

12. FINANCIAL INFORMATION (CONT'D)

Plantroom was the largest facility type that we were involved in FYE 2021, having contributed to 80.92% of our revenue from the MEP Engineering Solutions in FYE 2021.

MEP Maintenance and Services

Revenue from the MEP Maintenance and Services business segment decreased by RM0.80 million or 12.35%, from RM6.48 million in FYE 2020 to RM5.68 million in FYE 2021. The decrease was attributable to lower contribution of RM2.81 million from existing clients in FYE 2020 due to the completion of maintenance and service work orders in FYE 2020 and no new contracts or service work orders were secured from the corresponding clients in FYE 2021.

However, the lower contribution was partially offset by contribution of RM1.52 million from work orders from new clients. In FYE 2021, we provided MEP Maintenance and Services to 104 clients as compared to 78 clients in FYE 2020.

Comparison between FYE 2021 and FYE 2022

Our Group's total revenue increased by RM53.63 million or 99.86% to RM107.33 million in FYE 2022 from RM53.70 million in FYE 2021 due to an increase of RM48.40 million in revenue contribution from the MEP Engineering Solutions and RM5.23 million in revenue contribution from MEP Maintenance and Services. During FYE 2022, revenue recognised based on certified stage was RM70.62 million (FYE 2021: RM28.91 million) while revenue recognised at a point in time when the clients obtain control of the asset was RM36.71 million (FYE 2021: RM24.79 million).

In terms of revenue by clients, our revenue was derived mainly from top 4 major clients (2 construction companies, 1 information technology company and 1 electronics manufacturing services company) that contributed to RM61.81 million in FYE 2022 (representing 57.59% of total revenue FYE 2022) as compared to RM15.22 million in FYE 2021 (representing 28.34% of total revenue FYE 2021). Furthermore, 36 new clients who were mainly from construction, information technology, engineering, logistics and warehouse as well as telecommunication industries had contributed to an aggregate of RM32.35 million, representing 30.14% of our total revenue in FYE 2022.

MEP Engineering Solutions

The MEP Engineering Solutions business segment remained as our largest revenue contributor in FYE 2022, having contributed to 89.83% of our total revenue in FYE 2022 compared to 89.43% of our total revenue in FYE 2021. In FYE 2022, our revenue derived from the MEP Engineering Solutions business segment increased by RM48.40 million or 100.79% to RM96.42 million in FYE 2022 from RM48.02 million in FYE 2021. The increase was mainly attributable to the following:

- (i) A new plantroom project (located at Bukit Minyak Industrial Park, Seberang Perai, Pulau Pinang) for an electronics manufacturing services company which commenced in April 2022 and contributed to a revenue of RM9.94 million in FYE 2022;
- (ii) A new cleanroom project (located at Bayan Lepas Free Industrial Zone Phase 4, Pulau Pinang) for a construction company, which commenced in April 2021 and contributed to a revenue of RM9.53 million in FYE 2022;
- (iii) Completion of a plantroom project (located at Bayan Lepas Free Industrial Zone Phase 4, Pulau Pinang) for an electronics manufacturing services company, which commenced in February 2021 and contributed to a revenue of RM6.99 million in FYE 2022;
- (iv) 2 new plantroom projects (both located at Batu Kawan Industrial Park, Seberang Perai, Pulau Pinang) for a construction company, for which both commenced in September 2021 and contributed to revenue of RM6.58 million and RM2.23 million, respectively in FYE 2022;

12. FINANCIAL INFORMATION (CONT'D)

- (v) A new plantroom project (located at Prai Industrial Estate, Pulau Pinang) for a construction company, which commenced in December 2021 and contributed to a revenue of RM5.23 million in FYE 2022. As at the LPD, this project was completed;
- (vi) A new plantroom project (located at Bayan Lepas Free Industrial Zone Phase 4, Pulau Pinang) for an information technology company, which commenced in October 2021 and contributed to a revenue of RM4.88 million in FYE 2022. As at the LPD, this project was completed;
- (vii) A new cleanroom project (located at Kuala Ketil Industrial Park, Kedah) for a sterilisation solution company, which commenced in January 2021. While pending work certification, no revenue was recognised from this project in FYE 2021. However, for FYE 2022, this project contributed to a revenue of RM4.57 million. This project was completed in FYE 2022; and
- (viii) Increased orders from our clients for data centre cooling solutions and UPS solutions, which contributed to a revenue of RM8.67 million in FYE 2022 as compared to RM7.57 million in FYE 2021.

Plantroom remained as our largest facility type in FYE 2022, having contributed 62.27% of our revenue from the MEP Engineering Solutions in FYE 2022.

Our revenue derived from being engaged as main contractor increased by RM35.77 million or 849.64% to RM39.98 million in FYE 2022 from RM4.21 million in FYE 2021. The increase was mainly attributable to higher revenue from 5 clients by RM33.94 million collectively, mainly for plantroom and cleanroom projects.

MEP Maintenance and Services

Revenue from the MEP Maintenance and Services business segment increased by RM5.23 million or 92.08%, to RM10.91 million in FYE 2022 from RM5.68 million in FYE 2021. The increase in revenue was generally due to:

- (a) increase in work orders from an electronics manufacturing services company which rose to RM3.75 million in FYE 2022 from RM1.90 million in FYE 2021; and
- (b) higher valued work orders provided to 85 clients for maintenance services in FYE 2022 as compared to 104 clients with lower valued work orders in FYE 2021.

Comparison between FYE 2022 and FYE 2023

Our Group's total revenue increased by RM43.61 million or 40.63% to RM150.94 million in FYE 2023 from RM107.33 million in FYE 2022 due to an increase of RM41.67 million in revenue contribution from the MEP Engineering Solutions and RM1.94 million in revenue contribution from MEP Maintenance and Services. During FYE 2023, revenue recognised based on certified stage was RM134.63 million (FYE 2022: RM70.62 million) while revenue recognised at a point in time when the clients obtain control of the asset was RM16.31 million (FYE 2022: RM36.71 million).

Our increased revenue was derived mainly from top 4 major clients (1 construction company, 1 information technology company, 1 electronics manufacturing services company and 1 logistic provider company) that contributed to RM92.94 million in FYE 2023 (representing 61.57% of total revenue in FYE 2023) as compared to RM38.79 million in FYE 2022 (representing 36.14% of total revenue in FYE 2022) by the same set of major clients. Furthermore, 36 new clients who were mainly from construction, information technology, engineering, logistics and warehouse as well as telecommunication industries contributed an aggregate of RM17.36 million, representing 11.50% of our total revenue in FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)**MEP Engineering Solutions**

The MEP Engineering Solutions business segment remained as our largest revenue contributor in FYE 2023, having contributed to 91.49% of our total revenue in FYE 2023 compared to 89.83% of our total revenue in FYE 2022. In FYE 2023, our revenue derived from the MEP Engineering Solutions business segment increased by RM41.67 million or 43.22% to RM138.09 million in FYE 2023 from RM96.42 million in FYE 2022. The increase was mainly attributable to the following:

- (i) 1 existing plantroom project (located at Batu Kawan Industrial Park, Seberang Perai, Pulau Pinang) and 2 existing plantroom projects (located at Kulim Hi-Tech Park, Kedah) for a construction company and contributed to a collective revenue of RM39.04 million in FYE 2023;
- (ii) 1 existing plantroom project (located at Batu Kawan, Kulim) for a sterilisation solution company, which commenced in October 2022 and contributed to a revenue of RM4.25 million in FYE 2023;
- (iii) 1 new plantroom project (located at Bayan Lepas Free Industrial Zone Phase 5, Pulau Pinang) for an information technology company which commenced in January 2023 and contributed to a revenue of RM10.90 million in FYE 2023; and
- (iv) Increased orders from our clients for data centre cooling solutions and UPS solutions, which contributed to a higher revenue of RM13.01 million in FYE 2023 as compared to RM8.67 million in FYE 2022.

Plantroom remained as our largest facility type in FYE 2023, having contributed 68.49% of our revenue from the MEP Engineering Solutions in FYE 2023. Our revenue derived from being engaged as main contractor increased by RM13.14 million or 32.87% to RM53.12 million in FYE 2023 from RM39.98 million in FYE 2022.

MEP Maintenance and Services

Revenue from the MEP Maintenance and Services business segment increased by RM1.94 million or 17.78%, to RM12.85 million in FYE 2023 from RM10.91 million in FYE 2022 due to increase in service orders.

(ii) Cost of sales, GP and GP margin**Analysis of cost of sales by components**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Subcontractor costs	25,844	71.09	29,866	67.81	60,547	66.16	87,797	68.17
Purchases	10,204	28.07	13,735	31.19	30,244	33.05	39,252	30.47
Project related expenses	281	0.77	402	0.91	661	0.72	1,184	0.92
Rental of equipment	27	0.07	40	0.09	69	0.07	565	0.44
	36,356	100.00	44,043	100.00	91,521	100.00	128,798	100.00

Our cost of sales mainly comprises the following:

12. FINANCIAL INFORMATION (CONT'D)**(a) Subcontractor costs**

Subcontractor costs are our largest cost of sales component for FYE 2020, FYE 2021, FYE 2022 and FYE 2023, which represented 71.09%, 67.81%, 66.16% and 68.17% of our total cost of sales for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively. We generally engage the services of subcontractors to perform or assist us in performing certain works, specifically services requiring specialised expertise, skills and/or licences, specialised machinery and/or equipment or due to the limitation of manpower to carry out the workload. For example, the supply and installation of MEP materials and systems, deployment of machinery and equipment, MEP engineering works, civil structural and architectural works and other related works for MEP Engineering Solutions business segment, as well as maintenance and service related works for MEP Maintenance and Services segment.

In FYE 2021, our subcontractor costs increased by RM4.03 million or 15.60% to RM29.87 million in FYE 2021 from RM25.84 million in FYE 2020 which was in tandem with the increase in project activities and revenue of 25.44% from plantrooms.

In FYE 2022, our subcontractor costs increased by RM30.68 million or 102.71% to RM60.55 million in FYE 2022 from RM29.87 million in FYE 2021. which was in tandem with the increase in project activities and revenue of 54.50% from plantrooms and 1,642.77% from cleanrooms under the MEP Engineering Solutions segment.

In FYE 2023, our subcontractor costs increased by RM27.25 million or 45.00% to RM87.80 million in FYE 2023 from RM60.55 million in FYE 2022, which was in tandem with the increase in project activities and revenue for plantroom and cleanroom projects. The higher increase in our subcontractor costs as compared to revenue in FYE 2023 was attributable to our subcontractors bundling labour charges and the supply of materials/machinery in one package.

(b) Purchases

Purchases comprise materials such as sensors and instrumentations, valves and fittings and air compressors and air conditioning systems for project installation and maintenances which represented 28.07%, 31.19%, 33.05% and 30.47% of our total cost of sales for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

In FYE 2021, our purchases increased by RM3.54 million or 34.71% to RM13.74 million in FYE 2021 from RM10.20 million in FYE 2020 which was in tandem with the increase in revenue and materials required for the projects specifically plantrooms.

In FYE 2022, our purchases increased by RM16.50 million or 120.09% to RM30.24 million in FYE 2022 from RM13.74 million in FYE 2021 which was in tandem with the increase in revenue of certain project activities specifically plantrooms as well as cleanrooms, that required higher volume of materials and consumables used in the projects, such as sensors and instrumentations, valves and fittings and air compressors and air conditioning systems.

In FYE 2023, our purchases increased by RM9.01 million or 29.79% to RM39.25 million in FYE 2023 from RM30.24 million in FYE 2022 which was in tandem with the increase in revenue of certain project activities specifically plantroom. During FYE 2023, our purchases increased with a lower proportion due to our subcontractors bundling labour charges and the supply of materials/machinery in one package. Hence, our subcontractor costs increased in higher amount as compared to purchases incurred in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

(c) Project related expenses

Project related expenses mainly include workman compensation and all risk insurances for projects, CIDB levies, tender fees and stamping fees which represented 0.77%, 0.91%, 0.72% and 0.92% of our total cost of sales for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 respectively.

In FYE 2021, our project related expenses increased by RM0.12 million or 42.86% to RM0.40 million in FYE 2021 from RM0.28 million in FYE 2020. The increase was mainly due to higher tender fees of RM0.11 million resulting from an increased number of tenders we participated and paid in FYE 2021, being 28 tenders in FYE 2021 as compared to 9 tenders in FYE 2020.

In FYE 2022, our project related expenses increased by RM0.26 million or 65.00% to RM0.66 million in FYE 2022 from RM0.40 million in FYE 2021. The increase was mainly due to higher insurance and project levy fee payable to CIDB, collectively RM0.15 million, with 30 new projects with aggregate value of RM113.73 million in FYE 2022, as compared to 17 new projects with aggregate value of RM65.55 million in FYE 2021.

In FYE 2023, our project related expenses increased by RM0.52 million or 78.79% to RM1.18 million in FYE 2023 from RM0.66 million in FYE 2022. The increase was mainly due to higher insurance and higher consumables items such as cleaning chemicals, oils, tools and spare parts for air conditioning systems mainly used for MEP Maintenance and Services, collectively RM0.37 million with 378 new projects with aggregate value of RM306.61 million in FYE 2023.

(d) Rental of equipment

Rental of equipment comprises renting of cranes and forklifts, as well as tools and equipment to carry out our projects for both segments. In FYE 2023, our rental of equipment increased by RM0.50 million or 714.29% to RM0.57 million in FYE 2023 from RM0.07 million in FYE 2022 mainly due to increased rentals of crane, scissors lifts and forklifts used for plantroom and cleanroom projects.

Analysis of cost of sales by activities

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
MEP								
Engineering Solutions	31,484	86.60	39,963	90.74	83,253	90.97	119,495	92.78
MEP								
Maintenance and Services	4,872	13.40	4,080	9.26	8,268	9.03	9,303	7.22
	36,356	100.00	44,043	100.00	91,521	100.00	128,798	100.00

Analysis of GP and GP margin by business activities

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	GP	GP margin	GP	GP margin	GP	GP margin	GP	GP margin
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
MEP								
Engineering Solutions	5,661	15.24	8,060	16.78	13,166	13.65	18,594	13.47
MEP								
Maintenance and Services	1,606	24.79	1,599	28.16	2,643	24.22	3,548	27.61
	7,267	16.66	9,659	17.99	15,809	14.73	22,142	14.67

12. FINANCIAL INFORMATION (CONT'D)

The composition of costs varies according to each projects' requirements depending on project scope, the composition and requisition of manpower allocation and materials requirements. Some projects may require higher manpower allocation for project delivery, while other projects may require higher expenditure for materials. Save for MEP Maintenance and Services, we price our projects based on cost estimates after taking into consideration various factors, including project scale, complexity and specifications.

Cost is recognised as it is incurred in the corresponding financial year and revenue is recognised based on the physical proportion of contract work certified. As such, our GP and GP margin fluctuates on a year-on-year basis whereby each project's GP differs in terms of project scope, duration and stages of works performed. Timing difference arises when any costs incurred and recognised in the financial year but the corresponding revenue is not recognised due to pending work certification. Such timing difference will lead to fluctuation in our GP and GP margin. Nonetheless, our project and finance team will always work towards obtaining progress claims and issuing of sales invoices as soon as the work done and milestone is met.

During FYE 2020 to FYE 2022, our projects were generally smaller in terms of contract value, completed and obtained progress claim during the same period. The timing difference was minimal for FYE 2020 to FYE 2022.

Financial commentaries on cost of sales and GP**Comparison between FYE 2020 and FYE 2021**

In FYE 2021, our Group incurred higher total cost of sales, which corresponds with the increase in our total revenue. Our total cost of sales was predominantly contributed by our MEP Engineering Solutions segment, contributing 90.74% of our total cost of sales in FYE 2021.

Our overall GP in FYE 2021 increased by RM2.39 million or 32.87% to RM9.66 million in FYE 2021 from RM7.27 million in FYE 2020 and our overall GP margin also improved to 17.99% in FYE 2021 from 16.66% in FYE 2020.

The improvement was attributable to higher GP from our MEP Engineering Solutions segment which recorded an increase of RM2.40 million to RM8.06 million in FYE 2021 from RM5.66 million in FYE 2020, and an improvement in GP margin for our MEP Engineering Solutions to 16.78% in FYE 2021 from 15.24% in FYE 2020. This improvement was attributable to MEP Engineering Solutions' projects with shorter delivery periods, different scopes and specifications which commanded better margins, undertaken in FYE 2021, as compared to FYE 2020.

Despite our revenue recorded a reduction of RM0.80 million or 12.35%, our GP from the MEP Maintenance and Services segment for FYE 2021 only decreased slightly to RM1.60 million in FYE 2021 from RM1.61 million in FYE 2020. This was mainly due to better GP margin for the current projects after the completion of a maintenance and service work order from a client in FYE 2020 which was not recurring and had lower GP margin due to its services specification and contributed to 43.46% of revenue from the MEP Maintenance and Services segment. Accordingly, our GP margin from the MEP Maintenance and Services segment increased to 28.16% in FYE 2021 from 24.79% in FYE 2020. Other maintenance and service work orders secured during FYE 2021 had higher GP margin due to service specification.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between FYE 2021 and FYE 2022**

In FYE 2022, our Group incurred higher total cost of sales, which corresponds with the increase in our total revenue. Our total cost of sales was predominantly contributed by our MEP Engineering Solutions segment, contributing 90.97% of our total cost of sales in FYE 2022.

Our overall GP in FYE 2022 increased by RM6.15 million or 63.66% to RM15.81 million in FYE 2022 from RM9.66 million in FYE 2021 which was mainly attributable to higher GP from our MEP Engineering Solutions segment which recorded an increase of RM5.11 million in FYE 2022 in line with the increase in revenue for our MEP Engineering Solutions segment as discussed in Section 12.2.2 (i) of this Prospectus in FYE 2022.

Despite the increase in our overall GP, our overall GP margin decreased to 14.73% in FYE 2022 from 17.99% in FYE 2021. The decrease was mainly due to the following:

- (a) competitive pricing strategy to penetrate new clients and/or new markets in FYE 2022; and
- (b) increase in material prices such as copper and steel products driven by supply shortage where such materials are generally provided and charged by our subcontractors.

Apart from the increase in GP from our MEP Engineering Solutions segment, our MEP Maintenance and Services segment also recorded an increase of RM1.04 million, to RM2.64 million in FYE 2022 from RM1.60 million in FYE 2021 which was in line with the increase in revenue for our MEP Maintenance and Services segment. Nonetheless, our GP margin decreased to 24.22% from 28.16% due to our Group's strategy to penetrate the maintenance services market by offering competitive prices and it was also affected by an increase in consumable prices (i.e., spare parts for air conditioning systems) charged by our suppliers.

Comparison between FYE 2022 and FYE 2023

In FYE 2023, our Group incurred higher total cost of sales, which corresponds with the increase in our total revenue. Our total cost of sales was predominantly contributed by our MEP Engineering Solutions segment, contributing 92.78% of our total cost of sales in FYE 2023.

Our overall GP in FYE 2023 increased by RM6.33 million or 40.04% to RM22.14 million in FYE 2023 from RM15.81 million in FYE 2022 which was mainly attributable to higher GP from our MEP Engineering Solutions segment which recorded an increase of RM5.42 million in FYE 2023 in line with the increase in revenue for our MEP Engineering Solutions segment as discussed in Section 12.2.2 (i) of this Prospectus in FYE 2023. However, our total cost of sales increased by 40.73% in FYE 2023 at a higher rate than the increased in our total revenue of 40.63% in FYE 2023. This is mainly due to the increase in rental of equipment (such as crane, scissor lifts and forklifts used for plantroom and cleanroom projects) instead of the increase in the percentage of our subcontractor cost as the bundling of labour charges and the supply of materials/machinery in one package under the subcontractor cost is being offset by the decrease in the percentage of the purchases. Hence, our GP margin decreased to 14.67% in FYE 2023 from 14.73% in FYE 2022.

Our MEP Maintenance and Services segment recorded an increase in GP of RM0.91 million, to RM3.55 million in FYE 2023 from RM2.64 million in FYE 2022 which was in line with the increase in revenue for our MEP Maintenance and Services segment. Our GP margin increased to 27.61% in FYE 2023 from 24.22% in FYE 2022 due to better GP margin for the current and new service work orders due to its services specification.

12. FINANCIAL INFORMATION (CONT'D)**(iii) Other operating income**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Gain on disposal of non-current asset held for sale	-	-	-	-	-	-	293	58.84
Rental income	-	-	-	-	-	-	132	26.51
Gain on disposal of property, plant and equipment	-	-	-	-	85	62.50	-	-
Gain on disposal of right-of-use assets	-	-	19	15.57	-	-	-	-
Interest income	2	5.13	54	44.26	39	28.68	38	7.63
Wage subsidy	18	46.15	42	34.43	-	-	-	-
Others ⁽¹⁾	19	48.72	7	5.74	12	8.82	35	7.02
	39	100.00	122	100.00	136	100.00	498	100.00

Note:

- (1) Others pertain to gain on foreign exchange, appreciation token received and payment incentives from suppliers.

Comparison between FYE 2020 and FYE 2021

Our other operating income increased by RM0.08 million or 200.00% to RM0.12 million in FYE 2021 from RM0.04 million in FYE 2020 mainly due to interest income of RM0.05 million from the increase in placement of fixed deposits with financial institutions, as well as increase in wage subsidies by RM0.02 million received in FYE 2021 from SOCSO for our eligible employees from the Wage Subsidy Programme introduced in 2020 as part of the Government's COVID-19 economic stimulus package.

Comparison between FYE 2021 and FYE 2022

Our other operating income increased by RM0.02 million or 16.67% to RM0.14 million in FYE 2022 from RM0.12 million in FYE 2021 mainly due to gain of RM0.09 million on the disposal of 2 units of motor vehicles for RM0.09 million.

The increase in other operating income in FYE 2022 was offset by the absence of wage subsidies of RM0.04 million received in the preceding FYE from the Wage Subsidy Programme in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our other operating income increased by RM0.36 million or 257.14% to RM0.50 million in FYE 2023 from RM0.14 million in FYE 2022 mainly due to gain of RM0.29 million on the disposal of 3-storey terrace house classified under non-current asset held for sale and rental income received in FYE 2023 of RM0.13 million was derived from the rental of BK Factory to a third party.

12. FINANCIAL INFORMATION (CONT'D)

(iv) Administrative expenses

Administrative expenses are expenses not directly attributable to the generation of revenue, as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	2,220	80.52	2,530	81.35	3,546	77.90	4,823	62.62
Office expenses ⁽²⁾	135	4.90	179	5.76	252	5.54	514	6.67
Marketing expenses	116	4.21	145	4.66	185	4.06	392	5.09
Professional fee ⁽³⁾	65	2.36	91	2.93	195	4.28	1,445	18.76
Travelling and accommodation expenses	90	3.26	39	1.25	138	3.03	188	2.44
Rental expenses ⁽⁴⁾	51	1.85	30	0.96	41	0.90	170	2.21
Upkeep of motor vehicles	54	1.96	51	1.64	31	0.68	126	1.64
COVID-19 related expenses	-	-	17	0.55	50	1.10	-	-
Others ⁽⁵⁾	26	0.94	28	0.90	⁽⁶⁾ 114	2.51	44	0.57
	2,757	100.00	3,110	100.00	4,552	100.00	7,702	100.00

Notes:

- (1) Staff costs pertain to staff salaries, allowances, bonuses, statutory contributions and other benefits of administrative and management employees as well as directors.

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Employees' salaries, allowance and bonus	1,406	1,641	2,404	3,032
Directors' remuneration	593	597	765	1,048
EPF and SOCSO contribution	183	241	321	572
Staff welfare	38	51	56	171
Total staff costs	2,220	2,530	3,546	4,823

- (2) Office expenses mainly include utilities expenses, insurances, cleaning expenses and office refreshments.
- (3) Professional services mainly include audit, legal and secretarial fees.
- (4) Rental expenses for the rental of offices, photocopiers and hostels.
- (5) Others are mainly expenses incurred for service charges, stamp duties, bank charges, advertisements and penalties.
- (6) Includes penalties of RM64,721, mainly attributed to tax penalties due to under estimation and bank guarantee fee of RM17,500 for Syarikat Jaminan Pembiayaan Perniagaan ("SJPP") Schemes – SME Working Capital Financing. On 25 May 2023, our subsidiary, Critical M&E was imposed tax penalty of RM14,087 due to under estimation of tax for the year of assessment 2019 and 2020. Such amount has been fully settled in June 2023. As at the LPD, there are no other outstanding tax penalties to be paid. In order to mitigate any under estimation of tax moving forward, our Group has established procedures which include preparation of forecasted tax computation and frequent review of tax computation by tax agent appointed by our Group.

12. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 2020 and FYE 2021

Our administrative expenses increased by RM0.35 million or 12.68% to RM3.11 million in FYE 2021 from RM2.76 million in FYE 2020 mainly attributable to an increase in staff costs of RM0.31 million arising from salary increments for our existing staff in tandem with the improved performance of our Group.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM1.44 million or 46.30% to RM4.55 million in FYE 2022 from RM3.11 million in FYE 2021 mainly attributable to:

- (a) increase in staff costs of RM1.02 million arising from annual salary revisions made during FYE 2022 and bonus payouts to our existing staff and directors in tandem with our business growth;
- (b) increase in professional fees of RM0.11 million arising from the assurance services for the accounting standard conversion of MFRS and legal services for registration of trademark and drafting of tenancy agreements; and
- (c) increase in travelling and accommodation expenses of RM0.10 million, following the upliftment of COVID-19 travel restrictions imposed by the Government.

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM3.15 million or 69.23% to RM7.70 million in FYE 2023 from RM4.55 million in FYE 2022 mainly attributable to:

- (a) increase in staff costs of RM1.27 million mainly arising from increase in headcounts, annual salary revisions made during FYE 2023 and bonus payouts to our existing staff in tandem with our business growth;
- (b) increase in professional fees of RM1.25 million mainly arising from:
 - RM0.25 million for legal services and guarantee fees in relation to loans application under Syarikat Jaminan Pembiayaan Perniagaan Berhad (SJPP);
 - RM0.12 million for assurance services for audit review services; and
 - RM0.51 million for listing expenses;
- (c) increase in office expenses of RM0.26 million, mainly arising from renewal of license fees (i.e., Autocad, computer antivirus software and Microsoft office license) and higher of group personal accident insurance for staff due to increased headcounts in FYE 2023;
- (d) increase in marketing expenses of RM0.20 million, mainly arising from higher entertainment expenses; and
- (e) increase in rental expenses of RM0.13 million, mainly arising from increase in storage of equipment for projects.

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12. FINANCIAL INFORMATION (CONT'D)**(v) Distribution expenses**

Distribution expenses are incurred for business development to support our MEP Engineering Solutions business segment, as follows:

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Travelling expenses	82	66.67	99	61.49	126	71.19	174	45.08
Transportation charges	41	33.33	62	38.51	51	28.81	212	54.92
	123	100.00	161	100.00	177	100.00	386	100.00

Our distribution expenses increased from RM0.12 million in FYE 2020 to RM0.16 million in FYE 2021 and subsequently to RM0.18 million in FYE 2022 and further increased to RM0.39 million in FYE 2023 which were incurred for business development and distribution of data centre cooling solutions and UPS solutions business under our MEP Engineering Solutions business segment.

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12. FINANCIAL INFORMATION (CONT'D)**(vi) Net losses/(gains) on impairment of financial assets**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Impairment losses on trade receivables	492	100.00	46	22.66	132	280.85	372	100.00
Reversal of impairment losses on trade receivables	-	-	(249)	(122.66)	(179)	(380.85)	-	-
Net losses/(gains) on impairment of trade receivables	492	100.00	(203)	(100.00)	(47)	(100.00)	372	100.00

For the application of MFRS 9 – Financial Instruments, our Group estimates a lifetime expected credit loss allowance for all financial assets. We develop the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses which is then adjusted based on reasonable and supportable qualitative and quantitative forward-looking information.

Comparison between FYE 2020 and FYE 2021

In FYE 2020, we incurred net impairment losses on trade receivables of RM0.49 million due to the application of MFRS 9 – Financial Instruments. The above net impairment losses on trade receivables were recognised on impaired receivables of RM0.49 million.

In FYE 2021, we recorded reversal of impairment losses on trade receivables of RM0.25 million (FYE 2020: nil) due to subsequent collections on the trade receivable balances that were previously impaired. We also incurred impairment losses on trade receivables of RM0.05 million due to the application of MFRS 9 – Financial Instruments. In summary, the net reversal of impairment of trade receivables of RM0.20 million was recorded in FYE 2021.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, we recorded reversal of impairment losses on trade receivables of RM0.18 million (FYE 2021: RM0.25 million) due to subsequent collections on the trade receivable balances that were previously impaired. We also incurred impairment losses on trade receivables of RM0.13 million (FYE 2021: RM0.05 million) due to the application of MFRS 9 – Financial Instruments. In summary, the net reversal of impairment of trade receivables of RM0.05 million was recorded in FYE 2022.

Comparison between FYE 2022 and FYE 2023

In FYE 2023, we incurred impairment losses on trade receivables of RM0.37 million (FYE 2022: RM0.13 million) comprised collective impairment of RM0.06 million and individual impairment of RM0.31 million (mainly comprising 1 trade receivable of RM0.25 million). The increase in allowance for impairment losses on trade receivables of RM0.06 million was mainly due to assessment on expected credit loss from the application of MFRS 9 – Financial Instruments.

12. FINANCIAL INFORMATION (CONT'D)**(vii) Other operating expenses**

	Audited							
	FYE 2020		FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Depreciation of property, plant and equipment	123	47.67	122	24.50	125	21.70	102	16.56
Depreciation of investment property	-	-	-	-	14	2.43	22	3.57
Depreciation of right-of-use assets	135	52.33	375	75.30	435	75.52	474	76.95
Loss on foreign exchange	-	-	1	0.20	2	0.35	18	2.92
	258	100.00	498	100.00	576	100.00	616	100.00

Comparison between FYE 2020 and FYE 2021

Our other operating expenses increased by RM0.24 million or 92.31%, to RM0.50 million in FYE 2021 from RM0.26 million in FYE 2020 was attributable to an increase in depreciation of right-of-use assets of RM0.24 million arising from the full year depreciation of the motor vehicles purchased in the end of FYE 2019 and new rental obligations for the rental of offices.

Comparison between FYE 2021 and FYE 2022

Our other operating expenses increased by RM0.08 million or 16.00%, to RM0.58 million in FYE 2022 from RM0.50 million in FYE 2021 mainly attributable to an increase in depreciation of right-of-use assets arising from the additional motor vehicles under hire purchase arrangement and rental obligations for the rental of offices.

Comparison between FYE 2022 and FYE 2023

Our other operating expenses increased by RM0.04 million or 6.90%, to RM0.62 million in FYE 2023 from RM0.58 million in FYE 2022 mainly attributable to an increase in depreciation of right-of-use assets arising from the additional motor vehicle under hire purchase arrangement and the rental obligations for the rental of our Headquarter.

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12. FINANCIAL INFORMATION (CONT'D)**(viii) Finance costs**

	FYE 2020		Audited FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expense on:								
Bankers' acceptances	-	-	-	-	1	0.40	28	7.55
Bank overdrafts	12	9.52	12	8.00	7	2.82	3	0.81
Lease liabilities	19	15.08	39	26.00	42	16.94	59	15.90
Term loans	95	75.40	99	66.00	106	42.74	106	28.57
Bank guarantee fees	-	-	-	-	92	37.10	175	47.17
	126	100.00	150	100.00	248	100.00	371	100.00

Note:

* Negligible.

Our finance costs consist of interests on bankers' acceptances, bank overdrafts, lease liabilities and term loans, as well as bank guarantee fees, with details as follows:

- Bankers' acceptances are mainly used to finance purchase of materials such as sensors and instrumentations, valves and fittings, air compressors and air conditioning systems for project installation and maintenance. We also use bankers' acceptances to settle subcontractors' costs;
- Bank overdrafts are used to finance working capital;
- Lease liabilities are used to finance the purchase of motor vehicles and includes rental obligations for the rental of properties;
- Term loans are used to finance the purchase of office building (classified as non-current asset held for sale in FYE 2022), and BK Factory (classified as investment property); and
- Bank guarantees carry a fee equal to a small percentage amount of the entire contract, normally 0.05% to 1.20% of the guaranteed amount. Some of our contracts may require us to take out a performance bond, typically in the form of a bank guarantee which can be called upon by our clients to a specified maximum limit in the event of breach of the contract.

Comparison between FYE 2020 and FYE 2021

Our finance costs increased by RM0.02 million or 15.38%, to RM0.15 million in FYE 2021 from RM0.13 million in FYE 2020, mainly attributable to the increase in interests charged on lease liabilities in relation to rented office buildings and motor vehicles under hire purchase arrangement.

Comparison between FYE 2021 and FYE 2022

Our finance costs increased by RM0.10 million or 66.67%, to RM0.25 million in FYE 2022 from RM0.15 million in FYE 2021 mainly attributable to the increase in fees charged on bank guarantees of RM0.09 million in relation to working capital financing under SJPP schemes.

Comparison between FYE 2022 and FYE 2023

Our finance costs increased by RM0.12 million or 48.00%, to RM0.37 million in FYE 2023 from RM0.25 million in FYE 2022 mainly attributable to the increase in bank guarantee fees in relation to guarantee fees paid for projects commenced in FYE 2023.

12. FINANCIAL INFORMATION (CONT'D)**(ix) PBT, PAT, PBT margin and PAT margin**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
PBT (RM'000)	3,550	6,065	10,439	13,193
PBT margin (%)	8.14	11.29	9.73	8.74
PAT (RM'000)	2,642	4,761	7,897	9,590
PAT margin (%)	6.06	8.87	7.36	6.35

Comparison between FYE 2020 and FYE 2021

We recorded an increase in PBT of RM2.52 million or 70.85%, to RM6.07 million in FYE 2021 from RM3.55 million in FYE 2020. The increase in PBT was derived from higher GP from the MEP Engineering Solutions segment attributable to the MEP Engineering Solutions' projects with shorter delivery periods, different scopes and specifications which commanded better margins that were undertaken in FYE 2021, as compared to FYE 2020 as well as the reversal of impairment on trade receivables (due to subsequent collection of the overdue trade receivables) of RM0.25 million in FYE 2021.

Hence, this resulted in our PBT margin increased to 11.29% in FYE 2021 from 8.14% in FYE 2020.

Correspondingly, our PAT increased by RM2.12 million or 80.30% to RM4.76 million in FYE 2021 from RM2.64 million in FYE 2020, while our PAT margin increased to 8.87% in FYE 2021 from 6.06% in FYE 2020.

Comparison between FYE 2021 and FYE 2022

We recorded an increase in PBT of RM4.37 million or 71.99%, to RM10.44 million in FYE 2022 from RM6.07 million in FYE 2021. The increase in PBT was mainly derived from higher GP driven by the higher revenue from both MEP Engineering Solutions as well as MEP Maintenance and Services business segments.

Despite the increase in PBT, our PBT margin decreased to 9.73% in FYE 2022 from 11.29% in FYE 2021 mainly due to the decrease in overall GP margin resulting from:

- (a) Increase in material price (such as copper and steel products) for the MEP Engineering Solutions segment;
- (b) Offering competitive prices for both MEP Engineering Solutions as well as MEP Maintenance and Services business segments to penetrate new clients and/or new markets in FYE 2022; and
- (c) Increase of consumables prices (i.e., spare parts for air conditioning systems) charged by our suppliers for the MEP Maintenance and Services business segment.

Correspondingly, our PAT increased by RM3.14 million or 65.97% to RM7.90 million in FYE 2022 from RM4.76 million in FYE 2021, while our PAT margin decreased to 7.36% in FYE 2022 from 8.87% in FYE 2021.

Comparison between FYE 2022 and FYE 2023

We recorded an increase in PBT of RM2.75 million or 26.34%, to RM13.19 million in FYE 2023 from RM10.44 million in FYE 2022. The increase in PBT was mainly derived from higher GP driven by the higher revenue from both MEP Engineering Solutions as well as MEP Maintenance and Services business segments.

12. FINANCIAL INFORMATION (CONT'D)

Despite the increase in PBT, our PBT margin decreased to 8.74% in FYE 2023 from 9.73% in FYE 2022 attributable to higher administrative expense increased by 69.23% which grew at a rate higher than our revenue growth rate of 40.63%. The higher administrative expenses were attributable to the higher staff costs and professional fees (mainly listing expenses) incurred during FYE 2023.

Due to the foregoing, our PAT increased by RM1.69 million or 21.39% to RM9.59 million in FYE 2023 from RM7.90 million in FYE 2022, while our PAT margin decreased to 6.35% in FYE 2023 from 7.36% in FYE 2022.

(x) Taxation

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Income tax	946	1,269	2,647	3,583
Deferred tax liabilities	(38)	35	(105)	20
	908	1,304	2,542	3,603
Effective tax rate (%) ⁽¹⁾	25.58	21.50	24.35	27.31
Statutory tax rate (%)	24.00	24.00	24.00	24.00

Note:

- (1) Critical Sales & Services is qualified for preferential tax rates of 17.00% on the first chargeable income of RM600,000 for the FYE Under Review.

Our effective tax rate for FYE 2020 of 25.58% was higher than the statutory rate of 24.00% mainly due to the add back of the non-deductible expenses such as insurance, depreciation and impairment loss on trade receivables as well as the under provision of tax expenses in prior years.

Our effective tax rate for FYE 2021 of 21.50% was lower than the statutory rate of 24.00% mainly due to the reversal of impairment losses on trade receivable of RM0.25 million which was not subject to tax and overprovision of tax expenses in prior years.

Our effective tax rate for FYE 2022 of 24.35% was slightly higher than the statutory rate of 24.00% mainly due to the under provision of tax expenses in prior years.

Our effective tax rate for FYE 2023 of 27.31% was higher than the statutory rate of 24.00% mainly due to the add back of non-deductible expenses such as depreciation, listing expenses and loss on impairment of trade receivable as well as the under provision of tax expenses in prior years.

We have not established any other place of business outside of Malaysia and derives revenue solely from Malaysia. Malaysia is under the single-tier tax system and does not impose withholding tax on dividends paid to shareholders. Dividends are exempt in the hands of shareholders.

12. FINANCIAL INFORMATION (CONT'D)**12.2.3 Review of financial position****(i) Assets**

	Audited			
	As at 30 June			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	3,653	3,921	(1)287	509
Right-of-use assets	1,210	959	1,411	1,414
Investment property	-	-	(1)2,930	2,909
Deferred tax assets	-	-	24	12
Total non-current assets	4,863	4,880	4,652	4,844
Current assets				
Inventories	-	24	-	-
Trade and other receivables ⁽²⁾	11,345	13,551	41,291	41,567
Contract assets	-	-	464	305
Cash and bank balances	4,418	7,241	7,234	9,708
Total current assets	15,763	20,816	48,989	51,580
Non-current assets held for sale	-	-	(3)705	-
Total assets	20,626	25,696	54,346	56,424

Notes:

- (1) The BK Factory was initially recognised in property, plant and equipment prior to FYE 2022 as our Group had acquired the property with the intention of relocating our operations to this premise in late 2021 / early 2022. However, our Group did not proceed with this plan due to mobility and accessibility of the BK Factory premise for our employees who mainly reside in Pulau Pinang island. Thus, in FYE 2022, we reclassified BK Factory from property, plant and equipment to investment property upon renting the factory building out to a third party. Prior to renting out BK Factory to the third party, the BK Factory was vacant.
- (2) Include retention sums retained by our clients for our projects (net of impairment losses) which amounted to RM1.13 million, RM1.13 million, RM4.77 million and RM9.46 million for the FYE 2020, FYE 2021, FYE 2022 and FYE 2023, respectively.
- (3) Refer to the 3-storey terrace house reclassified as non-current asset held for sale as our Group has entered into a sale and purchase agreement with our Promoters, substantial shareholders and Directors, namely Ir. Tan Si Lim and Ir. Chow Chin Seang to dispose the 3-storey terrace house during the FYE 2022 for a consideration of RM998,000.00. The sale and purchase agreement was completed on 30 August 2022.

Comparison between 30 June 2020 and 30 June 2021

Our total assets increased by RM5.07 million or 24.58% to RM25.70 million as at 30 June 2021 from RM20.63 million as at 30 June 2020, mainly due to the increase in current assets of RM5.06 million as at 30 June 2021.

Our current assets increased by RM5.06 million or 32.11% due to the following:

- (a) increase in trade and other receivables of RM2.20 million, due to the increase in invoices billed to clients under our MEP Engineering Solutions business segment towards last quarter of the financial year; and
- (b) increase in cash and bank balances of RM2.82 million, mainly due to higher internally generated funds from our business growth.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between 30 June 2021 and 30 June 2022**

Our total assets increased by RM28.65 million or 111.48% to RM54.35 million as at 30 June 2022 from RM25.70 million as at 30 June 2021. This was mainly due to the increase in trade and other receivables of RM27.74 million, resulting from the increase in invoices billed to clients under our MEP Engineering Solutions as well as MEP Maintenance and Services business segments towards last quarter of the financial year which was in line with the increase in revenue in FYE 2022.

Comparison between 30 June 2022 and 30 June 2023

Our total assets increased by RM2.07 million or 3.81% to RM56.42 million as at 30 June 2023 from RM54.35 million as at 30 June 2022, mainly due to the increase in current assets of RM2.59 million as at 30 June 2023.

Our current assets increased by RM2.59 million or 5.29% due to the following:

- (a) increase in trade and other receivables of RM0.28 million, due to the increase in tender deposits of RM1.31 million and this was offset by the decrease in trade receivables of RM0.93 million attributable to the improved collection of our trade receivables during FYE 2023. Our average trade receivables turnover period for FYE 2023 was 77 days (FYE 2022: 79 days); and
- (b) increase in cash and bank balances of RM2.48 million, mainly due to higher internally generated funds from our business growth.

The increase in total assets was offset by the absence of non-current asset held for sale of RM0.71 million following its disposal in August 2022.

(ii) Liabilities

	Audited			
	As at 30 June			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Non-current liabilities				
Borrowings	2,581	2,940	2,823	2,265
Lease liabilities	731	552	909	931
Deferred tax liabilities	46	81	-	8
Total non-current liabilities	3,358	3,573	3,732	3,204
Current liabilities				
Trade and other payables ⁽¹⁾	10,262	11,214	34,220	28,767
Contract liabilities	-	-	241	154
Borrowings	318	431	480	1,233
Lease liabilities	247	235	277	369
Current tax liabilities	685	1,326	582	693
Total current liabilities	11,512	13,206	35,800	31,216
Total liabilities	14,870	16,779	39,532	34,420

Note:

- (1) Include retention sums retained by our Group for the subcontractors' work, which amounted to RM1.38 million and RM3.88 million for the FYE 2022 and FYE 2023, respectively.

12. FINANCIAL INFORMATION (CONT'D)**Comparison between 30 June 2020 and 30 June 2021**

Our total liabilities increased by RM1.91 million or 12.84% to RM16.78 million as at 30 June 2021 from RM14.87 million as at 30 June 2020 mainly due to an increase in current liabilities of RM1.70 million as at 30 June 2021.

Our non-current liabilities increased by RM0.21 million or 6.25% mainly due to the increase in bank borrowings of RM0.36 million as a result of further drawdown of RM0.46 million from our term loan for the purchase of BK Factory. The increase was offset by the decrease in lease liabilities due to scheduled repayments for motor vehicles under hire purchase arrangements.

Our current liabilities increased by RM1.70 million or 14.77% mainly due to the increase in trade and other payables of RM0.95 million, in line with higher subcontractor' costs and purchases in FYE 2021. The increase was also attributable to the current tax liabilities that increased by RM0.64 million, due to higher income tax expenses for FYE 2021.

Comparison between 30 June 2021 and 30 June 2022

Our total liabilities increased by RM22.75 million or 135.58% to RM39.53 million as at 30 June 2022 from RM16.78 million as at 30 June 2021 mainly due to an increase in current liabilities of RM22.59 million as at 30 June 2022.

Our non-current liabilities increased by RM0.16 million or 4.48% mainly due to the increase in non-current portion of lease liabilities of RM0.36 million resulting from the new rental obligation of motor vehicles and our Headquarter which started in April 2022. The increase was offset by scheduled repayments for lease liabilities and term loans.

Our current liabilities increased by RM22.59 million or 171.01% mainly due to the increase in trade payables of RM20.64 million, which was in line with higher purchases and subcontractors' costs in FYE 2022, as well as the increase in other payables of RM2.36 million, mainly arising from the dividend payable of RM2.00 million in respect of FYE 2022. The increase was offset by the decrease in current tax liabilities of RM0.75 million, mainly due to prepayments made on monthly tax instalments during FYE 2022 of RM2.28 million for income tax for FYE 2022, which was offset by the provision of income tax expenses for FYE 2022 of RM2.65 million.

Comparison between 30 June 2022 and 30 June 2023

Our total liabilities decreased by RM5.11 million or 12.93% to RM34.42 million as at 30 June 2023 from RM39.53 million as at 30 June 2022 mainly due to a decrease in current liabilities of RM4.58 million as at 30 June 2023.

Our non-current liabilities decreased by RM0.53 million or 14.21% mainly due to settlement of term loans following the disposal of 3-storey terrace house classified as a non-current asset held for sale. The decrease in non-current liabilities was offset by the increase in lease liabilities arising from 1 unit of motor vehicle under hire purchase agreement and the new rental obligation of our Headquarter.

Our current liabilities decreased by RM4.58 million or 12.79% mainly due to the following:

- (a) decrease in trade payables of RM3.49 million, as we had paid our suppliers in a shorter time period which reduced our trade payable turnover days from 82 days to 77 days in FYE 2023; and
- (b) decrease in other payables of RM1.97 million, mainly arising from full payment of the dividend payable of RM2.00 million in respect of FYE 2022.

The decrease in current liabilities was partially offset by the increase in borrowings mainly arising from higher bankers' acceptance for purchase of materials.

12. FINANCIAL INFORMATION (CONT'D)**12.2.4 Review of cash flows**

	Audited			
	FYE 2020	FYE 2021	FYE 2022	FYE 2023
	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	134	4,678	646	6,442
Net cash (used in)/from investing activities	(1,802)	(1,278)	(292)	624
Net cash from/(used in) financing activities	1,217	(1,510)	(274)	(4,502)
Net (decrease)/ increase in cash and cash equivalents	(451)	1,890	80	2,564
Effect of foreign exchange rates changes	*	(1)	*	(13)
Cash and cash equivalents at beginning of financial years	3,956	3,505	5,394	5,474
Cash and cash equivalents at end of financial years	3,505	5,394	5,474	8,025

Note:

* Negligible.

Majority of our cash and cash equivalents are held in RM. Save for any applicable financial covenants and the Act, and subject to the availability of distributable profits and reserves, there are no legal, financial or economic restrictions on our subsidiaries' ability to transfer funds to our Company in the form of cash dividends, loans or advances.

FYE 2020**Net cash from operating activities**

For FYE 2020, our operating profit before working capital changes was RM4.44 million. Our net cash from operating activities was RM0.13 million after adjusting for the following key items:

- (i) increase in trade and other receivables of RM7.22 million, mainly due to the increase in invoices billed to clients towards last quarter of the financial year;
- (ii) increase in trade and other payables of RM3.61 million, mainly due to higher subcontractors' costs and purchases incurred for FYE 2020 to support project activities; and
- (iii) we also paid income tax of RM0.59 million and interest of RM0.11 million for bank overdrafts and term loan.

Net cash used in investing activities

For FYE 2020, our net cash used in investing activities was RM1.80 million, attributable to the following:

- (i) purchase of property, plant and equipment of RM1.48 million, mainly the acquisition of BK Factory for RM1.41 million; and
- (ii) cash payment of RM0.33 million to purchase four units of motor vehicles of RM1.06 million.

Net cash from financing activities

For FYE 2020, our net cash from financing activities was RM1.22 million, due to net drawdown of term loans of RM1.41 million where such term loan was used for acquisition of the BK Factory.

The cash inflow was offset by the repayment of lease liabilities of RM0.19 million, being scheduled repayments for motor vehicles under hire purchases arrangement.

12. FINANCIAL INFORMATION (CONT'D)**FYE 2021****Net cash from operating activities**

For FYE 2021, our operating profit before working capital changes was RM6.44 million. Our net cash from operating activities was RM4.68 million after adjusting for the following key items:

- (i) increase in trade and other receivables of RM2.00 million, mainly due to the increase in invoices billed to clients under our MEP Engineering Solutions business segment towards the last quarter of the financial year;
- (ii) increase in trade and other payables of RM0.95 million, mainly due to the increase in subcontractors' costs and purchase of materials and equipment for our MEP Engineering Solutions business segment; and
- (iii) we also paid income tax of RM0.63 million and interest of RM0.11 million for bank overdrafts and term loan.

Net cash used in investing activities

For FYE 2021, our net cash used in investing activities was RM1.28 million, mainly attributable to the following:

- (i) payment for the remaining balance purchase price for BK Factory of RM0.33 million; and
- (ii) placement of deposits with licensed banks of RM0.92 million for the issuance of bank guarantees.

Net cash used in financing activities

For FYE 2021, our net cash used in financing activities was RM1.51 million, due to the following:

- (i) dividend paid of RM1.60 million in respect of FYE 2021; and
- (ii) repayment of lease liabilities of RM0.37 million, being scheduled repayments for motor vehicles under hire purchases arrangement and lease for office buildings,

which was offset by the drawdown of term loan of RM0.46 million used for acquisition of the BK Factory and the expenses in relation to the acquisition and financing of the BK Factory.

FYE 2022**Net cash from operating activities**

For FYE 2022, our operating profit before working capital changes was RM11.09 million. Our net cash from operating activities was RM0.65 million after adjusting for the following key items:

- (i) increase in trade and other receivables of RM27.69 million, mainly due to the increase in invoices billed to clients under our MEP Engineering Solutions business segment and MEP Maintenance and Services business segment towards last quarter of the financial year;
- (ii) increase in contract assets of RM0.46 million for 26 projects that had higher proportion of revenue recognised relative to billings issued in FYE 2022 as compared to FYE 2021;
- (iii) increase in trade and other payables of RM21.01 million, mainly due to the increase in subcontractors' costs, as well as purchase of materials and equipment for our MEP Engineering Solutions business segment and MEP Maintenance and Services business segment;

12. FINANCIAL INFORMATION (CONT'D)

- (iv) increase in contract liabilities of RM0.24 million mainly due to deposits received from clients for MEP Engineering Solutions business segment; and
- (v) we also paid income tax of RM3.39 million and interest of RM0.21 million for bank overdrafts and term loans as well as bank guarantee fees.

Net cash used in investing activities

For FYE 2022, our net cash used in investing activities was RM0.29 million, attributable to the following:

- (i) purchase of additional office equipment and furniture fitting of RM0.11 million for our Headquarter; and
- (ii) cash payment of RM0.21 million to purchase four units of motor vehicles of RM0.67 million.

The cash outflow was offset by the proceeds from disposal of two units of motor vehicles for sales proceed of RM0.09 million.

Net cash used in financing activities

For FYE 2022, our net cash used in financing activities was RM0.27 million, due to the following:

- (i) repayment of lease liabilities of RM0.32 million, being scheduled repayments for motor vehicles under hire purchases arrangement and lease for office buildings; and
- (ii) repayment of term loan of RM0.12 million which was mainly used for the acquisition of the BK Factory.

The outflow was offset by the drawdown of bankers' acceptances of RM0.17 million which were used for purchase of materials and equipment.

FYE 2023**Net cash from operating activities**

For FYE 2023, our operating profit before working capital changes was RM14.22 million. Our net cash from operating activities was RM6.44 million after adjusting for the following key items:

- (i) increase in trade and other receivables of RM0.65 million, mainly due to increase in tender deposits of RM1.31 million and this was offset by the decrease in trade receivables of RM0.93 million attributable to the improved collection of our trade receivables during FYE 2023. Our average trade receivables turnover period for FYE 2023 was 77 days (FYE 2022: 79 days);
- (ii) decrease in contract assets of RM0.16 million for lower proportion of revenue recognised relative to billings issued in FYE 2023 as compared to FYE 2022;
- (iii) decrease in trade and other payables of RM3.45 million, as we had paid our suppliers in a shorter time period which reduced our trade payable turnover days from 82 days to 77 days in FYE 2023;
- (iv) decrease in contract liabilities of RM0.09 million due to lower deposits received from clients for MEP Engineering Solutions business segment; and
- (v) we also paid income tax of RM3.60 million and interest of RM0.31 million for bank overdrafts, bankers' acceptances and term loans as well as the bank guarantee fees.

12. FINANCIAL INFORMATION (CONT'D)

Net cash from investing activities

For FYE 2023, our net cash from investing activities was RM0.62 million, attributable to the proceeds from disposal of 3-storey terrace house (classified as non-current asset held for sale) of RM1.00 million.

The cash inflow was partially offset by the cash payment of RM0.33 million for the purchase of office equipment and furniture fitting as well as renovation for our Headquarter.

Net cash used in financing activities

For FYE 2023, our net cash used in financing activities was RM4.50 million, due to the following:

- (i) payment of dividend of RM2.40 million in respect of FYE 2023;
- (ii) payment of dividend of RM2.00 million in respect of FYE 2022;
- (iii) repayment of term loan of RM0.59 million comprising RM0.51 million for the full settlement of 3-storey terrace house classified under non-current asset held for sale and RM0.08 million for the scheduled repayment for BK Factory; and
- (iv) repayment of lease liabilities of RM0.40 million, being scheduled repayments for motor vehicles under hire purchases arrangement and lease for Headquarter and offices.

The cash outflow was offset by the drawdown of bankers' acceptances of RM0.89 million which were used for purchase of materials and equipment.

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12. FINANCIAL INFORMATION (CONT'D)

12.3 LIQUIDITY AND CAPITAL RESOURCES

12.3.1 Working capital

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

Our Board is of the opinion 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:

- (i) Our cash and cash equivalent of approximately RM16.05 million as at the LPD;
- (ii) Our expected future cash flows from operations;
- (iii) Our total banking facilities as at the LPD of RM28.35 million (excluding finance leases), of which RM12.19 million have been utilised; and
- (iv) Our pro forma gearing level of 0.11 times, based on our pro forma statements of financial position as at 30 June 2023 after the Acquisitions, Public Issue and utilisation of proceeds.

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

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12. FINANCIAL INFORMATION (CONT'D)

12.4 BORROWINGS AND INDEBTEDNESS

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings as at 30 June 2023 stood at RM4.80 million, details of which are set out below:

	<u>Purpose</u>	<u>Security</u>	<u>Tenure</u>	<u>Weighted average interest rate</u>	<u>As at 30 June 2023</u>
				<u>%</u>	<u>RM'000</u>
Interest bearing short-term borrowings, payable within 1 year:					
Bankers' acceptance	To finance purchase of materials and payment for subcontractors' costs	(i) Jointly and severally guaranteed by the Directors; (ii) A first legal charge over office building and BK Factory; (iii) The fixed deposits with licensed banks; (iv) Guaranteed by Syarikat Jaminan Pembiayaan Perniagaan (SJPP) Berhad.	80 to 120 days	4.49	1,060
Bank overdrafts	To finance working capital	(i) Jointly and severally guaranteed by the Directors; and (ii) Guaranteed by Syarikat Jaminan Pembiayaan Perniagaan (SJPP) Berhad.	5 years	7.85	82
Term loans	To finance the purchase of BK Factory	(i) Jointly and severally guaranteed by the Directors; (ii) A first legal charge over BK Factory; and (iii) The fixed deposits with licensed banks.	20 years	5.00	91
Lease liabilities	To finance the purchase of motor vehicles and includes rental obligations for the rental of properties	Certain lease liabilities are secured by motor vehicles under hire purchase arrangements.	4 to 7 years	4.63	369
					1,602
Interest bearing long-term borrowings, payable after 1 year:					
Term loans	To finance the purchase of BK Factory	(i) Jointly and severally guaranteed by the Directors; (ii) A first legal charge over BK Factory; and (iii) The fixed deposits with licensed banks	20 years	5.00	2,265

12. FINANCIAL INFORMATION (CONT'D)

	<u>Purpose</u>	<u>Security</u>	<u>Tenure</u>	<u>Weighted average interest rate</u> %	<u>As at 30 June 2023</u> RM'000
Lease liabilities	To finance the purchase of motor vehicles and includes rental obligations for the rental of properties	Certain lease liabilities are secured by motor vehicles under the hire purchase arrangements.	4 to 7 years	4.63	931
					<u>3,196</u>
Total borrowings					<u>4,798</u>

Gearing (times)

After the Acquisitions but before Public Issue ⁽¹⁾	0.22
After the Acquisitions, Public Issue and utilisation of proceeds ⁽²⁾	0.11

Notes:

- (1) Computed based on our pro forma equity attributable to the owners of the Company of RM22.00 million in the pro forma statements of financial position after the Acquisitions but before the Public Issue and utilisation of proceeds.
- (2) Computed based on our pro forma equity attributable to the owners of the Company of RM44.03 million in the pro forma statements of financial position after the Acquisitions, Public Issue and utilisation of proceeds.
- (3) As at the LPD, our Group has been granted new banking facilities with a total limit of RM4.0 million from United Overseas Bank (Malaysia) Berhad for the purpose of meeting working capital requirements, which we have drawn down a total of RM3.34 million.

In conjunction with our Listing, we have sought consent from the financiers to obtain releases and/or discharges of the guarantees by substituting the same with corporate guarantees from our Company and/or other securities from our Group acceptable to the financiers. As at the LPD, we have received conditional approvals from the financiers to discharge the personal joint and several guarantees provided by our Directors, namely Ir. Tan Si Lim and Ir. Chow Chin Seang which are subject to the successful Listing of our Group.

The cash flow contractual maturity profile of our borrowings based on contractual repayment obligations (including interests and principal amounts) are as follows:

	<u>Audited</u> <u>As at 30 June 2023</u> RM'000
Within 1 year	1,766
Within 2 to 5 years	1,773
More than 5 years	2,617
Total borrowings	<u>6,156</u>

Separately, we have also recognised the following lease liabilities which are denominated in RM:

	<u>Purpose</u>	<u>Tenure</u>	<u>As at 30 June 2023</u> RM'000
Lease liabilities payable within 1 year	Rental of Headquarter and offices	Between 2 to 4 years	143
Lease liabilities payable after 1 year	Rental of Headquarter and offices	Between 2 to 4 years	316
		Subtotal	<u>459</u>

12. FINANCIAL INFORMATION (CONT'D)

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency.

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout the FYE Under Review and up to the LPD.

We do not encounter any seasonality in our borrowings trend and there is no restriction on our committed facilities.

As at the LPD, neither our Company nor any of our Subsidiaries are in breach of any terms and conditions or covenants associated with the credit arrangements or bank loans which can materially affect our financial position and results or business operations or the investments by holders of our Shares.

During the FYE Under Review, we did not experience any claw back or reduction in the facilities limit granted to us by our financiers.

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

We finance our operations with cash generated from operations, credit extended by trade payables and/or financial institutions as well as cash and bank balances. Save as disclosed in Section 12.4 of this Prospectus, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are mainly used towards the purchase of property, plant and equipment and to facilitate our business expansion.

As at 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023, save for our finance lease liabilities which are based on fixed rates, all our other facilities with licensed financial institutions are based on base lending rate plus or minus a rate which varies depending on the type of banking facility.

12.6 MATERIAL CAPITAL COMMITMENTS

As at the LPD, we do not have any material capital commitments.

12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**(i) Material litigation**

We have not been engaged in any governmental, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on the financial position or profitability of our Group in the 12 months immediately preceding the date of this Prospectus.

(ii) Contingent liabilities

Save for the performance bonds as set out below, there are no contingent liabilities incurred by us and/or our Subsidiaries, which upon becoming enforceable, may have a material effect on our financial position and/or our Subsidiaries' financial position.

(a) Performance bonds

We rely on bank guarantees for the performance bonds. Such bank guarantees are used for all aspects of the project contract lifecycle from the start of a project up to expiration of our liability towards the clients in accordance with the terms of each contract. The bank guarantees allow us to execute and guarantee our deliverables to our clients.

Our total bank guarantees as at 30 June 2023 and as at the LPD stood at RM9.28 million and RM9.21 million respectively, details as set out below. All our bank guarantees are secured, interest-bearing and denominated in RM.

<u>Purpose</u>	<u>Tenure of facility</u>	As at 30 June	As at the LPD
		2023	
		RM'000	RM'000
For MEP Engineering Solutions	Based on each project period	9,277	9,207

The liabilities in respect of the bank guarantees will only crystallise and become payable following a call by our clients of the performance bonds in accordance with the terms and conditions of such contracts. During the FYE Under Review, we did not experience any call of the performance bonds issued to our clients.

12. FINANCIAL INFORMATION (CONT'D)**12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group for the FYE Under Review are as follows:

	Audited			
	As at 30 June			
	2020	2021	2022	2023
Trade receivables turnover (days) ⁽¹⁾	61	76	79	77
Trade payables turnover (days) ⁽²⁾	82	87	82	77
Inventory turnover (days) ⁽³⁾	-	< 1	-	-
Current ratio (times) ⁽⁴⁾	1.37	1.58	1.37	1.65
Gearing ratio (times) ⁽⁵⁾	0.67	0.47	0.30	0.22

Notes:

- (1) Computed based on average trade receivables (excluding retention sum) as at the FYE divided by the revenue respective financial year, multiplied by 365 days for each FYE.
- (2) Computed based on average trade payables (excluding retention sum) as at the FYE divided by the costs of sales for respective financial year, multiplied by 365 days for each FYE.
- (3) Computed based on the average inventories as at the FYE divided by the purchases for the respective financial year, multiplied by 365 days for each FYE.
- (4) Computed based on current assets divided by the current liabilities as at each FYE.
- (5) Computed based on total borrowings divided by total equity as at each FYE.

12.8.1 Trade receivables turnover

The trade receivables turnover period for the FYE Under Review are as follows:

	Audited			
	As at 30 June			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Opening trade receivable	4,391	10,108	12,125	34,598
Closing trade receivable	10,108	12,125	34,598	28,981
Average trade receivable	7,250	11,117	23,362	31,790
Revenue	43,623	53,702	107,330	150,940
Trade receivable turnover (days) ⁽¹⁾	61	76	79	77

Note:

- (1) Computed based on average trade receivables (excluding retention sum) and amount owing by related party as at the FYE divided by the revenue for the year multiplied by 365 days for each FYE.

The normal credit period granted by our Group to our clients is 30 to 90 days from the date of billings depending on the terms of the contracts.

Our trade receivable turnover periods excluding retention sums for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 were 61 days, 76 days, 79 days and 77 days respectively which were within our credit period.

Our trade receivables turnover period increased from 61 days in FYE 2020 to 76 days in FYE 2021, due to slow collection from our clients during the COVID-19 pandemic period.

Our trade receivables turnover period increased from 76 days in FYE 2021 to 79 days in FYE 2022, despite the reopening of the economy following the COVID-19 pandemic as the rate of collection from our clients was still slow.

Our trade receivables turnover period further decreased from 79 days in FYE 2022 to 77 days in FYE 2023. This was due to the improved collections from clients.

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		Amount collected subsequent from 1 July 2023 up to the LPD		Trade receivables net of subsequent collections	
	RM'000	Percentage of trade receivables	RM'000	Percentage collected	RM'000	Percentage of trade receivables net of subsequent collections
	(a)	(a)/total of (a)	(b)	(b)/(a)	(c) = (a)-(b)	(c)/total of (c)
Neither past due nor impaired	20,547	70.90	20,096	97.81	451	20.88
Past due but not impaired:	8,434	29.10	6,722	79.70	1,711	79.12
• 1 to 30 days	3,628	12.52	3,121	86.03	507	23.46
• 31 to 60 days	2,551	8.80	2,342	91.81	208	9.63
• 61 to 90 days	259	0.89	198	76.45	61	2.83
• More than 90 days	1,996	6.89	1,061	53.16	934	43.20
Total	28,981	100.00	26,818	92.54	2,162	100.00

As at the LPD, we have collected RM26.82 million, representing 92.54% of our trade receivables (excluding retention sum) as at 30 June 2023.

There were no changes to our credit policies and procedures during the FYE Under Review. The trade receivable turnover period is dependent on the mix of clients and projects undertaken by our Group during the FYE Under Review. 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, when appropriate, provides for impairment of these trade receivables.

Save as disclosed in Section 12.7 of this Prospectus, our Group has not encountered any major disputes with our trade receivables. With respect to overdue debts, we have generally been able to collect payment eventually as evidenced by our subsequent collections after FYE 2023. As such, our management was of view that the overdue trade receivables were recoverable and no further impairment was made in FYE 2023.

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12. FINANCIAL INFORMATION (CONT'D)**12.8.2 Trade payables turnover**

The trade payables turnover period for the FYE Under Review are as follows:

	Audited			
	As at 30 June			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Opening trade payable	6,288	9,990	11,051	30,314
Closing trade payable	9,990	11,051	30,314	24,325
Average trade payable	8,139	10,521	20,683	27,320
 Cost of Sales	 36,356	 44,043	 91,521	 128,798
 Trade payable turnover (days) ⁽¹⁾	 82	 87	 82	 77

Note:

- (1) Computed based on average trade payables (excluding retention sum) as at the FYE divided by costs of sales for the year multiplied by 365 days for each FYE.

The normal credit terms granted by our trade creditors to our Group range from 14 to 90 days from the date of invoice which is dependent on the mix of suppliers and subcontractors as well as the type of supplies or services procured. Retention sums are excluded in arriving at the trade payables turnover period.

Our trade payables turnover periods for FYE 2020, FYE 2021, FYE 2022 and FYE 2023 were 82 days, 87 days, 82 days and 77 days respectively, which were within credit term granted to us. We maintained our trade payables turnover periods within 80 days to 90 days due to steps taken by our Group to manage our working capital requirements after taking into consideration, inter-alia, payment from our clients.

We did not experience any material disruptions in services and supplies from our subcontractors and suppliers for the FYE Under Review and up to the LPD.

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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		Amount paid subsequent from 1 July 2023 up to the LPD		Trade payables net of subsequent payment	
	RM'000	Percentage of trade payables	RM'000	Percentage paid	RM'000	Percentage of trade payables net of subsequent payments
	(a)	(a)/total of (a)	(b)	(b)/(a)	(c) = (a)-(b)	(c)/total of (c)
Not past due	22,735	93.46	11,356	49.95	11,379	98.62
Past due:	1,590	6.54	1,431	90.00	159	1.38
• 1 to 30 days	783	3.22	724	92.46	59	0.51
• 31 to 60 days	441	1.81	441	100.00	-	-
• 61 to 90 days	18	0.08	18	100.00	-	-
• 91 to 120 days	29	0.12	29	100.00	-	-
• More than 120 days	319	1.31	219	68.65	100	0.87
Total	24,325	100.00	12,787	52.57	11,538	100.00

As at the LPD, we have settled RM12.79 million or 52.57% of our trade payables (excluding retention sum) as at 30 June 2023. Certain payables had exceeded the credit period provided, as our Group's suppliers allowed a longer payment period in view of our Group's established relationships with them, our Group's payment history and our Group's credentials. Our Group has not encountered any issue with our suppliers and subcontractors notwithstanding the slower payments.

Our Board confirms that there is no dispute in relation to trade payables and no legal action initiated by our suppliers and/or subcontractors to demand for payment in the FYE Under Review up to the LPD.

12.8.3 Inventory turnover

Our procurement activity mainly involves identifying relevant equipment and subsequently sourcing of quotations from our pre-approved suppliers or as advised by our client. Upon identifying suitable suppliers for the project, our procurement team will commence the purchasing of and perform inspection on this equipment.

For projects subcontracted to third parties, the subcontractors will be responsible for the procurement of any equipment and materials as we will focus on the engineering and equipment aspects as well as project management.

In general, most of our purchases are utilised within two to three days upon delivery of materials and consumables. Additionally, we have been adopting the practise of not storing materials and consumables for more than seven days as we are able to source and obtain the required materials and consumables easily from the suppliers within three days lead time.

There were no inventories recorded for FYE 2020, FYE 2022 and FYE 2023 as we utilised all our purchases prior to the financial year end. In FYE 2021, our inventories were consumables such as refrigerant gas, valves and fittings amounting to RM23,618 where the inventory turnover period was less than 1 day. These consumables were utilised within 2 to 3 days subsequent to FYE 2021.

12. FINANCIAL INFORMATION (CONT'D)**12.8.4 Current ratio**

Our current ratio throughout the FYE Under Review is as follows:

	Audited			
	As at 30 June			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Current assets	15,763	20,816	48,989	51,580
Current liabilities	11,512	13,206	35,800	31,216
Net current assets	4,251	7,610	13,189	20,364
Current ratio (times)	1.37	1.58	1.37	1.65

Our current ratio ranged from 1.37 times to 1.65 times throughout the FYE Under Review, which indicates that our Group is capable of meeting our current obligations as our current assets which can be readily converted to cash, together with our cash in the bank are sufficient to meet our immediate current liabilities.

For FYE 2021, our current ratio increased from 1.37 times as at 30 June 2020 to 1.58 times as at 30 June 2021 mainly due to an increase in trade receivables attributable to higher revenue recognition in FYE 2021 and an increase in cash and bank balances attributable to higher internally generated funds through revenue generated from operations.

For FYE 2022, our current ratio decreased from 1.58 times as at 30 June 2021 to 1.37 times as at 30 June 2022, mainly due to the higher trade payables of RM20.64 million, which was in line with higher subcontractors' costs and purchases in FYE 2022, as well as the increase in other payables of RM2.36 million, mainly arising from the dividend payable of RM2.00 million in respect of FYE 2022.

For FYE 2023, our current ratio increased from 1.37 times as at 30 June 2022 to 1.65 times as at 30 June 2023 mainly due to an increase in cash and bank balances attributable to collections from clients and decrease in trade and other payables attributable to lower trade payable and dividend payables following the payments made.

12.8.5 Gearing ratio

Our gearing ratio throughout the FYE Under Review is as follows:

	Audited			
	As at 30 June			
	2020	2021	2022	2023
	RM'000	RM'000	RM'000	RM'000
Total borrowings	3,877	4,158	4,489	4,798
Total equity	5,756	8,917	14,814	22,004
Gearing ratio (times)	0.67	0.47	0.30	0.22

Our gearing ratio ranged from 0.22 times to 0.67 times throughout the FYE Under Review.

As at 30 June 2021, our Group's gearing ratio was 0.47 times, which was lower compared to 0.67 times as at 30 June 2020, mainly due to an increase in the total equity as a result of higher retained earnings which increased from RM4.46 million in FYE 2020 to RM7.62 million in FYE 2021.

As at 30 June 2022, our Group's gearing ratio further reduced to 0.30 times, which was lower compared to 0.47 times as at 30 June 2021, mainly due to an increase in the total equity as a result of higher retained earnings which increased from RM7.62 million in FYE 2021 to RM13.51 million in FYE 2022.

12. FINANCIAL INFORMATION (CONT'D)

As at 30 June 2023, our Group's gearing ratio reduced to 0.22 times, which was lower compared to 0.30 times as at 30 June 2022, mainly due to an increase in the total equity as a result of higher retained earnings which increased from RM13.51 million in FYE 2022 to RM20.25 million in FYE 2023 despite an increase in total borrowing from the higher bankers' acceptance for working capital purpose.

12.9 SIGNIFICANT FACTORS AFFECTING OUR FINANCIAL PERFORMANCE

Section 9 of this Prospectus 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 Group's revenue and financial performance. The main factors which affect our revenues and profits include but are not limited to the following:

(i) Our operations require us to obtain and maintain certificates of registration with the CIDB and the loss of such registrations could significantly affect our business

We are required to obtain and hold valid certificates of registration issued by the CIDB in order for us to operate our business. To maintain such certificates of registration, we are required to comply with the relevant standards and conditions imposed by the CIDB and the Ministry of Finance, including the need to notify the CIDB on projects that we have secured and to provide the corresponding required information on these projects.

If we are unable to maintain or renew our certificates of registration with the CIDB, we will be restricted or prohibited from providing MEP Engineering Solutions, hence our business and financial position may be adversely affected.

(ii) Our business is dependent on our ability to replenish and ensure the continuity of our order book

Our financial performance depends on our ability to secure new projects to sustain our order book. If we are unable to secure new orders and replenish our order book. It would adversely affect our sustainability and future financial performance. As the nature of our business is project-based, there is a risk that we would not be able to continuously secure new projects, nor can we assure that the new projects we secure will be commercially favourable to us.

Please refer to Section 12.11 of this Prospectus for our Group's order book.

(iii) We are dependent on the supply and quality of services of our subcontractors and suppliers to complete our projects

Since our subcontractors do not have a direct contractual relationship with our clients, we supervise and are responsible for the works of our subcontractors, and thus are subject to risks associated with any suboptimal or late performance by our subcontractors. Subcontractor failures are generally in the form of delays or poor workmanship that does not meet the contractual specifications. This may adversely affect our ability to complete our projects based on the project timeline stipulated in the contractual agreements, which as a result, may render us liable to potential claims for LAD by our clients.

12. FINANCIAL INFORMATION (CONT'D)

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

We believe that our continued success and future business growth will depend, to a certain extent, on the abilities and continuous efforts of our Executive Directors and key senior management. They play a significant role in developing and implementing our Group's business strategies. The loss of any of our Executive Directors and key senior management simultaneously or within a short time and failure to find suitable replacements in a timely manner could adversely affect our continued ability to manage our operations effectively and competitively.

(v) Our operations are dependent on our ability to attract and retain a skilled workforce

Our ability to attract and retain a competent base of skilled workforce is crucial for our business to continue growing and achieving favourable performance. Should these skilled personnel leave our Group simultaneously or within a short span of time without suitable or timely replacement, this could have an adverse impact on our business operations and the overall performance of our Group.

(vi) Impact of inflation

During the FYE Under Review, our financial performances were not materially affected by the impact of inflation. Our Board believes that the fluctuation in costs will be within the budgeted costs. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward.

(vii) Impact of interest rates

During the FYE Under Review, our financial performance was not materially affected by the fluctuations of interest rates. Please refer to Note 5.15(f) in the Accountants' Report set out in Section 13 of this Prospectus for sensitivity analysis on our PAT to changes in interest rates.

(viii) Impact of government, economic, fiscal and monetary policies

Our Group's business is subject to the risks relating to the government, economic, fiscal or monetary policies in Malaysia. Any unfavourable changes in such government's policies, changes in the economic conditions or fiscal or monetary policies may materially affect our operations in Malaysia.

(ix) Impact of foreign exchange rates

We are exposed to a minimal transactional currency exposure of our purchases and expenses denominated in USD and SGD, representing 1.56%, 3.17%, 0.16% and 1.06% for FYE 2020 to FYE 2023 respectively. The fluctuation of the RM against the USD and SGD may affect our financial performance and GP margin.

We monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

12. FINANCIAL INFORMATION (CONT'D)**(x) Impact of commodity prices**

The materials and equipment that we usually purchase may contain metal such as copper and steel where such metal material prices fluctuate based on market demand. Therefore, our material purchase prices may fluctuate based on the change in metal material prices. Nevertheless, these materials and equipment that we usually purchase are widely available in Malaysia and from a large base of suppliers.

Save for FYE 2022, we were not affected by fluctuations in commodity prices of copper and steel for FYE 2020, FYE 2021 and FYE 2023. Nevertheless, it is our strategy to always provide sufficient buffer in our budgeted cost which allows better planning for potential cost overruns that may arise due to increased price of materials.

12.10 SIGNIFICANT CHANGES

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

12.11 ORDER BOOK

Our unbilled order book relates to the contract value of ongoing projects and less amount billed. This unbilled order book will be billed progressively based on the expected progress of work.

As at the LPD, our Group has unbilled order book of RM264.53 million primarily comprising RM225.80 million for the northern region states namely Pulau Pinang and Kedah, and RM38.73 million for the central and southern region states namely Selangor, Kuala Lumpur and Johor representing 85.36% and 14.64% of the unbilled order book respectively.

Our unbilled order book of RM264.53 million as at the LPD is expected to be billed over the following financial years:

	RM'000
FYE 2024 (from 29 October 2023 to 30 June 2024)	154,533
FYE 2025	90,000
FYE 2026	10,000
FYE 2027	10,000
Total	264,533

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12. FINANCIAL INFORMATION (CONT'D)

Our clients are generally main contractors engaged mainly in the construction, information technology and electronics manufacturing services industries in Peninsular Malaysia where we are engaged as a subcontractor (representing 81.68% of our unbilled order book). Further analysis of our unbilled order book is as follows:

Business segments	RM'000	%
MEP Engineering Solutions	262,037	99.06
-Engaged as main contractor	45,971	17.38
Plantrooms	6,759	2.56
Cleanrooms	731	0.28
Data Centres	38,481	14.54
-Engaged as subcontractor	216,066	81.68
Plantrooms	119,987	45.36
Cleanrooms	95,600	36.14
Data Centres	479	0.18
MEP Maintenance and Services	2,496	0.94
Total	264,533	100.00

As at the LPD, our Group is tendering for 23 projects with contract value of RM253.04 million comprising RM135.87 million for the northern region states namely Pulau Pinang, Kedah and Perlis and RM117.17 million for the central and southern region states namely Selangor, Kuala Lumpur and Johor representing 53.70% and 46.30% of the total tender contract value respectively. Majority of these tendered projects are relating to plantroom and our role as a subcontractor. These projects, if awarded to our Group, will further increase our order book.

12.12 TREND INFORMATION

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

- (i) During the FYE Under Review, more than 85.00% of our revenue was derived from the MEP Engineering Solutions business segment. We expect this business segment to continue contributing significantly to our revenue in the future;
- (ii) The main components of our cost of sales are subcontractor costs and purchases which collectively accounted for more than 90.00% of our total cost of sales for the FYE Under Review. Moving forward, our cost of sales is expected to fluctuate in tandem with the growth of our business and would depend on amongst others, the availability and price fluctuation of subcontractor services and materials; and
- (iii) We achieved GP margin of 16.66%, 17.99%, 14.73% and 14.67% for FYE 2020 to FYE 2023 respectively. Moving forward, our GP margin will depend on, amongst others, our continued ability to manage our costs efficiently and the types and complexity of projects that we can secure in the future.

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

- (i) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 12.2, 12.9 and 12.12 of this Prospectus;
- (ii) Material commitments for capital expenditure save as disclosed in Section 12.6 of this Prospectus;

12. FINANCIAL INFORMATION (CONT'D)

- (iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 12.2, 12.9 and 12.12 of this Prospectus;
- (iv) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 12.2, 12.9 and 12.12 of this Prospectus; and
- (v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 12.2, 12.9 and 12.12 of this Prospectus.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the MEP engineering industry in Malaysia as set out in the IMR Report in Section 8 of this Prospectus, our Group's competitive position set out in Section 7.2 of this Prospectus and our Group's intention to implement the business strategies and future plans as set out in Section 7.22 of this Prospectus.

12.13 DIVIDEND POLICY

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries may require its financiers' consent to pay dividends to our Company in our future facility agreements.

The dividends paid by our Group for the FYE Under Review and up to the LPD are as follows:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FYE 2022</u>	<u>FYE 2023</u>	<u>1 July 2023 up to the LPD</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Dividends paid	-	1,600	-	(1)4,400	-

Note:

- (1) Comprise of dividends of: (a) RM2.00 per ordinary share amounting to RM2,000,000 was declared in respect of the FYE 2022 and was subsequently paid on 2 September 2022; and (b) RM2.40 per ordinary share amounting to RM2,400,000 was declared in respect of the FYE 2023 and was subsequently paid on 23 June 2023.

Save for the above, we do not intend to declare and pay any dividends from the LPD up to the Listing.

Moving forward, we target a pay-out ratio of up to 25% of our PAT of each financial year on a consolidated basis after considering our capital requirements including working capital and capital expenditure. The actual dividend pay-out will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

Investors should note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Group's future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

12. FINANCIAL INFORMATION (CONT'D)**12.14 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (i) Based on the latest unaudited financial information as at 1 October 2023; and
(ii) After adjusting for the effects of Acquisitions, IPO and utilisation of proceeds.

	Unaudited	I	II	III
	As at 1 October 2023	After Acquisitions	After I and IPO	After II and utilisation of proceeds
	RM'000	RM'000	RM'000	RM'000
Indebtedness				
Current				
<i>Secured</i>				
Banker's acceptances	-	2,985	2,985	2,985
Term loans	-	71	71	71
Lease liabilities owing to financial institutions	-	224	224	224
<i>Unsecured</i>				
Lease liabilities owing to non-financial institutions	-	145	145	145
Non-current				
<i>Secured</i>				
Term loans	-	2,265	2,265	2,265
Lease liabilities owing to financial institutions	-	564	564	564
<i>Unsecured</i>				
Lease liabilities owing to non-financial institutions	-	279	279	279
Total borrowings	-	6,533	6,533	6,533
Contingent liabilities ⁽¹⁾	-	8,057	8,057	8,057
Total indebtedness	-	14,590	14,590	14,590
Capitalisation				
Equity	(236)	28,257	54,278	50,279
Total capitalisation	(236)	28,257	54,278	50,279
Total capitalisation and indebtedness	(236)	42,847	68,868	64,869
Gearing ratio⁽²⁾	-	0.52	0.27	0.29

Notes:

- (1) Contingent liabilities consist of performance bonds extended to third parties in respect of contract works carried out by our Group.
(2) Calculated based on total indebtedness divided by total capitalisation.

12. FINANCIAL INFORMATION (CONT'D)

12.15 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023



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10050 Penang
Malaysia
SST No: P11-1809-32000112

The Board of Directors
Critical Holdings Berhad
1-2-1, 1-2-2 & 1-2-3
Jalan Sungai Tiram 8
Summerskye Square
11900 Bayan Lepas
Penang

Date: **07 NOV 2023**

Our ref: TCH/WXJ

Dear Sirs/Madams

**Critical Holdings Berhad ("Critical Holdings" or the "Company") and its subsidiaries ("Pro Forma Group" or the "Group")
Report on Compilation of the Pro Forma Consolidated Statements of Financial Position included in a Prospectus**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of the Group as at 30 June 2023 ("Pro Forma Consolidated Statements of Financial Position"). The Pro Forma Consolidated Statements of Financial Position together with the accompanying notes thereon, for which we have stamped for the purpose of identification, have been compiled by the Board of Directors of the Company ("Board of Directors") for inclusion in the prospectus of the Company ("Prospectus") in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors has compiled the Pro Forma Consolidated Statements of Financial Position are described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and are specified in paragraphs 9.18 and 9.20 of Chapter 9, Part II Division 1: *Equity* of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines").

The Pro Forma Consolidated Statements of Financial Position has been compiled by the Board of Directors to illustrate the impact of the events or transactions as set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position on the financial position of the Group as at 30 June 2023 had the events or transactions been effected as at 30 June 2023. As part of this process, information about financial position of the Group has been extracted by the Board of Directors from the audited combined statements of financial position of the Group as at 30 June 2023.

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

The Board of Directors is solely responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as described in the Notes to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Reporting Accountants' Independence and Quality Management

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.

12. FINANCIAL INFORMATION (CONT'D)



Reporting Accountants' Independence and Quality Management (continued)

Our Firm applies Malaysian Approved Standard on Quality Management (ISQM) 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* and accordingly, requires the Firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, by the Board of Directors on the basis described in the Notes to the Pro Forma Consolidated Statements of Financial Position.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420 *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

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

The purpose for inclusion of the Pro Forma Consolidated Statements of Financial Position in the Prospectus is solely to illustrate the impact of significant events or transactions 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 events or transactions at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated 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:

- (a) the related pro forma adjustments give appropriate effect to those criteria; and
- (b) the Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted statements of financial position.

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 Consolidated Statements of Financial Position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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

12. FINANCIAL INFORMATION (CONT'D)



Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position of the Group has been compiled, in all material respects, on the basis described in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

Other Matters

This report has been prepared solely for the purpose stated above, in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the Firm nor any member or employee of the Firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

Yours faithfully,

BDO PLT

BDO PLT
201906000013 (LLP0018825-LCA) & AF 0206
Chartered Accountants

Penang

A handwritten signature in black ink, appearing to read 'Tan Chee Hean'.

Tan Chee Hean
03661/04/2024 J
Chartered Accountant

12. FINANCIAL INFORMATION (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position*

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME

1.1 Pro Forma Group

The Pro Forma Consolidated Statements of Financial Position of Critical Holdings Berhad (the "Company") and its subsidiaries (collectively referred to as "Pro Forma Group" or the "Group") as at 30 June 2023 ("Pro Forma Consolidated SOFP") together with the notes thereon, for which the Directors of the Company are solely responsible, has been prepared for illustrative purposes only for the purpose of inclusion in the prospectus of the Company in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

1.2 Basis of Preparation

The Pro Forma Consolidated SOFP has been prepared based on the audited combined statements of financial position of the Group as at 30 June 2023, which were prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") and in a manner consistent with the format of financial statements and accounting policies of the Group.

The Group is regarded as a continuing entity resulting from the reorganisation exercise because the management of all the entities within the Group, which took part in the reorganisation exercise, was under the common control before and immediately after the reorganisation exercise. The Group has applied the merger method of accounting on a retrospective basis as if the merger had been effected throughout the financial periods. When the merger method of accounting is used, the difference between the cost of investment recorded by the Company and the share capital of the subsidiaries is accounted for as merger reserve in the Pro Forma Consolidated SOFP as disclosed in Note 2.1.1 to the Pro Forma Consolidated SOFP.

The audited combined financial statements of the Group for the financial year ended 30 June 2023 used in the preparation of the Pro Forma Consolidated SOFP were not subject to any audit qualification.

The Pro Forma Consolidated SOFP comprises Pro Forma Consolidated SOFP as at 30 June 2023, adjusted for the impact of the transactions as set out in Note 1.3 to the Pro Forma Consolidated SOFP.

Due to its nature, the Pro Forma Consolidated SOFP is not necessarily indicative of the financial position of the Group that would have been attained had the effects of the transactions as set out in Note 1.3 to the Pro Forma Consolidated SOFP actually occurred at the respective dates. Further, such information does not purport to predict the future financial position of the Group.

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12. FINANCIAL INFORMATION (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position*

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)

1.3 Listing Scheme

1.3.1 Acquisition of Subsidiaries

In preparation for the Listing, the Company undertook transactions as described below.

- (a) On 15 September 2022, the Company had entered into a conditional share sale agreement (as supplemented via supplemental letter dated 14 March 2023) with Ir. Tan Si Lim and Ir. Chow Chin Seang to acquire the entire issued share capital of Critical M&E Engineering Sdn. Bhd. ("Critical M&E") of RM1,000,000 comprising 1,000,000 ordinary shares for a total consideration of RM10,329,495 ("Acquisition of Critical M&E"). The Acquisition of Critical M&E was wholly satisfied via the issuance of 206,589,900 new ordinary shares of the Company at an issue price of RM0.05 per share.

The total purchase consideration of RM10,329,495 was arrived at on a willing-buyer willing-seller basis and represents the audited net assets of Critical M&E as at 30 June 2022.

The Acquisition of Critical M&E was completed on 30 October 2023.

- (b) On 15 September 2022 and 18 October 2022, the Company had entered into a conditional share sale agreement and a supplemental conditional share sale agreement (as supplemented via supplemental letter dated 14 March 2023) with Ir. Tan Si Lim and Ir. Chow Chin Seang to acquire the entire issued share capital of Critical Sales & Services Sdn. Bhd. ("Critical Sales & Services") of RM750,000 comprising 750,000 ordinary shares for a total consideration of RM4,540,050 ("Acquisition of Critical Sales & Services"). The Acquisition of Critical Sales & Services was wholly satisfied via the issuance of 90,801,000 new ordinary shares of the Company at an issue price of RM0.05 per share.

The total purchase consideration of RM4,540,050 was arrived at on a willing-buyer willing-seller basis and represents the audited net assets of Critical Sales & Services as at 30 June 2022.

The Acquisition of Critical Sales & Services was completed on 30 October 2023.

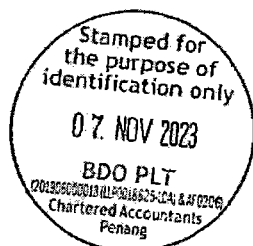
(Collectively known as "Acquisitions")

Upon the completion of the Acquisitions, the issued share capital of the Company increased to RM14,869,645 comprising 297,391,000 ordinary shares.

1.3.2 Initial Public Offering ("IPO")

In conjunction with and as an integral part of the Listing, the Company had proposed to undertake an IPO comprising public issue of 74,348,000 new ordinary shares in the Company ("Public Issue") and offer for sale of 37,173,900 ordinary shares in the Company ("Offer for Sale") representing 20% and 10% of the enlarged total number of issued ordinary shares in the Company respectively, at an indicative IPO price of RM0.35 per share.

Upon completion of the Listing, the enlarged share capital of RM40,891,445 comprising 371,739,000 ordinary shares in the Company will be listed on the ACE Market of Bursa Malaysia Securities Berhad.



12. FINANCIAL INFORMATION (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position

1. PRO FORMA GROUP, BASIS OF PREPARATION AND LISTING SCHEME (continued)**1.3 Listing Scheme (continued)****1.3.3 Use of Proceeds from IPO**

The gross proceeds from the IPO of RM26,021,800 are expected to be utilised in the following manner:

	RM
Acquisition of new regional office ¹	6,000,000
Expansion of technical team ¹	4,500,000
Capital expenditure ¹	1,600,000
Working capital ¹	9,921,800
Listing expenses ²	4,000,000
	26,021,800

Notes:

- (1) As the planned utilisation of proceeds is still in an early discussion phase and the Group has yet to enter into any definitive agreements with any parties, the proceeds earmarked for acquisition of new regional office, capital expenditure, expansion of technical team, together with proceeds earmarked for working capital purposes, have been included in cash and bank balances for purposes of illustration in the Pro Forma Consolidated SOFP.
- (2) The estimated listing expenses totaling RM4,000,000 to be borne by the Company comprise, amongst others, underwriting, placement and brokerage fees, professional fees and miscellaneous expenses, of which RM863,209 had been included under prepayments as at 30 June 2023. A total of RM1,287,654 is assumed to be directly attributable to the IPO and as such, will be debited against the share capital of the Company and the remaining expenses of RM2,712,346 are assumed to be attributable to the Listing and as such, will be expensed to profit or loss.

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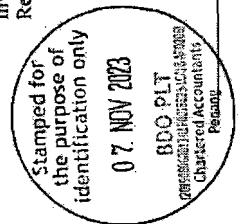
12. FINANCIAL INFORMATION (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023

The Pro Forma Consolidated SOFP of the Group as at 30 June 2023 has been prepared for illustrative purposes only to show the effects on the audited combined statements of financial position of the Group as at 30 June 2023 based on the assumptions that the transactions as set out in Note 1.3 to the Pro Forma Consolidated SOFP had been effected on 30 June 2023, and should be read in conjunction with notes accompanying the Pro Forma Consolidated SOFP.

		Pro Forma I		Pro Forma II		Pro Forma III		
	Note	Audited as at 30 June 2023	Adjustments for Acquisitions	After Acquisitions	Adjustments for IPO	After Pro Forma I and IPO	Adjustments for Use of Proceeds from the IPO	After Pro Forma I, Pro Forma II and Use of Proceeds from the IPO
		RM	RM	RM	RM	RM	RM	RM
ASSETS								
Non-current assets								
Property, plant and equipment		508,666	-	508,666	-	508,666	-	508,666
Right-of-use assets		1,414,249	-	1,414,249	-	1,414,249	-	1,414,249
Investment property		2,908,865	-	2,908,865	-	2,908,865	-	2,908,865
Deferred tax assets		12,300	-	12,300	-	12,300	-	12,300
		4,844,080	-	4,844,080	-	4,844,080	-	4,844,080
Current assets								
Trade and other receivables	2.2.1	41,567,424	-	41,567,424	-	41,567,424	(863,209)	40,704,215
Contract assets		304,700	-	304,700	-	304,700	-	304,700
Cash and bank balances	2.2.2	9,707,938	-	9,707,938	26,021,800	35,729,738	(3,136,791)	32,592,947
		51,580,062	-	51,580,062	26,021,800	77,601,862	(4,000,000)	73,601,862
TOTAL ASSETS		56,424,142	-	56,424,142	26,021,800	82,445,942	(4,000,000)	78,445,942
EQUITY AND LIABILITIES								
Equity attributable to common controlling shareholders of the combining entities/owners of the parent								
Invested equity/Share capital	2.2.3	1,750,100	13,119,545	14,869,645	26,021,800	40,891,445	(1,287,654)	39,603,791
Reserves	2.2.4	20,253,762	(13,119,545)	7,134,217	-	7,134,217	(2,712,346)	4,421,871
		22,003,862	-	22,003,862	26,021,800	48,025,662	(4,000,000)	44,025,662



12. FINANCIAL INFORMATION (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position

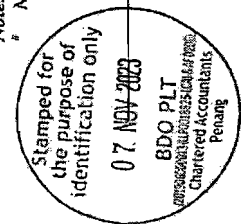
2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)

Note	Pro Forma I		Pro Forma II		Pro Forma III		
	Audited as at 30 June 2023 RM	Adjustments for Acquisitions RM	After Acquisitions RM	Adjustments for IPO RM	After Pro Forma I and IPO RM	Adjustments for Use of Proceeds from the IPO RM	After Pro Forma II and Use of Proceeds from the IPO RM
LIABILITIES							
Non-current liabilities							
Borrowings	2,264,637	-	2,264,637	-	2,264,637	-	2,264,637
Lease liabilities	931,425	-	931,425	-	931,425	-	931,425
Deferred tax liabilities	7,900	-	7,900	-	7,900	-	7,900
	3,203,962	-	3,203,962	-	3,203,962	-	3,203,962
Current liabilities							
Trade and other payables	28,766,833	-	28,766,833	-	28,766,833	-	28,766,833
Contract liabilities	154,268	-	154,268	-	154,268	-	154,268
Borrowings	1,232,875	-	1,232,875	-	1,232,875	-	1,232,875
Lease liabilities	369,663	-	369,663	-	369,663	-	369,663
Current tax liabilities	692,679	-	692,679	-	692,679	-	692,679
	31,216,318	-	31,216,318	-	31,216,318	-	31,216,318
TOTAL LIABILITIES	34,420,280	-	34,420,280	-	34,420,280	-	34,420,280
TOTAL EQUITY AND LIABILITIES	56,424,142	-	56,424,142	26,021,800	82,445,942	(4,000,000)	78,445,942

Supplementary information:

Net assets	22,003,862	22,003,862	48,025,662	44,025,662
Number of ordinary shares assumed in issue	# 1,750,100	297,391,000	371,739,000	371,739,000
Net assets attributable to equity holders per ordinary share (RM)	12.57	0.07	0.13	0.12

Note:
Number of ordinary shares on combined basis



12. FINANCIAL INFORMATION (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)

2.1 Pro Forma Adjustments to the Pro Forma Consolidated SOFP

2.1.1 Pro Forma I

Pro forma I is stated after incorporating the effects of the Acquisitions as set out in Note 1.3.1 to the Pro Forma Consolidated SOFP respectively.

The merger reserve of the Acquisitions are as below.

	RM
Purchase consideration	14,869,545
Less: Share capital of Critical M&E and Critical Sales & Services	<u>(1,750,000)</u>
Merger reserve	<u>13,119,545</u>

2.1.2 Pro Forma II

Pro forma II is stated after incorporating the effects of Pro Forma I and the completion of the IPO as set out in Note 1.3.2 to the Pro Forma Consolidated SOFP.

2.1.3 Pro Forma III

Pro forma III is stated after incorporating the effects of Pro Forma I, Pro Forma II and the use of proceeds from the IPO as set out in Note 1.3.3 to the Pro Forma Consolidated SOFP.

2.2 Notes to the Pro Forma Consolidated SOFP

2.2.1 Trade and Other Receivables

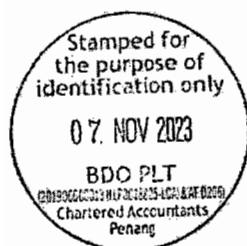
The movement in trade and other receivables are as follows:

	RM
As at 30 June 2023/As per Pro Forma I and II	41,567,424
Use of proceeds from the IPO:	
- Estimated listing expenses	<u>(863,209)</u>
As per Pro Forma III	<u>40,704,215</u>

2.2.2 Cash and Bank Balances

The movements in cash and bank balances are as follows:

	RM
As at 30 June 2023/As per Pro Forma I	9,707,938
Proceeds from IPO	<u>26,021,800</u>
As per Pro Forma II	35,729,738
Use of proceeds from the IPO:	
- Estimated listing expenses	<u>(3,136,791)</u>
As per Pro Forma III	<u>32,592,947</u>



12. FINANCIAL INFORMATION (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position*

2. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2023 (continued)

2.2 Notes to the Pro Forma Consolidated SOFP (continued)

2.2.3 Invested Equity/Share Capital

The movements in invested equity/share capital are as follows:

	RM
As at 30 June 2023	1,750,100
Issuance of shares pursuant to Acquisitions	14,869,545
Elimination of share capital of Critical M&E and Critical Sales & Services	<u>(1,750,000)</u>
As per Pro forma I	14,869,645
Proceeds from IPO	<u>26,021,800</u>
As per Pro forma II	40,891,445
Use of proceeds from the IPO:	
- Estimated listing expenses which are directly attributable to issuance of new shares	<u>(1,287,654)</u>
As per Pro forma III	<u>39,603,791</u>

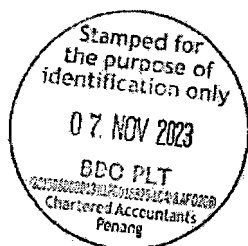
Upon completion of the transactions as mentioned in Note 1.3 to the Pro Forma Consolidated SOFP, the enlarged issued share capital of the Company will be RM39,603,791 comprising 371,739,000 ordinary shares.

2.2.4 Reserves

The movements in reserves are as follows:

	Merger reserve RM	Retained earnings RM	Total RM
As at 30 June 2023	-	20,253,762	20,253,762
Completion of Acquisitions	<u>(13,119,545)</u>	-	<u>(13,119,545)</u>
As per Pro Forma I and II	(13,119,545)	20,253,762	7,134,217
Use of proceeds from the IPO			
- Estimated listing expenses	<u>-</u>	<u>(2,712,346)</u>	<u>(2,712,346)</u>
As per Pro Forma III	<u>(13,119,545)</u>	<u>17,541,416</u>	<u>4,421,871</u>

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12. FINANCIAL INFORMATION (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Pro Forma Consolidated Statements of Financial Position*

APPROVAL BY THE BOARD OF DIRECTORS

The Pro Forma Consolidated Statements of Financial Position as at 30 June 2023 has been approved and adopted by the Board of Directors of the Company in accordance with a resolution dated **07 NOV 2023**

Signed on behalf of the Board of Directors,

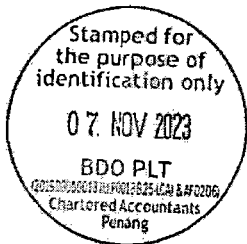


Ir. Tan Si Lim
Director



Ir. Chow Chin Seang
Director

Penang
Date: **07 NOV 2023**



13. ACCOUNTANTS' REPORT



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10050 Penang
Malaysia
SST No: P11-1809-32000112

The Board of Directors
Critical Holdings Berhad
1-2-1, 1-2-2 & 1-2-3
Jalan Sungai Tiram 8
Summerskye Square
11900 Bayan Lepas
Pulau Pinang

Date: **07 NOV 2023**
Our ref: TCH/WXJ

Dear Sir/Madam

Reporting Accountants' Opinion on the Combined Financial Statements Contained in the Accountants' Report of Critical Holdings Berhad ("Critical Holdings" or "the Company")

We have audited the combined financial statements of Critical Holdings and its combining entities, Critical M&E Engineering Sdn. Bhd. ("Critical M&E") and Critical Sales & Services Sdn. Bhd. ("Critical Sales & Services") (collectively known as "the Group"), which comprise the combined statements of financial position as at 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 of the Group, and combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 and notes to the combined financial statements, including a summary of significant accounting policies, as set out in this report.

The historical combined financial statements have been prepared for inclusion in the prospectus of the Company ("Prospectus") in connection with the admission of Critical Holdings to the Official List of Bursa Malaysia Securities Berhad and listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. This report is given for the purposes of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purposes.

In our opinion, the combined financial statements give a true and fair view of the financial position of the Group as at 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 and of their financial performance and their cash flows for each of the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

13. ACCOUNTANTS' REPORT (CONT'D)**Directors' Responsibilities for the Combined Financial Statements**

The Directors of the Company ("Directors") are responsible for the preparation of the combined financial statements that gives a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of combined financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the ability of the Group 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 the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a 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 ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these combined financial statements.

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

- (a) Identify and assess the risks of material misstatement of the combined financial statements of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- (b) 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 internal control of the Group;
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined financial statements of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- (e) Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation; and

13. ACCOUNTANTS' REPORT (CONT'D)



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

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs we exercise professional judgement and maintain professional scepticism throughout the audit. We also (continued):

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the combined financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Other Matters

This report has been prepared solely to comply with Chapter 10, Part II Division 1: *Equity* of the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus to be issued in connection with the admission of Critical Holdings to the Official List of Bursa Malaysia Securities Berhad and the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and for no other purposes. We do not assume responsibility to any other person for the content of this opinion.

BDO PLT

BDO PLT
201906000013(LLP0018825-LCA) & AF 0206
Chartered Accountants

A handwritten signature in black ink, appearing to read 'Tan Chee Hean'.

Tan Chee Hean
03661/04/2024 J
Chartered Accountant

Penang

Dated: 07 NOV 2023

13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

ACCOUNTANTS' REPORT ("THIS REPORT")

1. GENERAL INFORMATION

The Company was incorporated in Malaysia under the Companies Act 2016 on 26 August 2022 as a private limited company under the name Critical Holdings Sdn. Bhd.. Subsequently, on 22 September 2022, the Company was converted to a public limited company and since then, assumed its current name of Critical Holdings Berhad.

The registered office of the Company is located at Suite S-21-H, 21st Floor, Menara Northam, 55, Jalan Sultan Ahmad Shah, 10050 George Town, Pulau Pinang.

The principal place of business of the Company is located at 1-2-1, 1-2-2 & 1-2-3, Jalan Sungai Tiram 8, Summerskye Square, 11900 Bayan Lepas, Pulau Pinang.

The Company is principally engaged in investment holding activities. The principal activities of the combining entities are set out in Note 5.29 to the combined financial statements.

The combined financial statements are presented in Ringgit Malaysia ("RM"), which is also the functional currency of the Group.

2. BASIS OF PREPARATION

The combined financial statements of the Group consist of the financial statements of Critical Holdings Berhad and its combining entities as disclosed in Note 5.29 to the combined financial statements, on a combined basis, which are prepared in accordance with MFRSs, IFRSs and based on *Guidance Note on "Combined Financial Statements"* issued by the Malaysian Institute of Accountants in relation to the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Listing").

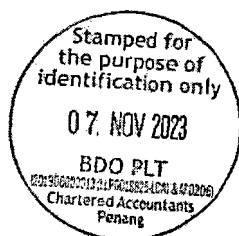
The combined financial statements of the Group are prepared on the assumption that the Group has been operating as a single economic entity from beginning of the earliest comparative period covered for the relevant financial years. Such manner of presentation reflects the economic substance of the combining entities, which are under common control of Ir. Tan Si Lim and Ir. Chow Chin Seang throughout the relevant financial years.

Entities under common control are entities which are ultimately controlled by the same parties and that control is not transitory. Common control exists when the same parties have 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 commonly controlled entities are included in the combined financial statements from the day that common control commences until the date that control ceases.

The financial information as presented in the combined financial statements may not correspond with the consolidated financial statements of the Group has the relevant acquisitions to legally constitute the Group been incorporated for the respective financial years. Consequently, such financial information in the combined financial statements does not purport to predict the financial positions, results of operations and cash flows of the Group for the financial years.

The accounting policies adopted are consistent throughout the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 except for the effects of adoption of new MFRSs during the financial year, which are disclosed in Note 5.31.1 to the combined financial statements.

The combined financial statements of the Group are prepared under historical cost convention except as otherwise stated in the combined financial statements.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

2. BASIS OF PREPARATION (continued)

The preparation of these combined financial statements in conformity with MFRS and IFRSs requires the Directors to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses and disclosure of contingent assets and contingent liabilities. In addition, the Directors are also required to exercise their judgement in the process of applying the accounting policies. Areas involving such judgements, estimates and assumptions are disclosed in Note 4 to the combined financial statements. Although these estimates and assumptions are based on the best knowledge of events and actions of the Directors, actual results could differ from those estimates.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Group applies the accounting policies set out below consistently throughout the financial years presented in these financial statements, unless otherwise stated.

3.1 Basis of combination

The combined financial statements of the Group incorporate the financial statements of Critical Holdings Berhad and its combining entities. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- (a) power over the investee;
- (b) exposure, or rights, to variable returns from its involvement with the investee; and
- (c) the ability to use its power over the investee to affect its returns.

If the Group has less than a majority of the voting of similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- (a) the contractual arrangement with the other vote holders of the investee;
- (b) rights arising from other contractual agreements; and
- (c) the voting rights of the Group and potential voting rights.

Intragroup balances, transactions, income and expenses are eliminated in the combined financial statements. Unrealised gains arising from transactions with the associate are eliminated against the investment to the extent of the interest of the Group in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no impairment.

The financial statements of the combined entities are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, appropriate adjustments are made to its financial statements in preparing the combined financial statements.

Non-controlling interests, if any, represent equity in subsidiaries that are not attributable, directly or indirectly, to owners of the parent, and is presented separately in the combined statements of profit or loss and other comprehensive income and within equity in the combined statements of financial position, separately from equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent 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.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the financial year are included in the statement of profit or loss and other comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.1 Basis of combination (continued)**

If the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between:

- (a) the aggregate of the fair value of the consideration received and the fair value of any retained interest; and
- (b) the previous carrying amount of the assets (including goodwill) and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiaries are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. 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 *Financial Instruments* or, where applicable, the cost on initial recognition of an investment in an associate or a joint venture.

3.2 Business combinations**3.2.1 Business combinations under common control**

Business combination involving entities under common control are accounted for by applying the merger method of accounting. The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the combined financial statements of the Group. Any difference between the consideration paid and the share capital and capital reserves of the "acquired" entity is reflected within equity as merger reserve. The combined statements of profit or loss and other comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination takes place. Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.

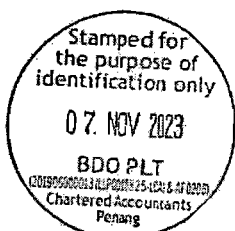
Entities under common control are entities, which are ultimately controlled by the same parties and that control is not transitory. Control exists when the same parties have, as a result of contractual agreements, ultimate collective power to govern the financial and operating policies of each of the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

3.2.2 Business combinations not under common control

Business combinations other than those involving entities under common control, are accounted for by applying the acquisition method of accounting.

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that:

- (a) deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with MFRS 112 *Income Taxes* and MFRS 119 *Employee Benefits* respectively;
- (b) right-of-use assets and lease liabilities for leases are recognised and measured in accordance with MFRS 16 *Leases*;
- (c) liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement by the Group of an acquiree's share-based payment transactions are measured in accordance with MFRS 2 *Share-based Payment* at the acquisition date; and



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.2 Business combinations (continued)

3.2.2 Business combinations not under common control (continued)

Identifiable assets acquired, liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date, except that (continued):

- (d) assets (or disposal groups) that are classified as held for sale in accordance with MFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration payable is recognised at fair value at the acquisition date. The Group accounts for changes in fair value of contingent consideration that are not measurement period adjustments as follows:

- (a) Contingent consideration classified as equity shall not be remeasured and its subsequent settlement shall be accounted for within equity.
- (b) Other contingent consideration that:
 - (i) is within the scope of MFRS 9 *Financial Instruments* shall be measured at fair value at each reporting date and changes in fair value shall be recognised in profit or loss in accordance with MFRS 9 for the relevant period.
 - (ii) is not within the scope of MFRS 9 shall be measured a fair value at each reporting date and changes in fair value shall be recognised in profit or loss.

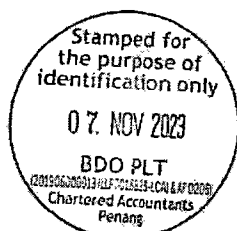
In a business combination achieved in stages, previously held equity interests in the acquiree are re-measured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Components of non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation are initially measured at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. All other components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the previously held equity interest of the Group in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill in the statement of financial position. In instances where the latter amount exceeds the former, the excess is recognised as a gain on bargain purchase in profit or loss on the acquisition date.

3.3 Property, plant and equipment and depreciation

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.3 Property, plant and equipment and depreciation (continued)

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 would flow to the Group and the cost of the asset could 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. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the Group is obligated to incur when the asset is acquired, if applicable.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the asset and which has different useful life, is depreciated separately.

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

Depreciation is calculated to write down the cost of the assets to their residual values on a straight line basis over their estimated useful lives. The principal annual depreciation rates are as follows:

Office building	5%
Equipment and tools	20%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	20%
Signboard	20%
Renovation	10%

Capital work-in-progress represents building under construction and is not depreciated until such time when the asset is available for use.

Land and buildings shall be accounted for separately, even when they are acquired together. Freehold land has an unlimited useful life and is not depreciated.

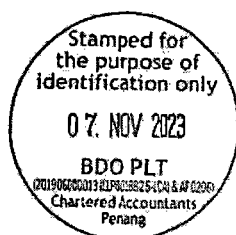
At the end of each reporting period, the carrying amount of an item of property, plant and equipment is assessed for impairment when events or changes in circumstances indicate that its carrying amount may not be recoverable. A write down is made if the carrying amount exceeds the recoverable amount (see Note 3.6 to the combined financial statements on impairment of non-financial assets).

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. If expectations differ from previous estimates, the changes are accounted for as a change in an accounting estimate.

The carrying amount of an item of property, plant and equipment is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the carrying amount is included in profit or loss.

3.4 Investment property

Investment properties are properties which are held to earn rentals or for capital appreciation or for both and are not occupied by the Group. Investment properties are initially measured at cost, including transaction costs, less any accumulated depreciation and any accumulated impairment losses.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.4 Investment property (continued)

Subsequent costs are included in the carrying amount of the investment property 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 would flow to the Group and the cost of the asset could be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of investment properties are recognised in profit or loss as incurred.

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

Depreciation is calculated to write off the cost or valuation of the investment properties to their residual values on a straight line basis over their estimated useful lives. The principal depreciation period for the investment property is fifty (50) years.

3.5 Leases

3.5.1 The Group as a lessee

All leases are accounted for by recognising a right-of-use asset and a lease liability except for:

- (a) Leases of low value assets; and
- (b) Leases with a duration of twelve (12) months or less.

Lease liabilities are measured at the present value of the contractual payments due to the lessor over the lease term, with the discount rate determined by reference to the rate inherent in the lease unless (as is typically the case) this is not readily determinable, in which case the Group's incremental borrowing rate on commencement of the lease is used. Variable lease payments are only included in the measurement of the lease liability if they depend on an index or rate. In such cases, the initial measurement of the lease liability assumes the variable element will remain unchanged throughout the lease term. Other variable lease payments are expensed in the period to which they relate.

On initial recognition, the carrying value of the lease liability also includes:

- (a) Amounts expected to be payable under any residual value guarantee;
- (b) The exercise price of any purchase option granted in favour of the Group if it is reasonably certain to assess that option; and
- (c) Any penalties payable for terminating the lease, if the term of the lease has been estimated on the basis of termination option being exercised.

Right-of-use assets are initially measured at the amount of the lease liability, reduced for any lease incentives received, and increased for:

- (a) Lease payments made at or before commencement of the lease;
- (b) Initial direct costs incurred; and
- (c) The amount of any provision recognised where the Group is contractually required to dismantle, remove or restore the leased asset.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.5 Leases (continued)

3.5.1 The Group as a lessee (continued)

Subsequent to initial measurement, lease liabilities increase as a result of interest charged at a constant rate on the balance outstanding and are reduced for lease payments made. The right-of-use assets are depreciated on the straight-line basis over the remaining term of the lease or over the remaining economic life of the asset if, rarely, this is judged to be shorter than the lease term. The lease term of right-of-use assets are as follows:

Office buildings	2- 4 years
Motor vehicles	5 - 7 years

When the Group revises its estimate of the term of any lease (because, for example, it re-assesses the probability of a lessee extension or termination option being exercised), it adjusts the carrying amount of the lease liability to reflect the payments to be made over the revised term, which are discounted at the same discount rate that applied on lease commencement. The carrying value of lease liabilities is similarly revised when the variable element of future lease payments dependent on a rate or index is revised. In both cases an equivalent adjustment is made to the carrying value of the right-of-use asset, with the revised carrying amount being amortised over the remaining (revised) lease term.

When the Group renegotiates the contractual terms of a lease with the lessor, the accounting treatment depends on the nature of the modification:

- (a) If the renegotiation results in one or more additional assets being leased for an amount that commensurate with the standalone price for the additional rights-of-use obtained, the modification is accounted for as a separate lease in accordance with the above policy;
- (b) In all other cases where the renegotiation increases the scope of the lease (whether that is an extension to the lease term, or one or more additional assets being leased), the lease liability is remeasured using the discount rate applicable on the modification date, with the right-of-use asset being adjusted by the same amount; and
- (c) If the renegotiation results in a decrease in the scope of the lease, both the carrying amount of the lease liability and right-of-use asset are reduced by the same proportion to reflect the partial or full termination of the lease with any difference recognised in profit or loss. The lease liability is then further adjusted to ensure its carrying amount reflects the amount of the renegotiated payments over the renegotiated term, with the modified lease payments discounted at the rate applicable on the modification date. The right-of-use asset is adjusted by the same amount.

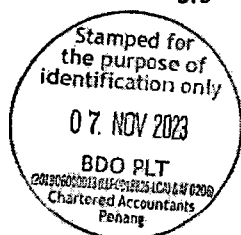
For contracts that both convey a right to the Group to use an identified asset and require services to be provided to the Group by the lessor, the Group has elected to account for the entire contract as a lease, i.e. it does allocate any amount of the contractual payments to, and account separately for, any services provided by the supplier as part of the contract.

3.5.2 The Group as a lessor

As a lessor, the Group determines at lease inception whether each lease is a finance lease or an operating lease. To clarify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

3.6 Impairment of non-financial assets

The carrying amount of assets, except for financial assets, inventories, deferred tax assets, contract assets and non-current assets held for sale, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.6 Impairment of non-financial assets (continued)**

The recoverable amount of an asset is estimated for an individual asset. Where it is not possible to estimate the recoverable amount of the individual asset, the impairment test is carried out on the cash generating unit ("CGU") to which the asset belongs. The recoverable amount of an asset or CGU is the higher of its fair value less cost to sell and its value in use.

In estimating the value in use, the estimated future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the future cash flow estimates have not been adjusted.

An impairment loss is recognised in profit or loss when the carrying amount of the asset or the CGU, exceeds the recoverable amount of the asset or the CGU. The total impairment loss is allocated to the assets of the CGU on a pro-rata basis of the carrying amount of each asset in the CGU.

The impairment loss is recognised in profit or loss immediately.

An impairment loss for assets is reversed if, and only if, there has been a change in the estimates used to determine the assets' recoverable amount since the last impairment loss was recognised.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Such reversals are recognised as income immediately in profit or loss.

3.7 Inventories

Inventories are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

First-in, first-out cost is used to determine the cost of ordinarily interchangeable items.

3.8 Financial instruments**(a) Financial assets**

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss

This category comprises in-the-money derivatives and out-of-money derivatives where the time value offsets the negative intrinsic value. They are carried in the statement of financial position at fair value with changes in fair value recognised in the statement of comprehensive income in the finance income or expense line. Other than derivative financial instruments which are not designated as hedging instruments, the Group does not have any assets held for trading nor does it voluntarily classify any financial assets as being at fair value through profit or loss.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8 Financial instruments (continued)****(a) Financial assets (continued)**

The Group classifies its financial assets into one of the categories discussed below, depending on the purpose for which the asset was acquired. Other than financial assets in a qualifying hedging relationship, the Group's accounting policy for each category is as follows (continued):

(ii) Amortised cost

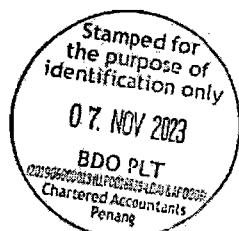
These assets arise principally from the provision of goods and services to customers (e.g. trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue, and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within MFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being recognised in the profit or loss. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short term highly liquid investments with original maturities of three months or less, and - for the purpose of the statement of cash flows - bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the statement of financial position.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.8 Financial instruments (continued)****(b) Financial liabilities**

The Group classifies its financial liabilities into one of two categories, depending on the purpose for which the liability was acquired. The Group's accounting policy for each category is as follows:

(i) Fair value through profit or loss

Financial liabilities at fair value through profit or loss comprise financial liabilities that are held for trading, derivatives (both, freestanding and embedded) and financial liabilities that were specifically designated into this classification upon initial recognition.

Subsequent to initial recognition, financial liabilities classified as at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in the fair value of financial liabilities classified as at fair value through profit or loss are recognised in profit or loss. Net gains or losses on financial liabilities classified as at fair value through profit or loss exclude foreign exchange gains and losses, interest and dividend income. Such income is recognised separately in profit or loss as components of other income or other operating losses.

(ii) Other financial liabilities

Financial liabilities classified as other financial liabilities comprise non-derivative financial liabilities that are neither held for trading nor initially designated as at fair value through profit or loss.

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

A financial liability is derecognised when, and only when, it is extinguished, i.e. when the obligation specified in the contract is discharged or cancelled or expires. An exchange between an existing borrower and lender of debt instruments with substantially different terms are accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability. Similarly, a substantial modification of the terms of an existing financial liability is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

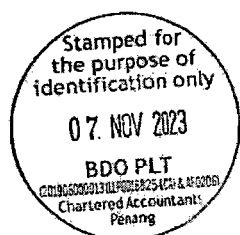
Any difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Equity

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Ordinary shares are classified as equity instruments.

Ordinary shares are recorded at the proceeds received at issuance and classified as equity. Transaction costs directly related to the issuance of equity instrument are accounted for as a deduction from equity, net of any related income tax benefit. Otherwise, they are charged to profit or loss.

Interim dividends to shareholders are recognised in equity in the period in which they are declared. Final dividends are recognised upon the approval of shareholders in a general meeting.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.9 Borrowing costs**

Borrowing costs that are directly attributable to the acquisition or production of a qualifying asset is capitalised as part of the cost of the asset until when substantially all the activities necessary to prepare the asset for its intended use or sale are complete, after which such expense is charged to profit or loss. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale. Capitalisation of borrowing cost is suspended during extended periods in which active development is interrupted.

The amount of borrowing costs eligible for capitalisation is the actual borrowing costs incurred on the borrowing during the period less any investment income on the temporary investment of the borrowing.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

3.10 Provisions

Provisions are recognised when there is a present obligation, legal or constructive, as a result of a past event, and when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, the amount of a provision would be discounted to its present value at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits would be required to settle the obligation, the provision would be reversed.

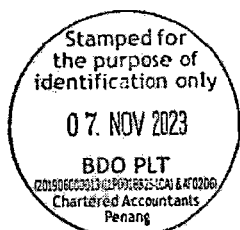
Provisions are not recognised for future operating losses. If the Group has a contract that is onerous, the present obligation under the contract shall be recognised and measured as a provision.

3.11 Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognised because it is not probable that an outflow of resources would be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognised because it cannot be measured reliably. The Group does not recognise a contingent liability but discloses its existence in the financial statements.

A contingent asset is a possible asset that arises from past events whose existence would be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

In the acquisition of subsidiaries by the Group under business combinations, contingent liabilities assumed are measured initially at their fair value at the acquisition date.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.12 Income taxes

Income taxes include all taxes on taxable profit. Income taxes also include other taxes, such as real property gains taxes payable on the disposal of properties, if any.

Taxes in the statements of profit or loss and other comprehensive income comprise current tax and deferred tax.

(a) Current tax

Current tax expenses are determined according to the tax laws of the jurisdiction in which the Group operates and include all taxes based upon the taxable profits.

(b) Deferred tax

Deferred tax is recognised in full using the liability method on temporary differences arising between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax is recognised for all temporary differences, unless the deferred tax arises from goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of transaction, affects neither accounting profit nor taxable profit.

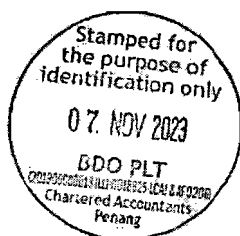
A deferred tax asset is recognised only to the extent that it is probable that future taxable profit would be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amount of a deferred tax asset is reviewed at the end of each reporting period. If it is no longer probable that sufficient taxable profit would be available to allow the benefit of part or all of that deferred tax asset to be utilised, the carrying amount of the deferred tax asset would be reduced accordingly. When it becomes probable that sufficient taxable profit would be available, such reductions would be reversed to the extent of the taxable profits.

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 income taxes relate to the same taxation authority on either:

- (i) The same taxable entity; or
- (ii) Different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Deferred tax would be recognised as income or expense and included in profit or loss for the period unless the tax related to items that are credited or charged, in the same or a different period, directly to equity, in which case the deferred tax would be charged or credited directly to equity.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on the announcement of tax rates and tax laws by the Government which have the substantive effect of actual enactment by the end of each reporting period.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.13 Revenue recognition**

The Group recognises revenue from contracts with customers based on the five-step model as set out below:

- (a) Identify contract(s) with a customer. A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria that must be met.
- (b) Identify performance obligations in the contract. A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- (c) Determine the transaction price. The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- (d) Allocate the transaction price to the performance obligations in the contract. For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- (e) Recognise revenue when (or as) the Group satisfies a performance obligation.

When the Group satisfies a performance obligation by delivering the promised goods or services, it creates a contract based asset on the amount of consideration earned by the performance. Where the amount of consideration received from a customer exceeds the amount of revenue recognised, this gives rise to a contract liability.

The Group satisfies a performance obligation and recognises revenue over time if the performance of the Group:

- (a) Does not create an asset with an alternative use to the Group and has an enforceable right to payment for performance completed to-date; or
- (b) Creates or enhances an asset that the customer controls as the asset is created or enhanced; or
- (c) Provides benefits that the customer simultaneously received and consumes as the Group performs.

For performance obligation where any of the above condition is not met, revenue is recognised at the point in time at which the performance obligation is satisfied.

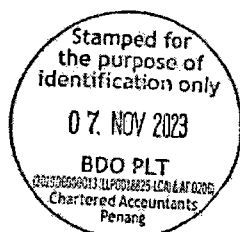
Revenue recognition not in relation to performance obligation is described below:

- (a) Interest income

Interest income is recognised as it accrues, using the effective interest method.

- (b) Rental income

Rental income is recognised on a straight-line basis over the lease term of an ongoing lease.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**3.14 Employee benefits****(a) Short term employee benefits**

Wages, salaries, social security contributions, paid annual leave, paid sick leave, bonuses and non-monetary benefits are measured on an undiscounted basis and are expensed when employees rendered their services to the Group.

Short term accumulating compensated absences such as paid annual leave are recognised as an expense when employees render services that increase their entitlement to future compensated absences. Short term non-accumulating compensated absences such as sick leave are recognised when the absences occur and they lapse if the current period's entitlement is not used in full and do not entitle employees to a cash payment for unused entitlement on leaving the Group.

Bonuses are recognised as an expense when there is a present, legal or constructive obligation to make such payments, as a result of past events and when a reliable estimate can be made of the amount of the obligation.

(b) Defined contribution plan

The Group makes contributions to a statutory provident fund. The contributions are recognised as a liability after deducting any contribution already paid and as an expense in the period in which the employees render their services.

3.15 Foreign currencies**(a) Functional and presentation currency**

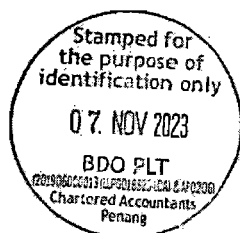
Items included in the combined financial statements of the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements are presented in RM, which is the functional and presentation currency of the Group.

(b) Foreign currency translations and balances

Transactions in foreign currencies are converted into RM at rates of exchange ruling at the transaction dates. Monetary assets and liabilities in foreign currencies at the end of the reporting period are translated into RM at rates of exchange ruling at that date. All exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are included in profit or loss in the period in which they arise. Non-monetary items initially denominated in foreign currencies, which are carried at historical cost are translated using the historical rate as of the date of acquisition, and non-monetary items which are carried at fair value are translated using the exchange rate that existed when the values were determined for presentation currency purposes.

3.16 Fair value measurements

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



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.16 Fair value measurements (continued)

The Group measures the fair value of an asset or a liability by taking into account the characteristics of the asset or liability if market participants would take these characteristics into account when pricing the asset or liability. The Group has considered the following characteristics when determining fair value:

- (a) The condition and location of the asset; and
- (b) Restrictions, if any, on the sale or use of the asset.

The fair value measurement for a non-financial asset takes into account the ability of the market participant 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.

The fair value of a financial or non-financial liability or an entity's own equity instrument assumes that:

- (a) A liability would remain outstanding and the market participant transferee would be required to fulfil the obligation. The liability would not be settled with the counterparty or otherwise extinguished on the measurement date; and
- (b) An entity's own equity instrument would remain outstanding and the market participant transferee would take on the rights and responsibilities associated with the instrument. The instrument would not be cancelled or otherwise extinguished on the measurement date.

3.17 Non-current assets held for sale and disposal groups

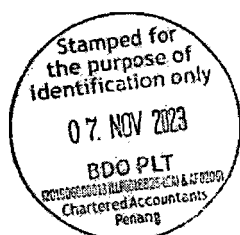
Non-current assets and disposal groups are classified as held for sale when:

- (a) They are available for immediate sale;
- (b) Management is committed to a plan to sell;
- (c) It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- (d) An active programme to locate a buyer has been initiated;
- (e) The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- (f) A sale is expected to complete within twelve (12) months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- (a) Their carrying amount immediately prior to being classified as held for sale in accordance with the Group's accounting policy; and
- (b) Fair value less costs of disposal.

Following their classifications as held for sale, non-current assets (including those in a disposal group) are not depreciated.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

3.18 Operating segments

Operating segments are defined as components of the Group that:

- (a) Engage in business activities from which it could earn revenues and incur expenses (including revenues and expenses relating to transactions with other components of the Group);
- (b) Whose operating results are regularly reviewed by the chief operating decision maker of the Group in making decisions about resources to be allocated to the segment and assessing its performance; and
- (c) For which discrete financial information is available.

An operating segment may engage in business activities for which it has yet to earn revenue.

The Group reports separately information about each operating segment that meets any of the following quantitative thresholds:

- (a) Its reported revenue, including both sales to external customers and intersegment sales or transfers, is ten percent (10%) or more of the combined revenue, internal and external, of all operating segments.
- (b) The absolute amount of its reported profit or loss is ten percent (10%) or more of the greater, in absolute amount of:
 - (i) the combined reported profit of all operating segments that did not report a loss; and
 - (ii) the combined reported loss of all operating segments that reported a loss.
- (c) Its assets are ten percent (10%) or more of the combined assets of all operating segments.

Operating segments that do not meet any of the quantitative thresholds may be considered reportable, and separately disclosed, if the management believes that information about the segment would be useful to users of the financial statements.

Total external revenue reported by operating segments shall constitute at least seventy-five percent (75%) of the revenue of the Group. Operating segments identified as reportable segments in the current financial year in accordance with the quantitative thresholds would result in a restatement of prior period segment data for comparative purposes.

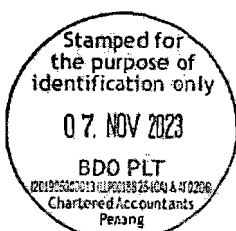
3.19 Earnings per share

- (a) Basic

Basic earnings per ordinary share for the financial years are calculated by dividing the profit for the financial years attributable to common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company upon the completion of the Listing.

- (b) Diluted

Diluted earnings per ordinary share for the financial years are calculated by dividing the profit for the financial years attributable to common controlling shareholders by the expected number of ordinary shares of the Company upon the completion of the Listing adjusted for the effects of dilutive potential ordinary shares.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report*

4. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the management of the Company and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

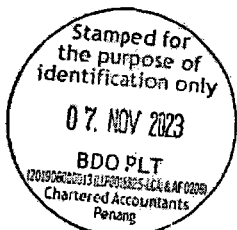
The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have a material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters.

The following is a key assumption concerning the future, and other sources of estimation uncertainty at the reporting date that has significant risk of causing a material adjustment to carrying amounts of assets and liability within the next financial year.

Impairment of trade receivables

The determination of whether trade receivables are recoverable involves significant management judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

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13. ACCOUNTANTS' REPORT (CONT'D)

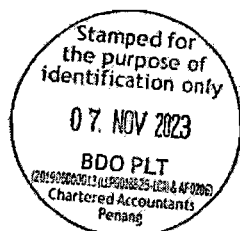
Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION**5.1 Combined Statements of Financial Position**

The audited combined statements of financial position as at 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below:

	Note	2023 RM	2022 RM	2021 RM	2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	5.5	508,666	287,082	3,921,176	3,652,737
Right-of-use assets	5.6	1,414,249	1,411,138	958,844	1,209,801
Investment property	5.7	2,908,865	2,930,460	-	-
Deferred tax assets	5.8	12,300	24,400	-	-
		4,844,080	4,653,080	4,880,020	4,862,538
Current assets					
Inventories	5.9	-	-	23,618	-
Trade and other receivables	5.10	41,567,424	41,291,038	13,550,867	11,345,238
Contract assets	5.11	304,700	463,901	-	-
Cash and bank balances	5.12	9,707,938	7,234,133	7,241,420	4,418,567
		51,580,062	48,989,072	20,815,905	15,763,805
Non-current asset held for sale	5.22	-	704,589	-	-
TOTAL ASSETS		56,424,142	54,346,741	25,695,925	20,626,343
EQUITY AND LIABILITIES					
Equity attributable to the common controlling shareholders of the combining entities					
Invested equity *	5.13	1,750,100	1,300,000	1,300,000	1,300,000
Reserves	5.14	20,253,762	13,513,619	7,616,729	4,455,601
TOTAL EQUITY		22,003,862	14,813,619	8,916,729	5,755,601

* Number of ordinary shares on combined basis



13. ACCOUNTANTS' REPORT (CONT'D)

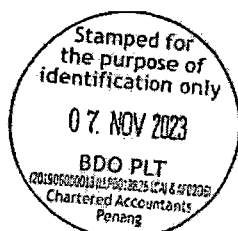
Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.1 Combined Statements of Financial Position (continued)**

The audited combined statements of financial position as at 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

	Note	2023 RM	2022 RM	2021 RM	2020 RM
LIABILITIES					
Non-current liabilities					
Borrowings	5.15	2,264,637	2,822,800	2,939,711	2,581,529
Lease liabilities	5.6	931,425	908,803	551,906	730,750
Deferred tax liabilities	5.8	7,900	-	80,800	46,000
		3,203,962	3,731,603	3,572,417	3,358,279
Current liabilities					
Trade and other payables	5.16	28,766,833	34,220,055	11,213,976	10,261,882
Contract liabilities	5.11	154,268	241,141	-	-
Borrowings	5.15	1,232,875	480,164	431,204	317,816
Lease liabilities	5.6	369,663	277,667	235,430	247,653
Current tax liabilities		692,679	582,492	1,326,169	685,112
		31,216,318	35,801,519	13,206,779	11,512,463
TOTAL LIABILITIES		34,420,280	39,533,122	16,779,196	14,870,742
TOTAL EQUITY AND LIABILITIES		56,424,142	54,346,741	25,695,925	20,626,343

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.2 Combined Statements of Profit or Loss and Other Comprehensive Income

The audited combined statements of profit or loss and other comprehensive income for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below:

	Note	2023 RM	2022 RM	2021 RM	2020 RM
Revenue	5.18	150,940,359	107,329,659	53,701,764	43,623,114
Cost of sales		<u>(128,798,083)</u>	<u>(91,520,847)</u>	<u>(44,042,544)</u>	<u>(36,356,322)</u>
Gross profit		22,142,276	15,808,812	9,659,220	7,266,792
Other operating income		498,482	135,641	121,805	39,433
Administrative expenses		(7,702,052)	(4,551,572)	(3,109,639)	(2,757,106)
Distribution expenses		(385,879)	(176,423)	(160,818)	(123,340)
Net (losses)/gains on impairment of financial assets	5.10(g)	(372,607)	46,803	202,799	(491,996)
Other operating expenses		(615,845)	(576,254)	(497,993)	(258,125)
Finance costs	5.20	<u>(371,474)</u>	<u>(247,907)</u>	<u>(150,011)</u>	<u>(125,577)</u>
Profit before tax		13,192,901	10,439,100	6,065,363	3,550,081
Tax expense	5.21	<u>(3,602,758)</u>	<u>(2,542,210)</u>	<u>(1,304,235)</u>	<u>(908,012)</u>
Profit for the financial years attributable to common controlling shareholders of the combining entities		9,590,143	7,896,890	4,761,128	2,642,069



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

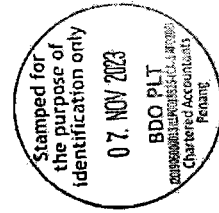
5. HISTORICAL FINANCIAL INFORMATION (continued)

5.2 Combined Statements of Profit or Loss and Other Comprehensive Income (continued)

The audited combined statements of profit or loss and other comprehensive income for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

	Note	2023 RM	2022 RM	2021 RM	2020 RM
Profit for the financial years attributable to common controlling shareholders of the combining entities (continued)		9,590,143	7,896,890	4,761,128	2,642,069
Other comprehensive income, net of tax		-	-	-	-
Total comprehensive income attributable to common controlling shareholders of the combining entities		<u>9,590,143</u>	<u>7,896,890</u>	<u>4,761,128</u>	<u>2,642,069</u>
Earnings per share attributable to common controlling shareholders of the combining entities:					
Basic and diluted (sen)	5.24	<u>2.58</u>	<u>2.12</u>	<u>1.28</u>	<u>0.71</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 Combined Statements of Changes in Equity

The audited combined statements of changes in equity for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below:

	Note	Invested equity RM	Retained earnings RM	Total equity RM
Balance as at 1 July 2022		1,300,000	13,513,619	14,813,619
Profit for the financial year		-	9,590,143	9,590,143
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	9,590,143	9,590,143
Transactions with common controlling shareholders of the combining entities	5.13	450,100	(450,000)	100
Ordinary shares issued during the financial year	5.23	-	(2,400,000)	(2,400,000)
Dividends paid				
Total transactions with common controlling shareholders of the combining entities		450,100	(2,850,000)	(2,399,900)
Balance as at 30 June 2023		1,750,100	20,253,762	22,003,862

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13. ACCOUNTANTS' REPORT (CONT'D)

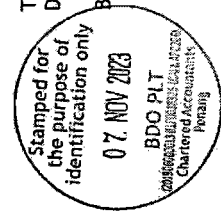
Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.3 Combined Statements of Changes in Equity (continued)

The audited combined statements of changes in equity for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

	Note	Invested equity RM	Retained earnings RM	Total equity RM
Balance as at 1 July 2021		1,300,000	7,616,729	8,916,729
Profit for the financial year		-	7,896,890	7,896,890
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	7,896,890	7,896,890
Transaction with common controlling shareholders of the combining entities		-	(2,000,000)	(2,000,000)
Dividends payable	5.23	-	-	-
Balance as at 30 June 2022		1,300,000	13,513,619	14,813,619
Balance as at 1 July 2020		1,300,000	4,455,601	5,755,601
Profit for the financial year		-	4,761,128	4,761,128
Other comprehensive income, net of tax		-	-	-
Total comprehensive income		-	4,761,128	4,761,128
Transaction with common controlling shareholders of the combining entities		-	-	-
Dividends paid	5.23	-	(1,600,000)	(1,600,000)
Balance as at 30 June 2021		1,300,000	7,616,729	8,916,729



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)
5.3 Combined Statements of Changes in Equity (continued)

The audited combined statements of changes in equity for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

	Invested equity RM	Retained earnings RM	Total equity RM
Balance as at 1 July 2019	1,300,000	1,813,532	3,113,532
Profit for the financial year	-	2,642,069	2,642,069
Other comprehensive income, net of tax	-	-	-
Total comprehensive income	-	2,642,069	2,642,069
Balance as at 30 June 2020	1,300,000	4,455,601	5,755,601

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 Combined Statements of Cash Flows

The audited combined statements of cash flows for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below:

CASH FLOWS FROM OPERATING ACTIVITIES

	Note	2023 RM	2022 RM	2021 RM	2020 RM
Profit before tax		13,192,901	10,439,100	6,065,363	3,550,081
Adjustments for:					
Depreciation of property, plant and equipment	5.5	102,244	124,879	121,387	122,586
Depreciation of right-of-use assets	5.6	473,700	435,224	375,253	135,539
Depreciation of investment property	5.7	21,595	14,397	-	-
(Gain)/Loss on disposal of property, plant and equipment		(85,200)	(85,200)	1,000	18,935
Gain on disposal of non-current asset held for sale		(293,411)	-	-	-
Property, plant and equipment written off		972	-	-	-
Gain on disposal of right-of-use assets		-	-	(18,924)	-
Impairment losses on trade receivables	5.10(g)	372,607	132,162	45,782	491,996
Reversal of impairment losses on trade receivables	5.10(g)	-	(178,965)	(248,581)	-
Interest expenses	5.20	371,474	247,907	150,011	125,577
Interest income		(37,877)	(39,440)	(53,966)	(2,181)
Net unrealised loss/(gain) on foreign exchange		12,785	413	590	(371)
Operating profit before changes in working capital		14,216,990	11,090,477	6,437,915	4,442,162
Decrease/(Increase) in inventories		-	23,618	(23,618)	-
Increase in trade and other receivables		(648,993)	(27,693,368)	(2,002,830)	(7,224,224)
Decrease/(Increase) in contract assets		159,201	(463,901)	-	-
(Decrease)/Increase in trade and other payables		(3,453,222)	21,006,079	952,094	3,605,321
(Decrease)/Increase in contract liabilities		(86,873)	241,141	-	-
Cash generated from operations		10,187,103	4,204,046	5,363,561	823,259



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 Combined Statements of Cash Flows (continued)

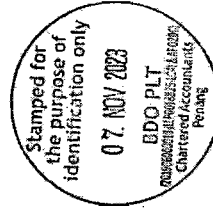
The audited combined statements of cash flows for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

CASH FLOWS FROM OPERATING ACTIVITIES (continued)

	2023 RM	2022 RM	2021 RM	2020 RM
Cash generated from operations	10,187,103	4,204,046	5,363,561	823,259
Interest paid	(311,992)	(205,674)	(110,883)	(106,812)
Interest received	37,877	39,440	53,966	2,181
Tax paid	(3,602,445)	(3,391,087)	(628,378)	(590,943)
Tax refunded	129,874	-	-	4,943
Net cash from operating activities	6,440,417	646,725	4,678,266	132,628

CASH FLOWS FROM INVESTING ACTIVITIES

Purchase of property, plant and equipment	(324,798)	(147,030)	(409,824)	(1,475,565)
Purchase of right-of-use assets	(20,304)	(209,713)	-	(326,369)
Placement of deposits with licensed banks with maturity more than three (3) months	(28,567)	(27,983)	(920,273)	-
Proceeds from disposal of property, plant and equipment	-	92,000	19,000	1
Proceeds from disposal of non-current asset held for sale	998,000	-	-	-
Proceeds from disposal of right-of-use assets	-	-	33,000	-
Net cash from/(used in) investing activities	624,331	(292,726)	(1,278,097)	(1,801,933)



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 Combined Statements of Cash Flows (continued)

The audited combined statements of cash flows for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

CASH FLOWS FROM FINANCING ACTIVITIES

	2023	2022	2021	2020
Note	RM	RM	RM	RM
Proceeds from issuance of new ordinary shares	100	-	-	-
Dividends paid	(4,400,000)	-	(1,600,000)	-
Net drawdown of term loans	-	-	457,772	1,407,413
Net repayment of term loans	(591,770)	(121,314)	-	-
Drawdown of banker's acceptances	891,400	168,600	-	-
Payment of lease liabilities	(401,373)	(320,905)	(368,569)	(189,417)
	<u>(4,501,643)</u>	<u>(273,619)</u>	<u>(1,510,797)</u>	<u>1,217,996</u>
Net cash (used in)/from financing activities				
Net increase/(decrease) in cash and cash equivalents	2,563,105	80,380	1,889,372	(451,309)
Effect of foreign exchange rates changes	(12,785)	(413)	(590)	371
Cash and cash equivalents at beginning of financial years	<u>5,474,233</u>	<u>5,394,266</u>	<u>3,505,484</u>	<u>3,956,422</u>
Cash and cash equivalents at end of financial years	<u>5.12 8,024,553</u>	<u>5,474,233</u>	<u>5,394,266</u>	<u>3,505,484</u>



13. ACCOUNTANTS' REPORT (CONT'D)

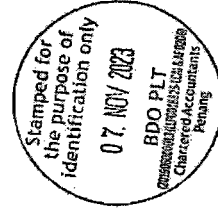
Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)
5.4 Combined Statements of Cash Flows (continued)

The audited combined statements of cash flows for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Banker's acceptances (Note 5.15) RM	Lease liabilities (Note 5.6) RM	Term loans (Note 5.15) RM
At 1 July 2022	168,600	1,186,470	2,946,630
Cash flows	891,400	(401,373)	(591,770)
Non-cash flows:			
- additions of lease liabilities	-	456,509	-
- unwinding of interest	-	59,482	-
At 30 June 2023	1,060,000	1,301,088	2,354,860
At 1 July 2021	-	787,336	3,067,944
Cash flows	168,600	(320,905)	(121,314)
Non-cash flows:			
- additions of lease liabilities	-	677,806	-
- unwinding of interest	-	42,233	-
At 30 June 2022	168,600	1,186,470	2,946,630
At 1 July 2020	-	978,403	2,610,172
Cash flows	-	(368,569)	457,772
Non-cash flows:			
- additions of lease liabilities	-	138,374	-
- unwinding of interest	-	39,128	-
At 30 June 2021	-	787,336	3,067,944



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.4 Combined Statements of Cash Flows (continued)

The audited combined statements of cash flows for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 are set out below (continued):

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (continued)

	Banker's acceptances (Note 5.15) RM	Lease liabilities (Note 5.6) RM	Term loans (Note 5.15) RM
At 1 July 2019	-	415,055	1,202,759
Cash flows	-	(189,417)	1,407,413
Non-cash flows:			
- additions of lease liabilities	-	734,000	-
- unwinding of interest	-	18,765	-
At 30 June 2020	-	978,403	2,610,172

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.5 Property, plant and equipment

2023	Equipment and tools RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard RM	Renovation RM	Total RM
At cost						
Balance as at 1 July 2022	43,029	350,206	154,919	43,455	157,015	748,624
Additions	17,378	115,215	-	4,760	187,245	324,798
Written-off	(1,100)	-	-	-	-	(1,100)
Transfer from right-of-use assets	-	-	379,633	-	-	379,633
Balance as at 30 June 2023	59,507	465,421	534,552	48,215	344,260	1,451,955
Accumulated depreciation						
Balance as at 1 July 2022	23,428	209,764	154,916	9,229	64,205	461,542
Current charge	9,354	56,387	-	8,035	28,468	102,244
Written-off	(128)	-	-	-	-	(128)
Transfer from right-of-use assets	-	-	379,631	-	-	379,631
Balance as at 30 June 2023	32,654	266,151	534,547	17,264	92,673	943,289
Carrying amount						
Balance as at 30 June 2023	26,853	199,270	5	30,951	251,587	508,666



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.5 Property, plant and equipment (continued)

2022	Office building RM	Equipment and tools RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard RM	Renovation RM	Capital work-in-progress RM	Total RM
At cost								
Balance as at 1 July 2021	1,006,553	37,049	243,261	688,172	9,350	157,015	2,944,857	5,086,257
Additions	-	5,980	106,945	-	34,105	-	-	147,030
Disposals	-	-	-	(578,733)	-	-	-	(578,733)
Transfer from right-of-use assets	-	-	-	45,480	-	-	-	45,480
Transfer to:								
- investment property	-	-	-	-	-	-	(2,944,857)	(2,944,857)
- asset held for sale	(1,006,553)	-	-	-	-	-	-	(1,006,553)
Balance as at 30 June 2022	-	43,029	350,206	154,919	43,455	157,015	-	748,624
Accumulated depreciation								
Balance as at 1 July 2021	251,637	16,809	165,962	674,570	7,600	48,503	-	1,165,081
Current charge	50,327	6,619	43,802	6,800	1,629	15,702	-	124,879
Disposals	-	-	-	(571,933)	-	-	-	(571,933)
Transfer from right-of-use assets	-	-	-	45,479	-	-	-	45,479
Transfer to asset held for sale	(301,964)	-	-	-	-	-	-	(301,964)
Balance as at 30 June 2022	-	23,428	209,764	154,916	9,229	64,205	-	461,542
Carrying amount								
Balance as at 30 June 2022	-	19,601	140,442	3	34,226	92,810	-	287,082



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.5 Property, plant and equipment (continued)

2021	Office building RM	Equipment and tools RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard RM	Renovation RM	Capital work-in-progress RM	Total RM
At cost								
Balance as at 1 July 2020	1,006,553	24,849	211,410	118,000	6,850	122,392	2,616,207	4,106,261
Additions	-	12,200	31,851	-	2,500	34,623	328,650	409,824
Disposals	-	-	-	(50,000)	-	-	-	(50,000)
Transfer from right-of-use assets	-	-	-	620,172	-	-	-	620,172
Balance as at 30 June 2021	1,006,553	37,049	243,261	688,172	9,350	157,015	2,944,857	5,086,257
Accumulated depreciation								
Balance as at 1 July 2020	201,310	10,591	131,172	70,800	6,850	32,801	-	453,524
Current charge	50,327	6,218	34,790	13,600	750	15,702	-	121,387
Disposals	-	-	-	(30,000)	-	-	-	(30,000)
Transfer from right-of-use assets	-	-	-	620,170	-	-	-	620,170
Balance as at 30 June 2021	251,637	16,809	165,962	674,570	7,600	48,503	-	1,165,081
Carrying amount								
Balance as at 30 June 2021	754,916	20,240	77,299	13,602	1,750	108,512	2,944,857	3,921,176



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478-K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.5 Property, plant and equipment (continued)

2020	Office building RM	Equipment and tools RM	Furniture, fittings and office equipment RM	Motor vehicles RM	Signboard RM	Renovation RM	Capital work-in-progress RM	Total RM
At cost								
Balance as at 1 July 2019	1,006,553	10,236	179,378	165,340	6,850	101,972	1,207,707	2,678,036
Additions	-	14,613	32,032	-	-	20,420	1,408,500	1,475,565
Disposals	-	-	-	(47,340)	-	-	-	(47,340)
Balance as at 30 June 2020	1,006,553	24,849	211,410	118,000	6,850	122,392	2,616,207	4,106,261
Accumulated depreciation								
Balance as at 1 July 2019	150,983	6,812	99,651	75,604	5,730	20,562	-	359,342
Current charge	50,327	3,779	31,521	23,600	1,120	12,239	-	122,586
Disposals	-	-	-	(28,404)	-	-	-	(28,404)
Balance as at 30 June 2020	201,310	10,591	131,172	70,800	6,850	32,801	-	453,524
Carrying amount								
Balance as at 30 June 2020	805,243	14,258	80,238	47,200	-	89,591	2,616,207	3,652,737



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

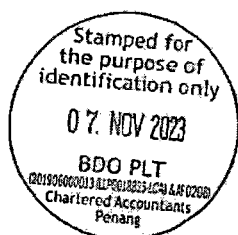
5. HISTORICAL FINANCIAL INFORMATION (continued)

5.5 Property, plant and equipment (continued)

- (a) As at the end of the reporting period, the carrying amounts of the property, plant and equipment charged as securities for bank borrowings as disclosed in Note 5.15 to the combined financial statements are as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Office building	-	-	754,916	805,243
Capital work-in-progress	-	-	<u>2,944,857</u>	<u>2,616,207</u>
	<u>-</u>	<u>-</u>	<u>3,699,773</u>	<u>3,421,450</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.6 Right-of-use assets and lease liabilities

The Group as a Lessee

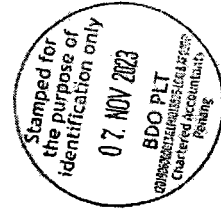
Right-of-use assets

	Balance as at 1.7.2022 RM	Additions RM	Transfer to property, plant and equipment RM	Depreciation charge for the financial year RM	Balance as at 30.6.2023 RM
Carrying amount					
Office buildings	204,541	366,509	-	(123,606)	447,444
Motor vehicles	1,206,597	110,304	(2)	(350,094)	966,805
	<u>1,411,138</u>	<u>476,813</u>	<u>(2)</u>	<u>(473,700)</u>	<u>1,414,249</u>

Carrying amount

Office buildings
Motor vehicles

	Balance as at 1.7.2021 RM	Additions RM	Transfer to property, plant and equipment RM	Depreciation charge for the financial year RM	Balance as at 30.6.2022 RM
Carrying amount					
Office buildings	60,217	215,806	-	(71,482)	204,541
Motor vehicles	898,627	671,713	(1)	(363,742)	1,206,597
	<u>958,844</u>	<u>887,519</u>	<u>(1)</u>	<u>(435,224)</u>	<u>1,411,138</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.6 Right-of-use assets and lease liabilities (continued)

The Group as a lessee (continued)

Right-of-use assets (continued)

	Balance as at 1.7.2020 RM	Additions RM	Disposal RM	Transfer to property, plant and equipment RM	Depreciation charge for the financial year RM	Balance as at 30.6.2021 RM
Carrying amount						
Office buildings	-	138,374	-	-	(78,157)	60,217
Motor vehicles	1,209,801	-	(14,076)	(2)	(297,096)	898,627
	1,209,801	138,374	(14,076)	(2)	(375,253)	958,844

Carrying amount

Motor vehicles

	Balance as at 1.7.2019 RM	Additions RM	Depreciation charge for the financial year RM	Balance as at 30.6.2020 RM
	284,971	1,060,369	(135,539)	1,209,801



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.6 Right-of-use assets and lease liabilities (continued)

The Group as a lessee (continued)

Lease liabilities

	Balance as at 1.7.2022 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2023 RM
Carrying amount					
Office buildings	210,336	366,509	(135,600)	17,968	459,213
Motor vehicles	976,134	90,000	(265,773)	41,514	841,875
	<u>1,186,470</u>	<u>456,509</u>	<u>(401,373)</u>	<u>59,482</u>	<u>1,301,088</u>

Carrying amount

	Balance as at 1.7.2021 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2022 RM
Office buildings	61,271	215,806	(69,800)	3,059	210,336
Motor vehicles	726,065	462,000	(251,105)	39,174	976,134
	<u>787,336</u>	<u>677,806</u>	<u>(320,905)</u>	<u>42,233</u>	<u>1,186,470</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.6 Right-of-use assets and lease liabilities (continued)

The Group as a lessee (continued)

Lease liabilities (continued)

	Balance as at 1.7.2020 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 30.6.2021 RM
Carrying amount					
Office buildings	-	138,374	(80,500)	3,397	61,271
Motor vehicles	978,403	-	(288,069)	35,731	726,065
	978,403	138,374	(368,569)	39,128	787,336
Balance as at 1.7.2019 RM					
Carrying amount					
Motor vehicles	415,055	734,000	(189,417)	18,765	978,403



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

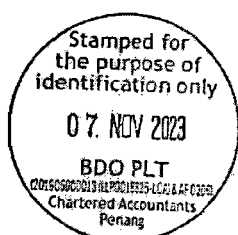
5. HISTORICAL FINANCIAL INFORMATION (continued)**5.6 Right-of-use assets and lease liabilities (continued)**The Group as lessee (continued)

Lease liabilities (continued)

	2023 RM	2022 RM	2021 RM	2020 RM
Represented by:				
Current liabilities	369,663	277,667	235,430	247,653
Non-current liabilities	931,425	908,803	551,906	730,750
	<u>1,301,088</u>	<u>1,186,470</u>	<u>787,336</u>	<u>978,403</u>
Lease liabilities owing to financial institutions	841,875	976,134	726,065	978,403
Lease liabilities owing to non-financial institutions	459,213	210,336	61,271	-
	<u>1,301,088</u>	<u>1,186,470</u>	<u>787,336</u>	<u>978,403</u>

- (a) The Group leases motor vehicles and office buildings in which it operates. The periodic rent is fixed over the lease term.
- (b) The Group has certain leases of equipment, hostel and office with lease terms of less than twelve (12) months, and low-value asset of RM20,000 and below. The Group applies the "short-term leases" and "lease of low-value assets" exemptions for these leases.
- (c) The following are the amounts recognised in profit or loss:

	2023 RM	2022 RM	2021 RM	2020 RM
Depreciation charge of right-of-use assets, included in other operating expenses	473,700	435,224	375,253	135,539
Interest expense on lease liabilities, included in finance costs	59,482	42,233	39,128	18,765
Expense relating to short-term leases, included in:				
- cost of sales	425,456	64,537	37,310	26,891
- administrative expenses	159,500	32,600	19,400	41,800
Expense relating to leases of low-value assets, included in:				
- cost of sales	139,933	4,742	2,300	-
- administrative expenses	10,070	8,470	9,740	9,240
	<u>1,268,141</u>	<u>587,806</u>	<u>483,131</u>	<u>232,235</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.6 Right-of-use assets and lease liabilities (continued)**The Group as lessee (continued)

(d) The following are total cash outflows for leases as a lessee:

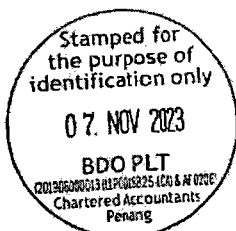
	2023 RM	2022 RM	2021 RM	2020 RM
Included in net cash from operating activities:				
Payment relating to low-value assets and short-term leases	734,959	110,349	68,750	77,931
Included in net cash from/used in investing activities:				
Purchase of right-of-use assets	20,304	209,713	-	326,369
Included in net cash used in financing activities:				
Payment of lease liabilities	<u>401,373</u>	<u>320,905</u>	<u>368,569</u>	<u>189,417</u>
Total cash outflows for leases	<u>1,156,636</u>	<u>640,967</u>	<u>437,319</u>	<u>593,717</u>

(e) The following table sets out the carrying amounts, the incremental borrowing rate and the remaining maturities of the lease liabilities of the Group that are exposed to interest rate risk:

	Incremental borrowing rate %	Within one (1) year RM	One (1) to five (5) years RM	More than five (5) years RM	Total RM
Fixed rates					
30 June 2023	4.63	369,663	931,425	-	1,301,088
30 June 2022	4.61	277,667	901,066	7,737	1,186,470
30 June 2021	4.09	235,430	451,704	100,202	787,336
30 June 2020	4.43	<u>247,653</u>	<u>541,664</u>	<u>189,086</u>	<u>978,403</u>

(f) The table below summarises the maturity profile of the lease liabilities of the Group at the end of each reporting period based on contractual undiscounted repayment obligations as follow:

	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
30 June 2023	416,616	996,014	-	1,412,630
30 June 2022	326,310	975,781	7,762	1,309,853
30 June 2021	263,955	502,094	102,466	868,515
30 June 2020	<u>283,920</u>	<u>613,988</u>	<u>197,170</u>	<u>1,095,078</u>



13. ACCOUNTANTS' REPORT (CONT'D)Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.7 Investment property**

	Freehold land RM	Building RM	Total RM
Carrying amount			
Balance as at 1 July 2022	1,865,076	1,065,384	2,930,460
Depreciation charge for the financial year	-	(21,595)	(21,595)
Balance as at 30 June 2023	<u>1,865,076</u>	<u>1,043,789</u>	<u>2,908,865</u>
As at 30 June 2023			
Cost	1,865,076	1,079,781	2,944,857
Accumulated depreciation	-	(35,992)	(35,992)
Carrying amount	<u>1,865,076</u>	<u>1,043,789</u>	<u>2,908,865</u>
Carrying amount			
Balance as at 1 July 2021	-	-	-
Transfer from property, plant and equipment	1,865,076	1,079,781	2,944,857
Depreciation charge for the financial year	-	(14,397)	(14,397)
Balance as at 30 June 2022	<u>1,865,076</u>	<u>1,065,384</u>	<u>2,930,460</u>
As at 30 June 2022			
Cost	1,865,076	1,079,781	2,944,857
Accumulated depreciation	-	(14,397)	(14,397)
Carrying amount	<u>1,865,076</u>	<u>1,065,384</u>	<u>2,930,460</u>

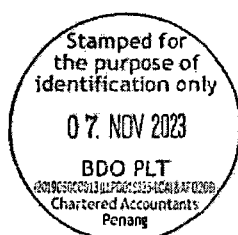
(a) The fair value of the investment property for disclosure purposes are as follows:

	2023 RM	2022 RM
Level 2 of the fair value hierarchy	<u>3,000,000</u>	<u>3,000,000</u>

As at 30 June 2022, the fair value was based on a valuation exercise carried out by an independent third party professional valuer on 23 November 2021. Fair value is determined based on comparison approach, which considered the existing and upcoming developments in the vicinity, references to sales of similar properties in and around the locality.

As at 30 June 2023, the fair value was determined based on Directors' estimation by reference to market evidence of transaction prices of similar properties in the vicinity and same category. The significant unobservable input into this valuation method is adjustment factors to prices of comparable properties. The estimated fair value would increase if the transaction prices were higher and vice versa.

Investment property of the Group is mainly used to generate rental income. However, the fair value of investment property reflects the highest and best use of the said property should be the investment property be disposed. Currently, management does not intend to dispose off the investment property and the existing use of the investment.



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.7 Investment property (continued)**

- (b) Rental income generated from rental of investment property of the Group during the financial year are as follows:

	2023 RM	2022 RM
Rental income	<u>132,000</u>	<u>11,000</u>

- (c) Direct operating expenses arising from investment property generating rental income during the financial year are as follows:

	2023 RM	2022 RM
Insurance expenses	18,058	10,628
Quit rent and assessment	<u>5,700</u>	<u>2,600</u>

- (d) The Group has entered into non-cancellable operating lease agreements for terms of two (2) years and renewable at the end of the lease period subject to an increase clause. The monthly rental consists of a fixed base rent.

- (e) The Group has aggregate future minimum lease receivables at the end of each reporting period as follows:

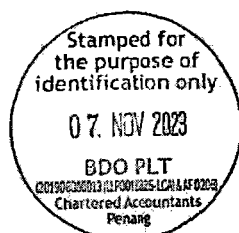
	2023 RM	2022 RM
Less than one (1) year	110,000	132,000
One (1) to two (2) years	<u>-</u>	<u>110,000</u>
	<u>110,000</u>	<u>242,000</u>

- (f) As at the end of the reporting period, investment property of the Group has been charged as securities for bank borrowings as referred to in Note 5.15 to the combined financial statements.

5.8 Deferred tax assets/(liabilities)

- (a) The deferred tax assets/(liabilities) are made up of the following:

	2023 RM	2022 RM	2021 RM	2020 RM
Balance as at 1 July 2022/2021/2020/2019	24,400	(80,800)	(46,000)	(83,700)
Recognised in the profit or loss (Note 5.21)	<u>(20,000)</u>	<u>105,200</u>	<u>(34,800)</u>	<u>37,700</u>
Balance as at 30 June	<u>4,400</u>	<u>24,400</u>	<u>(80,800)</u>	<u>(46,000)</u>
Presented after appropriate offsetting:				
Deferred tax asset, net	12,300	24,400	-	-
Deferred tax liabilities, net	<u>(7,900)</u>	<u>-</u>	<u>(80,800)</u>	<u>(46,000)</u>
Balance as at 30 June	<u>4,400</u>	<u>24,400</u>	<u>(80,800)</u>	<u>(46,000)</u>



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.8 Deferred tax assets/(liabilities) (continued)**

(b) The components and movements of deferred tax assets/(liabilities) during the financial year are as follows:

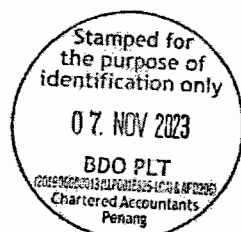
	Property, plant and equipment RM	Other deductible temporary differences RM	Total RM
Balance as at 1 July 2022	(33,500)	57,900	24,400
Recognised in the profit or loss	900	(20,900)	(20,000)
Balance as at 30 June 2023	<u>(32,600)</u>	<u>37,000</u>	<u>4,400</u>
Balance as at 1 July 2021	(91,200)	10,400	(80,800)
Recognised in the profit or loss	57,700	47,500	105,200
Balance as at 30 June 2022	<u>(33,500)</u>	<u>57,900</u>	<u>24,400</u>
Balance as at 1 July 2020	(46,000)	-	(46,000)
Recognised in the profit or loss	(45,200)	10,400	(34,800)
Balance as at 30 June 2021	<u>(91,200)</u>	<u>10,400</u>	<u>(80,800)</u>
Balance as at 1 July 2019	(83,700)	-	(83,700)
Recognised in the profit or loss	37,700	-	37,700
Balance as at 30 June 2020	<u>(46,000)</u>	<u>-</u>	<u>(46,000)</u>

5.9 Inventories

	2023 RM	2022 RM	2021 RM	2020 RM
At cost				
Consumables	-	-	23,618	-

During the financial year, inventories of the Group recognised as cost of sales are as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Cost of sales	<u>31,347,652</u>	<u>29,364,535</u>	<u>13,066,104</u>	<u>-</u>



13. ACCOUNTANTS' REPORT (CONT'D)Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.10 Trade and other receivables**

	2023 RM	2022 RM	2021 RM	2020 RM
Trade receivables				
Third parties	29,509,246	34,968,959	12,664,958	10,824,166
Retention sum	9,750,306	4,851,713	1,131,538	1,129,400
Amounts owing by related parties	-	-	-	26,000
	<u>39,259,552</u>	<u>39,820,672</u>	<u>13,796,496</u>	<u>11,979,566</u>
Less:				
Allowance for impairment losses				
- third parties	(528,080)	(370,855)	(539,344)	(742,143)
- retention sum	(293,868)	(78,486)	-	-
	<u>(821,948)</u>	<u>(449,341)</u>	<u>(539,344)</u>	<u>(742,143)</u>
	<u>38,437,604</u>	<u>39,371,331</u>	<u>13,257,152</u>	<u>11,237,423</u>
Other receivables				
Third parties	-	-	166,091	29,289
Deposits and prepayments				
Deposits	1,438,103	344,658	87,929	76,146
Prepayments	1,691,717	1,575,049	39,695	2,380
	<u>3,129,820</u>	<u>1,919,707</u>	<u>127,624</u>	<u>78,526</u>
Trade and other receivables	<u>41,567,424</u>	<u>41,291,038</u>	<u>13,550,867</u>	<u>11,345,238</u>

- (a) Trade and other receivables (excluding prepayments) are classified as financial assets measured at amortised cost.
- (b) The normal trade credit terms granted by the Group range from 30 to 90 days (2022: 30 to 90 days; 2021: 30 to 90 days; 2020: 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) The currency exposure profile of trade and other receivables (excluding prepayments) of the Group is as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Ringgit Malaysia	39,646,177	39,715,989	13,511,172	11,342,858
Singapore Dollar	229,530	-	-	-
	<u>39,875,707</u>	<u>39,715,989</u>	<u>13,511,172</u>	<u>11,342,858</u>

- (d) Related parties represent companies incorporated in Malaysia in which Directors of the Group have significant financial and controlling interest.
- (e) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses ("ECL").

The Group uses an allowance matrix to measure the ECL of trade receivables. Expected loss rates are calculated using the roll rate method based on the common credit risk characteristic - by past due days.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.10 Trade and other receivables (continued)

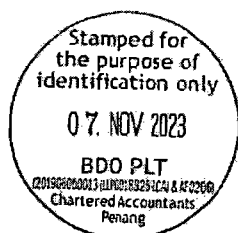
(e) (continued)

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (consumer price index and Malaysia population) and multiplied by the amount of the expected loss arising from default to determine the lifetime ECL for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised in the profit or loss. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward-looking information.

(f) Lifetime expected loss provision for trade receivables as at the end of each reporting period are as follows:

	Gross carrying amount RM	Impairment RM	Net carrying amount RM
2023			
Current	30,086,843	(117,177)	29,969,666
Past due			
1 to 30 days	3,730,593	(102,339)	3,628,254
31 to 60 days	2,615,543	(64,788)	2,550,755
61 to 90 days	281,245	(22,062)	259,183
More than 90 days	2,545,328	(515,582)	2,029,746
	<u>39,259,552</u>	<u>(821,948)</u>	<u>38,437,604</u>
2022			
Current	27,210,773	(117,133)	27,093,640
Past due			
1 to 30 days	6,685,783	(83,230)	6,602,553
31 to 60 days	2,359,395	(36,474)	2,322,921
61 to 90 days	865,347	(32,164)	833,183
More than 90 days	2,699,374	(180,340)	2,519,034
	<u>39,820,672</u>	<u>(449,341)</u>	<u>39,371,331</u>
2021			
Current	7,685,920	(94,238)	7,591,682
Past due			
1 to 30 days	3,177,791	(55,980)	3,121,811
31 to 60 days	110,165	(2,597)	107,568
61 to 90 days	64,670	(2,539)	62,131
More than 90 days	2,757,950	(383,990)	2,373,960
	<u>13,796,496</u>	<u>(539,344)</u>	<u>13,257,152</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.10 Trade and other receivables (continued)**

- (f) Lifetime expected loss provision for trade receivables as at the end of each reporting period are as follows (continued):

	Gross carrying amount RM	Impairment RM	Net carrying amount RM
2020			
Current	3,605,924	(109,493)	3,496,431
Past due			
1 to 30 days	2,297,545	(97,337)	2,200,208
31 to 60 days	1,938,136	(147,348)	1,790,788
61 to 90 days	1,757,224	(77,137)	1,680,087
More than 90 days	2,380,737	(310,828)	2,069,909
	<u>11,979,566</u>	<u>(742,143)</u>	<u>11,237,423</u>

The Group did not renegotiate the terms of any trade receivables for each of the reporting period.

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.10 Trade and other receivables (continued)**

(g) Movements in lifetime ECL for trade receivables are as follows:

	Not credit impaired RM	Credit impaired RM	Total RM
Balance as at 1 July 2022	449,341	-	449,341
Charge for the financial year	58,520	314,087	372,607
Balance as at 30 June 2023	<u>507,861</u>	<u>314,087</u>	<u>821,948</u>
Balance as at 1 July 2021	493,562	45,782	539,344
Charge for the financial year	132,162	-	132,162
Write off for the financial year	-	(43,200)	(43,200)
Reversal for the financial year	(176,383)	(2,582)	(178,965)
Balance as at 30 June 2022	<u>449,341</u>	<u>-</u>	<u>449,341</u>
Balance as at 1 July 2020	742,143	-	742,143
Charge for the financial year	-	45,782	45,782
Reversal for the financial year	(248,581)	-	(248,581)
Balance as at 30 June 2021	<u>493,562</u>	<u>45,782</u>	<u>539,344</u>
Balance as at 1 July 2019	250,147	-	250,147
Charge for the financial year	491,996	-	491,996
Balance as at 30 June 2020	<u>742,143</u>	<u>-</u>	<u>742,143</u>

Credit impaired refers to individually determined debtors who have defaulted on payments and are in significant financial difficulties as at the end of the reporting period.

The Group considers trade and other receivables to be in default when the receivables are past due for more than twelve (12) months.

- (h) Impairment for other receivables are recognised based on the general approach within MFRS 9 using the forward-looking ECL model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve-month ECL along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime ECL along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime ECL along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk based on changes to contractual terms and delay in payment for amount past due more than 120 days.

No expected credit loss is recognised arising from other receivables as it is negligible.



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.10 Trade and other receivables (continued)**

(i) Included in prepayments are the following:

	2023 RM	2022 RM
Downpayments to the subcontractors	729,550	1,146,438
Prepaid listing expenses	<u>863,209</u>	<u>160,590</u>

(j) Information on financial risk of trade and other receivables is disclosed in Note 5.27 to the combined financial statements.

5.11 Contract assets/(liabilities)

	2023 RM	2022 RM	2021 RM	2020 RM
Contract assets				
Revenue contracts	<u>304,700</u>	<u>463,901</u>	-	-
Contract liabilities				
Revenue contracts	<u>(154,268)</u>	<u>(241,141)</u>	-	-

(a) Contract assets and contract liabilities represent the timing difference in revenue recognition and milestone billings. Contract liabilities include downpayments received from customers where the Group has collected the payment before the services are provide to customers.

Contract assets are transferred to receivables when the rights to economic benefits become unconditional. This usually occurs when the Group issues billings to the customers. Contract liabilities are recognised as revenue when performance obligations are satisfied.

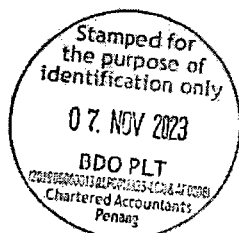
There were no significant changes in the contract assets and liabilities during the financial year.

(b) Revenue expected to be recognised in the future relating to performance obligations that are unsatisfied (or partially unsatisfied) at the end of the reporting period, are as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
30 June 2023	-	62,540,173	-	-
30 June 2024	216,205,333	20,846,724	-	-
30 June 2025	39,000,000	-	-	-
30 June 2026	10,000,000	-	-	-
30 June 2027	<u>10,000,000</u>	-	-	-

(c) Impairment for contract assets that do not contain a significant financing component is recognised based on the simplified approach using the lifetime ECL as disclosed in Note 5.10(e) to the combined financial statements.

No ECL is recognised arising from contract assets as it is negligible.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.12 Cash and bank balances**

	2023 RM	2022 RM	2021 RM	2020 RM
Cash and bank balances	8,107,205	5,661,967	5,697,237	3,794,657
Deposits with licensed banks	<u>1,600,733</u>	<u>1,572,166</u>	<u>1,544,183</u>	<u>623,910</u>
	<u>9,707,938</u>	<u>7,234,133</u>	<u>7,241,420</u>	<u>4,418,567</u>

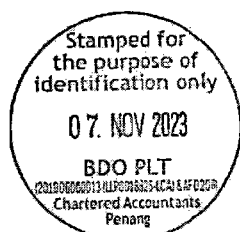
For the purpose of the combined statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	2023 RM	2022 RM	2021 RM	2020 RM
Cash and bank balances	8,107,205	5,661,967	5,697,237	3,794,657
Deposits with licensed banks	<u>1,600,733</u>	<u>1,572,166</u>	<u>1,544,183</u>	<u>623,910</u>
As per combined statements of financial position	9,707,938	7,234,133	7,241,420	4,418,567
Less:				
Deposits with licensed banks with maturity more than three (3) months	(1,600,733)	(1,572,166)	(1,544,183)	(623,910)
Bank overdrafts (Note 5.15)	<u>(82,652)</u>	<u>(187,734)</u>	<u>(302,971)</u>	<u>(289,173)</u>
As per combined statements of cash flows	<u>8,024,553</u>	<u>5,474,233</u>	<u>5,394,266</u>	<u>3,505,484</u>

- (a) The effective interest rates of deposits with licensed banks of the Group ranged from 1.70% to 1.85% (2022: 1.70% to 1.85%; 2021: 1.70% to 1.85%; 2020: 1.85% to 1.95%) per annum.
- (b) During the financial year, deposits with licensed banks of the Group amounting to RM1,600,733 (2022: RM1,572,166; 2021: RM1,544,183; 2020: RM623,910) have been pledged to banks as securities for the credit facilities granted as disclosed in Note 5.15 to the combined financial statements.
- (c) The currency exposure profile of cash and bank balances is as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
RM	9,448,057	7,221,080	7,228,780	4,405,213
United States Dollar	9,497	8,947	8,432	9,224
Euro	2,275	2,059	2,212	2,149
Singapore Dollar	<u>248,109</u>	<u>2,047</u>	<u>1,996</u>	<u>1,981</u>
	<u>9,707,938</u>	<u>7,234,133</u>	<u>7,241,420</u>	<u>4,418,567</u>

- (d) No expected credit losses were recognised arising from cash and bank balances because the probability of default of these financial institutions is negligible.
- (e) Information on financial risk of cash and bank balances is disclosed in Note 5.27 to the combined financial statements.



13. ACCOUNTANTS' REPORT (CONT'D)

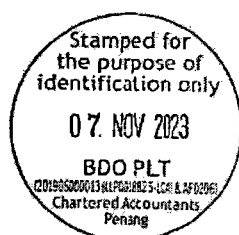
*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.13 Invested equity

	Number of ordinary shares	Amount RM
2023		
Issued and fully paid-up with no par value:		
As at 1 July 2022	1,300,000	1,300,000
Ordinary shares issued pursuant to:		
- incorporation of Critical Holdings	100	100
- bonus issue of Critical Sales & Services	450,000	450,000
	<u>450,100</u>	<u>450,100</u>
As at 30 June 2023	<u>1,750,100</u>	<u>1,750,100</u>
2022		
Issued and fully paid-up with no par value:		
As at 1 July 2021/30 June 2022	<u>1,300,000</u>	<u>1,300,000</u>
2021		
Issued and fully paid-up with no par value:		
As at 1 July 2020/30 June 2021	<u>1,300,000</u>	<u>1,300,000</u>
2020		
Issued and fully paid-up with no par value:		
As at 1 July 2019/30 June 2020	<u>1,300,000</u>	<u>1,300,000</u>

- (a) As at the end of each reporting period, the number of ordinary shares is on combined basis.
- (b) During the financial year ended 30 June 2023, the invested equity of the Group increased from RM1,300,000 to RM1,750,100 due to the following:
- (i) incorporation of Critical Holdings with issued and fully paid-up share capital of RM100 made up of 100 ordinary shares of RM1 each at cash; and
 - (ii) bonus share issue on the basis of three (3) new ordinary shares for every two (2) existing ordinary shares held in Critical Sales & Services by way of capitalisation of retained earnings.
- (c) The common controlling shareholders of the combining entities are entitled to receive dividends as and when declared by the Group and are entitled to one (1) vote per ordinary share at meetings of the Group. All ordinary shares rank pari passu with regard to the residual assets of the Group.



13. ACCOUNTANTS' REPORT (CONT'D)Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.14 Reserves**

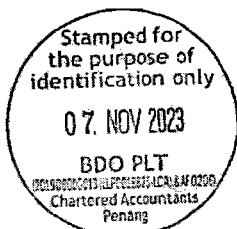
	2023 RM	2022 RM	2021 RM	2020 RM
Distributable: Retained earnings	<u>20,253,762</u>	<u>13,513,619</u>	<u>7,616,729</u>	<u>4,455,601</u>

5.15 Borrowings

	2023 RM	2022 RM	2021 RM	2020 RM
Non-current				
<i>Secured</i>				
Term loans	<u>2,264,637</u>	<u>2,822,800</u>	<u>2,939,711</u>	<u>2,581,529</u>
Current				
<i>Secured</i>				
Bank overdrafts	82,652	187,734	302,971	289,173
Banker's acceptances	1,060,000	168,600	-	-
Term loans	<u>90,223</u>	<u>123,830</u>	<u>128,233</u>	<u>28,643</u>
	<u>1,232,875</u>	<u>480,164</u>	<u>431,204</u>	<u>317,816</u>
Total borrowings				
<i>Secured</i>				
Bank overdrafts	82,652	187,734	302,971	289,173
Banker's acceptances	1,060,000	168,600	-	-
Term loans	<u>2,354,860</u>	<u>2,946,630</u>	<u>3,067,944</u>	<u>2,610,172</u>
	<u>3,497,512</u>	<u>3,302,964</u>	<u>3,370,915</u>	<u>2,899,345</u>

- (a) Borrowings are classified as financial liabilities measured at amortised cost.
- (b) Borrowings of the Group are secured by way of:
- Jointly and severally guaranteed by certain Directors of the Group;
 - A first legal charge over the freehold land and buildings of the Group as disclosed in Notes 5.5(a), 5.7(f) and 5.22(b) to the combined financial statements;
 - The fixed deposits as disclosed in Note 5.12(b) to the combined financial statements;
 - Guaranteed by Syarikat Jaminan Pembiayaan Perniagaan (SJPP) Berhad.
- (c) Borrowings are denominated in RM.
- (d) The table below summarises the maturity profile of the borrowings of the Group at the end of each reporting period based on contractual undiscounted repayment obligations as follow:

	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
30 June 2023	1,349,125	776,763	2,617,523	4,743,411
30 June 2022	594,142	951,229	2,863,223	4,408,594
30 June 2021	540,779	951,229	2,967,204	4,459,212
30 June 2020	<u>412,600</u>	<u>951,229</u>	<u>2,341,226</u>	<u>3,705,055</u>



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

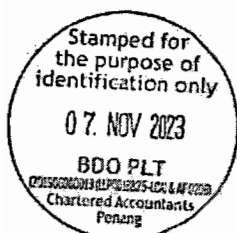
5. HISTORICAL FINANCIAL INFORMATION (continued)**5.15 Borrowings (continued)**

- (e) The following table sets out the carrying amounts, the weighted average effective interest rates and the remaining maturities of the borrowings of the Group that are exposed to interest rate risk:

	Weighted average effective interest rate %	Within one (1) year RM	One (1) to five (5) years RM	More than five (5) years RM	Total RM
2023					
Floating rates					
Bank overdrafts	7.85	82,652	-	-	82,652
Banker's acceptances	4.49	1,060,000	-	-	1,060,000
Term loans	5.00	<u>90,223</u>	<u>356,170</u>	<u>1,908,467</u>	<u>2,354,860</u>
2022					
Floating rates					
Bank overdrafts	6.90	187,734	-	-	187,734
Banker's acceptances	5.40	168,600	-	-	168,600
Term loans	3.67	<u>123,830</u>	<u>546,687</u>	<u>2,276,113</u>	<u>2,946,630</u>
2021					
Floating rates					
Bank overdrafts	6.40	302,971	-	-	302,971
Term loans	3.65	<u>128,233</u>	<u>560,743</u>	<u>2,378,968</u>	<u>3,067,944</u>
2020					
Floating rates					
Bank overdrafts	6.40	289,173	-	-	289,173
Term loans	3.63	<u>28,643</u>	<u>618,610</u>	<u>1,962,919</u>	<u>2,610,172</u>

- (f) The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of each reporting period changed by ten (10) basis points with all other variables held constant:

	2023 RM	2022 RM	2021 RM	2020 RM
Profit after tax				
Increase by 0.1%	(1,853)	(2,382)	(2,562)	(2,204)
Decrease by 0.1%	<u>1,853</u>	<u>2,382</u>	<u>2,562</u>	<u>2,204</u>



13. ACCOUNTANTS' REPORT (CONT'D)Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report**5. HISTORICAL FINANCIAL INFORMATION (continued)****5.16 Trade and other payables**

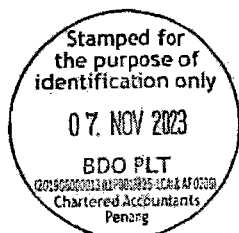
	2023 RM	2022 RM	2021 RM	2020 RM
Trade payables				
Third parties	24,324,796	30,314,393	11,051,293	9,989,942
Retention sum	3,879,412	1,378,034	-	-
	<u>28,204,208</u>	<u>31,692,427</u>	<u>11,051,293</u>	<u>9,989,942</u>
Other payables				
Third parties	65,999	45,365	9,982	18,995
Dividend payable	-	2,000,000	-	-
Amounts owing to Directors	-	-	-	173,858
Deposits	26,000	295,460	-	-
Accruals	470,626	186,803	152,701	79,087
	<u>562,625</u>	<u>2,527,628</u>	<u>162,683</u>	<u>271,940</u>
Total trade and other payables	<u>28,766,833</u>	<u>34,220,055</u>	<u>11,213,976</u>	<u>10,261,882</u>

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 90 days (2022: 14 to 90 days; 2021: 14 to 90 days; 2020: 14 to 90 days).
- (c) The non-trade portion of amounts owing to Directors was unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (d) The currency exposure profile of trade and other payables of the Group is as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Ringgit Malaysia	28,731,411	34,220,055	11,213,976	10,261,882
Singapore Dollar	35,422	-	-	-
	<u>28,766,833</u>	<u>34,220,055</u>	<u>11,213,976</u>	<u>10,261,882</u>

- (e) The table below summarises the maturity profile of the trade and other payables of the Group at the end of each reporting period based on contractual undiscounted repayment obligations as follow:

	On demand or within one (1) year RM	One (1) to five (5) years RM	Over five (5) years RM	Total RM
30 June 2023	28,766,833	-	-	28,766,833
30 June 2022	34,220,055	-	-	34,220,055
30 June 2021	11,213,976	-	-	11,213,976
30 June 2020	10,261,882	-	-	10,261,882



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.17 Capital commitments**

	2023 RM	2022 RM	2021 RM	2020 RM
Capital expenditure in respect of purchase of:				
Property, plant and equipment				
- Contracted but not provided for	-	-	-	513,792
Right-of-use assets				
- Approved but not contracted for	-	-	100,431	-

5.18 Revenue

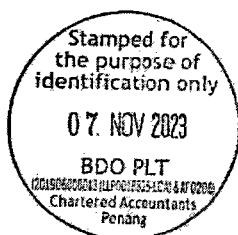
	2023 RM	2022 RM	2021 RM	2020 RM
Revenue from contracts with customers:				
Rendering of services in mechanical and electrical installation and contracting	<u>150,940,359</u>	<u>107,329,659</u>	<u>53,701,764</u>	<u>43,623,114</u>
Timing of revenue recognition:				
- transferred at a point in time	16,307,790	36,710,318	24,791,908	21,749,053
- transferred over time	<u>134,632,569</u>	<u>70,619,341</u>	<u>28,909,856</u>	<u>21,874,061</u>
	<u>150,940,359</u>	<u>107,329,659</u>	<u>53,701,764</u>	<u>43,623,114</u>

Revenue from contracts with customers is disaggregated in Note 5.26 to the combined financial statements by geographical area.

Revenue in respect of the rendering of services is recognised as and when control of the asset is transferred to the customer and it is probable that the Group would collect the consideration to which it will be entitled in exchange for the asset that would be transferred to the customer. Depending on the terms of the contract, control of the asset may transfer over time or a point in time. Control of the asset is transferred over time if the performance of the Group creates or enhances an asset that the customer controls as the asset is created or enhanced.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation using the output method. The output method recognises revenue based on contract work certified to date which depicts the basis of direct measurements of value to the customers of the work performed to date relative to the remaining work promised under the contract. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset.

There is no significant financing component in the revenue arising from services rendered as the sales or services are made on the normal credit terms not exceeding twelve (12) months.



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.19 Employee benefits**

	2023 RM	2022 RM	2021 RM	2020 RM
Directors' fees	110,000	-	-	-
Wages, salaries and bonuses	3,833,060	3,007,410	2,153,114	1,902,696
Contributions to defined contribution plan	541,796	416,226	303,452	261,592
Social security contributions	38,831	25,042	20,133	15,624
Employment insurance system contributions	4,447	2,864	2,228	1,800
	<u>4,528,134</u>	<u>3,451,542</u>	<u>2,478,927</u>	<u>2,181,712</u>

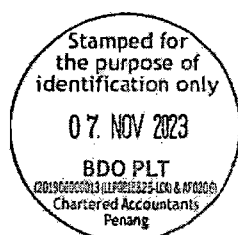
Included in the employee benefits of the Group are Directors' remuneration as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Directors' fees	110,000	-	-	-
Salaries and other emoluments	787,600	642,000	511,500	496,800
Contributions to defined contribution plan	147,504	120,900	83,055	94,392
Social security contributions	2,587	1,961	1,784	1,657
Employment insurance system contributions	296	225	205	190
	<u>1,047,987</u>	<u>765,086</u>	<u>596,544</u>	<u>593,039</u>

Estimated monetary value of benefits-in-kind provided to the Directors of the Group are as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Benefits-in-kind to the Directors	<u>68,636</u>	<u>62,009</u>	<u>71,142</u>	<u>39,337</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.20 Finance costs**

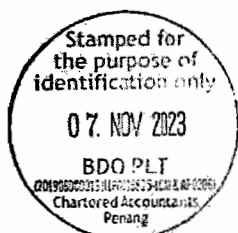
	2023 RM	2022 RM	2021 RM	2020 RM
Interest expenses on:				
- bank overdrafts	3,057	7,431	11,840	11,998
- banker's acceptances	28,033	608	-	-
- bank guarantees	175,046	91,770	-	-
- lease liabilities	59,482	42,233	39,128	18,765
- term loans	105,856	105,865	99,043	94,814
	<u>371,474</u>	<u>247,907</u>	<u>150,011</u>	<u>125,577</u>

5.21 Tax expense

	2023 RM	2022 RM	2021 RM	2020 RM
The major components of the tax expense are:				
Current tax expense based on profit for the financial years	3,558,000	2,618,000	1,417,900	908,800
Under/ (Over)provision of tax expense in prior years	24,758	29,410	(148,465)	36,912
	3,582,758	2,647,410	1,269,435	945,712
Deferred tax expense (Note 5.8(a)):				
Relating to origination and reversal of temporary differences	32,800	(33,800)	34,800	(37,700)
Overprovision of deferred tax in prior years	(12,800)	(71,400)	-	-
	<u>20,000</u>	<u>(105,200)</u>	<u>34,800</u>	<u>(37,700)</u>
	<u>3,602,758</u>	<u>2,542,210</u>	<u>1,304,235</u>	<u>908,012</u>

Malaysian income tax is calculated at the statutory tax rate of twenty-four percent (24%) (2022: 24%; 2021: 24%, 2020: 24%) of the estimated taxable profits for the fiscal years.

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13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

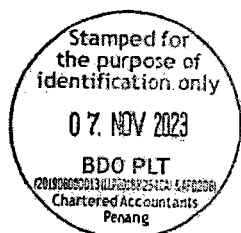
5. HISTORICAL FINANCIAL INFORMATION (continued)

5.21 Tax expense (continued)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rates are as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Profit before tax	<u>13,192,901</u>	<u>10,439,100</u>	<u>6,065,363</u>	<u>3,550,081</u>
Tax at Malaysian statutory tax rate of 24%	3,166,300	2,505,400	1,455,700	852,000
Tax effects in respect of:				
- Non-allowable expenses	540,600	163,800	101,194	107,476
- Income not subject to tax	(74,100)	(43,000)	(20,194)	(4,376)
Different tax rate for the first RM600,000 of chargeable income	(42,000)	(42,000)	(84,000)	(84,000)
Under/(Over)provision of tax expense in prior years	24,758	29,410	(148,465)	36,912
Overprovision of deferred tax in prior years	<u>(12,800)</u>	<u>(71,400)</u>	<u>-</u>	<u>-</u>
	<u>3,602,758</u>	<u>2,542,210</u>	<u>1,304,235</u>	<u>908,012</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.22 Non-current asset held for sale

	2022 RM
Cost	1,006,553
Less: Accumulated depreciation	<u>(301,964)</u>
Carrying amount	<u><u>704,589</u></u>

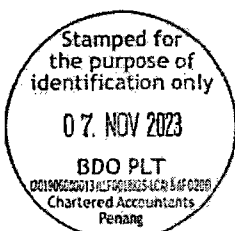
- (a) Management reclassified the office building as non-current asset held for sale in accordance with the requirements of *MFRS 5 Non-Current Assets Held for Sale and Discontinued Operations* as the Group has entered into a sale and purchase agreement with certain Directors of the Group to dispose the office building during the financial year ended 30 June 2022 for a consideration of RM998,000.

As at 30 June 2022, a total deposit of RM269,460 have been received by the Group and the disposal is in progress. The disposal has been completed during the financial year ended 30 June 2023.

- (b) As at 30 June 2022, non-current asset held for sale of the Group has been charged as securities for bank borrowings as referred to in Note 5.15 to the combined financial statements.

5.23 Dividends

	Gross dividend per share RM	Amount of dividend net of tax RM
2023		
In respect of financial year ended 30 June 2023: Single tier dividend	<u>2.40</u>	<u>2,400,000</u>
2022		
In respect of financial year ended 30 June 2022: Single tier dividend	<u>2.00</u>	<u>2,000,000</u>
2021		
In respect of financial year ended 30 June 2021: Single tier interim dividend	<u>1.60</u>	<u>1,600,000</u>



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.24 Earnings per share

(a) Basic

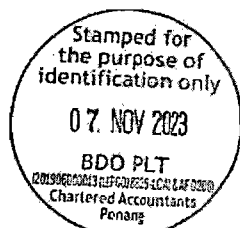
Basic earnings per share for the financial years are calculated by dividing the profit for the financial years attributable to common controlling shareholders of the combining entities by the expected number of ordinary shares of the Company upon completion of the Listing.

	2023	2022	2021	2020
Profit attributable to the common controlling shareholders of the combining entities (RM)	<u>9,590,143</u>	<u>7,896,890</u>	<u>4,761,128</u>	<u>2,642,069</u>
Expected number of ordinary shares upon completion of the Listing (unit)	<u>371,739,000</u>	<u>371,739,000</u>	<u>371,739,000</u>	<u>371,739,000</u>
Basic earnings per share (sen)	<u>2.58</u>	<u>2.12</u>	<u>1.28</u>	<u>0.71</u>

(b) Diluted

Diluted earnings per share equals basic earnings per share because there are no potentially dilutive instruments in existence as at the end of each reporting period.

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13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.25 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 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 or common significant influence. Related parties could be individuals or other entities.

Related parties of the Group include:

- (i) Combining entities as disclosed in Note 5.29 to the combined financial statements;
- (ii) Key management personnel, which is defined as those persons having the authority and responsibility for planning, directing and controlling the activities of the Group either directly or indirectly. The key management personnel include the Directors of the Group; and
- (iii) Companies in which Directors of the Group have significant financial and controlling interests.

- (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following material transactions with related parties during the financial years:

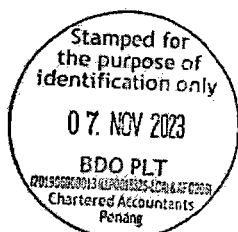
	2023 RM	2022 RM	2021 RM	2020 RM
Transaction with a related party:				
- Rendering of services	-	-	8,200	7,000
Transaction with Directors:				
- Lease payments to Directors	-	55,200	55,200	-
- Disposal of non-current asset held for sale to Directors	998,000	-	-	-

The related party transactions described above were carried out on negotiated terms and conditions and mutually agreed with the related parties.

Balances with related parties at the end of each reporting period are disclosed in Notes 5.10 and 5.16 to the combined financial statements.

(c) Compensation of key management personnel

The total compensation of Directors during the reporting period is disclosed in Note 5.19 to the combined financial statements.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.26 Operating segments

The Company is principally involved in investment holding. Through its combining entities, the Group is principally involved in the design and build, project management, supply, installation, testing, commissioning, maintenance and services support of mechanical, electrical and process utilities ("MEP") systems and equipment for critical facilities.

For management purposes, the Group is organised into business units based on its products and services. The reportable segments of the Group are as follows:

- (a) MEP engineering solutions; and
- (b) MEP maintenance and services.

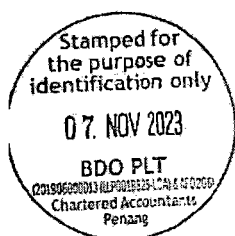
Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment.

The accounting policies of operating segments are the same as those described in Note 3.18 to the combined financial statements.

Inter-segment revenue is priced along the same lines as sales to external customers and is eliminated in the financial statements. These policies have been applied consistently throughout the reporting periods.

Assets, liabilities and expenses which are common and cannot be meaningfully allocated to the operating segments are presented under unallocated items. Segment assets and liabilities represent inventories, contract assets and contract liabilities.

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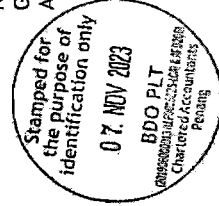
13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.26 Operating segments (continued)

	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
2023				
Revenue				
Revenue from external customers	138,089,305	12,851,054	-	150,940,359
Inter-segment revenue	18,826,685	3,402,191	(22,228,876)	-
Total revenue	156,915,990	16,253,245	(22,228,876)	150,940,359
Results				
Segment results	37,420,460	6,950,692	(22,228,876)	22,142,276
Interest income				37,877
Finance costs				(371,474)
Unallocated expenses				(8,615,778)
Profit before tax				13,192,901
Tax expense				(3,602,758)
Profit for the financial year				9,590,143
Other information				
Unallocated				(597,539)
Depreciation				(372,607)
Net losses on impairment of financial assets				293,411
Gain on disposal of non-current asset held for sale				345,102
Additions to non-current assets				



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.26 Operating segments (continued)

	2023	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
Assets					
Segment assets			304,700	-	304,700
Unallocated assets		-			56,119,442
Total assets					<u>56,424,142</u>
Liabilities					
Segment liabilities		154,268	-	-	154,268
Unallocated liabilities					34,266,012
Total liabilities					<u>34,420,280</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.26 Operating segments (continued)

2022	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
Revenue				
Revenue from external customers	96,418,954	10,910,705	-	107,329,659
Inter-segment revenue	29,846,340	2,027,609	(31,873,949)	-
Total revenue	<u>126,265,294</u>	<u>12,938,314</u>	<u>(31,873,949)</u>	<u>107,329,659</u>
Results				
Segment results				
Interest income	43,012,125	4,670,636	(31,873,949)	15,808,812
Finance costs				39,440
Unallocated expenses				(247,907)
				<u>(5,161,245)</u>
Profit before tax				10,439,100
Tax expense				<u>(2,542,210)</u>
Profit for the financial year				<u>7,896,890</u>
Other information				
Unallocated				(574,500)
Depreciation				46,803
Net gains on impairment of financial assets				85,200
Gain on disposal of property, plant and equipment				<u>356,743</u>
Additions to non-current assets				



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.26 Operating segments (continued)

2022	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
Assets				
Segment assets	-	463,901	-	463,901
Unallocated assets				53,882,840
Total assets				<u>54,346,741</u>
Liabilities				
Segment liabilities	241,141	-	-	241,141
Unallocated liabilities				39,291,981
Total liabilities				<u>39,533,122</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical! Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)
5.26 Operating segments (continued)

	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
2021				
Revenue				
Revenue from external customers	48,023,031	5,678,733	-	53,701,764
Inter-segment revenue	24,242,921	-	(24,242,921)	-
Total revenue	72,265,952	5,678,733	(24,242,921)	53,701,764
Results				
Segment results	32,303,643	1,598,498	(24,242,921)	9,659,220
Interest income				53,966
Finance costs				(150,011)
Unallocated expenses				(3,497,812)
Profit before tax				6,065,363
Tax expense				(1,304,235)
Profit for the financial year				4,761,128
Other information				
Unallocated				(496,640)
Depreciation				202,799
Net gains on impairment of financial assets				(1,000)
Loss on disposal of property, plant and equipment				18,924
Gain on disposal of right-of-use assets				409,824
Additions to non-current assets				



13. ACCOUNTANTS' REPORT (CONT'D)

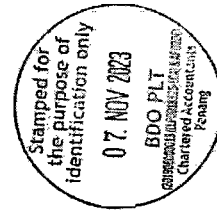
Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.26 Operating segments (continued)

2021	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
Assets				
Segment assets	-	23,618	-	23,618
Unallocated assets				<u>25,672,307</u>
Total assets				<u>25,695,925</u>
Liabilities				
Unallocated liabilities, representing total liabilities				<u>16,779,196</u>

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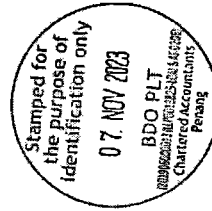
13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.2b Operating segments (continued)

	2020	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
Revenue					
Revenue from external customers	37,145,371		6,477,743	-	43,623,114
Inter-segment revenue	13,647,059		(13,647,059)		-
Total revenue	50,792,430		6,477,743	(13,647,059)	43,623,114
Results					
Segment results	19,308,146		1,605,705	(13,647,059)	7,266,792
Interest income					2,181
Finance costs					(125,577)
Unallocated expenses					(3,593,315)
Profit before tax					3,550,081
Tax expense					(908,012)
Profit for the financial year					2,642,069
Other information					
Unallocated					(258,125)
Depreciation					(491,996)
Net losses on impairment of financial assets					(18,935)
Loss on disposal of property, plant and equipment					1,801,934
Additions to non-current assets					



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.26 Operating segments (continued)

2020	MEP engineering solutions RM	MEP maintenance and services RM	Eliminations RM	Total RM
Assets				
Unallocated assets, representing total assets				<u>20,626,343</u>
Liabilities				
Unallocated liabilities, representing total liabilities				<u>14,870,742</u>

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13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.26 Operating segments (continued)****(a) Geographical information**

Segment revenue is based on geographical location of customers of the Group.

Segment assets are based on the geographical location of the assets of the Group. All segment assets of the Group are derived from Malaysia. Hence, no additional disclosure is made on the related geographical breakdown.

Segment revenue	2023 RM	2022 RM	2021 RM	2020 RM
Malaysia	149,168,005	107,329,659	53,701,764	43,623,114
Singapore	1,358,566	-	-	-
Thailand	413,788	-	-	-
	<u>150,940,359</u>	<u>107,329,659</u>	<u>53,701,764</u>	<u>43,623,114</u>

(b) Major customers

The following are major customers with revenue equal or more than ten percent (10%) of revenue of the Group:

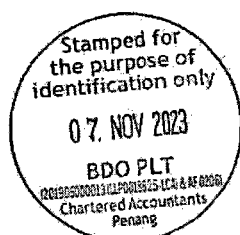
	2023 RM	2022 RM	2021 RM	2020 RM
Tialoc Malaysia Sdn. Bhd.	53,525,540	22,466,398	9,152,093	7,422,758
Customer C	16,720,880	11,828,157	4,172,535*	2,590,373*
Customer E	16,515,715	1,025,990*	177,298*	1,695,501*
Customer D	8,852,044*	13,599,559	1,900,044*	1,604,461*
Rimbaco Sdn. Bhd.	3,439,982*	13,916,002	-	-
Kok Construction (M) Sdn. Bhd.	<u>485,334*</u>	<u>8,963,853*</u>	<u>12,062,806</u>	<u>4,448,376</u>
	<u>99,539,495</u>	<u>71,799,959</u>	<u>27,464,776</u>	<u>17,761,469</u>

* Less than 10%

5.27 Capital and financial risk management**(a) Capital management**

The primary objective of the capital management of the Group is to ensure that the Group would be able to continue as a going concern whilst maximising return to shareholders through the optimisation of the debt and equity ratios. The overall strategy of the Group remains unchanged throughout the reporting periods.

The Group manages its capital structure and makes adjustments to it in response to changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes throughout the reporting periods.



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.27 Capital and financial risk management (continued)****(a) Capital management (continued)**

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, borrowings and lease liabilities, less cash and bank balances. Capital represents equity attributable to common controlling shareholders of the combining entities.

A detailed calculation of the gearing ratio are as follows:

	2023 RM	2022 RM	2021 RM	2020 RM
Borrowings	3,497,512	3,302,964	3,370,915	2,899,345
Lease liabilities	1,301,088	1,186,470	787,336	978,403
	<u>4,798,600</u>	<u>4,489,434</u>	<u>4,158,251</u>	<u>3,877,748</u>
Less: Cash and bank balances	<u>(9,707,938)</u>	<u>(7,234,133)</u>	<u>(7,241,420)</u>	<u>(4,418,567)</u>
Net cash	<u>(4,909,338)</u>	<u>(2,744,699)</u>	<u>(3,083,169)</u>	<u>(540,819)</u>

No gearing ratio is presented as the Group is in net cash position.

The Group is not subject to any externally imposed capital requirements.

(b) Financial risk management

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to credit risk, liquidity and cash flow risk and interest rate risk. Information on the management of the related exposures is detailed below.

(i) Credit risk

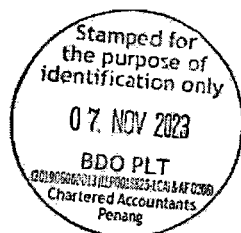
Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks, which requires the loss to be recognised if a counter party fails to perform as contracted. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk of the Group is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position.

Credit risk concentration profile

At the end of each reporting period, approximately 56% (2022: 64%; 2021: 51%; 2020: 30%) of the trade receivables of the Group were due from two (2) (2022: three (3); 2021: three (3), 2020: two (2)) major customers who are involve in construction and semiconductor industries located in Malaysia.



13. ACCOUNTANTS' REPORT (CONT'D)

Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.27 Capital and financial risk management (continued)****(b) Financial risk management (continued)****(ii) Liquidity and cash flow risks**

Liquidity and cash flow risk is the risk that the Group will encounter difficulty in meeting its financial obligation due to shortage of funds. The exposure of the Group to liquidity and cash flow risk arises primarily from mismatches of maturities of financial assets and financial liabilities.

The Group actively manages its debt maturity profile, operating cash flows and the availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group. In addition, the Group strives to maintain available banking facilities at a reasonable level to meet its business needs.

The analysis of financial instruments by remaining contractual maturities based on undiscounted repayment obligation has been disclosed in Notes 5.6(f), 5.15(d) and 5.16(e) to the combined financial statements.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from its borrowings. Bank borrowings at floating rates expose the Group to cash flow interest rate risk.

The interest rate profile and sensitivity analysis of interest rate risk have been disclosed in Notes 5.6(e), 5.15(e) and 5.15(f) to the combined financial statements.

5.28 Contingent liabilities

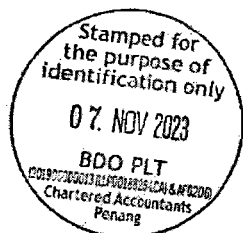
	2023 RM	2022 RM	2021 RM	2020 RM
Guarantees given to third parties in respect of performance bonds of the combining entities	<u>9,276,569</u>	<u>1,997,250</u>	<u>849,643</u>	<u>-</u>

The Group designates guarantees as insurance contracts as defined in MFRS 4 *Insurance Contracts*.

At the end of each reporting period, the Group assesses whether its recognised insurance liabilities, if any, are adequate, using current estimates of future cash flows under its insurance contracts. If this assessment shows that the carrying amount of the insurance liabilities is inadequate, the entire deficiency shall be recognised in profit or loss.

Recognised insurance liabilities, if any, are only removed from the statement of financial position when, and only when, it is extinguished via a discharge, cancellation or expiration.

The determination of treatment of contingent liabilities is based on the view of management of the expected outcome of the contingencies for matters in the ordinary course of the business.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

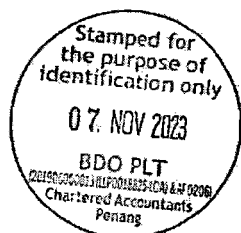
5. HISTORICAL FINANCIAL INFORMATION (continued)

5.29 List of combining entities

	Effective interest in equity held				Principal activities
	2023	2022	2021	2020	
	%	%	%	%	
Critical M & E Engineering Sdn. Bhd.	100	100	100	100	Design and build, project management, supply, installation, testing, commissioning, maintenance and services support of MEP systems and equipment for critical facilities.
Critical Sales & Services Sdn. Bhd.	100	100	100	100	Design and build, project management, supply, installation, testing, commissioning, maintenance and services support of MEP systems and equipment for critical facilities.

The country of incorporation and principal place of business of the above entities is in Malaysia.

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13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.30 Significant event during and subsequent to the financial years

- (a) The World Health Organisation declared the 2019 Novel Coronavirus infection ("COVID-19") a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ("MCO") on 18 March 2020 and has entered into the various phases of the MCO, followed by the announcement of the National Recovery Plan ("NRP") in June 2021, which details a roadmap to control the COVID-19 pandemic while progressively reopening society and the economic sectors towards the new normal under four progressive phases. Subsequently, in March 2022, the Government of Malaysia announced that Malaysia will enter the "Transition to Endemic" phase of COVID-19 and reopen its borders from 1 April 2022.

Consequently, effective from 1 April 2022, the restrictions on business operating hours and the capacity limit imposed on the number of employees allowed in the workplace based on the employees' vaccination status are removed.

The implementation of the MCO/NRP and the COVID-19 pandemic have not resulted in any material impact to the Group's business and operations. Except for a short period of time during the initial stage of the MCO, the Group was able to operate during the MCO/NRP period, upon obtaining the relevant approvals from Ministry of Investment, Trade and Industry of Malaysia. It had also not negatively impacted the liquidity position of the Group. In addition, the Group had not observed any material impairments of the assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

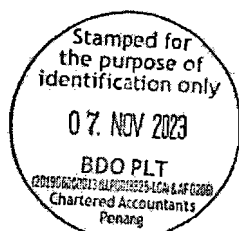
- (b) On 2 August 2021, Critical Sales & Services had vide a letter of demand claimed from a trade receivable, Jaya Sarana Engineering Sdn. Bhd. ("the Defendant") for a sum of RM872,876 with an appropriate interest at the rate of 8% per annum from the date of the letter of demand, being the outstanding sum for works done for a project within 14 days of the date of the letter of demand. The Defendant has failed to settle the claimed sum in the letter of demand within the stipulated period.

On 20 September 2021, Critical Sales & Services has commenced a legal action and claiming for the sum, interest chargeable from the date of the letter of demand, costs and other reliefs the Court deems fit.

On 7 August 2023, the Defendant and Critical Sales & Services have entered into a Sale and Purchase Agreement to settle the outstanding balances by way of contract of a property and cash payment of RM20,000 which has been paid by the Defendant upon execution of the Sale and Purchase Agreement.

On 18 October 2023, the case has been withdrawn. As at the date of the approval of the combined financial statements, the Defendant has settled the cash payment of RM20,000 and the transfer of property was completed.

During the financial year ended 30 June 2023, an impairment loss amounted to RM246,378 has been recognised on the portion of amount owing by the Defendant whereby the management deemed recoverability is in doubt after taking into consideration the settlement through property and cash as mentioned above.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)

5.30 Significant event during and subsequent to the financial years (continued)

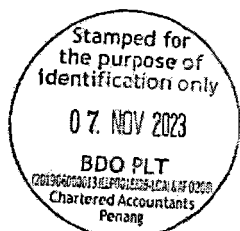
- (c) On 15 September 2022, the Company had entered into a conditional share sale agreement (as supplemented via supplemental letter dated 14 March 2023) with Ir. Tan Si Lim and Ir. Chow Chin Seang to acquire the entire issued share capital of Critical M&E of RM1,000,000 comprising 1,000,000 ordinary shares for a total consideration of RM10,329,495 ("Acquisition of Critical M&E"). The Acquisition of Critical M&E was wholly satisfied via the issuance of 206,589,900 new ordinary shares of the Company at an issue price of RM0.05 per share.

Upon completion of the Acquisition of Critical M&E on 30 October 2023, Critical M&E became a wholly-owned subsidiary of the Company.

- (d) On 15 September 2022 and 18 October 2022, the Company had entered into a conditional share sale agreement and a supplemental conditional share sale agreement (as supplemented via supplemental letter dated 14 March 2023) with Ir. Tan Si Lim and Ir. Chow Chin Seang to acquire the entire issued share capital of Critical Sales & Services of RM750,000 comprising 750,000 ordinary shares for a total consideration of RM4,540,050 ("Acquisition of Critical Sales & Services"). The Acquisition of Critical Sales & Services was wholly satisfied via the issuance of 90,801,000 new ordinary shares of the Company at an issue price of RM0.05 per share.

Upon completion of the Acquisition of Critical Sales & Services on 30 October 2023, Critical Sales & Services became a wholly-owned subsidiary of the Company.

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13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*

5. HISTORICAL FINANCIAL INFORMATION (continued)**5.31 Adoption of new MFRSs and amendments to MFRSs****5.31.1 New MFRSs adopted during the financial years**

The Group adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ("MASB") during the financial year ended 30 June 2023:

Title	Effective Date
<i>Annual Improvements to MFRS Standards 2018 - 2020</i>	1 January 2022
<i>Amendments to MFRS 3 Reference to the Conceptual Framework</i>	1 January 2022
<i>Amendments to MFRS 116 Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
<i>Amendments to MFRS 137 Onerous Contract - Cost of Fulfilling a Contract</i>	1 January 2022

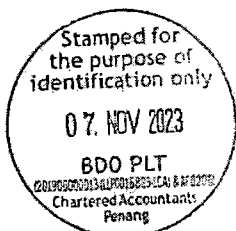
Adoption of the above Standards did not have any material effect on the financial performance or position of the Group.

5.31.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2023

The following are Standards of the MFRS Framework that have been issued by the MASB but have not been early adopted by the Group:

Title	Effective Date
<i>MFRS 17 Insurance Contracts</i>	1 January 2023
<i>Amendment to MFRS 17 Initial Application of MFRS 17 and MFRS 9 - Comparative Information</i>	1 January 2023
<i>Amendments to MFRS 108 Definition of Accounting Estimates</i>	1 January 2023
<i>Amendments to MFRS 112 Deferred tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
<i>Amendments to MFRS 101 Disclosure of Accounting Policies</i>	1 January 2023
<i>Amendments to MFRS 16 Lease Liability in a Sale and Leaseback</i>	1 January 2024
<i>Amendments to MFRS 101 Classification of Liabilities as Current or Non-current</i>	1 January 2024
<i>Amendments to MFRS 101 Non-current Liabilities with Covenants</i>	1 January 2024
<i>Amendments to MFRS 107 and MFRS 7 Supplier Finance Arrangements</i>	1 January 2024
<i>Amendments to MFRS 121 Lack of Exchangeability</i>	1 January 2025
<i>Amendments to MFRS 112 International Tax Reform - Pillar Two Model Rules</i>	See MFRS 112 Paragraph 98M
<i>Amendments to MFRS 10 and MFRS 128 Sale or contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments to the Standards, since the effects would only be observable for the future financial years.



13. ACCOUNTANTS' REPORT (CONT'D)

*Critical Holdings Berhad (202201031781 (1477478K))
Accountants' Report*


STATEMENT BY DIRECTORS

We, Ir. Tan Si Lim and Ir. Chow Chin Seang, being the Directors of Critical Holdings Berhad (the "Company"), state that, in the opinion of the Directors, the combined financial statements set out on pages 1 to 76 are drawn up so as to give a true and fair view of the financial position of the Company and its combining entities (the "Group") as at 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 and of the financial performance and cash flows of the Group for the financial years ended 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

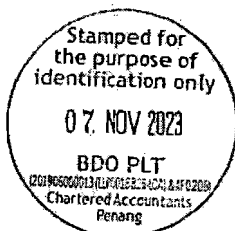
Signed on behalf of the Board of Directors in accordance with a resolution dated **07 NOV 2023**



Ir. Tan Si Lim
Director



Ir. Chow Chin Seang
Director



14. ADDITIONAL INFORMATION

14.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Constitution which complies with the Listing Requirements, the Act and the Rules of Bursa Depository.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires:

14.1.1 Remuneration, voting and borrowing powers of Directors

(i) Directors' remuneration

Clause 84 – Remuneration of A Managing Director or an Executive Director

“A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.”

Clause 89 – Remuneration of Alternate Director

“89. An Alternate Director:

- (1) has no entitlement to receive remuneration from the Company and any fee paid by the Company to the Alternate Director shall be deducted from the Appointer's remuneration; and
- (2) is entitled to be reimbursed for all the travelling and other expenses properly incurred by him in attending the Board Meetings on behalf of the Appointer from the Company.”

Clause 93 – Remuneration of Directors

- “93. (1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- ”

14. ADDITIONAL INFORMATION (CONT'D)

- (4) The following expenses shall be determined by the Directors:
- (a) Travelling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and
 - (b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.
- (5) The Managing Director and Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover. Salaries payable to a Managing Director and/or Executive Director shall not include a commission on or percentage of turnover."

(ii) Voting and borrowing powers of Directors

Clause 95 – Borrowings

"95. Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4)
 - (a) lend and advance money or give credit to any person or company;
 - (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company."

Clause 105 – Directors' Interest in Contracts

- "105. (a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.
- (b) Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act."

14. ADDITIONAL INFORMATION (CONT'D)

(iii) Changes in share capital, rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights

Clause 8 – Variation of Rights

- “8. (1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:
- (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
 - (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.
- (2) The provisions of this Constitution relating to General Meetings apply with the necessary modifications to every separate meeting of the holders of the shares of the class referred to in Clause 8(1), except that:
- (a) for a meeting other than an adjourned meeting, a quorum is constituted by two (2) persons present holding at least one-third (1/3) of the number of issued shares of such class, excluding any shares of that class held as treasury shares;
 - (b) if that class of shares only has one (1) holder, a quorum is constituted by one (1) person present holding shares of such class; and
 - (c) for an adjourned meeting, a quorum is constituted by one (1) person present holding share(s) of such class.
- (3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:
- (a) the terms of the issue of the existing preference shares; or
 - (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.”

Clause 12 – Issue of Securities

- “12. (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:
- (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.

14. ADDITIONAL INFORMATION (CONT'D)

- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Shareholders' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
 - (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
 - (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
 - (c) for such consideration as the Directors may determine.
 - (d) No shares issued having the effect of transferring controlling interest in the Company without prior approval of members in general meeting,
 - (e) In the case of shares other than ordinary shares, no special rights to be attached until the same have been expressed in the constitution,
 - (f) Approval by members shall specify details of the amount of shares or options to be issued to employees/directors and a director not holding office in an executive capacity may so participate in an issue of shares pursuant to a public offer or public issue
 - (g) Company must allot and issue securities, despatch notice 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.
- (3)
 - (a) Subject to the Act, the Listing Requirements and 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.
 - (b) 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.
 - (c) 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.

14. ADDITIONAL INFORMATION (CONT'D)

- (4) Subject to the Listing Requirements and notwithstanding the existence of a resolution pursuant to Sections 75(1) and 76(1) of the Act, the Company must not issue any shares or convertible securities if the total number of those shares or convertible securities, when aggregated with the total number of any such shares or convertible securities issued during the preceding twelve (12) months, exceeds ten percent (10%) of the total number of issued shares (excluding treasury shares) of the Company except where the shares or convertible securities are issued with the prior shareholder approval in a General Meeting of the precise terms and conditions of the issue.
- (5) (a) The Company may pay commission (including brokerage) subject to the following:
- (i) the commission shall not exceed the rate of ten percent (10%) of the price at which the shares in respect whereof the same is paid are issued; or
 - (ii) the commission shall not exceed an amount equal to ten percent (10%) of that price,
- whichever is lesser;
- (b) The rate of commission shall be disclosed in the manner prescribed in the Act; and
- (c) The said commission may be satisfied by payment in cash or shares (fully or partly paid shares) or partly in one way and partly in the other. For the purpose of Clause 12(5), commission includes brokerage and the rates referred to in Clause 12(5)(a) shall not apply to brokerage.
- (6) Subject to Section 130 of the Act, where any shares of the Company are issued for the purpose of raising money to defray the expenses of the construction of any works or buildings or the provision of any plant which cannot be made profitable for a long period, the Company may pay interest or returns on the amount of such share capital as is for the time being paid up and charge the interest or returns paid to share capital as part of the cost of construction of the works, buildings or the provision of any plant."

Clause 46 – Alteration of capital

- "46. (1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:
- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever 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.

14. ADDITIONAL INFORMATION (CONT'D)

- (2) The Company may from time to time by special resolution and subject to other applicable requirements:
 - (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.
- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.”

(iv) Transfer of securities

Clause 14 – Transfer of securities

“The transfer of any Deposited Security or class of Deposited Security of 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, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Listed Deposited Securities.”

14.2 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus after 6 months from the issuance date of this Prospectus.
- (ii) There are no special rights attached to our Shares. As at the date of this Prospectus, we only have 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another.
- (iii) The share capital of our Group as at the LPD and changes in their respective share capital for the FYE Under Review and up to the LPD are as set out in Sections 6.3 and 6.4 of this Prospectus.
- (iv) Save for the new Shares issued pursuant to the Acquisitions as disclosed in Section 6.2 of this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Group have been issued or proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 3 years preceding the LPD.
- (v) None of the share capital of our Company or any of our Subsidiaries is under option, or agreed conditionally or unconditionally to be put under option, as at the date of this Prospectus.

14. ADDITIONAL INFORMATION (CONT'D)

- (vi) Save for the Issue Shares reserved for application by the Eligible Persons as disclosed in Section 4.3.1(ii) of this Prospectus, currently there is no other scheme involving our Directors and employees in the share capital of our Company or Subsidiaries, as at the date of this Prospectus.
- (vii) As at the date of this Prospectus, our Group does not have any outstanding warrants, options, convertible securities and uncalled capital.

14.3 LIMITATION ON THE RIGHT TO OWN SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to Section 14.4 below, there is no limitation on the right to own our Shares including limitation on the right of non-residents or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by our Constitution.

14.4 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for the quotation on the Official List of ACE Market, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, holders of our Shares must deposit their Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the MOF and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account/ CDS Account with Bursa Depository by means of entries in the securities account/ CDS Account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

14.5 PUBLIC TAKE-OVERS

During the FYE 2023 and up to the LPD, there were no:

- (i) public take-over offers by third parties in respect of our Shares; and
- (ii) public take-over offers by our Company in respect of other companies' shares.

14.6 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any material contracts (not being contracts entered into in the Group's ordinary course of business) within the period covered by the FYE Under Review as disclosed in this Prospectus up to the date of this Prospectus:

- (i) Sale and purchase agreement dated 28 March 2022 made between Critical M&E (as the vendor) and our Promoters (as the purchasers) in respect of the disposal of a 3-storey terrace house erected on a piece of freehold land known as Lot No. 20259 Geran No 169652, Mukim 11 Daerah Barat Daya, Negeri Pulau Pinang bearing postal address No. 8 Changkat Bukit Belah, 11920 Bayan Lepas, Pulau Pinang at a disposal price of RM998,000. The disposal was completed on 30 August 2022;

14. ADDITIONAL INFORMATION (CONT'D)

- (ii) Conditional share sale agreement dated 15 September 2022 as supplemented via a supplemental letter dated 14 March 2023 made between our Promoters (as the vendors) and Critical Holdings (as the purchaser) for the acquisition of entire issued share capital of Critical M&E which comprises of 1,000,000 ordinary shares for a purchase consideration of RM10,329,495 to be satisfied by the issuance of the 206,589,900 new ordinary shares in Critical Holdings at an issue price of RM0.05 per share, which was completed on 30 October 2023;
- (iii) Conditional share sale agreement dated 15 September 2022, as supplemented the via a supplemental share sale agreement dated 18 October 2022 and letter dated 14 March 2023 between our Promoters (as the vendors) and Critical Holdings (as the purchaser) for the acquisition of the entire issued share capital of Critical Sales & Services which comprises of 750,000 ordinary shares for a purchase consideration of RM4,540,050 to be satisfied by the issuance of 90,801,000 new ordinary shares in Critical Holdings at an issue price of RM0.05 per share, which was completed on 30 October 2023;
- (iv) Sale and purchase agreement dated 7 August 2023 between Jaya Sarana Engineering Sdn Bhd (as the vendor) and Critical Sales & Services (as the purchaser) for the acquisition by way of contra of 1 unit of apartment erected on Hakmilik Strata, Negeri Penang, GRN 59969/M1/4/10 No. Bangunan M1, No. Tingkat 4, No. Petak 10, Lot 4435 Seksyen 5, Bandar George Town, Daerah Timor Laut, Pulau Pinang and bearing postal address No. 5-C, Lintang Abdullah Ariff, Air Itam, 11400 Pulau Pinang measuring approximately 1,152 sq. ft (107 square metres) ("**Subject Property**") and cash payment of RM20,000.00, for the settlement of the claim made against Jaya Sarana Engineering Sdn Bhd in relation to the service provided for a project known as "Project: Cadangan Fasa 1A Bagi Pembangunan Perniagaan Bercampur Yang Mengandungi Sebuah Menara Pandang Setinggi 138 Meter dan Kemudahan Berkaitan Di Atas Sebahagian PT1424 (HSD 1111), Persiaran Sutera, Mukim Kuah, Daerah Langkawi Kedah Darul Aman Untuk Tetuan: PFCE Integrated Plant and Project Sdn Bhd Dengan Kerjasama Lembaga Pembangunan Langkawi (LADA)". As the cash payment of RM20,000.00 has been made and the Subject Property is duly registered under the name of Critical Sales & Services, the legal claim has been withdrawn on 18 October 2023 and therefore the transaction has completed; and
- (v) Underwriting Agreement dated 8 November 2023 entered between our Company and MIDF Investment as the Underwriter for the underwriting of up to 22,304,400 Issue Shares under the Public Issue. Please refer to Section 4.10 of this Prospectus for further details of the salient terms of the Underwriting Agreement.

14.7 MATERIAL LITIGATION

As at the LPD, we are not engaged in any material litigation, claims and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and there are no proceedings pending or threatened, or of any fact likely to give rise to any proceedings, which might materially and adversely affect our financial position or business.

14.8 LETTERS OF CONSENT

- (i) Our Principal Adviser, Sponsor, Underwriter, Placement Agent, Company Secretaries, Due Diligence Solicitors, Share Registrar and Issuing House have given and have not subsequently withdrawn their written consents before the issuance of this Prospectus for the inclusion of their names and all references thereto in the form, manner and context in which they are included in this Prospectus;

14. ADDITIONAL INFORMATION (CONT'D)

- (ii) Our Auditors and Reporting Accountants have given and have not subsequently withdrawn their written consent before the issuance of this Prospectus for the inclusion of their name and all references thereto, the Accountants' Report and the Reporting Accountants' Report on the compilation of Pro forma Consolidated Statements of Financial Position as at 30 June 2023, in the form, manner and context in which they are included in this Prospectus; and
- (iii) Our IMR has given and has not subsequently withdrawn its written consent before the issuance of this Prospectus with the inclusion of its name and all references thereto and the IMR Report in the form, manner and context in which they are included in this Prospectus.

14.9 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

MIDF Investment, being the Principal Adviser, Sponsor, Underwriter and Placement Agent 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 the IPO.

14.10 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our Registered Office at Suite S-21-H, 21st Floor, Menara Northam, 55 Jalan Sultan Ahmad Shah, 10050 George Town Pulau Pinang, during the normal office hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) the IMR Report referred to in Section 8 of this Prospectus;
- (iii) the Reporting Accountants' Report on the Pro forma Consolidated Statements of Financial Position as at 30 June 2023 and the Accountants' Report as referred to in Sections 12.15 and 13 respectively of this Prospectus;
- (iv) the material contracts referred to in Section 14.6 of this Prospectus;
- (v) the letters of consent referred to in Section 14.8 of this Prospectus; and
- (vi) the audited financial statements of our Group for the FYE Under Review.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU SHALL NOT RELY ON THIS SUMMARY FOR THE 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 COPY OF OUR 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 in this Section shall carry the same meaning as ascribed to them in our Prospectus. Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

Applications for our IPO Shares will be accepted and closed at the time and date stated as below:

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 27 November 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 5 December 2023

If there is any change to the time or date for the closing of the applications for our IPO Shares, we will advertise the notice of changes in widely circulated English and Bahasa Malaysia daily newspapers within Malaysia. The dates for the ballot of the applications for our IPO Shares, the allotment of our IPO Shares and our Listing would then be extended accordingly.

Kindly note any late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application for our Issue Shares by the Malaysian Public and the Eligible Parties

Types of Application and category of investors	Application Method
Applications by the Malaysian Public:	
Individuals	White Application Form or Electronic Share Application or Internet Share Application
Non-Individuals	White Application Form only
Applications by the Eligible Parties	Pink Application Form only

The submission of an Application Form does not mean that your Application will succeed.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

15.2.2 Application for our Issue Shares via placement

Types of Application	Application Method
Applications by: Selected Investors	Our Placement Agent will contact the Selected Investors directly. They should follow the Placement Agent's instructions.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our 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 (1)** 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 TEN (10) YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:

- (i) You must be one (1) of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares with a Malaysian address; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

(iii) You must submit Applications by using only one of the following methods:

- (a) White Application Form;
- (b) Electronic Share Application; or
- (c) Internet Share Application.

15.3.3 Application by the Eligible Persons

The Eligible Person will be provided with Pink Application Forms and letters from us detailing their respective allocation. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

The Eligible Person may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, MIDF Investment, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

15.4 PROCEDURES FOR 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 RM0.35 for each Issue Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 636**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

OR

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (ii) **DELIVER BY HAND AND DEPOSIT** in the Drop-in Boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan,

and to arrive not later than 5.00 p.m. on 5 December 2023 or by such other time and date specified in any change to the date or time for closing of the application for our Issue Shares.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all of your enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only **Malaysian individuals** may apply for our Issue 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 Electronic Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only **Malaysian individuals** may use the Internet Share Application to apply for our Issue 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.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
- (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at 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.

15.8 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 Issue 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 results of the allocation of Issue Shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my within one (1) Market Day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of our Listing.

In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned to you in full (without any interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in Section 4.3.5 of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

15.9 UNSUCCESSFUL/ PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful/partially successful in your Application, your Application monies will be refunded to you (without any interest) in the following manner.

15.9.1 For applications by way of Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within ten (10) Market Days from the date of the final ballot at your own risk.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (ii) If your Application is rejected because you did not provide a CDS account number or provided an incorrect or incomplete CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within ten (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 the issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within two (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 Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within two (2) Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than ten (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 Institutions will be informed of the unsuccessful or partially successful Applications within two (2) Market Days after the final balloting date. The Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within two (2) Market Days after the receipt of confirmation from the Issuing House.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (i) our IPO Shares allotted to you will be credited to your CDS account.
- (ii) a notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) in accordance with Section 14(1) of the Securities Industry (Central Depositories) Act, 1991 ("**SICDA**"), Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) in accordance with Section 29 of the SICDA, all dealings in our IPO Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Any enquiries in respect of the Applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at +603-7890 4700
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADAs at the telephone number as stated in the list of ADAs as set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. +603-7890 4700 between 5 to 10 Market Days (during office hours only) after the final ballot day.

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