 2021

We have a better collection history in FYE 2021. This has resulted in a net reversal of impairment loss of RM0.4 million.

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

**Comparison between FYE 2021 and FYE 2022**

Our Group has observed a net reversal of impairment loss of RM0.3 million, mainly due to improvement in collection from our customers during FYE 2022.

**Comparison between FPE 2022 and FPE 2023**

We have provided for the impairment loss of RM0.3 million and RM0.1 million on our trade receivables in FPE 2022 and FPE 2023 respectively, being an assessment on the expected credit loss made on the trade receivables in accordance with MFRS 9.

**(f) Finance costs**

	FYE 2019		FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on term loans	50	100.0	41	100.0	12	85.7	-	-	-	-
Interest expense on lease liabilities	-	-	-	-	2	14.3	5	100.0	3	100.0
	<b>50</b>	<b>100.0</b>	<b>41</b>	<b>100.0</b>	<b>14</b>	<b>100.0</b>	<b>5</b>	<b>100.0</b>	<b>3</b>	<b>100.0</b>

**Comparison between FYE 2019 and FYE 2020**

Our Group's finance costs decreased by RM0.01 million or 20.0% from RM0.05 million in FYE 2019 to RM0.04 million in FYE 2020 due to the repayment of term loans obtained to finance the purchase of investment properties<sup>(1)</sup>.

**Comparison between FYE 2020 and FYE 2021**

Our Group's finance costs further decreased by RM0.03 million or 75.0% from RM0.04 million in FYE 2020 to RM0.01 million in FYE 2021, mainly attributable to the repayment in term loans to finance the purchase of investment properties<sup>(1)</sup>, which were fully settled in May 2021. The decrease in finance cost was partially offset with the interest expense on the lease liabilities which recognised in accordance with the MFRS 16.

**Note:**

- <sup>(1)</sup> 1 unit of intermediate 3-storey shop office and 1 unit of 1½ storey cluster factory located in Johor Bahru purchased by Panda Software in July 2014 and April 2017, respectively; first floor of a 3-storey terraced shop office building located in Melaka purchased by KK Computer in February 2007.

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

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**Comparison between FYE 2021 and FYE 2022**

Our Group's finance costs further decreased by RM0.01 million as the term loans were fully repaid in FYE 2021.

**Comparison between FPE 2022 and FPE 2023**

In FPE 2022 and FPE 2023, our Group's finance costs were negligible.

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**12. FINANCIAL INFORMATION (Cont'd)****(g) PBT and PBT margin**

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PBT (RM'000)	6,791	8,125	10,430	8,472	3,318	3,745
PBT margin (%)	51.0	49.6	52.1	40.4	37.4	34.7

**Comparison between FYE 2019 and FYE 2020**

Our Group's PBT increased by RM1.3 million or 19.1% from RM6.8 million in FYE 2019 to RM8.1 million in FYE 2020, mainly attributed to the higher GP generated from our business amounting to RM1.6 million as well as higher other income by RM0.4 million in FYE 2020. The increase in PBT was partially offset by the increase in administrative staff costs, benefits and welfare by RM0.6 million.

Our Group's PBT margin decreased by 1.4% from 51.0% in FYE 2019 to 49.6% in FYE 2020 was in line with the decrease in GP margin from 60.4% in FYE 2019 to 58.9% in FYE 2020 as well as the increase in administrative expenses in FYE 2020 as compared to FYE 2019.

**Comparison between FYE 2020 and FYE 2021**

Our Group's PBT increased by RM2.3 million or 28.4% from RM8.1 million in FYE 2020 to RM10.4 million in FYE 2021 mainly due to higher GP generated from our business amounting to RM1.7 million, higher other income by RM1.3 million mainly from gain on disposal of other investments as well as the net reversal of impairment loss on trade receivables by RM0.5 million. The increase in GP and other income was however partially offset by the increase in administrative expenses by RM1.2 million which analysed in the above.

Our Group's PBT margin increased by 2.5% from 49.6% in FYE 2020 to 52.1% in FYE 2021 despite a marginal decrease in GP margin from 58.9% in FYE 2020 to 56.8% in FYE 2021. This was mainly due to the increase in other income as explained above.

**Comparison between FYE 2021 and FYE 2022**

Despite the growth in our Group's revenue and GP in FYE 2022, our Group's PBT decreased by RM1.9 million or 18.3% from RM10.4 million in FYE 2021 to RM8.5 million in FYE 2022. This was mainly attributable to the lower other income by RM1.6 million and higher administrative and other expenses by RM0.5 million.

Our Group's PBT margin decreased by 11.7% from 52.1% in FYE 2021 to 40.4% in FYE 2022, which was contributed by the decrease in GP margin from 56.8% in FYE 2021 to 55.5% in FYE 2022 as well as decrease in other income and increase in administrative and other expenses as explained above.

**Comparison between FPE 2022 and FPE 2023**

Our Group's PBT improved by RM0.4 million or 12.1% from RM3.3 million in FPE 2022 to RM3.7 million in FPE 2023, mainly due to higher GP generated amounting to RM1.4 million. Such increase in GP was however partially offset by a decrease in other income of RM0.2 million and increase in administrative and other expenses of RM0.9 million.

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

Our Group's PBT margin decreased by 2.7% from 37.4% in FPE 2022 to 34.7% in FPE 2023 in line with the decrease in other income and increase in administrative and other expenses including one-off IPO expenses, despite the improvement in GP margin from 56.7% in FPE 2022 to 59.1% in FPE 2023.

**(h) Tax expenses**

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Taxation	94	1,254	2,530	1,424	646	1,000
Effective tax rate (%)	1.4	15.4	24.3	16.8	19.5	26.7
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0	24.0

Our Group's effective tax rate for FYE 2019 and FYE 2020 were lower than the statutory tax rate of 24.0% as Panda Software and Rexbridge were granted the MSC Malaysia Status, which qualified our companies for the Pioneer Status incentive under the Promotion of Investments Act 1986. Panda Software and Rexbridge enjoyed full exemption from income tax on its statutory income from pioneer activities for a period of 10 years, from 17 May 2010 to 16 May 2020 and a period of 4 years from 20 March 2017 to 30 June 2021, respectively.

**Comparison between FYE 2019 and FYE 2020**

Our Group's effective tax rates increased by 14.0% from 1.4% in FYE 2019 to 15.4% in FYE 2020 was mainly due to Panda Software was subjected to tax after the expiry of Pioneer Status incentive on 16 May 2020.

**Comparison between FYE 2020 and FYE 2021**

Our Group's effective tax rates increased by 8.9% from 15.4% in FYE 2020 to 24.3% in FYE 2021 was mainly due to Panda Software and Rexbridge were subjected to tax after the expiry of Pioneer Status incentive on 16 May 2020 and 30 June 2021, respectively. In addition, we incurred some non-tax-deductible expenses being transaction fees and legal fees in relation to the clearance of the term loans in FYE 2021.

**Comparison between FYE 2021 and FYE 2022**

Our Group's effective tax rates decreased by 7.5% from 24.3% in FYE 2021 to 16.8% in FYE 2022 mainly due to a net overprovision of taxation for prior years.

**Comparison between FPE 2022 and FPE 2023**

Our Group's effective tax rates increased by 7.2% from 19.5% in FPE 2022 to 26.7% in FPE 2023 as we have incurred some non-tax-deductible expenses such as one-off IPO expenses, professional fees, secretarial fees and other related expenses.



**12. FINANCIAL INFORMATION (Cont'd)****(i) PAT and PAT margin**

	<b>Audited</b>				<b>Unaudited</b>	<b>Audited</b>
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PAT (RM'000)	6,697	6,871	7,900	7,048	2,672	2,745
PAT margin (%)	50.3	41.9	39.5	33.6	30.1	25.4

**Comparison between FYE 2019 and FYE 2020**

Our Group's PAT increased by RM0.2 million or 3.0% from RM6.7 million in FYE 2019 to RM6.9 million in FYE 2020, mainly attributed to the increase in gross profit generated from our business as well as higher other income in FYE 2020 despite higher statutory tax paid in FYE 2020 compared to FYE 2019.

Our Group's PAT margin decreased by 8.4% from 50.3% in FYE 2019 to 41.9% in FYE 2020 was mainly due to the increase in administrative expenses and tax expense as compared to FYE 2019.

**Comparison between FYE 2020 and FYE 2021**

Our Group's PAT increased by RM1.0 million or 14.5% from RM6.9 million in FYE 2020 to RM7.9 million in FYE 2021 mainly due to increase in gross profit generated from our business and other income as well as the net reversal of impairment loss on trade receivables.

Our Group's PAT margin decreased by 2.4% from 41.9% in FYE 2020 to 39.5% in FYE 2021 was mainly due to the increase in tax expense from Panda Software in accordance with statutory tax rate.

**Comparison between FYE 2021 and FYE 2022**

Our Group's PAT decreased by RM0.9 million or 11.4% from RM7.9 million in FYE 2021 to RM7.0 million in FYE 2022 mainly due to decrease in other income and increase in administrative and other expenses in FYE 2022 despite higher revenue and GP. The decrease in PAT was partially offset by lower tax expense in FYE 2022.

Our Group's PAT margin decreased by 5.9% from 39.5% in FYE 2021 to 33.6% in FYE 2022 was mainly due to decrease in other income and increase in administrative and other expenses in FYE 2022, cushioned by lower tax expense in FYE 2022 compared to FYE 2021.

**Comparison between FPE 2022 and FPE 2023**

Our Group's PAT increased by RM0.1 million or 3.7% from RM2.7 million in FPE 2022 to RM2.8 million in FPE 2023, mainly due to increase in gross profit generated from our business and decrease in net impairment loss on trade receivables. The increase in PAT was partially offset by higher administrative and other expenses including IPO expenses and tax expenses in FPE 2023.

Our Group's PAT margin decreased by 4.7% from 30.1% in FPE 2022 to 25.4% in FPE 2023, mainly due to increase in administrative and other expenses including IPO expenses and tax expenses as compared to FPE 2022.



**12. FINANCIAL INFORMATION (Cont'd)****12.2.3 Review of financial position****(a) Assets**

	<b>Audited</b>				
	<b>As at 31 December</b>				<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>					
Property, plant and equipment	800	1,118	1,040	809	833
Investment properties	4,644	4,546	4,097	-	-
Right-of-use assets	-	-	153	94	133
Intangible assets	-	-	549	1,183	1,519
Other investments	493	1,377	-	-	-
Deferred tax assets	302	259	123	33	42
<b>Total non-current assets</b>	<b>6,239</b>	<b>7,300</b>	<b>5,962</b>	<b>2,119</b>	<b>2,527</b>
<b>Current assets</b>					
Inventories	200	260	328	280	231
Trade receivables	3,209	2,898	1,926	2,359	2,851
Other receivables, deposit and prepayments	278	440	55	569	708
Contract assets	-	-	262	135	397
Current tax assets	-	-	-	189	384
Other investments	699	936	-	-	-
Fixed deposits with licensed banks	430	7,197	2,018	5,550	5,550
Cash and bank balances	1,819	2,531	3,463	5,283	4,659
<b>Total current assets</b>	<b>6,635</b>	<b>14,262</b>	<b>8,052</b>	<b>14,365</b>	<b>14,780</b>
<b>Total assets</b>	<b>12,874</b>	<b>21,562</b>	<b>14,014</b>	<b>16,484</b>	<b>17,307</b>

**Comparison between 31 December 2019 and 31 December 2020**

Our Group's non-current assets increased by RM1.1 million from RM6.2 million in FYE 2019 to RM7.3 million in FYE 2020 mainly due to:

- (i) fair value adjustment in other investments of quoted securities as at FYE 2020 amounting to RM0.9 million; and
- (ii) additions to property, plant and equipment amounting to RM0.3 million, comprising renovation cost, purchase of office equipment, furniture and fittings for our HQ, and purchase of motor vehicle for staff travelling purposes in FYE 2020 due to workforce expansion.

Our Group's current assets increased by RM7.7 million from RM6.6 million in FYE 2019 to RM14.3 million in FYE 2020, mainly attributed to additional fixed deposits placed in licensed banks of RM6.8 million as well as increase in cash and bank balances by RM0.7 million, in line with the growth of our revenue and collections received from our customers in FYE 2020.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between 31 December 2020 and 31 December 2021**

Our Group's non-current assets decreased by RM1.3 million from RM7.3 million in FYE 2020 to RM6.0 million in FYE 2021, mainly due to disposal of other investments of quoted equity amounting to RM1.4 million and impairment loss of investment properties amounting to RM0.5 million.

This was partially offset by the recognition of RM0.5 million of intangible assets, being the capitalisation of the development costs of our Software Development Engineering department personnel and our Executive Director/ Chief Technology Officer's remuneration for our new development projects, namely Business Analytic Dashboard and Retail Income Management System. The corresponding amortisation will be gradually recognised upon the products being launched, which expected in Q2 2023. Furthermore, we have also recognised the right-of-use assets of RM0.2 million in accordance with MFRS 16 for the lease of office with tenancy period of more than 12 months.

Our Group's current assets decreased by RM6.2 million from RM14.3 million in FYE 2020 to RM8.1 million in FYE 2021. This was mainly due to the withdrawal of fixed deposit amounting to RM5.2 million, being used for the repayment of term loans amounting to RM1.0 million and dividend declared in respect of FYE 2020 amounting to RM4.5 million in FYE 2021. Our trade receivables reduced by RM0.9 million in view of overall improved collections from customers over the year. Additionally, we have also disposed other investments in quoted equity amounting to RM0.9 million.

**Comparison between 31 December 2021 and 31 December 2022**

Our Group's non-current assets decreased by RM3.9 million from RM6.0 million in FYE 2021 to RM2.1 million in FYE 2022 mainly attributable to the transfer of investment properties for a total consideration of RM4.7 million as payment of dividend-in specie to Goldcoin Pavilion, an investment holding company (which was nominated by Tay Kheng Seng and Loo Chee Wee to accept the transfer) as well as to Tay Kheng Seng and Bong Kok Choo, the shareholders of KK Computer.

The above decrease was partially offset by the additions of intangible asset amounting to RM0.6 million due to capitalisation of on-going project development costs and from additional new projects development costs incurred for cloud-based modules under HQ Centralised Management, Store Operations and Financial Management solution as well as Sub-let Rental Management System as at FYE 2022.

Our Group's current assets increased by RM6.2 million from RM8.1 million in FYE 2021 to RM14.3 million in FYE 2022, mainly due to the additional fixed deposits of RM3.5 million placed in licensed banks and increase in cash and bank balances by RM1.8 million being funds generated from our operations, as well as the increase in other receivables, deposits and prepayments by RM0.5 million, which mainly relate to the prepayments of professional fees incurred for our Listing. In addition, the increase in trade receivables by RM0.4 million was in line with the overall growth in our revenue for FYE 2022.

**Comparison between 31 December 2022 and 30 June 2023**

Our Group's non-current assets increased by RM0.4 million from RM2.1 million in FYE 2022 to RM2.5 million in FPE 2023 was mainly due to the additions of intangible asset amounting to RM0.3 million due to capitalisation of on-going project development costs and additional new projects development costs incurred for cloud-based modules under HQ Centralised Management, Store Operations and Financial Management solution as well as Sub-let Rental Management System as at FPE 2023.

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

Our Group's current assets increased by RM0.4 million from RM14.4 million in FYE 2022 to RM14.8 million in FPE 2023, mainly due to the increase in trade receivables by RM0.5 million, the increase in contract assets RM0.3 million as well as higher tax instalment paid by RM0.2 million which was in line with the growth in our revenue for FPE 2023. The increase in current assets was partially offset by a decrease of RM0.6 million in our cash and bank balances following a dividend distribution during the year.

**(b) Liabilities**

	<b>Audited</b>				<b>As at 30</b>
	<b>As at 31 December</b>				<b>June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>					
Lease liabilities	-	-	105	64	108
Team loans	917	898	-	-	-
Deferred tax liabilities	3	4	4	179	232
<b>Total non-current liabilities</b>	<b>920</b>	<b>902</b>	<b>109</b>	<b>243</b>	<b>340</b>
<b>Current liabilities</b>					
Trade payables	268	529	652	710	392
Other payables, deposits and accruals	678	5,686	2,112	2,885	2,189
Lease liabilities	-	-	49	33	28
Term loans	54	68	-	-	-
Current tax liabilities	36	390	786	-	-
<b>Total current liabilities</b>	<b>1,036</b>	<b>6,673</b>	<b>3,599</b>	<b>3,628</b>	<b>2,609</b>
<b>Total liabilities</b>	<b>1,956</b>	<b>7,575</b>	<b>3,708</b>	<b>3,871</b>	<b>2,949</b>

**Comparison between 31 December 2019 and 31 December 2020**

Our Group's non-current liabilities slightly decreased by RM0.02 million from RM0.92 million in FYE 2019 to RM0.9 million in FYE 2020 was due to the repayment of the term loans used for the purchase of investment properties.

Our Group's current liabilities increased by RM5.7 million from RM1.0 million in FYE 2019 to RM6.7 million in FYE 2020, mainly being the increase of other payables, deposits and accruals in relation to the dividends payable amounting to RM4.5 million which was declared in FYE 2020 and subsequently paid in February 2021. The increase of other payables, deposits and accruals also comprised of an amount due to directors amounting to RM0.2 million for daily operating expenditure as well as the increase in accruals of administrative expenses amounting to RM0.2 million and deposit received from customers amounting to RM0.1 million. In addition, the provision for taxation increased by RM0.4 million as Panda Software's Pioneer Status tax exemption expired in May 2020. Our trade payables also increased by RM0.2 million, in relation to purchases of third-party software in FYE 2020.

**12. FINANCIAL INFORMATION (Cont'd)****Comparison between 31 December 2020 and 31 December 2021**

Our Group's non-current liabilities decreased by RM0.8 million from RM0.9 million in FYE 2020 to RM0.1 million in FYE 2021, as a result of the full settlement of the term loans in FYE 2021. The decrease of non-current liabilities was partially offset by the recognition of lease liabilities in accordance with MFRS 16.

Our Group's current liabilities decreased by RM3.1 million from RM6.7 million in FYE 2020 to RM3.6 million in FYE 2021, mainly due to the decrease in other payables, deposit and accruals by RM3.6 million in relation to the dividend declared for FYE 2020 amounting to RM4.5 million was being paid in February 2021 and full repayment of amount due to our executive directors by RM0.2 million. The decrease in other payables, deposit and accruals was partially offset with the addition of accruals of administrative staff-related expenses amounting to RM0.8 million as well as the deposit received from customers by RM0.3 million.

Conversely, the provision for taxation increased by RM0.4 million in consideration of the improvement of our Group's PBT in FYE 2021. Our trade payables also grew from RM0.5 million to RM0.7 million which was line with our purchase of IT hardware and third-party software towards to the year end.

**Comparison between 31 December 2021 and 31 December 2022**

Our Group's non-current liabilities increased by RM0.1 million from RM 0.1 million in FYE 2021 to RM 0.2 million in FYE 2022, was mainly attributable to the increase in deferred tax liabilities by RM0.2 million in line with the addition of intangible assets in FYE 2022. This was offset by the reduction in lease liabilities by RM0.1 million in line with scheduled repayments and derecognition of lease liabilities in relation to termination of tenancy.

Our Group's current liabilities of RM3.6 million in FYE 2022 were relatively consistent with FYE 2021.

**Comparison between 31 December 2022 and 30 June 2023**

Our Group's non-current liabilities increased by RM0.1 million from RM0.2 million in FYE 2022 to RM0.3 million in FPE 2023. This was mainly due to the increase in deferred tax liabilities by RM0.1 million in line with the addition of intangible assets in FYE 2022.

Our Group's current liabilities declined by RM1.0 million from RM3.6 million in FYE 2022 to RM2.6 million in FPE 2023. This was mainly due to the decrease in other payables, deposit and accruals by RM0.7 million following payment of bonuses and staff-related expenses in relation to FYE 2022. Our trade payables also decreased from RM0.7 million to RM0.4 million which was in line with lower sales and purchase of IT hardware during the year.

**12. FINANCIAL INFORMATION (Cont'd)****12.2.4 Review of cash flows**

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	6,020	7,906	9,144	6,219	705
Net cash (for)/from investing activities	(139)	(244)	4,135	(817)	(311)
Net cash used in financing activities	(5,945)	(196)	(17,083)	(50)	(1,018)
Net (decrease)/increase in cash and cash equivalents	(64)	7,466	(3,804)	5,352	(624)
Cash and cash equivalents at the beginning of the financial year/period	1,883	1,819	9,285	5,481	10,833
<b>Cash and cash equivalents at the end of the financial year/period</b>	<b>1,819</b>	<b>9,285</b>	<b>5,481</b>	<b>10,833</b>	<b>10,209</b>
<b>Cash and cash equivalents at end of the financial year comprise:</b>					
Fixed deposits with licensed banks	430	7,197	2,018	5,550	5,550
Cash and bank balances	1,819	2,531	3,463	5,283	4,659
	2,249	9,728	5,481	10,833	10,209
Less: Fixed deposits with tenure more than 3 months	(430)	(443)	-	-	-
	<b>1,819</b>	<b>9,285</b>	<b>5,481</b>	<b>10,833</b>	<b>10,209</b>

**FYE 2019****Net cash for operating activities**

In FYE 2019, our Group generated operating profit before working capital changes of RM6.9 million. Our net cash flow from operating activities was RM6.0 million after taking into account the following working capital changes:

- (i) increase in trade and other receivables by RM1.2 million due to more completed projects and issuance of billings to our customers towards the end of financial year;
- (ii) increase in trade and other payables of RM0.4 million as result of higher purchases of IT hardware;
- (iii) marginal decrease in inventories by RM0.01 million;
- (iv) net payment of tax expense of RM0.1 million; and
- (v) receipt of income tax refund of RM0.02 million.

**Net cash for investing activities**

In FYE 2019, our Group recorded net cash outflow for investing activities of RM0.1 million mainly due to:

- (i) placement of fixed deposits with licensed banks amounting to RM0.3 million;
- (ii) investment of quoted securities amounting to RM0.2 million;

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

- (iii) purchase of computer and office equipment, furniture and fittings and hostel equipment amounting to RM0.1 million; and
- (iv) capital expenditure for renovation works for our HQ amounting to RM0.1 million.

The cash outflow was partially offset by the proceeds from disposal of the investments of quoted securities amounting to RM0.4 million, RM0.1 million rental income received as well as RM0.01 million of interest and dividend income received respectively.

**Net cash for financing activities**

In FYE 2019, our Group recorded net cash outflow for financing activities of RM5.9 million mainly being dividends paid of RM5.8 million as well as the repayment of term loans of RM0.1 million used to finance the purchase of investment properties.

**FYE 2020****Net cash for operating activities**

In FYE 2020, our Group generated operating cash flows before working capital changes of RM7.9 million. Our net cash flow from operating activities was RM7.9 million after accounting for key items as set out below:

- (i) increase in trade and other payables of RM0.8 million due to higher purchases of IT hardware from our suppliers; and
- (ii) decrease in trade and other receivables of RM0.2 million as our collections from customers improved as compared to last financial year.

The cash inflow was however offset by the increase in inventories of RM0.1 million in line with the growth of our purchases, and net payment of tax expense of RM0.9 million.

**Net cash for investing activities**

In FYE 2020, our Group recorded net cash outflow for investing activities of RM0.2 million mainly due to:

- (i) investments in quoted securities amounting to RM0.3 million;
- (ii) capital expenditure of renovation works incurred for our HQ amounting to RM0.2 million; and
- (iii) RM0.2 million for the purchase of computers, office equipment, and furniture and fittings for the expansion of our HQ and our service hub in Sabah as well as a motor vehicle used by our project implementation personnel for business travelling purpose.

The cash outflow was partially offset by the proceeds from disposal of quoted securities of RM0.3 million, rental income received of RM0.1 million, and interest received from the placement of fixed deposits of RM0.1 million.

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

In FYE 2020, our Group recorded net cash outflow for financing activities of RM0.2 million mainly due to the dividend paid of RM0.2 million and repayment of the term loans and loan interest for the investment properties amounting to RM0.05 million.

The proceeds from issue of share capital of 020 Digital amounting RM0.1 million partially offset the cash outflow for financing activities.

**FYE 2021****Net cash for operating activities**

In FYE 2021, our Group generated operating cash flows before working capital changes of RM8.6 million. Our net cash inflow from operating activities was RM9.1 million, after accounting for a decrease in trade and other receivables of RM1.8 million as we improved collections from our customers as well as the increase in trade and other payables of RM1.1 million due to higher purchase of IT hardware and third-party software from our suppliers in anticipation of increasing prices.

The cash inflow was however offset by the increase in inventories of RM0.1 million being IT hardware, increase in contract assets of RM0.3 million for the projects which we have completed and recognised during the year but pending for billing. We had also made net payment of tax of RM2.0 million.

**Net cash for investing activities**

In FYE 2021, our Group recorded net cash inflow from investing activities of RM4.1 million mainly due to the proceeds from disposal of the quoted equity of RM4.1 million and withdrawal of fixed deposits with licensed banks of RM0.5 million. The cash inflow was also contributed from the rental income from investment properties amounting to RM0.1 million, and interest received from the fixed deposits of RM0.1 million.

The cash inflow was however offset by the additions in intangible assets in relation to our new products development costs of RM0.6 million and purchase of computer and office equipment amounting to RM0.1 million used for expansion of workforce.

**Net cash for financing activities**

In FYE 2021, our Group recorded net cash outflow for financing activities of RM17.1 million mainly due to:

- (i) dividend paid of RM16.1 million which included dividends declared in respect of FYE 2020 and FYE 2021; and
- (ii) repayment of term loans and loan interest amounting to RM1.0 million being the full settlement of term loans used for the purchase of investment properties.

**12. FINANCIAL INFORMATION (Cont'd)****FYE 2022****Net cash for operating activities**

In FYE 2022, our Group generated operating cash flows before working capital changes of RM7.9 million. Our net cash flow from operating activities was RM6.2 million after taking into account the following working capital changes:

- (i) payment of tax expense of RM2.1 million;
- (ii) increase in trade and other payables of RM0.8 million mainly due to accruals of administrative staff-related expenses made such as Directors' remuneration, bonuses and salaries in December 2022;
- (iii) increase in trade and other receivables of RM0.6 million which was in line with the growth of our revenue; and
- (iv) decrease in contract assets of RM0.1 million following issuance of invoices to customers.

**Net cash for investing activities**

In FYE 2022, our Group recorded net cash outflow from investing activities of RM0.8 million mainly due to the additions of intangible assets of RM0.6 million being our software development costs as well as purchase of office equipment, furniture and fittings and solar photovoltaic system of RM0.2 million.

**Net cash for financing activities**

In FYE 2022, our Group recorded net cash outflow from financing activities of RM0.05 million which attributed to the repayment of lease liabilities and related interest expense, both totalling RM0.04 million, as well as cash dividend payout of RM11,000.

**FPE 2023****Net cash for operating activities**

In FPE 2023, our Group generated operating cash flows before working capital changes of RM3.8 million. Our net cash flow from operating activities was RM0.7 million after taking into account the following working capital changes:

- (i) payment of tax expense of RM1.2 million;
- (ii) decrease in trade and other payables of RM1.0 million mainly due to accruals of administrative staff-related expenses made such as Directors' remuneration, bonuses and salaries being paid in FPE 2023;
- (iii) increase in trade and other receivables of RM0.7 million which was in line with the growth of our revenue; and
- (iv) increase in contract assets of RM0.3 million for the projects which we have performed during the period but pending issuance of invoices.



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

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**Net cash for investing activities**

In FPE 2023, our Group recorded net cash outflow from investing activities of RM0.3 million mainly due to the additions of intangible assets of RM0.3 million being our software development costs.

**Net cash for financing activities**

In FPE 2023, our Group recorded net cash outflow from financing activities of RM1.0 million which mainly attributed to the dividend paid of RM1.0 million to the shareholders of the Group.

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

We finance our operations with cash generated from operations, credit extended by trade payables and/or cash and bank balances. Our facilities from financial institutions comprise term loans which have been fully discharged in FYE 2021.

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

- (a) our cash and cash equivalent of approximately RM10.4 million as at LPD; and
- (b) our expected future cash flows from operations.

For avoidance of doubt, in addition to the above, as at LPD, we do not have any ready or outstanding facilities with any financial institutions.

As at LPD, we do not foresee any circumstances which may materially affect our liquidity. Our finance and accounting team work closely with our sales and marketing team for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while maintaining a cordial relationship with our customers.

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

**12.4 BORROWINGS AND LEASE LIABILITIES**

As at 30 June 2023, we do not have any borrowings. However, we have undertaken lease liabilities amounting to RM0.1 million. Details of our lease liabilities are as set out below:

<b>Purpose</b>	<b>Tenure</b>	<b>As at 30 June 2023 RM'000</b>
Lease liabilities payable within 1 year	Rental of offices	28
Lease liabilities payable after 1 year	Initial lease of 2 years with option to renew for another 2 years	108
	Initial lease of 2 years with option to renew for another 2 years	<b>136</b>

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

As at LPD, save as disclosed in Section 12.4 above, we do not have any financial instruments or treasury policies. We finance our operations mainly through internally generated funds from our operations.

**12.6 MATERIAL CAPITAL COMMITMENTS**

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

	<b>To be funded from proceeds of our Public Issue RM'000</b>
Authorised but not contracted for <sup>(1)</sup> :	
HQ expansion	3,000
Total cost <sup>(2)</sup> of new service hubs:	
- Indonesia and the Philippines	200
- Kuala Lumpur	100
- Penang	50
<b>Total</b>	<b>3,350</b>

**Notes:**

- (1) Comprising renovation and purchase of office equipment, furniture and fittings.
- (2) Further details are set out in Section 4.9.1(b).

**12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

As at LPD, there are no material litigation, claim or arbitration involving our Group either as plaintiff or defendant. 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, there are no material contingent liabilities incurred by our Group, which upon becoming enforceable may have a material effect on our business, financial results or position.

**12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for FYE 2019 to 2022 and FPE 2023 are as follows:

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
Trade receivables turnover (days) <sup>(1)</sup>	73	68	44	37	44
Trade payables turnover (days) <sup>(2)</sup>	23	40	53	54	54
Inventory turnover (days) <sup>(3)</sup>	22	23	26	24	25
Current ratio (times) <sup>(4)</sup>	6.4	2.1	2.2	4.0	5.7
Gearing ratio (times) <sup>(5)</sup>	0.1	0.1	-	-	-

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

- (1) Computed based on average trade receivables of the respective financial years over total revenue for the respective FYE/FPE and multiplied by 365 days and 181 days respectively.
- (2) Computed based on average trade payables of the respective financial years over total purchases for the respective FYE/FPE and multiplied by 365 days and 181 days respectively.
- (3) Computed based on average inventories of the respective financial years over total purchases for the respective FYE/FPE and multiplied by 365 days and 181 days respectively.
- (4) Computed based on current assets over current liabilities as at the respective FYE and FPE.
- (5) Computed based on total borrowings (excluding lease liabilities for right-of-use assets) over total equity as at the respective FYE and FPE.

**12.8.1 Trade receivables collection period**

Our average trade receivables' collection period (in days) for FYE 2019 to 2022 and FPE 2023 is stated as below:

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade receivables	2,103	3,209	2,898	1,926	2,359
Closing trade receivables	3,209	2,898	1,926	2,359	2,851
Average trade receivables	2,656	3,054	2,412	2,143	2,605
Revenue	13,311	16,395	20,003	20,982	10,800
Trade receivables collection period (days)	73	68	44	37	44

Our trade receivables comprise amounts receivable for the sale of goods and services rendered. Our Group's normal trade credit term is 90 days.

The trade receivables collection days for FYE 2019 to 2022 and FPE 2023 are within our credit terms period granted by us to our customers. Our trade receivables collection days was 73 days in FYE 2019 which was within our credit term. Despite of the growth in revenue throughout FYE 2019 to 2022 and FPE 2023, we have closely monitored the collections from our customers on a monthly basis. Thus, our trade receivables collection period has improved to 68 days, 44 days and 37 days in FYE 2020 to 2022, respectively. For FPE 2023, our trade receivables collection days have slightly increased to 44 days due to slower collection in FPE 2023 as compared to FYE 2022, where 1 of our Group's major customer utilised its financial facilities to repay our Group in FYE 2022.

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

The ageing analysis of our trade receivables as at 30 June 2023 is as follows:

	Trade receivables as at 30 June 2023		Collection from 1 July 2023 to LPD	Balance trade receivables as at LPD
	RM'000	Percentage of trade receivables (a)/total of (a) (%)	RM'000	RM'000
	(a)	(%)	(b)	(c) = (a)-(b)
Neither past due nor impaired	2,435	85.4	2,235	200
Past due but not impaired:				
- less than 30 days	301	10.6	298	3
- 31 to 60 days	52	1.8	18	34
- 61 to 90 days	63	2.2	61	2
- over 90 days	-	-	-	-
	416	14.6	377	39
	<b>2,851</b>	<b>100.0</b>	<b>2,612</b>	<b>239</b>

As at LPD, RM2.6 million or 91.6% of our trade receivables as at 30 June 2023 have been collected. The remaining balance of RM0.2 million have yet to be collected as at LPD, of which RM0.04 million have exceeded the credit period. Our Group is currently in the progress of negotiations for the settlement of these balances.

We are of the view that we are able to collect the majority of the outstanding amount as most of our customers rely on our continuous maintenance support service for their use of our Retail Management Eco-system, and we generally require the settlement of outstanding debts so ensure our uninterrupted support.

Notwithstanding the COVID-19 pandemic during FYE 2021, our customers have generally been paying within the credit period granted. Our Group has not encountered any major disputes related to our trade receivables. Our net impairment loss on trade receivables for the financial years under review are as follows:

	Audited				
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Allowance for impairment losses:					
At 1 January	1,302	1,396	1,395	921	581
Addition of impairment loss recognised in profit or loss <sup>(1)</sup>	94	-	79	39	117
Reversal of impairment loss recognised in profit or loss <sup>(1)</sup>	-	(1)	(553)	(379)	(11)
<b>At 31 December/ 30 June</b>	<b>1,396</b>	<b>1,395</b>	<b>921</b>	<b>581</b>	<b>687</b>
Revenue	13,311	16,395	20,003	20,982	10,800
Percentage of impairment loss over revenue	10.5	8.5	4.6	2.8	6.4

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

- (1) Comprise the addition and reversal of impairment loss on trade receivables. In accordance with MFRS 9, an impairment analysis is performed at each reporting date for expected credit losses on trade receivables with reference to historical credit loss experience on a general basis.

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 in accordance to MFRS 9. For any trade receivables which have exceeded the credit period granted, we will follow up closely with our customers on the status of payment and when appropriate, provide the necessary impairment.

The allowance for impairment losses has been consistent from FYE 2019 to FYE 2020 at RM 1.4 million despite a RM3.1 million increase in our Group's revenue from FYE 2019 to FYE 2020. This was due to the improved collection along the year from our customers during FYE 2020. The collection had further improved in FYE 2021 and FYE 2022 which resulted in a net reversal of impairment loss of RM0.5 million and RM0.4 million, respectively. Our trade receivables balance is higher as at FPE 2023, hence there was an additional allowance for impairment loss of RM0.1 million recognised.

**12.8.2 Trade payables payment period**

Our average trade payables' payment period (in days) for FYE 2019 to 2022 and FPE 2023 is as follows:

	<b>Audited</b>				
	<b>FYE 2019</b>	<b>FYE 2020</b>	<b>FYE 2021</b>	<b>FYE 2022</b>	<b>FPE 2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Opening trade payables	160	268	529	652	710
Closing trade payables	268	529	652	710	392
Average trade payables	214	399	591	681	551
Total purchases	3,437	3,621	4,073	4,588	1,847
Average trade payables payment period (days)	23	40	53	54	54

Trade payables comprise amounts outstanding for trade purchases of IT hardware and third-party software. The credit terms granted to our Group for trade purchases ranged from 30 days to 60 days. To maintain good relationship with our suppliers, we will pay the suppliers as they fall due. Notwithstanding there being a mismatch in credit terms between our Group's credit terms for our trade receivables and trade payables, receivables balances far outweigh our payables, and correspondingly, our collections far exceed our settlement of payables. As such, our Group will be able to meet all its financial obligations with our internally generated funds and collections from customers.

Our average trade payables payment period for FYE 2019 to 2022 and FPE 2023 were 23 days, 40 days, 53 days, 54 days and 54 days respectively, which were within the credit terms granted by our suppliers. The increase of trade payable payment days from 23 days in FYE 2019, 40 days in FYE 2020, 53 days in FYE 2021 and 54 days in FYE 2022 was mainly due to higher purchases of IT hardware towards the end of FYE 2020, FYE 2021 and FYE 2022 on an increasing level in anticipation of rising prices. In FPE 2023, our trade payables payment period was fairly consistent at 54 days as compared to FYE 2022.

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

The ageing analysis of our trade payables as at 30 June 2023 is as follows:

	Trade payables as at 30 June 2023		Payment from 1 July 2023 to LPD	Balance trade payables as at LPD
	RM'000 (a)	Percentage of trade payables (a)/total of (a) (%)	RM'000 (b)	RM'000 (c) = (a)-(b)
Within credit period	392	100.0	392	-
Exceeding credit period:				
- 0 to 30 days	-	-	-	-
- 31 to 60 days	-	-	-	-
- More than 60 days	-	-	-	-
	<b>392</b>	<b>100.0</b>	<b>392</b>	<b>-</b>

As at 30 June 2023, our total trade payables amounted to RM0.4 million and none of our trade payables exceed the normal credit period.

As at LPD, we have no outstanding trade payables balance as at 30 June 2023.

As at LPD, we do not have any material disputes in respect of our trade payables and no material legal proceedings to demand for payment have been initiated by our suppliers against us. There are also no disputes regarding trade payables, and our suppliers have not initiated any legal action against us to demand for payments.

**12.8.3 Inventory conversion period**

Our inventories comprise of IT hardware such as POS equipment and peripherals. Our average inventory conversion period (in days) for FYE 2019 to 2022 and FPE 2023 is set out below:

	Audited				
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000
Opening inventories	211	200	260	328	280
Closing inventories	200	260	328	280	231
Average inventories	206	230	294	304	256
Total purchases	3,437	3,621	4,073	4,588	1,847
Average inventory conversion period (days)	22	23	26	24	25

Our inventories consist of the IT hardware that we purchased from our suppliers. We tend to maintain a minimal inventory level as IT hardware tend to get obsolete quickly. Our average inventory conversion period for FYE 2019 to 2022 and FPE 2023 were fairly consistent at 22 days, 23 days, 26 days, 24 days and 25 days, respectively. Notwithstanding the higher purchases towards the end of FYE 2020, FYE 2021 and FYE 2022, the inventories were maintained at a marginally higher average as we managed to utilise the IT hardware purchased for our Group's customers by the end of FYE 2020, FYE 2021 and FYE 2022 as well.

In FPE 2023, our inventory turnover day was fairly consistent at 25 days as compared to FYE 2022.



**12. FINANCIAL INFORMATION (Cont'd)****12.8.4 Current ratio**

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

	<b>Audited</b>				
	<b>As at 31 December</b>				<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	6,635	14,262	8,052	14,365	14,780
Current liabilities	1,036	6,673	3,599	3,628	2,609
<b>Net current assets</b>	<b>5,599</b>	<b>7,589</b>	<b>4,453</b>	<b>10,737</b>	<b>12,171</b>
Current ratio (times)	6.4	2.1	2.2	4.0	5.7

Our current ratio decreased from 6.4 times in FYE 2019 to 2.1 times in FYE 2020, mainly due to the increase in other payables, deposit and accruals under current liabilities by RM5.0 million which are mainly attributed to the dividend declared in respect of FYE 2020.

In FYE 2021, our current ratio was fairly maintained at 2.2 times after the dividend payout for FYE 2020 and FYE 2021 to our Group's shareholders. An amount of RM2.1 million of other payables, deposits and accruals in FYE 2021 were mainly for accrued salary, bonus and statutory contribution as well as the deposit collected from customers.

Our current ratio improved further to 4.0 times in FYE 2022 mainly due to our higher cash and bank balances and fixed deposits with licensed banks as compared to FYE 2021 largely from cash generated from our business growth. Additionally, the prepayments of professional fees incurred for the Listing as well as the increase in trade receivables as at FYE 2022 also contributed to the increase in current assets.

In FPE 2023, our current ratio increased further to 5.7 times, mainly due to an increase in trade receivables in line with the growth in our revenue. Additionally, such increase in current ratio was also attributable to the decrease in other payables, deposit and accruals which were mainly due to lower administrative expenses accrued in relation to bonuses and staff-related expenses paid as at FPE 2023.

**12.8.5 Gearing ratio**

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

	<b>Audited</b>				
	<b>As at 31 December</b>				<b>As at 30 June</b>
	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings <sup>(1)</sup>	971	966	-	-	-
Total equity	10,918	13,987	10,306	12,613	14,358
Gearing ratio (times)	0.1	0.1	-	-	-

**Note:**

<sup>(1)</sup> Computed based on total interest-bearing borrowings (excluding lease liabilities for right-of-use assets) over total equity as at the end of each financial year/period.

We recorded minimal gearing over FYE 2019 and FYE 2020. The borrowings comprise term loans used for the purchase of investment properties which we have fully settled in May 2021. Since June 2021 to FPE 2023, our Group did not obtain any financial borrowings from any financial institutions. Thus, the gearing ratio for FYE 2021, FYE 2022 and FPE 2023 remained nil.

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

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**12.9 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

Save for policies in relation to COVID-19, there were no government, economic, fiscal or monetary policies or factors which had materially affected our operations during the financial years/period under review. There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward.

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

**12.10 IMPACT OF INFLATION**

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

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

Our Group's financial results for FYE 2019 to 2022 and FPE 2023 were not affected by fluctuations in foreign exchange rates as our Group's revenue are denominated in RM. As such, we are currently not exposed to foreign currency risk and any unfavorable foreign currency exchange rate fluctuations would not affect our business operations and financial performance.

**(b) Impact of interest rates**

Our Group's exposure to interest rate risk for FYE 2019 to 2021 arises mainly from bank borrowings with variable rates. Any reasonably possible change in the interest rates of floating rate term loans for financial year/period under review does not have a material impact on the profit after taxation of our Group and hence, no sensitivity analysis is presented.

Nevertheless, we have fully settled the bank borrowings in May 2021 and we do not have any bank borrowings (exclude lease liabilities) as at FPE 2023 and LPD.

**12.12 SIGNIFICANT CHANGES**

There are no significant changes which may have a material effect on the financial position and results of our Group subsequent to FPE 2023 and up to LPD.

**12.13 ORDER BOOK**

We do not enter into long-term contracts with our customers. Due to the nature of our business, we do not maintain an order book.

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

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**12.14 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE**

Our Board is of the opinion that:

- (a) our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the retail management systems industry as set out in the IMR Report in Section 8;
- (b) our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our future plans and business strategies as stated in Section 7.18; and
- (c) our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

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

**12.15 TREND INFORMATION**

As at LPD, our financial performance, position and operations are not affected by any of the following:

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations, save as disclosed in Sections 12.2, 7, 8 and 9;
- (b) material commitments for capital expenditure disclosed in Section 12.6;
- (c) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2 and 9;
- (d) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our revenue and/or profit as disclosed in Section 12.2, business and industry overview, as set out in Sections 7 and 8, and future plans and business strategies as set out in Section 7.18;
- (e) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position, save as disclosed in Section 12 and Section 9; and
- (f) 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 liquidity and capital resources, save as disclosed in Section 12 and in Sections 7 and 9.

Our Board is optimistic about the future prospects of our Group given our competitive strengths as set out in Section 7.15, the outlook of the retail management systems industry in Malaysia as set out in the IMR Report in Section 8 and our commitment to implement our future plans and business strategies as set out in Section 7.18.

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

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**12.16 DIVIDEND POLICY**

Our Group presently does not have any formal dividend policy and the declaration of dividends and other distribution are subject to the discretion of our Board. It is our Board's policy to recommend dividends to allow our shareholders to participate in the profits of our Group. However, our ability to pay dividends or make other distributions to our shareholders in the future years is subject to various factors such as having profits and excess funds, which are not required to be retained to fund our business.

As we are a holding company, our ability to declare and pay dividends or make other distributions to our shareholders are dependent upon the dividends we receive from our subsidiaries, present and future. The payment of dividends by our subsidiaries is dependent upon various factors, including but not limited to, their distributable profits, financial performance, and cash flow requirements for operations and capital expenditures, as well as other factors that their respective boards of Directors deem relevant. As at LPD, there is no dividend restriction imposed on our subsidiaries.

Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

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

The payment and amount of any dividends or distributions to our shareholders will be at the discretion of our Board, and will depend on factors stated above (which may not be exhaustive). There is no assurance as to whether the dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

Subject to the Act, our Company, in a general meeting, may from time to time approve dividend or other distribution. However, no dividend or distribution shall be declared in excess of the amount recommended by our Board. Further, under the Act, our Company may not declare or pay dividend, or make a distribution out of contributed surplus, if there are reasonable grounds for believing that:

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

## 12. FINANCIAL INFORMATION (Cont'd)

For FYE 2019 to 2022 and FPE 2023 and up to LPD, our Group declared and paid the following dividends to shareholders of the respective subsidiaries:

	Audited				Unaudited	
	FYE 2019 RM'000	FYE 2020 RM'000	FYE 2021 RM'000	FYE 2022 RM'000	FPE 2023 RM'000	1 July 2023 up to LPD RM'000
PAT	6,697	6,871	7,900	7,048	2,745	NA
Dividends declared	5,840	4,750	11,601	(1)4,741	1,000	-
Dividends paid	5,840	250	16,101	(1)4,741	1,000	-
Dividend payout ratio(%) <sup>(2)</sup>	87.2	69.1	146.8	67.3	36.4	-

### Notes:

NA Not applicable as we did not prepare financial statements from 1 July 2023 up to LPD.

(1) Includes dividends declared and paid by Panda Software and KK Computer in respect of FYE 2022 amounting to RM4.7 million for Tay Kheng Seng, Loo Chee Wee and Bong Kok Choo. The dividends were distributed in specie by way of transfer of investment properties to Goldcoin Pavilion, Tay Kheng Seng and Bong Kok Choo on 28 February 2022. The remaining dividend amounting to RM10,530 was paid in cash to Tay Li Li and RM35 was paid in cash each to Tay Kheng Seng and Bong Kok Choo respectively. The details of the abovementioned investment properties are as follows:

No.	Postal address/ Title details	Description of property	Built-up area (sq ft)	Date of purchase	Transferor	Market value as at December 2021 RM'000
(a)	82-1, Jalan PPM 4, Plaza Pandan Malim, 75250 Melaka/ Pajakan Negeri 41119/M1/2/21, Petak No. 21, Tingkat No.2, Bangunan No. M1, Lot 6447 in Mukim Balai Panjang, Melaka Tengah, Melaka	1 <sup>st</sup> floor of a 3-storey terraced shop office building	1,463.9	28 February 2007	KK Computer	200

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

<b>No.</b>	<b>Postal address/ Title details</b>	<b>Description of property</b>	<b>Built-up area (sq ft)</b>	<b>Date of purchase</b>	<b>Transferor</b>	<b>Market value as at December 2021 RM'000</b>
(b)	54, Jalan Seri Mangga 1/8, Taman Seri Mangga Fasa 1, 75250 Melaka/ Geran 14151, Lot 3154, Mukim Balai Panjang, Melaka Tengah, Melaka	1 unit of intermediate 2-storey terrace house	1,800.3	26 June 2016	Panda Software	380
(c)	44, Jalan Susur Idaman, Taman Nusa Idaman, 79100 Iskandar Puteri, Johor/ Geran 575153, Lot 168682 (formerly H.S.(D) 531398, PTD 192702), Tempat Nusa Idaman, Mukim Pulau, Johor Bahru, Johor	1 unit of intermediate 3-storey shop office	6,240.0	4 July 2014	Panda Software	1,450
						<b>2,030</b>

<b>No.</b>	<b>Postal address/ Title details</b>	<b>Description of property</b>	<b>Built-up area (sq ft)</b>	<b>Date of purchase</b>	<b>Transferor</b>	<b>Market value as at 16 December 2021 RM'000</b>
(a)	8, Jalan IHP 1/5, Kawasan Perindustrian Iskandar Halal Park, 81700 Pasir Gudang, Johor/ Geran Mukim 4246, Lot 214437 (formerly H.S.(M) 5437, PTD 222264), Mukim Plentong, Johor Bahru, Johor	1 unit of 1 1/2-storey cluster factory	5,153.0	27 April 2017	Panda Software	1,500
(b)	9, Jalan IHP 1/1, Kawasan Perindustrian Iskandar Halal Park, 81700 Pasir Gudang, Johor/ Geran Mukim 4318, Lot 214509 (formerly H.S.(M) 5359, PTD 222336), Mukim Plentong, Johor Bahru, Johor	1 unit of intermediate 2-storey shop office	2,800.0	2 January 2017	Panda Software	600

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

<b>No.</b>	<b>Postal address/ Title details</b>	<b>Description of property</b>	<b>Built-up area (sq ft)</b>	<b>Date of purchase</b>	<b>Transferor</b>	<b>Market value as at 16 December 2021 RM'000</b>
(c)	11, Jalan IHP 1/1, Kawasan Perindustrian Iskandar Halal Park, 81700 Pasir Gudang, Johor/ Geran Mukim 4317, Lot 214508 (formerly H.S.(M) 5358, PTD 222335), Mukim Plentong, Johor Bahru, Johor	1 unit of intermediate 2-storey shop office	2,800.0	2 January 2017	Panda Software	600
						<b>2,700</b>
						<b>4,730</b>

Goldcoin Pavilion was incorporated in Malaysia on 1 July 2013 as a private limited company and is principally involved in activities of holding investment properties and shares in companies i.e. E-Tech IT and Nukleus Ventures. As at LPD, Goldcoin Pavilion is jointly held by Tay Kheng Seng and Loo Chee Wee (each of them holds 50.0% equity interest in the company) and the company holds assets for investment on behalf of Tay Kheng Seng and Loo Chee Wee. Although Goldcoin Pavilion was not a shareholder of Panda Software, Tay Kheng Seng and Loo Chee Wee nominated Goldcoin Pavilion to receive the dividend-in-specie by way of transfer of the abovementioned investment properties of Panda Software to hold such properties jointly for Tay Kheng Seng and Loo Chee Wee. Further details are set out in Sections 6.9.5(b) and 10.1.

(2) Computed based on dividends declared over PAT for each financial year/period.

The dividends declared and paid in FYE 2019 to 2022 and FPE 2023 were funded via internally generated cash and investment properties. As at LPD, there is no outstanding dividends declared but remained unpaid. Further to the above, from LPD and up to our Listing, our Group does not intend to declare and pay dividend.



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

The dividends will not affect the execution and implementation of our future plans or business strategies. Together with the IPO proceeds, we believe that we have sufficient funding of cash from operations and bank borrowings for the funding requirement for our operations and our expansion plans.

No influence should or can be made from any of the above statements as to our actual future profitability or our ability to pay dividends in the future.

**12.17 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation as at 30 September 2023 and after adjusting for the effects of the Public Issue including the utilisation of proceeds.

	<b>I</b>	<b>II</b>
<b>As at 30 September 2023</b>	<b>After Public Issue</b>	<b>After Public Issue and use of proceeds</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Capitalisation</b>		
Shareholders' equity	16,144	31,547
<b>Total capitalisation</b>	<b>16,144</b>	<b>31,547</b>

For the avoidance of doubt, we do not have any indebtedness as at 30 September 2023.

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### 13. ACCOUNTANTS' REPORT



20 OCT 2023

The Board of Directors  
Panda Eco System Berhad  
No. 28-1 & 30-1, Jalan PPM 13  
Plaza Pandan Malim Business Park  
Balai Panjang, 75250 Melaka

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

#### **REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF PANDA ECO SYSTEM BERHAD ("PANDA" OR "THE COMPANY")**

#### **OPINION**

We have audited the financial information of the Company and its subsidiaries (collectively known as "the Group"). The financial information comprise:-

- (i) The combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended ("FYE") 31 December 2019, FYE 31 December 2020, FYE 31 December 2021, FYE 31 December 2022 and for 6 months financial period ended ("FPE") 30 June 2023, as set out in pages 5 to 14; and
- (ii) Notes to the combined financial statements, including a summary of significant accounting policies and other explanatory information, as set out in pages 15 to 85.

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

In our opinion, the financial information gives a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 and of their financial performances and their cash flows for each of the FYE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021, FYE 31 December 2022 and FPE 30 June 2023 in accordance with the Malaysian Financial Reporting Standards and International Financial Reporting Standards.

#### **BASIS FOR OPINION**

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

**13. ACCOUNTANTS' REPORT (Cont'd)*****Independence and Other Ethical Responsibilities***

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

**DIRECTORS' RESPONSIBILITY FOR THE FINANCIAL INFORMATION**

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

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

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

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

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

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

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

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

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



**OTHER MATTER**

The comparative information in respect of the combined statement of profit or loss and other comprehensive income, combined statement of cash flows and related notes to the combined financial statements of the Group for the 6-months financial period ended 30 June 2022 have not been audited.

**RESTRICTION ON DISTRIBUTION AND USE**

This report is made solely to the Group for inclusion in the Prospectus of Panda in connection with the listing of and quotation for the entire enlarged issued share capital of Panda on the ACE Market of Bursa Malaysia Securities Berhad and for no other purpose. We do not assume responsibility to any other person for the content of this report contrary to the aforesaid purpose.

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

Melaka

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**Piong Yew Peng**  
03070/06/2025 J  
Chartered Accountant

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**COMBINED STATEMENTS OF FINANCIAL POSITION**

NOTE	← Audited →					
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000	
<b>ASSETS</b>						
<b>NON-CURRENT ASSETS</b>						
Property, plant and equipment	4	800	1,118	1,040	809	833
Investment properties	5	4,644	4,546	4,097	-	-
Right-of-use assets	6	-	-	153	94	133
Intangible assets	7	-	-	549	1,183	1,519
Other investments	8(a)	493	1,377	-	-	-
Deferred tax assets	9	302	259	123	33	42
		<u>6,239</u>	<u>7,300</u>	<u>5,962</u>	<u>2,119</u>	<u>2,527</u>
<b>CURRENT ASSETS</b>						
Inventories	10	200	260	328	280	231
Trade receivables	11	3,209	2,898	1,926	2,359	2,851
Other receivables, deposits and prepayments	12	278	440	55	569	708
Contract assets	13	-	-	262	135	397
Other investments	8(b)	699	936	-	-	-
Current tax assets		-	-	-	189	384
Fixed deposits with licensed banks	14	430	7,197	2,018	5,550	5,550
Cash and bank balances		1,819	2,531	3,463	5,283	4,659
		<u>6,635</u>	<u>14,262</u>	<u>8,052</u>	<u>14,365</u>	<u>14,780</u>
<b>TOTAL ASSETS</b>		<u>12,874</u>	<u>21,562</u>	<u>14,014</u>	<u>16,484</u>	<u>17,307</u>
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	15(a)	-	-	-	*	*
Invested capital	15(b)	260	360	380	380	380
Fair value reserve	15(c)	75	923	-	-	-
Retained profits		10,583	12,704	9,926	12,233	13,978
<b>TOTAL EQUITY</b>		<u>10,918</u>	<u>13,987</u>	<u>10,306</u>	<u>12,613</u>	<u>14,358</u>
<b>NON-CURRENT LIABILITIES</b>						
Lease liabilities	16	-	-	105	64	108
Term loans	17	917	898	-	-	-
Deferred tax liabilities	9	3	4	4	179	232
		<u>920</u>	<u>902</u>	<u>109</u>	<u>243</u>	<u>340</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**COMBINED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

NOTE	← Audited →					
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000	
<b>CURRENT LIABILITIES</b>						
Trade payables	18	268	529	652	710	392
Other payables, deposits and accruals	19	678	5,686	2,112	2,885	2,189
Lease liabilities	16	-	-	49	33	28
Term loans	17	54	68	-	-	-
Current tax liabilities		36	390	786	-	-
		<u>1,036</u>	<u>6,673</u>	<u>3,599</u>	<u>3,628</u>	<u>2,609</u>
<b>TOTAL LIABILITIES</b>		<u>1,956</u>	<u>7,575</u>	<u>3,708</u>	<u>3,871</u>	<u>2,949</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>12,874</u>	<u>21,562</u>	<u>14,014</u>	<u>16,484</u>	<u>17,307</u>
Number of ordinary shares ('000) #						
		561,900	561,900	561,900	561,900	561,900
Net assets ("NA") attributable to owners of the Company (RM'000)						
		10,918	13,987	10,306	12,613	14,358
NA per ordinary share attributable to owners of the Company (sen)						
		<u>1.94</u>	<u>2.49</u>	<u>1.83</u>	<u>2.24</u>	<u>2.56</u>

Note :

(\*) – Amount is less than RM500.

(#) – It is assumed to be the number of ordinary shares before public issue.



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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

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

	NOTE	← Audited →				Unaudited	Audited
		1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000	1.1.2022 To 30.6.2022 RM'000	1.1.2023 To 30.6.2023 RM'000
REVENUE	20	13,311	16,395	20,003	20,982	8,883	10,800
COST OF SALES		(5,268)	(6,741)	(8,651)	(9,332)	(3,850)	(4,420)
GROSS PROFIT ("GP")		8,043	9,654	11,352	11,650	5,033	6,380
OTHER INCOME		312	718	2,010	411	346	138
		8,355	10,372	13,362	12,061	5,379	6,518
ADMINISTRATIVE AND OTHER EXPENSES		(1,420)	(2,207)	(3,392)	(3,924)	(1,790)	(2,665)
FINANCE COSTS		(50)	(41)	(14)	(5)	(3)	(2)
(NET IMPAIRMENT LOSSES)/ NET REVERSAL OF IMPAIRMENT LOSSES ON FINANCIAL ASSETS	21	(94)	1	474	340	(268)	(106)
PROFIT BEFORE TAXATION ("PBT")	22	6,791	8,125	10,430	8,472	3,318	3,745
TAX EXPENSE	23	(94)	(1,254)	(2,530)	(1,424)	(646)	(1,000)
PROFIT AFTER TAXATION ("PAT")		6,697	6,871	7,900	7,048	2,672	2,745
OTHER COMPREHENSIVE INCOME							
<u>ITEMS THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT OR LOSS</u>							
- Fair value changes of equity investments		75	848	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		6,772	7,719	7,900	7,048	2,672	2,745

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

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

	← Audited →				Unaudited	Audited
	1.1.2019 To 31.12.2019	1.1.2020 To 31.12.2020	1.1.2021 To 31.12.2021	1.1.2022 To 31.12.2022	1.1.2022 To 30.06.2022	1.1.2023 To 30.6.2023
NOTE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
GP Margin (%)	60.42	58.88	56.75	55.52	56.66	59.07
PBT Margin (%)	51.02	49.56	52.14	40.38	37.35	34.68
PAT Margin (%)	50.31	41.91	39.49	33.59	30.08	25.42
Effective tax rate (%)	1.38	15.43	24.26	16.81	19.47	26.70
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)	7,043	8,244	10,601	8,588	3,398	3,748
Number of ordinary shares ('000) #	561,900	561,900	561,900	561,900	561,900	561,900
Basic and diluted earnings per share ("EPS") (sen)	24 <u>1.19</u>	<u>1.22</u>	<u>1.41</u>	<u>1.25</u>	<u>0.48</u>	<u>0.49</u>

Note :

# – It is assumed to be the number of ordinary shares before public issue.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**COMBINED STATEMENTS OF CHANGES IN EQUITY**

<u>Audited</u>	NOTE	Share Capital RM'000	Invested Capital RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Balance at 1.1.2019		-	260	-	9,726	9,986
Profit after taxation for the financial year		-	-	-	6,697	6,697
Other comprehensive income for the financial year						
- Fair value changes of equity instruments		-	-	75	-	75
Total comprehensive income for the financial year		-	-	75	6,697	6,772
Dividends	25	-	-	-	(5,840)	(5,840)
Balance at 31.12.2019/1.1.2020		-	260	75	10,583	10,918
Profit after taxation for the financial year		-	-	-	6,871	6,871
Other comprehensive income for the financial year						
- Fair value changes of equity instruments		-	-	848	-	848
Total comprehensive income for the financial year		-	-	848	6,871	7,719
Issuance of shares	15	-	100	-	-	100
Dividends	25	-	-	-	(4,750)	(4,750)
Balance at 31.12.2020/1.1.2021		-	360	923	12,704	13,987
Profit after taxation/ Total comprehensive income for the financial year		-	-	-	7,900	7,900
Disposal of quoted investments		-	-	(923)	923	-
Issuance of shares	15	-	20	-	-	20
Dividends	25	-	-	-	(11,601)	(11,601)
Balance at 31.12.2021/1.1.2022		-	380	-	9,926	10,306
Profit after taxation/Total comprehensive income for the financial year		-	-	-	7,048	7,048
Issuance of shares	15	*	-	-	-	*
Dividends	25	-	-	-	(4,741)	(4,741)
Balance at 31.12.2022		*	380	-	12,233	12,613

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)**

<u>Audited</u>	NOTE	Share Capital RM'000	Invested Capital RM'000	Fair Value Reserve RM'000	Retained Profits RM'000	Total Equity RM'000
Balance at 31.12.2022/1.1.2023		*	380	-	12,233	12,613
Profit after taxation/Total comprehensive income for the financial period		-	-	-	2,745	2,745
Dividends	25	-	-	-	(1,000)	(1,000)
Balance at 30.6.2023		*	380	-	13,978	14,358

Note :

(\*) – Amount is less than RM500.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**COMBINED STATEMENTS OF CASH FLOWS**

	← Audited →				Unaudited 1.1.2022 To 30.06.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 NOTE RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Profit before taxation	6,791	8,125	10,430	8,472	3,318	3,745
Adjustment for:-						
Depreciation						
- investment properties	98	98	99	16	16	-
- property, plant and equipment	115	98	127	129	60	64
- right-of-use assets	-	-	23	36	19	16
Dividend income	(11)	(13)	(25)	*	*	-
Gain on disposal of other investments	(71)	(66)	(1,780)	-	-	(36)
Gain/(Loss) on disposal of plant and equipment	2	-	-	(25)	(25)	2
Gain on disposal of investment properties	-	-	-	(270)	(270)	-
Gain on lease termination	-	-	-	*	*	-
Plant and equipment written off	-	-	-	14	14	-
Fair value changes on other investments	(75)	(155)	-	-	-	-
Impairment losses						
- trade receivables	94	-	79	39	268	117
- investment properties	-	-	350	-	-	-
Interest expense on lease liabilities	-	-	2	5	3	2
Interest expenses	50	41	12	-	-	-
Interest income	(11)	(118)	(92)	(70)	(18)	(79)
<b>BALANCE CARRIED FORWARD</b>	<b>6,982</b>	<b>8,010</b>	<b>9,225</b>	<b>8,346</b>	<b>3,385</b>	<b>3,831</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**COMBINED STATEMENTS OF CASH FLOWS**

	← Audited →				Unaudited 1.1.2022 To 30.06.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 NOTE RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
BALANCE BROUGHT FORWARD	6,982	8,010	9,225	8,346	3,385	3,831
Rental income	(123)	(106)	(80)	(14)	(14)	-
Reversal of impairment loss on trade receivables	-	(1)	(553)	(379)	-	(11)
Operating profit before working capital changes	6,859	7,903	8,592	7,953	3,371	3,820
Decrease/ (Increase) in inventories	11	(60)	(68)	48	37	49
(Increase)/ Decrease in contract assets	-	-	(262)	127	196	(262)
(Increase)/ Decrease in trade and other receivables	(1,179)	150	1,831	(606)	(900)	(737)
Increase/ (Decrease) in trade and other payables	365	769	1,049	831	(616)	(1,014)
CASH FROM OPERATIONS	6,056	8,762	11,142	8,353	2,088	1,856
Tax paid	(57)	(856)	(2,027)	(2,134)	(781)	(1,151)
Tax refunded	21	-	29	-	-	-
NET CASH FROM OPERATING ACTIVITIES	6,020	7,906	9,144	6,219	1,307	705

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

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

	← Audited →				Unaudited	Audited
	1.1.2019 To 31.12.2019	1.1.2020 To 31.12.2020	1.1.2021 To 31.12.2021	1.1.2022 To 31.12.2022		
NOTE	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES</b>						
Additional investment in intangible assets	-	-	(549)	(634)	(308)	(336)
Dividend received	11	13	25	*	*	-
Interest received	11	118	92	70	18	79
Rental received	123	106	80	14	13	-
Proceeds from disposal of other investments	370	277	4,093	-	-	67
Proceeds from disposal of plant and equipment	*	-	3	1	1	1
Purchase of other investments	(189)	(329)	-	-	-	(31)
Purchase of property, plant and equipment (Placement)/ Withdrawal of fixed deposits with tenure more than 3 months	26(a)(i) (155)	(416)	(52)	(268)	(213)	(91)
	(310)	(13)	443	-	-	-
<b>NET CASH (FOR)/FROM INVESTING ACTIVITIES</b>	<b>(139)</b>	<b>(244)</b>	<b>4,135</b>	<b>(817)</b>	<b>(489)</b>	<b>(311)</b>



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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

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

	NOTE	← Audited →				Unaudited	Audited
		1.1.2019	1.1.2020	1.1.2021	1.1.2022	1.1.2022	1.1.2023
		To 31.12.2019	To 31.12.2020	To 31.12.2021	To 31.12.2022	To 30.6.2022	To 30.6.2023
		RM'000	RM'000	RM'000	RM'000	RM'000	
<b>CASH FLOW FOR FINANCING ACTIVITIES</b>							
Dividends paid	26(a)(ii)	(5,840)	(250)	(16,101)	(11)	(11)	(1,000)
Interest paid		(50)	(41)	(14)	(5)	(3)	(2)
Repayment of lease liabilities	26(b)	-	-	(22)	(34)	(19)	(16)
Repayment of term loans	26(b)	(55)	(5)	(966)	-	-	-
Proceeds from issue of ordinary shares		-	100	20	*	-	-
<b>NET CASH FOR FINANCING ACTIVITIES</b>		<b>(5,945)</b>	<b>(196)</b>	<b>(17,083)</b>	<b>(50)</b>	<b>(33)</b>	<b>(1,018)</b>
<b>NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS</b>							
		(64)	7,466	(3,804)	5,352	785	(624)
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD</b>							
		1,883	1,819	9,285	5,481	5,481	10,833
<b>CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD</b>							
	26(d)	1,819	9,285	5,481	10,833	6,266	10,209

Note :

(\*) – Amount is less than RM500.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS****1. ABBREVIATIONS**

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

**Abbreviations**

Panda	Panda Eco System Berhad Registration No: 202201028635 (1474332-M)
Panda Software	Panda Software House Sdn. Bhd. Registration No: 200901011049 (854073-K)
Panda Group or The Group	Panda, Panda Software, KK Computer, Rexbridge and 020 Digital, collectively
KK Computer	KK Computer Sdn. Bhd. Registration No: 199701026999 (442497-A)
Rexbridge	Rexbridge Sdn. Bhd. Registration No: 201401030716 (1106802-H)
020 Digital	020 Digital Sdn. Bhd. Registration No: 202001021320 (1377640-W)
Listing	Admission of Panda to the Official List of Bursa Malaysia Securities Berhad and listing of and quotation for the entire enlarged issued share capital of Panda on the ACE Market of Bursa Malaysia Securities Berhad
MASB	Malaysian Accounting Standards Board
MFRS	Malaysian Financial Reporting Standards
MPERS	Malaysian Private Entity Reporting Standard
FPE	Financial Period Ended
FYE	Financial Year Ended
Panda Shares or Shares	Ordinary shares in Panda Eco System Berhad
RM and Sen	Ringgit Malaysia and sen, respectively
CA 2016	Companies Act 2016

**2. GENERAL INFORMATION****2.1 INCORPORATION AND PRINCIPAL ACTIVITIES**

Panda was incorporated in Malaysia under the Companies Act 2016 on 4 August 2022 as a private limited company and is principally engaged in investment holding. Subsequently on 2 March 2023, the Company was converted to a public limited company under the name of Panda Eco System Berhad.

For the purpose of listing of the Company on the ACE Market of Bursa Malaysia Securities Berhad (hereinafter defined as "the Listing"), the Company undertook the acquisition of subsidiaries as disclosed in Note 30 to the combined financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****2. GENERAL INFORMATION (CONT'D)****2.1 INCORPORATION AND PRINCIPAL ACTIVITIES (CONT'D)**

Details of the subsidiaries are as follows:-

<b>Name of subsidiary</b>	<b>Date and place of incorporation</b>	<b>Effective equity interest %</b>	<b>Issued share capital RM</b>	<b>Principal activities</b>
Panda Software	20 April 2009 Malaysia	100	100,000	<ul style="list-style-type: none"> <li>To provide software development, customisation, implementation and integration of IT solutions as well as IT solutions support, maintenance and training for the use of IT solutions; and</li> <li>Trading of IT hardware as well as to provide IT technical support and maintenance</li> </ul>
KK Computer	11 August 1997 Malaysia	100	60,000	<ul style="list-style-type: none"> <li>Trading of IT hardware and software as well as to provide IT technical support and maintenance; and</li> <li>To provide software development, customisation, consultancy and business development for IT solutions</li> </ul>
Rexbridge	28 August 2014 Malaysia	100	120,000	To provide software development, customisation, consultancy and business development for IT solutions
020 Digital	30 July 2020 Malaysia	100	100,000	To provide software development, customisation, consultancy and business development for IT solutions

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

Registered office	:	Level 5, Tower 8, Avenue 5 Horizon 2, Bangsar South City 59200 Kuala Lumpur
Principal place of business	:	No. 28-1 & 30-1, Jalan PPM 13 Plaza Pandan Malim Business Park Balai Panjang, 75250 Melaka

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES****3.1 BASIS OF PREPARATION**

For the purposes of inclusion of combined financial statements in the prospectus of Panda in connection with the Listing, the combined financial statements comprise the combined statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the FYE 31 December 2019, FYE 31 December 2020, FYE 31 December 2021, FYE 31 December 2022 and FPE 30 June 2023.

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

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

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

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

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 BASIS OF PREPARATION (CONT'D)**

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

<b>Company</b>	<b>Relevant financial years/periods</b>	<b>Accounting standards applied</b>	<b>Auditors</b>
Panda	FPE from 4 August 2022 (date of incorporation) to 31 December 2022	MFRS	Crowe Malaysia PLT
	FPE 30 June 2023	MFRS	Crowe Malaysia PLT
Panda Software	FYE 31 December 2019	MPERS	O.L. Yeo & Co
	FYE 31 December 2020	MPERS	O.L. Yeo & Co
	FYE 31 December 2021	MFRS	Crowe Malaysia PLT
	FYE 31 December 2022	MFRS	Crowe Malaysia PLT
	FPE 30 June 2023	MFRS	Crowe Malaysia PLT
KK Computer	FYE 31 August 2019	MPERS	O.L. Yeo & Co
	FYE 31 August 2020	MPERS	O.L. Yeo & Co
	FPE from 1 September 2020 to 31 December 2021	MFRS	Crowe Malaysia PLT
	FYE 31 December 2022	MFRS	Crowe Malaysia PLT
	FPE 30 June 2023	MFRS	Crowe Malaysia PLT
Rexbridge	FYE 31 August 2019	MPERS	Ket & Co
	FPE from 1 September 2019 to 31 December 2020	MPERS	Ket & Co
	FYE 31 December 2021	MFRS	Crowe Malaysia PLT
	FYE 31 December 2022	MFRS	Crowe Malaysia PLT
	FPE 30 June 2023	MFRS	Crowe Malaysia PLT
020 Digital	FPE from 30 July 2020 (date of incorporation) to 31 December 2021	MFRS	Crowe Malaysia PLT
	FYE 31 December 2022	MFRS	Crowe Malaysia PLT
	FPE 30 June 2023	MFRS	Crowe Malaysia PLT

The financial statements of Panda Software for FYE 31 December 2019 and 31 December 2020 have been re-audited by Crowe Malaysia PLT, prepared in accordance with MFRS and International Financial Reporting Standards for the purpose of inclusion in the prospectus to be issued by Panda in connection with the Listing and should not be relied upon for any other purpose.

The directors of KK Computer re-produced the financial statements for FYE 31 December 2019, FYE 31 December 2020 and FYE 31 December 2021 to align to the financial year end of Panda and to be in compliance with MFRSs. These financial statements were re-audited by Crowe Malaysia PLT for the purpose of inclusion in the prospectus to be issued by Panda in connection with the Listing and should not be relied upon for any other purpose.

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

**3.1 BASIS OF PREPARATION (CONT'D)**

The directors of Rexbridge re-produced the financial statements for FYE 31 December 2019 and FYE 31 December 2020 to align to the financial year end of Panda and to be in compliance with MFRSSs. These financial statements were re-audited by Crowe Malaysia PLT for the purpose of inclusion in the prospectus to be issued by Panda in connection with the Listing and should not be relied upon for any other purpose.

**3.2 NEW MFRSS, AMENDMENT TO MFRSS AND IC INTERPRETATIONS THAT HAVE BEEN ISSUED BUT ARE NOT YET EFFECTIVE**

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the MASB but are not yet effective for the current financial year:-

<b>MFRSSs and/or IC Interpretations (Including The Consequential Amendments)</b>	<b>Effective Date</b>
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sales and Leaseback	1 January 2024
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024

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

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES****(a) Critical Accounting Estimates and Judgements***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

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

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

**(ii) Amortisation of Development Cost**

The estimates for the residual values, useful lives and related amortisation charges for the development costs are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its development costs will be insignificant. As a result, residual values are not being taken into consideration for the computation of the amortisation amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future amortisation charges could be revised.

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(a) Critical Accounting Estimates and Judgements (Cont'd)***Key Sources of Estimation Uncertainty (Cont'd)***(iii) Impairment of Trade Receivables and Contract Assets**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables and contract assets.

**(iv) Revenue recognition**

Revenue from contracts with customers is recognised by reference to each distinct performance obligation promised in the contract with customer when or as the Group transfer control of the goods or services promised in a contract and the customer obtains control of the goods or services. Revenue from contracts with customers is measured at its transaction price, being the amount of consideration to which the Group expect to be entitled in exchange for transferring promised goods or services to a customer, net of goods and services tax, returns, rebates and discounts. The transaction price is allocated to each distinct good or service promised in the contract.

**(v) Income Taxes**

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made.

**(vi) Deferred Tax Assets**

Deferred tax assets are recognised for all deductible temporary differences to the extent that it is probable that future taxable profits would be available against which the deductible temporary differences could be utilised. Management judgement is required to determine the amount of deferred tax assets that can be recognised, based on the assessment of the probability of the future taxable profits.



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

#### **PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

#### **NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

### **3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **(a) Critical Accounting Estimates and Judgements (Cont'd)**

###### *Critical Judgement Made in Applying Accounting Policies*

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the combined financial statements other than as disclosed below:-

##### **(i) Classification between Investment Properties and Owner-occupied Properties**

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

##### **(ii) Lease Terms**

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

##### **(b) Basis of Combination**

The Group resulting from the restructuring exercise, as disclosed in Note 30, comprises entities under common control. Accordingly, the financial statements have been accounted for using principles of merger accounting.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Basis of Combination (Cont'd)****(i) Business Combinations**

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

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

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

However, an acquisition that resulted in a business combination involving common control entities is outside the scope of MFRS 3 Business Combinations. For such common control combinations, the merger accounting principles are used to include the assets, liabilities, results, equity changes and cash flows of the combining entities in the audited financial statements.

In applying merger accounting, financial statements items of the combining entities or businesses for the reporting period in which common control combination occurs are included in the audited financial statements of the Group as if the combination had occurred from the date when the combining entities or businesses first come under the control of the controlling party or parties. Under merger accounting, the Group recognises the assets, liabilities and equity of the combining entities or businesses at the carrying amount as if such audited financial statements had been prepared by the controlling party including adjustments required for conforming to the Groups' accounting policies and applying those policies to all period presented. There is no recognition of any goodwill or a gain from bargain purchase at the time of the common control combination. The effect of all transactions and balances between combining entities, whether occurring before or after the combination, are eliminated in preparing the audited combined financial statements of the Group.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(b) Basis of Combination (Cont'd)****(ii) Non-controlling Interests**

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

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

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

**(iv) Loss of Control**

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

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

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

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(c) Functional and Presentation Currency**

The combined financial statements are presented in Ringgit Malaysia ("RM") which is the Group's functional and presentation currency and has been rounded to the nearest thousand, unless otherwise stated.

**(d) Financial Instruments**

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

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

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

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

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

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Financial Instruments (Cont'd)****(i) Financial Assets**

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

*Debt Instruments*

- Amortised Cost

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

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

- Fair Value through Other Comprehensive Income

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

- Fair Value through Profit or Loss

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

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

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Financial Instruments (Cont'd)****(i) Financial Assets (Cont'd)***Equity Instruments*

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

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

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

**(ii) Financial Liabilities**

- **Financial Liabilities at Fair Value through Profit or Loss**

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

- **Other Financial Liabilities**

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(d) Financial Instruments (Cont'd)****(ii) Financial Liabilities (Cont'd)**

- **Other Financial Liabilities (Cont'd)**

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

**(iii) Equity Instruments**

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

*Ordinary Shares*

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

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

**(iv) Derecognition**

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

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(e) Property, Plant and Equipment**

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

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

Freehold land is stated at cost less any impairment losses.

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

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

Freehold building	2%
Office equipment	10% - 20%
Renovation	10%
Motor vehicles	10%
Hostel equipment	10%
Furniture, fittings and equipment	10% - 33%
Solar photovoltaic system	15%

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

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

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



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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(f) Investment Properties**

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

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

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

Depreciation charged to profit or loss on the straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are 50 years.

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

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

**(g) Research and Development Expenditure**

Research expenditure is recognised as expense when it is incurred.

Development expenditure is recognised as an expense except that costs incurred on development projects are capitalised as non-current assets to the extent that such expenditure is expected to generate future economic benefits. Development expenditure is capitalised if, and only if, an entity can demonstrate all of the following:-

- (i) its ability to measure reliably the expenditure attributable to the asset under development;
- (ii) the product or process is technically and commercially feasible;
- (iii) its future economic benefits are probable;
- (iv) its intention to complete and the ability to use or sell the developed asset; and
- (v) the availability of adequate technical, financial and other resources to complete the asset under development.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(g) Research and Development Expenditure (Cont'd)**

Capitalised development expenditure is measured at cost less accumulated amortisation and impairment losses, if any. Development expenditure initially recognised as an expense is not recognised as assets in the subsequent period.

The development expenditure is amortised on a straight-line method over a period of 10 years when the products are ready for sale or use. In the event that the expected future economic benefits are no longer probable of being recovered, the development expenditure is written down to its recoverable amount.

The amortisation method, useful life and residual value are reviewed, and adjusted if appropriate, at the end of each reporting period.

**(h) Leases**

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

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The Group present the right-of-use asset in property, plant and equipment and associated lease liabilities as a separate line item in the statement of financial position.

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

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

Hostel	3 years
Office	4 years

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

#### **PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

#### **NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

### **3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **(h) Leases (*Cont'd*)**

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 the rate cannot be readily determined, the Group uses its incremental borrowing rate.

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

##### **(i) Inventories**

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

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

##### **(j) Contract Asset and Contract Liability**

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

A contract liability is stated at cost and represents the obligation of the Group to transfer goods or services to a customer for which consideration has been received (or the amount is due) from the customers.

##### **(k) Cash and Cash Equivalents**

Cash and cash equivalents comprise cash in hand and bank balances that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less.

##### **(l) Impairment**

###### **(i) Impairment of Financial Assets**

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost, trade receivables and contract assets.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(I) Impairment (Cont'd)****(i) Impairment of Financial Assets (Cont'd)**

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

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

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

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

**(ii) Impairment of Non-financial Assets**

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

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(l) Impairment (Cont'd)****(ii) Impairment of Non-financial Assets (Cont'd)**

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset.

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

**(m) Provisions**

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

**(n) Employee Benefits****(i) Short-term Benefits**

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

**(ii) Defined Contributions Plans**

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

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(o) Income Taxes****(i) Current Tax**

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

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

**(ii) Deferred Tax**

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

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

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

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

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

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(p) Contingent liabilities**

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

**(q) Borrowing Costs**

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.

**(r) Operating Segments**

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

**(s) Earnings per Ordinary Share**

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

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



**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(t) Fair Value Measurements**

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

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

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

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

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

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

The fair value for measurement and disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions (MFRS 2), leasing transactions (MFRS 16) and measurement that have some similarities to fair value but are not fair value, such as net realisable value (MFRS 102) or value in use (MFRS 136).

**(u) Revenue From Contracts with Customers**

Revenue is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, net of sales and service tax, returns, rebates and discounts.

The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of that asset.



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

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#### **PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

#### **NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

### **3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

#### **3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**

##### **(u) Revenue From Contracts with Customers (Cont'd)**

The Group transfers control of a good or service at a point in time unless one of the following overtime criteria is met:-

- The customer simultaneously receives and consumes the benefits provided as the Group performs.
- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced.
- The Group's performance does not create an asset with an alternative use and the Group has an enforceable right to payment for performance completed to date.

##### **(i) Sales of computer software and application software**

Revenue from sales of computer software and application software are recognised at a point in time when the goods have been rendered to the customers and coincides with the delivery of goods and acceptance by customers.

##### **(ii) Sales of hardware**

Revenue from sales of hardware is recognised when the significant risks and rewards of ownership have been transferred to the buyer. Revenue is measured at the fair value of the consideration received or receivable, net of discounts and taxes applicable to the revenue.

##### **(iii) Registration fee and subscription fee**

Revenue from registration fee and subscription fee are recognised based on the actual service provided to the end of reporting period.

##### **(iv) Software maintenance fee**

Software maintenance fee is recognised upon performance of services and customer's acceptance, net of trade discounts, if any.

##### **(v) Training**

Revenue from training is recognised upon performance of services and customer's acceptance, net of trade discounts, if any.

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****3. BASIS OF PREPARATION AND SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****(v) Revenue From Other Operating Income****(i) Interest Income**

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

**(ii) Dividend Income**

Dividend income from investment is recognised when the right to receive dividend payment is established.

**(iii) Rental Income**

Rental income from investment properties is accounted for on a straight-line method over the lease term.

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**4. PROPERTY, PLANT AND EQUIPMENT**

<u>Audited</u>	Freehold land and building RM'000	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Hostel equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
<i>Carrying Amount</i>							
At 1 January 2019	336	109	162	96	21	38	762
Additions (Note 26(a)(i))	-	67	55	-	21	12	155
Disposals	-	-	-	(2)	-	-	(2)
Depreciation charges (Note 22)	(7)	(26)	(27)	(14)	(5)	(36)	(115)
At 31 December 2019	329	150	190	80	37	14	800
<u>Audited</u>							
<i>Carrying Amount</i>							
At 1 January 2020	329	150	190	80	37	14	800
Additions (Note 26(a)(i))	-	141	203	10	-	62	416
Depreciation charges (Note 22)	(7)	(32)	(30)	(14)	(5)	(10)	(98)
At 31 December 2020	322	259	363	76	32	66	1,118

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

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

<u>Audited</u>	Freehold land and building RM'000	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Hostel equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000	
<i>Carrying Amount</i>								
At 1 January 2021	322	259	363	76	32	66	1,118	
Additions (Note 26(a)(i))	-	51	-	-	-	1	52	
Disposals	-	-	-	-	-	(3)	(3)	
Depreciation charges (Note 22)	(7)	(39)	(49)	(15)	(5)	(12)	(127)	
At 31 December 2021	315	271	314	61	27	52	1,040	
<u>Audited</u>	Freehold land and building RM'000	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Hostel equipment RM'000	Furniture, fittings and equipment RM'000	Solar Photovoltaic System RM'000	Total RM'000
<i>Carrying Amount</i>								
At 1 January 2022	315	271	314	27	52	-	-	1,040
Additions (Note 6(a)(i))	-	74	83	-	27	84	84	268
Written off	-	(14)	-	-	-	-	-	(14)
Disposals	(314)	(1)	(14)	(27)	-	-	-	(356)
Depreciation charges (Note 22)	(1)	(41)	(49)	-	(11)	(13)	(13)	(129)
At 31 December 2022	-	289	334	47	68	71	71	809

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

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

<u>Audited</u>	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Solar Photovoltaic System RM'000	Total RM'000
<i>Carrying Amount</i>						
At 1 January 2023	289	334	47	68	71	809
Additions (Note 26(a)(i))	60	14	17	-	-	91
Disposals	-	-	(3)	-	-	(3)
Depreciation charges (Note 22)	(20)	(27)	(7)	(4)	(6)	(64)
At 30 June 2023	329	321	54	64	65	833
<u>Audited</u>						
31.12.2019						
Freehold land and building RM'000	350					
Office equipment RM'000	(199)	303	132	47	119	1,300
Renovation RM'000		(113)	(52)	(10)	(105)	(500)
Accumulated depreciation						
Carrying Amount	329	190	80	37	14	800
<u>Audited</u>						
31.12.2020						
Freehold land and building RM'000	350					
Office equipment RM'000	(231)	506	142	47	181	1,716
Renovation RM'000		(143)	(66)	(15)	(115)	(598)
Accumulated depreciation						
Carrying Amount	322	363	76	32	66	1,118

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

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

<u>Audited</u>	Freehold land and building RM'000	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Hostel equipment RM'000	Furniture, fittings and equipment RM'000	Total RM'000
31.12.2021							
Cost	350	541	506	142	47	79	1,665
Accumulated depreciation	(35)	(270)	(192)	(81)	(20)	(27)	(625)
Carrying Amount	315	271	314	61	27	52	1,040

<u>Audited</u>	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Solar Photovoltaic System RM'000	Total RM'000
31.12.2022						
Cost	525	561	142	104	84	1,416
Accumulated depreciation	(236)	(227)	(95)	(36)	(13)	(607)
Carrying Amount	289	334	47	68	71	809

<u>Audited</u>	Office equipment RM'000	Renovation RM'000	Motor vehicles RM'000	Furniture, fittings and equipment RM'000	Solar Photovoltaic System RM'000	Total RM'000
30.6.2023						
Cost	586	574	149	104	84	1,497
Accumulated depreciation	(257)	(253)	(95)	(40)	(19)	(664)
Carrying Amount	329	321	54	64	65	833

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****5. INVESTMENT PROPERTIES**

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Cost					
At 1 January	4,943	4,943	4,943	4,943	-
Disposal	-	-	-	(4,943)	-
	<u>4,943</u>	<u>4,943</u>	<u>4,943</u>	<u>-</u>	<u>-</u>
Accumulated depreciation:-					
At 1 January	201	299	397	496	-
Depreciation during the financial year/period (Note 22)	98	98	99	16	-
Disposal	-	-	-	(512)	-
At 31 December	<u>299</u>	<u>397</u>	<u>496</u>	<u>-</u>	<u>-</u>
Accumulated impairment losses:-					
At 1 January	-	-	-	350	-
Impairment during the financial year/period (Note 22)	-	-	350	-	-
Disposal	-	-	-	(350)	-
At 31 December	<u>-</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>
	<u>4,644</u>	<u>4,546</u>	<u>4,097</u>	<u>-</u>	<u>-</u>
Represented by:-					
Buildings	<u>4,644</u>	<u>4,546</u>	<u>4,097</u>	<u>-</u>	<u>-</u>
Fair Value	<u>4,660</u>	<u>4,350</u>	<u>4,350</u>	<u>-</u>	<u>-</u>

- (a) The buildings have been pledged to licensed banks as security for banking facilities granted to the Group.
- (b) The fair values of the investment properties are within level 3 of the fair value hierarchy and are arrived at by reference to market evidence of transaction prices for similar properties and are performed by registered valuers having appropriate recognised professional qualification and recent experience in the locations and category of properties being valued. The most significant input into this valuation approach is the price per square foot of comparable properties. Adjustments are then made for differences in location, size, facilities available, market conditions and other factors in order to arrive at a common basis.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****6. RIGHT-OF-USE ASSETS**Audited

<i>Carrying Amount</i>	Hostel RM'000	Office RM'000	Total RM'000
At 1 January 2021	-	-	-
Additions (Note 26(a)(i))	43	133	176
Depreciation charges (Note 22)	(17)	(6)	(23)
At 31 December 2021	<u>26</u>	<u>127</u>	<u>153</u>

Audited

<i>Carrying Amount</i>	Hostel RM'000	Office RM'000	Total RM'000
At 1 January 2022	26	127	153
Derecognition due to lease termination	(23)	-	(23)
Depreciation charges (Note 22)	(3)	(33)	(36)
At 31 December 2022	<u>-</u>	<u>94</u>	<u>94</u>

Audited

<i>Carrying Amount</i>	Hostel RM'000	Office RM'000	Total RM'000
At 1 January 2023	-	94	94
Modification/Reassessment	-	55	55
Depreciation charges (Note 22)	-	(16)	(16)
At 30 June 2023	<u>-</u>	<u>133</u>	<u>133</u>

There were no right-of-use assets for financial year ended 31 December 2019 and 31 December 2020.

The Group leases certain hostel and office of which the leasing activities are summarised below:-

- (i) Hostel      The Group has leased a hostel that run 3 years, with an option to renew the lease after that date for the financial year ended 31 December 2021 and 31 December 2022.
- (ii) Office      The Group has leased an office that run 4 years, with an option to renew the lease after that date for the financial year ended 31 December 2021, 31 December 2022 and financial period ended 30 June 2023.



**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****7. INTANGIBLE ASSETS**

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Cost:-					
At 1 January	-	-	-	549	1,183
Additions during the financial year/period	-	-	549	634	336
At 31 December	-	-	549	1,183	1,519
Included in additions during the financial year/period are:-					
Director's remuneration	-	-	343	288	147
Staff costs	-	-	206	346	189
	-	-	549	634	336

Included in intangible assets are costs incurred on development projects for Business Analytic Tools, Retail Income Management Systems, cloud-based POS system and Sub-let Rental Management system relating to design and develop of new or improved products. Their amortisation charges are recognised in profit or loss once the products are launched to the market.

**8. OTHER INVESTMENTS****(a) Fair value through other comprehensive income**

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
<u>Non-current</u> Quoted ordinary shares, at fair value	493	1,377	-	-	-

The fair value of the investment is summarised below:-

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Quoted investment in a company listed on Bursa Malaysia	493	1,377	-	-	-

The Group has designated the quoted investment at fair value through other comprehensive income because the Group intends to hold for long-term strategic purpose.

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**8. OTHER INVESTMENTS (CONT'D)**

(b) Fair value through profit or loss	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Current Quoted ordinary shares, at fair value	699	936	-	-	-

**9. DEFERRED TAX (ASSETS)/LIABILITIES**

<u>Audited</u>	At 1 January 2019 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31 December 2019 RM'000
<b>31.12.2019</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	3	13	16
<i>Deferred Tax Assets</i>			
Impairment loss on trade receivables	(307)	(8)	(315)
	<u>(304)</u>	<u>5</u>	<u>(299)</u>
	At 1 January 2020 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31 December 2020 RM'000
<b>31.12.2020</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	16	44	60
<i>Deferred Tax Assets</i>			
Impairment loss on trade receivables	(315)	-	(315)
	<u>(299)</u>	<u>44</u>	<u>(255)</u>
	At 1 January 2021 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31 December 2021 RM'000
<b>31.12.2021</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	60	63	123
<i>Deferred Tax Assets</i>			
Impairment loss on trade receivables	(315)	106	(209)
Lease liabilities	-	(33)	(33)
	<u>(255)</u>	<u>136</u>	<u>(119)</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****9. DEFERRED TAX (ASSETS)/LIABILITIES (CONT'D)**

<u>Audited</u>	At 1 January 2022 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 31 December 2022 RM'000
<b>31.12.2022</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	123	(45)	78
Intangible assets	-	284	284
<i>Deferred Tax Assets</i>			
Impairment loss on trade receivables	(209)	73	(136)
Deposit received from customers	-	(57)	(57)
Lease liabilities	(33)	10	(23)
	<u>(119)</u>	<u>265</u>	<u>146</u>
<u>Audited</u>	At 1 January 2023 RM'000	Recognised in Profit or Loss (Note 23) RM'000	At 30 June 2023 RM'000
<b>30.6.2023</b>			
<i>Deferred Tax Liabilities</i>			
Property, plant and equipment	78	(24)	54
Intangible assets	284	81	365
Contract assets	-	91	91
<i>Deferred Tax Assets</i>			
Impairment loss on trade receivables	(136)	(26)	(162)
Deposit received from customers	(57)	(72)	(129)
Lease liabilities	(23)	(6)	(29)
	<u>146</u>	<u>44</u>	<u>190</u>

For the purpose of presentation in the combined statements of financial position, certain deferred tax assets and liabilities have been offset in the table above. The following is the analysis of the deferred tax balances for financial reporting purpose:-

	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Deferred tax assets	(302)	(259)	(123)	(33)	(42)
Deferred tax liabilities	3	4	4	179	232
	<u>(299)</u>	<u>(255)</u>	<u>(119)</u>	<u>146</u>	<u>190</u>

**13. ACCOUNTANTS' REPORT (Cont'd)**
**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**
**10. INVENTORIES**

	← Audited →				
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Trading goods	200	260	328	280	231
Recognised in profit or loss:- Inventories recognised as cost of sales	4,361	4,684	5,904	5,869	2,547

**11. TRADE RECEIVABLES**

	← Audited →				
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade receivables	4,605	4,293	2,847	2,940	3,538
Less: Allowance for impairment loss	(1,396)	(1,395)	(921)	(581)	(687)
	3,209	2,898	1,926	2,359	2,851

	← Audited →				
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Allowance for impairment losses:- At 1 January	1,302	1,396	1,395	921	581
Addition during the financial year/period (Note 21)	94	-	79	39	117
Reversal during the financial year/period (Note 21)	-	(1)	(553)	(379)	(11)
At 31 December/30 June	1,396	1,395	921	581	687

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

	← Audited →				
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Other receivables	253	313	10	75	24
Deposits	25	34	42	38	45
Prepayments	-	93	3	456	639
	278	440	55	569	708

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****13. CONTRACT ASSETS**

	← Audited →				
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Contract assets	-	-	262	135	397

The contract assets primarily relate to the Group's right to consideration for work completed on contracts but not yet billed as at the reporting date. This balance will be invoiced progressively by instalment every month.

**14. FIXED DEPOSITS WITH LICENSED BANKS**

The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rates of 2.55% to 2.75% (31.12.2022 – 3.50% to 3.65%; 31.12.2021 – 1.70% to 1.95%; 31.12.2020 – 1.80% to 3.35% and 31.12.2019 – 3.35% to 4.05%) per annum. The fixed deposits have maturity periods of 3 (31.12.2022 – 3; 31.12.2021 – 3; 31.12.2020 – 1 to 12 and 31.12.2019 – 3 to 12) months.

**15. SHARE CAPITAL AND RESERVE****(a) Share Capital**

	← Audited →				
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	NUMBER OF SHARES ('000)				
<b>ISSUED AND FULLY PAID-UP:</b>					
Ordinary shares					
At 1 January/Date of incorporated	-	-	-	^	^
At 31 December/30 June	-	-	-	^	^

Note :

(^) – Less than 500 ordinary shares.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****15. SHARE CAPITAL AND RESERVE (CONT'D)****(a) Share Capital (Cont'd)**

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
<b>ISSUED AND FULLY PAID-UP:</b>					
Ordinary shares					
At 1 January/Date of incorporated	-	-	-	*	*
At 31 December/30 June	-	-	-	*	*

Note :

(\*) – Amount is less than RM500.

- (i) Subsequent to FPE 2023, the share capital of the Company increased from RM5 to RM5,619,005 through the issuance of 561,900,000 new ordinary shares pursuant to the acquisition of subsidiaries as disclosed in Note 30 to the financial statements.

**(b) Invested Capital**

	← Audited →				
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	NUMBER OF SHARES ('000)				
<b>ISSUED AND FULLY PAID-UP:</b>					
Ordinary shares					
At 1 January	260	260	360	380	380
Issuance of new shares	-	100	20	-	-
At 31 December/30 June	260	360	380	380	380

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
<b>ISSUED AND FULLY PAID-UP:</b>					
Ordinary shares					
At 1 January	260	260	360	380	380
Issuance of new shares	-	100	20	-	-
At 31 December/30 June	260	360	380	380	380

- (i) The holders of ordinary shares are entitled to receive dividends as and when declared by the Group, and are entitled to one vote per ordinary share at meetings of the Group. The ordinary shares have no par value.
- (ii) For the purpose of this report, the total number of ordinary shares as at 31 December 2019, 31 December 2020, 31 December 2021, 31 December 2022 and 30 June 2023 represent the aggregate number of issued and fully paid-up ordinary shares of all combining entities within the Group.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****15. SHARE CAPITAL AND RESERVE (CONT'D)****(c) Fair Value Reserve**

Fair value reserve represent the cumulative fair value changes (net of tax, where applicable) of investments designated at fair value through other comprehensive income.

**16. LEASE LIABILITIES**

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
At 1 January	-	-	-	154	97
Addition of lease liabilities (Note 26(b))	-	-	176	-	-
Modification/ Reassessment (Note 26(b))	-	-	-	-	55
Interest expense recognised in profit or loss (Note 22)	-	-	2	5	2
Repayment of principal	-	-	(22)	(34)	(16)
Repayment of interest expense	-	-	(2)	(5)	(2)
Derecognition due to lease termination (Note 26(b))	-	-	-	(23)	-
<b>At 31 December/30 June</b>	<b>-</b>	<b>-</b>	<b>154</b>	<b>97</b>	<b>136</b>
Analysed by:					
Current liabilities	-	-	49	33	28
Non-current liabilities	-	-	105	64	108
	<b>-</b>	<b>-</b>	<b>154</b>	<b>97</b>	<b>136</b>

Lease liabilities of the Group at the end of reporting period bore weighted average effective interest rate of 6.68% (31.12.2022 – 4.29%, 31.12.2021 – 4.19%, 31.12.2020 – Nil, 31.12.2019 - Nil) per annum.

**17. TERM LOANS**

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Current liabilities	54	68	-	-	-
Non-current liabilities	917	898	-	-	-
	<b>971</b>	<b>966</b>	<b>-</b>	<b>-</b>	<b>-</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****17. TERM LOANS (CONT'D)**

- (a) The term loans were secured by the following:-
- (i) by fixed charges over investment properties of the Group as disclosed in Note 5 to the combined financial statements; and
  - (ii) by joint and several guarantee of certain directors of the Group.
- (b) The weighted average effective interest rate of term loans was Nil (31.12.2022 – Nil; 31.12.2021 – Nil; 31.12.2020 – 3.70% and 31.12.2019 – 5.08%) per annum.

**18. TRADE PAYABLES**

The normal trade credit terms granted to the Group range from 30 to 60 (31.12.2022 – 30 to 60; 31.12.2021 – 30 to 60; 31.12.2020 – 30 to 60 and 31.12.2019 – 30 to 60) days.

**19. OTHER PAYABLES, DEPOSITS RECEIVED AND ACCRUALS**

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
Other payables	427	411	495	434	410
Contract liability - deposits received	33	154	478	495	780
Rental deposits received	-	-	-	18	3
Accruals	164	351	1,139	1,938	996
Dividend payable	-	4,500	-	-	-
Amounts due to directors	54	270	-	-	-
	<b>678</b>	<b>5,686</b>	<b>2,112</b>	<b>2,885</b>	<b>2,189</b>

The amounts due to directors represent advances which were unsecured and interest-free. The amounts owing were repayable on demand.

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****20. REVENUE**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
	<b>Revenue from contracts with customers</b>					
<u>Recognised at a point in time</u>						
Computer software, application software	6,700	7,927	8,666	8,655	3,117	4,703
Subscription fee and registration fee	350	1,294	3,227	4,099	1,908	2,292
Hardware	4,182	4,442	4,911	4,204	1,859	1,499
Training	20	20	1	161	14	56
	<u>11,252</u>	<u>13,683</u>	<u>16,805</u>	<u>17,119</u>	<u>6,898</u>	<u>8,550</u>
<u>Recognised over time</u>						
Maintenance fee	2,059	2,712	3,198	3,863	1,985	2,250
	<u>13,311</u>	<u>16,395</u>	<u>20,003</u>	<u>20,982</u>	<u>8,883</u>	<u>10,800</u>

**21. NET IMPAIRMENT LOSSES/(NET REVERSAL OF IMPAIRMENT LOSSES) ON FINANCIAL ASSETS**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
	<b>Impairment losses:</b>					
- Trade receivables (Note 11)	94	-	79	39	268	117
<b>Reversal of impairment losses:</b>						
- Trade receivables (Note 11)	-	(1)	(553)	(379)	-	(11)
	<u>94</u>	<u>(1)</u>	<u>(474)</u>	<u>(340)</u>	<u>268</u>	<u>106</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****22. PROFIT BEFORE TAXATION**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
Profit before taxation is arrived at after charging/(crediting):-						
Auditors' remuneration						
- audit fees	11	16	40	47	-	-
- non-audit fees	-	-	-	35	-	43
Depreciation						
- investment properties (Note 5)	98	98	99	16	16	-
- property, plant and equipment (Note 4)	115	98	127	129	60	64
- right-of-use assets (Note 6)	-	-	23	36	19	16
Direct operating expenses on investment properties	24	34	27	20	20	-
Directors' remuneration (Note 27(c))	70	280	917	1,353	577	698
Impairment loss on investment properties (Note 5)	-	-	350	-	-	-
Interest expense on lease liabilities (Note 16)	-	-	2	5	3	2
Interest expense	50	41	12	-	-	-
Loss on disposal of plant and equipment	2	-	-	-	-	2
Listing expenses	-	-	-	-	-	654
Plant and equipment written off	-	-	-	14	14	-
Rental of motor vehicles	1	1	*	1	1	1
Rental of premises	21	53	55	70	28	41
Staff costs (including other key management personnel as disclosed in Note 27(c)):-						
- short-term employee benefits	1,984	3,317	4,817	3,909	1,428	2,022
- defined contribution benefits	233	408	480	540	311	363

Note :

(\*) – Amount is less than RM500.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****22. PROFIT BEFORE TAXATION (CONT'D)**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
Profit before taxation is arrived at after charging/(crediting) (Cont'd):-						
Dividend income	(11)	(13)	(25)	*	*	-
Gain on disposal of other investments	(71)	(66)	(1,780)	-	-	(36)
Gain on disposal of investment properties	-	-	-	(270)	(270)	-
Gain on disposal of property, plant and equipment	-	-	-	(25)	(25)	-
Gain on lease termination	-	-	-	*	*	-
Fair value gain on financial assets measured at fair value through profit or loss mandatorily – other investments	(75)	(155)	-	-	-	-
Interest income	(11)	(118)	(92)	(70)	(18)	(79)
Rental income	(123)	(106)	(80)	(14)	(14)	-

Note :

(\*) – Amount is less than RM500.

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****23. TAX EXPENSE**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
Current tax expenses	75	1,210	2,402	1,658	709	956
Under/(Over) provision in the previous financial year	14	*	(8)	(502)	-	-
	89	1,210	2,394	1,156	709	956
Deferred tax (Note 9):						
- Origination or reversal of temporary differences	5	44	(23)	118	(63)	44
- Under provision in the previous financial year	*	*	159	147	-	-
	5	44	136	265	(63)	44
Total income tax expense	94	1,254	2,530	1,421	646	1,000
Real property gain tax	-	-	-	3	-	-
Total tax expense	94	1,254	2,530	1,424	646	1,000

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****23. TAX EXPENSE (CONT'D)**

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

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
Profit before taxation	6,791	8,125	10,430	8,472	3,318	3,745
Tax at the statutory tax rate of 24%	1,630	1,950	2,503	2,033	797	899
Tax effects of:-						
Non-taxable income	(123)	(103)	(419)	(178)	(178)	-
Non-deductible expenses	42	101	478	97	90	224
Pioneer status income not subject to tax	(1,100)	(603)	(79)	-	-	-
Utilisation of current capital allowance	-	(6)	-	-	-	-
Under/(Over) provision of income tax expense in the previous financial year	14	*	(8)	(502)	-	-
Under provision of deferred tax in the previous financial year	*	*	159	147	-	-
Deferred tax assets not recognised during the financial year	15	-	-	*	-	-
Effect of change in corporate income tax rate	(384)	(85)	(104)	(156)	(49)	(123)
Other tax incentive	-	-	-	(20)	(14)	-
Real property gain tax	-	-	-	3	-	-
<b>Total tax expense</b>	<b>94</b>	<b>1,254</b>	<b>2,530</b>	<b>1,424</b>	<b>646</b>	<b>1,000</b>

Note :

(\*) – Amount is less than RM500.

Panda Software and Rexbridge were granted the MSC Malaysia status, which qualified for the Pioneer Status Incentive under the Promotion of Investments Act 1986. Panda Software enjoyed full exemption from income tax on its statutory income from pioneer activities for a period of 10 years, from 17 May 2010 to 16 May 2020. Rexbridge enjoyed full exemption from income tax on its statutory income from pioneer activities for a period of 4 years from 20 March 2017 to 30 June 2021.

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**24. BASIC AND DILUTED EARNINGS PER SHARE**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
Profit attributable to owners of the Company	6,697	6,871	7,900	7,048	2,672	2,745
Number of ordinary shares ('000) #	561,900	561,900	561,900	561,900	561,900	561,900
Basic and diluted earnings per share (sen)	1.19	1.22	1.41	1.25	0.48	0.49

Note :

(#) – It is assumed to be the number of ordinary shares before public issue.

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****25. DIVIDENDS**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019	1.1.2020	1.1.2021	1.1.2022		
	To 31.12.2019 RM'000	To 31.12.2020 RM'000	To 31.12.2021 RM'000	To 31.12.2022 RM'000		
<b>Ordinary shares</b>						
<u>Panda Software</u>						
- First interim single tier dividend of RM30.00 per ordinary share	3,000	-	-	-	-	-
- Second interim single tier dividend of RM28.40 per ordinary share	2,840	-	-	-	-	-
- First interim single tier dividend of RM45.00 per ordinary share	-	4,500	-	-	-	-
- First interim single tier dividend of RM100.00 per ordinary share	-	-	10,000	-	-	-
- First interim single tier dividend of RM45.30 per ordinary share	-	-	-	4,530	4,530	-
- First interim single tier dividend of RM7.84 per ordinary share	-	-	-	-	-	784
<u>KK Computer</u>						
- First interim single tier dividend of RM13.34 per ordinary share	-	-	801	-	-	-
- First interim single tier dividend of RM3.51 per ordinary share	-	-	-	211	211	-
- First interim single tier dividend of RM1.25 per ordinary share	-	-	-	-	-	75
Balance carried forward	5,840	4,500	10,801	4,741	4,741	859

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**25. DIVIDENDS (CONT'D)**

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
<b>Ordinary shares</b>						
Balance brought forward	5,840	4,500	10,801	4,741	4,741	859
<u>Rexbridge</u>						
- First interim single tier dividend of RM2.50 per ordinary share	-	250	-	-	-	-
- First interim single tier dividend of RM6.67 per ordinary share	-	-	800	-	-	-
- First interim single tier dividend of RM0.75 per ordinary share	-	-	-	-	-	90
<u>020 Digital</u>						
- First interim single tier dividend of RM0.51 per ordinary share	-	-	-	-	-	51
	<b>5,840</b>	<b>4,750</b>	<b>11,601</b>	<b>4,741</b>	<b>4,741</b>	<b>1,000</b>

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**26. CASH FLOW INFORMATION**

(a)(i) The cash disbursed for the purchase of property, plant and equipment and the addition of right-of-use assets is as follows:-

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
<b>Property, plant and equipment</b>						
Cost of property, plant and equipment purchased (Note 4)	155	416	52	268	213	91
<b>Right-of-use assets</b>						
Cost of right-of-use assets purchased (Note 6)	-	-	176	-	-	-
Less: Addition of new lease liabilities (Note 26(b))	-	-	(176)	-	-	-
	-	-	-	-	-	-

(a)(ii) The cash payment for dividends in the respective financial years/period are as follows:-

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
Dividends declared	5,840	4,750	11,601	4,741	4,741	1,000
Adjusted for:						
- payment in the following year	-	(4,500)	4,500	-	-	-
- dividend-in-specie	-	-	-	(4,730)	(4,730)	-
	5,840	250	16,101	11	11	1,000

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****26. CASH FLOW INFORMATION (CONT'D)**

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

<b>Term Loans</b>	<b>31.12.2019</b>	<b>31.12.2020</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Audited</u>		
At 1 January	1,026	971
<u>Changes in Financing Cash Flows</u>		
Repayment of borrowing-principal	(55)	(5)
Repayment of borrowing-interests	(50)	(41)
	<u>(105)</u>	<u>(46)</u>
<u>Non-cash Changes</u>		
Interest expense recognised in profit or loss	50	41
At 31 December	<u>971</u>	<u>966</u>

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**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****26. CASH FLOW INFORMATION (CONT'D)**

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

<u>Audited</u>	<b>Term Loans</b> RM'000	<b>Lease Liabilities</b> RM'000	<b>Total</b> RM'000
31.12.2021			
At 1 January	966	-	966
<u>Changes in Financing Cash Flows</u>			
Repayment of borrowing-principal	(966)	(22)	(988)
Repayment of borrowing-interests	(12)	(2)	(14)
	(978)	(24)	(1,002)
<u>Non-cash Changes</u>			
Acquisition of new lease (Note 16 and 26(a))	-	176	176
Interest expense recognised in profit or loss	12	2	14
	12	178	190
At 31 December	-	154	154
	31.12.2022 RM'000	30.6.2022 RM'000	30.6.2023 RM'000
<b>Lease Liabilities</b>			
At 1 January	154	154	97
<u>Changes in Financing Cash Flows</u>			
Repayment of borrowing-principal	(34)	(19)	(16)
Repayment of borrowing-interests	(5)	(3)	(2)
	(39)	(22)	(18)
<u>Non-cash Changes</u>			
Derecognition due to lease termination (Note 16)	(23)	(23)	-
Modification/Reassessment of lease (Note 16)	-	-	55
Interest expense recognised in profit or loss	5	3	2
	(18)	(20)	57
At 31 December/30 June	97	112	136

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****26. CASH FLOW INFORMATION (CONT'D)**

(c) The total cash outflows for leases as a lessee are as follows:-

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
<b>Right-of-use assets</b>						
Payment of short-term leases	22	54	55	71	29	42
Interest paid on lease liabilities	-	-	2	5	3	2
Payment of lease liabilities	-	-	22	34	19	16
	<u>22</u>	<u>54</u>	<u>79</u>	<u>110</u>	<u>51</u>	<u>60</u>

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

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
Fixed deposits with licensed banks	430	7,197	2,018	5,550	1,834	5,550
Cash and bank balances	1,819	2,531	3,463	5,283	4,432	4,659
	<u>2,249</u>	<u>9,728</u>	<u>5,481</u>	<u>10,833</u>	<u>6,266</u>	<u>10,209</u>
Less: Fixed deposits with tenure more than 3 months	(430)	(443)	-	-	-	-
	<u>1,819</u>	<u>9,285</u>	<u>5,481</u>	<u>10,833</u>	<u>6,266</u>	<u>10,209</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****27. RELATED PARTY DISCLOSURES****(a) Identities of related parties**

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

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

**(b) Significant related party transactions and balances**

Other than those disclosed elsewhere in the combined financial statements, the Group also carried out the following significant with the related parties during the financial years/period:-

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
<b>Companies in which directors of the Group have substantial financial interests</b>						
Purchase of goods	353	759	1,054	918	328	452
Dividend-in-specie via disposal of properties	-	-	-	(4,730)	(4,730)	-
Purchase of equipment	-	-	-	27	27	-
<b>Directors of the Group</b>						
Lease expenses paid/payable	-	9	24	62	27	28
<b>Director of the subsidiaries</b>						
Lease expenses paid/payable	-	-	3	12	6	6

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****27. RELATED PARTY DISCLOSURES (CONT'D)**

## (c) Key management personnel compensation

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
<b>Directors of the Company</b>						
Short-term employee benefits						
- salaries, bonuses and other benefits	63	239	774	1,207	505	561
Defined contribution benefits	7	41	143	146	72	137
	<u>70</u>	<u>280</u>	<u>917</u>	<u>1,353</u>	<u>577</u>	<u>698</u>
<b>Directors of the Subsidiaries</b>						
Short-term employee benefits						
- salaries, bonuses and other benefits	81	95	496	465	177	237
Defined contribution benefits	9	11	43	52	28	37
	<u>90</u>	<u>106</u>	<u>539</u>	<u>517</u>	<u>205</u>	<u>274</u>
<b>Other key management personnel</b>						
Short-term employee benefits						
- salaries, bonuses and other benefits	-	96	228	357	167	133
Defined contribution benefits	-	11	27	35	20	24
	<u>-</u>	<u>107</u>	<u>255</u>	<u>392</u>	<u>187</u>	<u>157</u>
	<u>90</u>	<u>213</u>	<u>794</u>	<u>909</u>	<u>392</u>	<u>431</u>

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

#### PANDA ECO SYSTEM BERHAD

Registration No: 202201028635 (1474332-M)

### NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

#### 28. OPERATING SEGMENTS

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the provision of services related to computer software and operates in Malaysia only.

##### Major Customer

	← Audited →				Unaudited	Audited
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000	1.1.2022 To 30.6.2022 RM'000	1.1.2023 To 30.6.2023 RM'000
Customer A	1,328	*	*	*	*	*

Note:

(\*) – Less than 10%.

#### 29. FINANCIAL INSTRUMENTS

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

##### 29.1 FINANCIAL RISK MANAGEMENT POLICIES

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

##### (a) Market Risk

##### (i) Foreign Currency Risk

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

##### (ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates.

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

The Group's exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Note 17 to the combined financial statements.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

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

**(a) Market Risk (Cont'd)****(ii) Interest Rate Risk (Cont'd)***Interest Rate Risk Sensitivity Analysis*

Any reasonably possible change in the interest rates of floating rate term loans at the end of the reporting period does not have a material impact on the profit after taxation of the Group and hence, no sensitivity analysis is presented.

**(iii) Equity Price Risk**

The Group's principal exposure to price risk arises mainly from changes in quoted investment prices.

*Equity Price Risk Sensitivity Analysis*

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

	Audited	
	31.12.2019	31.12.2020
	RM'000	RM'000
<b>Effects on profit after taxation</b>		
Increase of 10% (2020 – 10%)	53	71
Decrease of 10% (2020 – 10%)	<u>(53)</u>	<u>(71)</u>
	Audited	
	31.12.2019	31.12.2020
	RM'000	RM'000
<b>Effects on Equity</b>		
Increase of 10% (2020 – 10%)	102	209
Decrease of 10% (2020 – 10%)	<u>(102)</u>	<u>(209)</u>

The Group does not have any quoted investments at the end of the reporting period of 31.12.2021, 31.12.2022 and 30.6.2023, and hence, no sensitivity analysis is presented for 31.12.2021, 31.12.2022 and 30.6.2023.



**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

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

**(b) Credit Risk**

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

**(i) Credit Risk Concentration Profile**

The Group's major concentration of credit risk relates to the amounts owing by 1 (31.12.2022 – Nil; 31.12.2021 – Nil; 31.12.2020 – 1 and 31.12.2019 – Nil) customer which constituted approximately 14% (31.12.2022 – Nil; 31.12.2021 – Nil; 31.12.2020 – 11% and 31.12.2019 – Nil) of its trade receivables at the end of the reporting period.

**(ii) Maximum exposure to Credit Risk**

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

**(iii) Assessment of Impairment Losses**

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

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

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 90 days past due.

**Trade Receivables and Contract Assets**

The Group applies the simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

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

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

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

Trade Receivables and Contract Assets (Cont'd)*Inputs, Assumptions and Techniques used for Estimating Impairment Losses*

To measure expected credit losses on a collective basis, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The contract assets relate to unbilled work in progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. Therefore, the Group concluded that the expected loss rate for trade receivables are a reasonable approximation of the loss rates for the contract assets.

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

The expected loss rates are based on the Group's historical credit losses experienced. The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts.

Allowance for Impairment Losses

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
<b>31.12.2019</b>				
Current (not past due)	1,122	-	(294)	828
1 to 30 days past due	744	-	(148)	596
31 to 60 days past due	1,101	-	(153)	948
61 to 90 days past due	442	-	(163)	279
Credit impaired	1,196	(25)	(613)	558
Trade receivables	<u>4,605</u>	<u>(25)</u>	<u>(1,371)</u>	<u>3,209</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

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

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

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

Trade Receivables and Contract Assets (Cont'd)Allowance for Impairment Losses (Cont'd)

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
<b>31.12.2020</b>				
Current (not past due)	1,933	-	(313)	1,620
1 to 30 days past due	689	-	(152)	537
31 to 60 days past due	496	-	(161)	335
61 to 90 days past due	506	-	(171)	335
Credit impaired	669	(24)	(574)	71
Trade receivables	<u>4,293</u>	<u>(24)</u>	<u>(1,371)</u>	<u>2,898</u>
<b>31.12.2021</b>				
Current (not past due)	1,683	-	(217)	1,466
1 to 30 days past due	302	-	(109)	193
31 to 60 days past due	290	-	(169)	121
61 to 90 days past due	119	-	(28)	91
Credit impaired	453	(140)	(258)	55
Trade receivables	<u>2,847</u>	<u>(140)</u>	<u>(781)</u>	<u>1,926</u>
Contract assets	262	-	-	262
	<u>3,109</u>	<u>(140)</u>	<u>(781)</u>	<u>2,188</u>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)**

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

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

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

Trade Receivables and Contract Assets (Cont'd)Allowance for Impairment Losses (Cont'd)

	Gross Amount RM'000	Individual Impairment RM'000	Collective Impairment RM'000	Carrying Amount RM'000
<b>31.12.2022</b>				
Current (not past due)	2,572	-	(361)	2,211
1 to 30 days past due	167	-	(48)	119
31 to 60 days past due	77	-	(48)	29
61 to 90 days past due	42	-	(42)	-
Credit impaired	82	(18)	(64)	-
Trade receivables	2,940	(18)	(563)	2,359
Contract assets	135	-	-	135
	<b>3,075</b>	<b>(18)</b>	<b>(563)</b>	<b>2,494</b>
<b>30.6.2023</b>				
Current (not past due)	2,651	-	(216)	2,435
1 to 30 days past due	405	-	(104)	301
31 to 60 days past due	82	-	(30)	52
61 to 90 days past due	167	-	(104)	63
More than 90 days past due	73	-	(73)	-
Credit impaired	160	(160)	-	-
Trade receivables	3,538	(160)	(527)	2,851
Contract assets	397	-	-	397
	<b>3,935</b>	<b>(160)</b>	<b>(527)</b>	<b>3,248</b>

The movement in the loss allowances in respect of trade receivables is disclosed in Note 11 to the combined financial statements.

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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

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

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

*Other Receivables*

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

*Fixed Deposits with Licensed Banks, Cash and Bank Balances*

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

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

**(c) Liquidity Risk**

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

*Maturity Analysis*

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

<u>Audited</u>	Contractual Coupon/ Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1-5 Years RM'000	Over 5 Years RM'000
<b>31.12.2019</b>						
<u>Non-derivative Financial Liabilities</u>						
Term loans	4.91 to 7.21	971	1,224	106	530	588
Trade payables	-	268	268	268	-	-
Other payables	-	645	645	645	-	-
		<b>1,884</b>	<b>2,137</b>	<b>1,019</b>	<b>530</b>	<b>588</b>

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

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

*Maturity Analysis (Cont'd)*

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

<u>Audited</u>	Contractual Coupon/ Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1-5 Years RM'000	Over 5 Years RM'000
<b>31.12.2020</b>						
<u>Non-derivative Financial Liabilities</u>						
Term loans	3.39 to 7.21	966	1,171	106	530	535
Trade payables	-	529	529	529	-	-
Other payables	-	5,532	5,532	5,532	-	-
		<b>7,027</b>	<b>7,232</b>	<b>6,167</b>	<b>530</b>	<b>535</b>

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

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

*Maturity Analysis (Cont'd)*

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

<u>Audited</u>	Contractual Coupon/ Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1-5 Years RM'000	Over 5 Years RM'000
<b>31.12.2021</b>						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.19	154	165	54	111	-
Trade payables	-	652	652	652	-	-
Other payables	-	1,634	1,634	1,634	-	-
		<b>2,440</b>	<b>2,451</b>	<b>2,340</b>	<b>111</b>	<b>-</b>



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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

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

*Maturity Analysis (Cont'd)*

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

<u>Audited</u>	Contractual Coupon/ Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1-5 Years RM'000	Over 5 Years RM'000
<b>31.12.2022</b>						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.29	97	102	36	66	-
Trade payables	-	710	710	710	-	-
Other payables	-	2,372	2,372	2,372	-	-
		<b>3,179</b>	<b>3,184</b>	<b>3,118</b>	<b>66</b>	<b>-</b>

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)**

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

*Maturity Analysis (Cont'd)*

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

<u>Audited</u>	Contractual Coupon/ Interest Rate %	Carrying Amount RM'000	Contractual Undiscounted Cash Flows RM'000	Within 1 Year RM'000	1-5 Years RM'000	Over 5 Years RM'000
<b>30.6.2023</b>						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	6.68	136	156	36	120	-
Trade payables	-	392	392	392	-	-
Other payables	-	1,406	1,406	1,406	-	-
		<b>1,934</b>	<b>1,954</b>	<b>1,834</b>	<b>120</b>	<b>-</b>

**13. ACCOUNTANTS' REPORT (Cont'd)****PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)****29. FINANCIAL INSTRUMENTS (CONT'D)****29.2 CAPITAL RISK MANAGEMENT**

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

The Group manages its capital based on debt-to-equity ratio. As the Group has insignificant borrowings, the debt-to-equity ratio may not provide a meaningful indicator of the risk of borrowings.

**29.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS**

	←	Audited	→		
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets</b>					
<u>Designated Fair Value</u>					
<u>Through Other</u>					
<u>Comprehensive Income</u>					
Other investments (Note 8(a))	493	1,377	-	-	-
<u>Fair Value Through Profit or</u>					
<u>Loss</u>					
Other investments (Note 8(b))	699	936	-	-	-
<u>Amortised Cost</u>					
Trade receivables (Note 11)	3,209	2,898	1,926	2,359	2,851
Other receivables (Note 12)	253	313	10	75	24
Fixed deposits with licensed banks (Note 14)	430	7,197	2,018	5,550	5,550
Cash and bank balances	1,819	2,531	3,463	5,283	4,659
	<u>6,903</u>	<u>15,252</u>	<u>7,417</u>	<u>13,267</u>	<u>13,084</u>

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

#### PANDA ECO SYSTEM BERHAD

Registration No: 202201028635 (1474332-M)

### NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

#### 29. FINANCIAL INSTRUMENTS (CONT'D)

##### 29.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS (CONT'D)

	← Audited →				
	31.12.2019 RM'000	31.12.2020 RM'000	31.12.2021 RM'000	31.12.2022 RM'000	30.6.2023 RM'000
<b>Financial liabilities</b>					
<u>Amortised Cost</u>					
Lease liabilities (Note 16)	-	-	154	97	136
Term loans (Note 17)	971	966	-	-	-
Trade payables (Note 18)	268	529	652	710	392
Other payables and accruals (Note 19)	645	5,532	1,634	2,372	1,406
	<u>1,884</u>	<u>7,027</u>	<u>2,440</u>	<u>3,179</u>	<u>1,934</u>

##### 29.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	← Audited →				Unaudited 1.1.2022 To 30.6.2022 RM'000	Audited 1.1.2023 To 30.6.2023 RM'000
	1.1.2019 To 31.12.2019 RM'000	1.1.2020 To 31.12.2020 RM'000	1.1.2021 To 31.12.2021 RM'000	1.1.2022 To 31.12.2022 RM'000		
	<b>Financial assets</b>					
<u>Fair Value Through Profit or Loss</u>						
Net gains recognised in profit or loss	151	230	76	*	*	36
<u>Equity Instruments at Fair Value Through Other Comprehensive Income</u>						
Net gains recognised in other comprehensive income	75	848	-	-	-	-
Net gains recognised in profit or loss	6	4	7	-	-	-
Net gains recognised in profit or loss upon disposal	-	-	1,722	-	-	-

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS (CONT'D)**

	← Audited →				Unaudited	Audited
	1.1.2019	1.1.2020	1.1.2021	1.1.2022	1.1.2022	1.1.2023
	To	To	To	To	To	To
	31.12.2019	31.12.2020	31.12.2021	31.12.2022	30.6.2022	30.6.2023
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Financial assets (Cont'd)</b>						
<u>Amortised Cost</u>						
Net (losses)/gains recognised in profit or loss	(83)	119	566	410	(250)	(27)
<b>Financial liabilities</b>						
<u>Amortised Cost</u>						
Net losses recognised in profit or loss	(50)	(41)	(14)	(5)	(3)	(2)

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.5 FAIR VALUE INFORMATION**

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

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period:-

Audited	Fair Value of Financial Instruments Carried at Fair Value		Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>31.12.2019</b>							
Financial Asset							
Other investments:							
- quoted	1,192	-	-	-	-	1,192	1,192
Financial Liability							
Term loans – floating rate	-	-	-	971	-	971	971

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

**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

**29. FINANCIAL INSTRUMENTS (CONT'D)**

**29.5 FAIR VALUE INFORMATION (CONT'D)**

The following table sets out the fair value profile of financial instruments that are carried at fair value and those not carried at fair value at the end of the reporting period (Cont'd):-

Audited	Fair Value of Financial Instruments Carried at Fair Value			Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM'000	Carrying Amount RM'000
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000		
<b>31.12.2020</b>								
Financial Asset								
Other investments:								
- quoted	2,313	-	-	-	-	-	2,313	2,313
Financial Liability								
Term loans – floating rate	-	-	-	-	966	-	966	966

There were no financial instruments carried at fair values in the statements of financial position for the financial years ended 31 December 2021, 31 December 2022 and period ended 30 June 2023.

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

#### **PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

### **NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**

#### **29. FINANCIAL INSTRUMENTS (CONT'D)**

##### **29.5 FAIR VALUE INFORMATION (CONT'D)**

###### **(a) Fair Value of Financial Instruments Carried at Fair Value**

(i) The fair values above have been determined using the following basis:-

(a) The fair value of quoted equity investments is determined at their quoted closing prices at the end of the reporting period.

(ii) There was no transfer between level 1 and level 2 during the financial year.

###### **(b) Fair Value of Financial Instruments Not Carried at Fair Value**

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

(i) The fair value of the Group's term loans that carries floating interest rates approximated its carrying amount as it is repriced to market interest rate on or near the reporting date.

#### **30. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD**

The Company entered into four conditional Share Sale and Purchase Agreements on 21 February 2023 to acquire the equity interests in the following companies:-

- i) Acquisition of the entire equity interest in Panda Software for a purchase consideration of RM4,721,000, to be satisfied by the issuance of 472,100,000 ordinary shares in Panda at an issue price of RM0.01 per share.
- ii) Acquisition of the entire equity interest in KK Computer for a purchase consideration of RM221,000 to be satisfied by the issuance of 22,100,000 ordinary shares in Panda at an issue price of RM0.01 per share.
- iii) Acquisition of the entire equity interest in Rexbridge for a purchase consideration of RM479,000, to be satisfied by the issuance of 47,900,000 ordinary shares in Panda at an issue price of RM0.01 per share.
- iv) Acquisition of the entire equity interest in 020 Digital for a purchase consideration of RM198,000, to be satisfied by the issuance of 19,800,000 ordinary shares in Panda at an issue price of RM0.01 per share.

The acquisitions of the above companies were completed on 1 September 2023.



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

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**PANDA ECO SYSTEM BERHAD**

Registration No: 202201028635 (1474332-M)

**STATEMENT BY DIRECTORS**

We, Loo Chee Wee and Tay Kheng Seng, being two of the directors of Panda Eco System Berhad, state that, in the opinion of the directors, the combined financial statements set out on pages 5 to 85 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Prospectus Guidelines – Equity issued by the Securities Commission Malaysia 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, 31 December 2022 and 30 June 2023 and of their financial performance, and their cash flows for relevant reporting periods ended on those dates.

Signed in accordance with a resolution of the directors dated 20 OCT 2023

On behalf of the Board of Directors,



**Loo Chee Wee**



**Tay Kheng Seng**

## 14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION



20 OCT 2023

The Board of Directors  
Panda Eco System Berhad  
No. 28-1 & 30-1, Jalan PPM 13  
Plaza Pandan Malim Business Park  
Balai Panjang, 75250 Melaka

**Crowe Malaysia PLT**  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants  
52 Jalan Kota Laksamana 2/15  
Taman Kota Laksamana, Seksyen 2  
75200 Melaka  
Malaysia  
Main +6 06 282 5995  
Fax +6 06 283 6449  
www.crowe.my

Dear Sirs

### **PANDA ECO SYSTEM BERHAD (“PANDA” or “THE COMPANY”) REPORT ON THE COMPILATION OF PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023**

We have completed our assurance engagement to report on the compilation of Pro Forma Statements of Financial Position of Panda and its subsidiaries (collectively known as the “Group”) as at 30 June 2023 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Company for inclusion in the Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of Panda on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

The applicable criteria on the basis of which the Board of Directors of the Company have compiled the Pro Forma Statements of Financial Position are described in the notes thereon to the Pro Forma Statements of Financial Position. The Pro Forma Statements of Financial Position is prepared in accordance with the requirements of Chapter 9 of the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Statements of Financial Position have been compiled by the Board of Directors of the Company to illustrate the impact of the events or transactions as set out in the notes thereon to the Pro Forma Statements of Financial Position as if the events have occurred or the transactions have been undertaken on 30 June 2023. As part of this process, information about the Group’s financial position has been extracted by the Board of Directors of the Company from the Group’s audited combined statements of financial position as at 30 June 2023.

### **THE BOARD OF DIRECTORS’ RESPONSIBILITIES**

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

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)****REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

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

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

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

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

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards 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 Board of Directors of the Company has compiled, in all material respects, the Pro Forma Statements of Financial Position on the basis set out in the notes thereon to the Pro Forma Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

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

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

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**



**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

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

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Statements of Financial Position has been compiled, and other relevant engagement circumstances.

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

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

**OPINION**

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

**OTHER MATTER**

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

Yours faithfully

A handwritten signature in black ink, appearing to be a stylized cursive signature.

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

Melaka

A handwritten signature in black ink, appearing to be a stylized cursive signature.

**Piong Yew Peng**  
03070/06/2025 J  
Chartered Accountant

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

Appendix A

**PANDA ECO SYSTEM BERHAD  
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)**

NOTE	As At 30.6.2023* RM'000	Adjustment For Acquisition of Subsidiaries RM'000	Pro Forma I After Acquisition of Subsidiaries RM'000	Adjustment For Public Issue RM'000	Pro Forma II After Pro Forma I and Public Issue RM'000	Adjustment for Proposed Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and Proposed Utilisation of Proceeds RM'000
<b>ASSETS</b>							
<b>NON-CURRENT ASSETS</b>							
Property, plant and equipment	833	-	833	-	833	-	833
Right-of-use assets	133	-	133	-	133	-	133
Intangible assets	1,519	-	1,519	-	1,519	-	1,519
Deferred tax assets	42	-	42	-	42	-	42
	<u>2,527</u>		<u>2,527</u>		<u>2,527</u>		<u>2,527</u>
<b>CURRENT ASSETS</b>							
Inventories	231	-	231	-	231	-	231
Trade receivables	2,851	-	2,851	-	2,851	-	2,851
Other receivables, deposits and prepayments	708	-	708	-	708	(447)	261
Contract assets	397	-	397	-	397	-	397
Current tax assets	384	-	384	-	384	-	384
Fixed deposits with licensed banks	5,550	-	5,550	-	5,550	-	5,550
Cash and bank balances	4,659	-	4,659	17,485	22,144	(1,635)	20,509
	<u>14,780</u>		<u>14,780</u>		<u>32,265</u>		<u>30,183</u>
<b>TOTAL ASSETS</b>	<u>17,307</u>		<u>17,307</u>		<u>34,792</u>		<u>32,710</u>

Note:

(\*) – Extracted from the Group's audited combined financial statements for the financial period ended 30 June 2023.

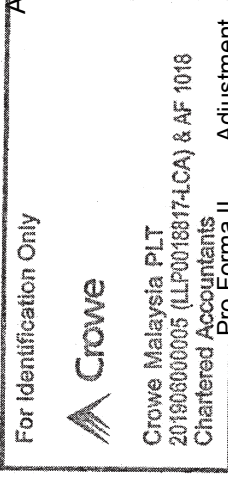
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Chartered Accountants

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

Appendix A



**PANDA ECO SYSTEM BERHAD  
PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (CONT'D)**

NOTE	As At 30.6.2023* RM'000	Adjustment For Acquisition of Subsidiaries RM'000	Pro Forma I After Acquisition of Subsidiaries RM'000	Adjustment For Public Issue RM'000	After Pro Forma I and Public Issue RM'000	Pro Forma II Adjustment for Proposed Utilisation of Proceeds RM'000	Pro Forma III After Pro Forma II and Proposed Utilisation of Proceeds RM'000
<b>EQUITY AND LIABILITIES</b>							
<b>EQUITY</b>							
6.3	Share capital	5,619	5,619	17,485	23,104	(873)	22,231
6.4	Invested capital	(380)	-	-	-	-	-
6.5	Merger reserve	(5,239)	(5,239)	-	(5,239)	-	(5,239)
6.6	Retained profits	-	13,978	-	13,978	(1,209)	12,769
	<b>TOTAL EQUITY</b>		<b>14,358</b>		<b>31,843</b>		<b>29,761</b>
<b>NON-CURRENT LIABILITIES</b>							
	Lease liabilities	-	108	-	108	-	108
	Deferred tax liabilities	-	232	-	232	-	232
			<b>340</b>		<b>340</b>		<b>340</b>
<b>CURRENT LIABILITIES</b>							
	Trade payables	-	392	-	392	-	392
	Other payables, deposits and accruals	-	2,189	-	2,189	-	2,189
	Lease liabilities	-	28	-	28	-	28
			<b>2,609</b>		<b>2,609</b>		<b>2,609</b>
			<b>2,949</b>		<b>2,949</b>		<b>2,949</b>
			<b>17,307</b>		<b>34,792</b>		<b>32,710</b>
	<b>TOTAL LIABILITIES</b>						
	<b>TOTAL EQUITY AND LIABILITIES</b>						
	Number of ordinary shares ('000)	#	561,900		671,187		671,187
	Net assets ("NA") attributable to owners of the Company (RM'000)		14,358		31,843		29,761
	NA per ordinary share (RM)		71,790		0.05		0.04

Note:

(\*) – Extracted from the Group's audited combined financial statements for the financial period ended 30 June 2023.

(#) – Less than 500 ordinary shares.

(^) – Amount is less than RM500.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)****PANDA ECO SYSTEM BERHAD  
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT  
30 JUNE 2023**

For Identification Only

Appendix A



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

**1. ABBREVIATIONS**

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

**Abbreviations**

Panda	Panda Eco System Berhad Registration No: 202201028635 (1474332-M)
Panda Software	Panda Software House Sdn. Bhd. Registration No: 200901011049 (854073-K)
Panda Group or the Group	Panda, Panda Software, KK Computer, Rexbridge and 020 Digital collectively
KK Computer	KK Computer Sdn. Bhd. Registration No: 199701026999 (442497-A)
Rexbridge	Rexbridge Sdn. Bhd. Registration No: 201401030716 (1106802-H)
020 Digital	020 Digital Sdn. Bhd. Registration No: 202001021320 (1377640-W)
IPO	Initial Public Offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	IPO price of RM0.16 per IPO shares
IPO Shares	The Public Issue Shares and Offer Shares, collectively
Listing	Admission of Panda to the Official List of Bursa Malaysia Securities Berhad and listing of and quotation for the entire enlarged issued share capital of Panda on the ACE Market of Bursa Malaysia Securities Berhad
Panda Shares or Shares	Ordinary shares in Panda Eco System Berhad
RM and Sen	Ringgit Malaysia and sen, respectively

**2. INTRODUCTION**

The Pro Forma Statements of Financial Position as at 30 June 2023 together with the notes thereon, for which the Board of Directors of the Company are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus in connection with the Listing and should not be relied upon for any other purposes.



**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

**PANDA ECO SYSTEM BERHAD  
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT  
30 JUNE 2023 (CONT'D)**

For Identification Only



Appendix A

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

**3. BASIS OF PREPARATION**

The Pro Forma Statements of Financial Position of the Group as at 30 June 2023 is prepared based on the audited combined financial statements of the Group as at 30 June 2023, which was prepared in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and in a manner consistent with the format of the financial statements and accounting policies of the Group.

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

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for proofing-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 has 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 differences between costs of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserves or merger deficit.

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

The Pro Forma Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of events and transactions set out in Note 5 to the Pro Forma Statements of Financial Position had the events occurred or transactions been undertaken on 30 June 2023. The Pro Forma Statements of Financial Position are not necessarily indicative of the financial positions that would have been attained had the Listing actually occurred at the respective dates.



**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)****PANDA ECO SYSTEM BERHAD  
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT  
30 JUNE 2023 (CONT'D)**

For Identification Only

Appendix A

Crowe  
Malaysia PLT  
201906000005 (LLP0018817-LCA) & AF 1018  
Chartered Accountants**4. LISTING SCHEME**

In conjunction with, and as an integral part of the Listing, Panda implemented and intends to undertake the following:-

**4.1 Acquisition of subsidiaries**

Panda had on 21 February 2023, entered into conditional shares sale and purchase agreement with the respective shareholders to acquire the equity interest in the following companies:-

	Equity Interest (%)	Purchase Consideration RM	No. of shares issued by Panda
Panda Software	100.0	4,721,000	472,100,000
KK Computer	100.0	221,000	22,100,000
Rexbridge	100.0	479,000	47,900,000
020 Digital	100.0	198,000	19,800,000
		<u>5,619,000</u>	<u>561,900,000</u>

The purchase consideration of Panda Software, KK Computer, Rexbridge and 020 Digital were arrived on a willing-buyer willing-seller basis, after taking into consideration the audited net assets and after-tax profits of the respective companies as at 30 June 2023.

The acquisitions of the above companies were completed on 1 September 2023 and Panda Software, KK Computer, Rexbridge and 020 Digital became the wholly-owned subsidiaries of Panda.

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**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

**PANDA ECO SYSTEM BERHAD  
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT  
30 JUNE 2023 (CONT'D)**

For Identification Only

Appendix A



Bursa Malaysia PLT  
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Chartered Accountants

**4. LISTING SCHEME (CONT'D)**

In conjunction with, and as an integral part of the Listing, Panda implemented and intends to undertake the following:- (cont'd):-

**4.2 IPO**

**(a) Public Issue**

The Public Issue of 109,286,800 new Shares, representing approximately 16.3% of the enlarged issued share capital of Panda at the IPO Price of RM0.16 per Share allocated in the following manner:-

- 33,559,400 new Shares will be made available for application by the Malaysian Public by way of balloting;
- 42,774,200 new Shares will be made available for application by the eligible directors, employees and persons who have contributed to the success of the Group; and
- 32,953,200 new Shares will be made available for application by way of private placement to selected investors.

**(b) Offer of Sale**

61,810,000 offer shares, representing approximately 9.2% of the entire enlarged shares, will be made available at the IPO Price by way of private placement to selected investors.

**4.3 Listing**

The admission of Panda to the Official List of Bursa Malaysia Securities Berhad ("Bursa Securities") and the listing of and quotation for the entire enlarged issued share capital of Panda of RM23,104,893 comprising 671,187,000 Shares on the ACE Market of Bursa Securities.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

For Identification Only

Appendix A



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 Crowe Malaysia PLT  
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**PANDA ECO SYSTEM BERHAD**  
**NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT**  
**30 JUNE 2023 (CONT'D)**

**5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA STATEMENTS OF FINANCIAL POSITION****5.1 Pro Forma I**

Pro Forma I incorporates the effects of Acquisition of Panda Software, KK Computer, Rexbridge and 020 Digital set out in Note 4.1 to the Pro Forma Statements of Financial Position.

**5.2 Pro Forma II**

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

**5.3 Pro Forma III**

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

Purposes			Estimated timeframe for utilisation from the date of Listing
	RM'000	%	
Research and development of new solutions #	2,712	15.5	Within 36 months
Business expansion #			
• Regional expansion in ASEAN countries	1,890	10.8	Within 36 months
• Establishing additional service hubs and expanding workforce in existing service hubs in Malaysia	2,634	15.1	Within 24 months
Expansion of customer technical support department #	1,680	9.6	Within 24 months
Headquarters expansion #	3,000	17.2	Within 36 months
Working capital	2,833	16.2	Within 24 months
Estimated listing expenses *^	2,736	15.6	Within 1 month
	17,485	100.0	

Notes:-

# These utilisation of proceeds are not adjusted in the Pro Forma III to the Pro Forma Statements of Financial Position as they are not factually supportable and hence, they remain in the cash and bank balances.

\* If the actual listing expenses are higher than budgeted, the deficit will be funded out of the portion allocated for working capital. Conversely, if the actual listing expenses are lower than budgeted, the excess will be used for working capital.

^ The estimated listing expenses of RM873,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM1,863,000 that are attributable to the Listing will be expensed off to profit or loss. As of 30 June 2023, RM1,101,000 has been paid and RM654,000 was expensed off to profit or loss while RM447,000 has been recognised as prepayment. RM447,000 is recognised as prepayment as this is directly attributable to the Public Issue which will be offset against share capital upon Listing.

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

Appendix A

**PANDA ECO SYSTEM BERHAD  
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT  
30 JUNE 2023 (CONT'D)****6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION****6.1 Other receivables, deposits and prepayment**

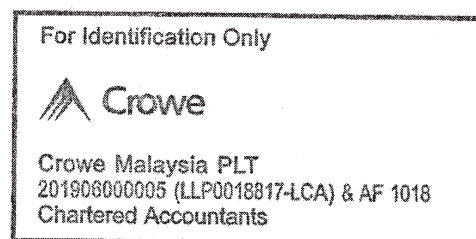
	<b>RM'000</b>
As at 30 June 2023/As per Pro Forma I and II	708
Less: Prepayment for listing expenses ^	(447)
As per Pro Forma III	<u>261</u>

Note:-

^ As of 30 June 2023, RM447,000 of listing expenses have been recognised as prepayment which will be offset against share capital upon Listing.

**6.2 Cash and bank balances**

	<b>RM'000</b>
As at 30 June 2023/As per Pro Forma I	4,659
Add: Proceeds from public issue	17,485
As per Pro Forma II	<u>22,144</u>
Less: Estimated listing expenses	(1,635)
As per Pro Forma III	<u>20,509</u>

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**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

For Identification Only

Appendix A



Crowe  
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 No. 10, Jalan Duta Putra, Duta  
 201906000005 (LLP0018817-LCA) & AF 1018  
 Chartered Accountants

**PANDA ECO SYSTEM BERHAD**  
**NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT**  
**30 JUNE 2023 (CONT'D)**

**6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)****6.3 Share capital**

	Number of Ordinary Shares '000	Amount of Share Capital RM'000
As at 30 June 2023	#	*
Add: Ordinary shares issued pursuant to the acquisition of subsidiaries	561,900	5,619
As per Pro Forma I	561,900	5,619
Add: Public Issue	109,287	17,485
As per Pro Forma II	671,187	23,104
Less: Estimated listing expenses <sup>^</sup>	-	(873)
As per Pro Forma III	671,187	22,231

Note:-

<sup>^</sup> The estimated listing expenses of RM873,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM1,863,000 that are attributable to the Listing will be expensed off to profit or loss.

# Less than 500 ordinary shares.

\* Amount is less than RM500.

**6.4 Invested Capital**

	RM'000
As at 30 June 2023	380
Less: Acquisition of subsidiaries	(380)
As per Pro Forma I, II and III	-

**6.5 Merger reserve**

	RM'000
As at 30 June 2023	-
Add: Acquisition of subsidiaries	(5,239)
As per Pro Forma I, II and III	(5,239)

**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

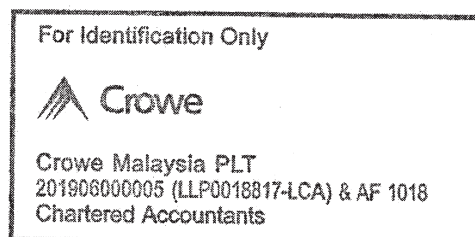
Appendix A

**PANDA ECO SYSTEM BERHAD  
NOTES TO PRO FORMA STATEMENTS OF FINANCIAL POSITION AS AT  
30 JUNE 2023 (CONT'D)****6. EFFECTS ON THE PRO FORMA STATEMENTS OF FINANCIAL POSITION (CONT'D)****6.6 Retained profits**

	<b>RM'000</b>
As at 30 June 2023/As per Pro Forma I and II	13,978
Less: Estimated listing expenses <sup>^</sup>	(1,209)
As per Pro Forma III	<u>12,769</u>

Note:-

<sup>^</sup> The estimated listing expenses of RM873,000 directly attributable to the Public Issue will be offset against share capital and the remaining estimated listing expenses of RM1,863,000 that are attributable to the Listing will be expensed off to profit or loss. The Group has recognised RM654,000 of listing expenses to profit or loss during the financial period ended 30 June 2023.

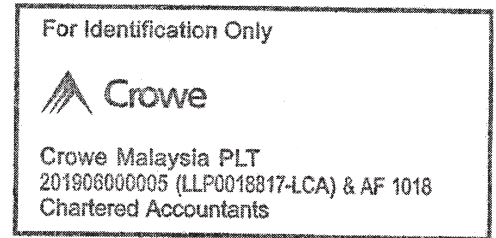


**14. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA COMBINED FINANCIAL INFORMATION (Cont'd)**

Appendix A

**PANDA ECO SYSTEM BERHAD**

**APPROVAL BY THE BOARD OF DIRECTORS**



Approved and adopted by the Board of Directors in accordance with a resolution dated **20 OCT 2023**

On behalf of the Board of Directors,

A handwritten signature in black ink, consisting of several loops and a long tail stroke.

**Loo Chee Wee**

A handwritten signature in black ink, featuring a large, stylized initial 'T' followed by several loops.

**Tay Kheng Seng**

## 15. STATUTORY AND OTHER INFORMATION

### 15.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.2;
- (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiaries.
- (c) Save for the new Shares issued for the Acquisitions and to be issued for the Public Issue as disclosed in Sections 6.2 and 4.3.1 respectively, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (e) As at the date of this Prospectus, our Company does not have any outstanding convertible debt securities.

### 15.2 SHARE CAPITAL OF OUR SUBSIDIARIES

Details of our share capital are set out in Section 6.1. Details of the share capital of our subsidiaries are set out below.

#### 15.2.1 Panda Software

Panda Software's share capital as at LPD is RM100,000 comprising 100,000 ordinary shares. The movements in its share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
20 April 2009	2	RM2/ Cash	2
17 August 2012	99,998	RM99,998/ Cash	100,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Panda Software. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.



**15. STATUTORY AND OTHER INFORMATION (Cont'd)****15.2.2 KK Computer**

KK Computer's share capital as at LPD is RM60,000 comprising 60,000 ordinary shares. The movements in its share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
11 August 1997	2	RM2/ Cash	2
18 August 1997	59,998	RM59,998/ Cash	60,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in KK Computer. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

**15.2.3 Rexbridge**

Rexbridge's share capital as at LPD is RM120,000 comprising 120,000 ordinary shares. The movements in its share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
28 August 2014	10	RM10/ Cash	10
18 June 2018	99,990	RM99,990/ Cash	100,000
21 May 2021	2,000	RM2,000/ Cash	102,000
21 May 2021	18,000	RM18,000/ Cash	120,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Rexbridge. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

**15.2.4 020 Digital**

020 Digital's share capital as at LPD is RM100,000 comprising 100,000 ordinary shares. The movements in its share capital since incorporation are as follows:

<b>Date of allotment</b>	<b>No. of shares allotted</b>	<b>Consideration/ Type of issue</b>	<b>Cumulative share capital RM</b>
30 July 2020	100,000	RM100,000/ Cash	100,000

As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in 020 Digital. In addition, there were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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**15.3 CONSTITUTION**

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires.

**15.3.1 Changes in share capital and variation of class rights**

The provisions in our Constitution dealing with changes in share capital and variation of class rights, which are no less stringent than those required by law, are as follows:

**Clause 7 - Authority of Directors to allot shares**

Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of this Constitution and the Act and the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such (whether in regard to dividend, voting or return of capital) preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:

***Clause 7.1***

no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;

***Clause 7.2***

in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in this Constitution or in the resolution creating the same;

***Clause 7.3***

every issue of shares or options to employees and/or Directors shall be approved by the Members in general meeting and:

- (a) Such approval shall specifically detail the amount of shares or options to be issued to such employees and/or Directors; and
- (b) A Director not holding office in an executive capacity may so participate in an issue of shares pursuant to a share option scheme;

***Clause 7.4***

in the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than 5.0% of the issue price;

**15. STATUTORY AND OTHER INFORMATION (Cont'd)*****Clause 7.5***

the Company must ensure that all new issue of shares for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Depository with such securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons; and

***Clause 7.6***

the Company must allot and issue Securities, despatch notices of allotment to the allottees and make an application for the quotation of such securities within such periods as may be prescribed by the Exchange.

***Clause 18 - Alteration of class rights***

Whenever the capital of the Company is divided into different classes of shares or groups the special rights attached to any class or group may subject to the provisions of this Constitution (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of 3/4 of the issued shares capital of the class or group, or with the sanction of any Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of the class. To every such separate general meeting all the provisions of this Constitution relating to general meetings or to the proceedings thereat shall, mutatis mutandis, apply, except that the necessary quorum shall be two persons at least holding or representing by proxy (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one vote in respect of every share of the class or group held by them respectively. To every such special resolution, the provisions of Section 292 of the Act, shall, with such adaptations as are necessary, apply.

***Clause 51 - 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 passed at the general meeting increase its share capital, such new capital to be of such amount and to be divided into shares of such rights to or be subject to such conditions or restriction in regard to dividend, return of capital or otherwise as the Company by the resolution authorising such increase directs, and if no direction to be given, as the Directors shall determine and in particular, but without prejudice to the rights attached to any preference shares that may have been issued, such new shares may be issued with a preferential or qualified right to dividends, and in the distribution of the assets of the Company and with a special or restricted or without any right of voting.

**15. STATUTORY AND OTHER INFORMATION (Cont'd)****Clause 52 - Issue of new shares to existing Members**

In accordance with paragraph 7.08 of the Listing Requirements, 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 issue, be offered to such persons as at the date of the offer are entitled to receive notices from the company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the directors may dispose of those shares or securities in such manner as they think most beneficial to the company. The directors may likewise also dispose of any new share or security 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 Constitution. For the avoidance of doubt, where the approval of Members is obtained in a general meeting for any issuance of shares or convertible securities, including approvals obtained under Sections 75 and 76 of the Act, such approval shall be deemed to be a direction to the contrary given in general meeting which will render the pre-emptive rights above inapplicable. In any case and in respect of any issuance of shares or convertible securities, the pre-emptive rights of Members are strictly as contained in the Constitution and accordingly, the provisions of Section 85 of the Act in respect of pre-emptive rights to new shares, shall not apply.

**Clause 54 - Alteration of Capital****Clause 54.1**

The Company may by special resolution:

Subject to the provisions of the Act and the Listing Requirements, the Company may by ordinary resolution:

- (a) consolidate and divide all or any of its share capital, such that 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 shares into stock and reconvert that stock into fully-paid shares;
- (c) subdivide its shares or any of its shares, such that whatever is in the subdivision, 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. Any resolution whereby any share is subdivided may determine that, as between the Holders of shares resulting from such subdivision, 1 or more of such shares may have such preferred or other special rights over, or may be given any preference or advantage as regards distributions, including dividends, return of capital voting or otherwise over the other or others of such shares;
- (d) increase its share capital by such sum to be divided into shares of such amount as the resolution may prescribe; or
- (e) subject to the provisions of this Constitution and the Act, convert and/or reclassify any class of shares into another class of shares.

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**15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

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***Clause 54.2***

The Company may, subject to the provision of the Act, by Special Resolution reduce its share capital.

**15.3.2 Borrowing and voting power of the directors**

The provisions in our Constitution dealing with voting and borrowing powers of our Directors including voting powers in relation to proposals, arrangements or contract in which they are interested in are as follows:

***Clause 108 - Directors' borrowing powers***

***Clause 108.1***

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;

***Clause 108.2***

The Directors shall cause a proper register to be kept in accordance with Section 362 of the Act of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Act in regard to the registration of mortgages and charges therein specified or otherwise; and

***Clause 108.3***

If the Directors or any of them, or any other person, shall become personally liable for the payment of any sum primarily due from the Company, the Directors may execute or cause to be executed any mortgage, charge or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Directors or persons so becoming liable as aforesaid from any loss in respect of such liability.

***Clause 123 - Declaration of Interest and restriction of voting***

A Director who is in any way, whether directly or indirectly interested in a contract or proposed contract or arrangement with the Company, shall declare the nature of his interest in accordance with the provisions of the Act. A Director shall not vote in respect of any contract or proposed contract or arrangement in which he has directly or indirectly, a personal interest and if he should do so, his vote should not be counted, but this prohibition shall not apply to:

- (a) any arrangement for giving any Director any security or indemnity in respect of money lent by him or obligations undertaken by him for the benefit of the Company or any of its subsidiaries; or
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of a security.

**15. STATUTORY AND OTHER INFORMATION (Cont'd)****Clause 124 - Directors retained from voting in interested transactions**

Every Director shall comply with the provisions of Sections 219 and 221 of the Act in connection with the disclosure of his shareholding and interest in any contract or proposed contract with the Company and in connection with the disclosure of the fact and the nature, character and extent of any office or possession of any property whereby whether directly or indirectly duties or interests might be created in conflict with his duty or interest as a Director of the Company.

**15.3.3 Remuneration of directors**

The provisions in our Constitution dealing with remuneration of Directors are as follows:

**Clause 103 – Remuneration**

The fees and any benefits payable to the Directors shall be such fixed sum as shall from time to time be determined by an ordinary resolution of the Company and shall (unless such resolution otherwise provides) be divisible among the Directors as they may agree, or, failing agreement, equally, 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:

**Clause 103.1**

fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;

**Clause 103.2**

salaries payable to executive Directors may not include a commission on or percentage of turnover;

**Clause 103.3**

fees 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

**Clause 103.4**

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 the latter.

**Clause 104.2 - Reimbursement and special remuneration**

If by arrangement with the Directors, any Director shall perform or render any special duties or service's outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged subject to any other provisions of this Constitution.

## **15. STATUTORY AND OTHER INFORMATION (*Cont'd*)**

### **Clause 136 - Remuneration of Chief Executive Officer and Executive Director**

The remuneration of the CEO and/or Executive Directors may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover.

#### **15.3.4 Transfer of Shares**

The provisions in our Constitution dealing with transfer of shares as follows:

### **Clause 42 - Transfer of Securities**

The transfer of any Listed Security or class of Listed Security in the Company shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 or 110 of the Act, 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 the Listed Security.

## **15.4 GENERAL INFORMATION**

- (a) Save for the issuance of our Shares as disclosed in Section 6.1, dividends paid to our shareholders in FYE 2019 to 2022, FPE 2023 and up to LPD, and Directors' remuneration as disclosed in Sections 12.16 and 5.2.4 respectively, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoters, Directors or substantial shareholders;
- (b) None of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group;
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 16; and
- (d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

## **15.5 CONSENTS**

- (a) 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;
- (b) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and

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**15. STATUTORY AND OTHER INFORMATION (Cont'd)**

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- (c) 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.

**15.6 DOCUMENTS FOR INSPECTION**

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (a) Constitution;
- (b) Audited financial statements of:
  - (i) our Company since incorporation up to 31 December 2022 and FPE 2023;
  - (ii) Panda Software for FYE 2019 to 2022 and FPE 2023;
  - (iii) KK Computer for financial year ended 31 August 2019 and 31 August 2020, 15-month financial period ended 31 December 2021, FYE 2022 and FPE 2023;
  - (iv) Rexbridge for financial year ended 31 August 2019, 15-month financial period ended 31 December 2020, FYE 2021, FYE 2022 and FPE 2023; and
  - (v) 020 Digital for financial period ended 31 December 2021, FYE 2022 and FPE 2023;
- (c) Accountants' Report as set out in Section 13;
- (d) Reporting Accountants' Report relating to our pro forma combined statements of financial position as set out in Section 14;
- (e) IMR Report as set out in Section 8;
- (f) Material contracts as set out in Section 6.5; and
- (g) Letters of consent as set out in Section 15.5.

**15.7 RESPONSIBILITY STATEMENTS**

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.



## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE**

**THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.**

**Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in our Prospectus.**

**Unless the context otherwise requires, words used in the singular include the plural, and vice versa.**

### **16.1 OPENING AND CLOSING OF APPLICATION PERIOD**

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 8 November 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 15 November 2023

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia, and make an announcement on Bursa Securities' website.

**Late Applications will not be accepted.**

### **16.2 METHODS OF APPLICATIONS**

#### **16.2.1 Retail Offering**

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

<b>Types of Application and category of investors</b>	<b>Application Method</b>
Applications by our Eligible Person(s)	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

### **16.2.2 Placement**

<b>Types of Application</b>	<b>Application Method</b>
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

## **16.3 ELIGIBILITY**

### **16.3.1 General**

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts will not be accepted** for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

**MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.**

**AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.**

### **16.3.2 Application by Malaysian Public**

You can only apply for our IPO Shares if you fulfill all of the following:

- (a) You must be one of the following:
  - (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
  - (ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
  - (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.

## **16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (c) You must submit Applications by using only one of the following methods:
  - (i) White Application Form;
  - (ii) Electronic Share Application; or
  - (iii) Internet Share Application.

### **16.3.3 Application by our Eligible Person(s)**

The Eligible Person(s) will be provided with Pink Application Forms and letters from us detailing their respective allocation as well as detailed procedures on how to subscribe to the allocated IPO Shares. The applicants must follow the notes and instructions in those documents and where relevant, in this Prospectus.

## **16.4 APPLICATION BY WAY OF APPLICATION FORMS**

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.16 for each IPO Share.

Payment must be made out in favour of **"TIIH SHARE ISSUE ACCOUNT NO. 749"** and crossed **"A/C PAYEE ONLY"** and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

**Tricor Investor & Issuing House Services Sdn Bhd**  
**(197101000970 (11324-H))**  
Unit 32-01, Level 32, Tower A  
Vertical Business Suite  
Avenue 3, Bangsar South  
No.8, Jalan Kerinchi  
59200 Kuala Lumpur

or

- (b) **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 November 2023 or by such other time and date specified in any change to the date or time for closing.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

**16.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS**

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

**16.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS**

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia 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.

**16.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE**

The Issuing House, on the authority of our Board reserves the right to:

- (a) reject Applications which:
  - (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
  - (ii) are illegible, incomplete or inaccurate; or
  - (iii) are accompanied by an improperly drawn up or improper form of remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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- (c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 16.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

**16.8 OVER/UNDER-SUBSCRIPTION**

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of 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 one (1) market day after the balloting event.

Pursuant to the Listing Requirements, we are required to have at least 25.00% 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 under-subscription of our Public Issue Shares by the Malaysian Public and/or Eligible Parties, subject to the underwriting arrangements and reallocation provisions set out Section 4.3.3 of this Prospectus, any of the aforementioned Issue Shares not applied for will then be subscribed by our Sole Underwriter subject to the terms and conditions of the Underwriting Agreement.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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**16.9 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS**

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

**16.9.1 For applications by way of Application Forms**

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).
- (d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

**16.9.2 For applications by way of Electronic Share Application and Internet Share Application**

- (a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions 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.
- (b) You may check your account on the 5th Market Day from the balloting date.

**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

**16.10 SUCCESSFUL APPLICANTS**

If you are successful in your application:

- (a) Our IPO Shares allotted to you will be credited into your CDS Account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and Depository Rules.
- (d) In accordance with Section 29 of the Central Depositories Act, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

**16.11 ENQUIRIES**

Enquiries in respect of the applications may be directed as follows:

<b>Mode of application</b>	<b>Parties to direct the enquiries</b>
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 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://tjihonline>, **1 Market Day** after the balloting date.

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**16. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**

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You may also check the status of your Application, **5 Market Days** after the balloting date by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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