

8. IMR REPORT

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Date: 22 August 2024

The Board of Directors

KHPT Holdings Berhad

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 Kawasan Perusahaan Kebun Baru,
 Batu 9, Kg. Kebun Baru,
 42500 Telok Panglima Garang,
 Kuala Langat, Selangor

Dear Sirs/ Madams,

Independent Market Research Report on the Automotive Industry and Automotive Parts and Components Industry in Malaysia (“IMR Report”)

This IMR Report has been prepared by SMITH ZANDER INTERNATIONAL SDN BHD (“**SMITH ZANDER**”) for inclusion in the Prospectus in conjunction with the listing of KHPT Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad.

The objective of this IMR Report is to provide an independent view of the industry and market(s) in which KHPT Holdings Berhad and its subsidiary (“**KHPT Group**”) operates and to offer a clear understanding of the industry and market dynamics. As KHPT Group is involved in manufacturing and sale of automotive parts and components, the scope of work for this IMR Report will thus address the following areas:

- (i) The automotive industry in Malaysia;
- (ii) The automotive parts and components industry in Malaysia;
- (iii) Key demand drivers, risks and challenges;
- (iv) Competitive landscape; and
- (v) Prospects and outlook.

The research process for this study has been undertaken through secondary or desktop research, as well as detailed primary research when required, which involves discussing the status of the industry with leading industry participants and industry experts. Quantitative market information could be sourced from interviews by way of primary research and therefore, the information is subject to fluctuations due to possible changes in business, industry and economic conditions.

SMITH ZANDER has prepared this IMR Report in an independent and objective manner and has taken adequate care to ensure the accuracy and completeness of the report. We believe that this IMR Report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive. Our research has been conducted with an “overall industry” perspective and may not necessarily reflect the performance of individual companies in this IMR Report. SMITH ZANDER shall not be held responsible for the decisions and/or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies as mentioned in this report.

For and on behalf of SMITH ZANDER:



 DENNIS TAN TZE WEN
 MANAGING PARTNER

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The research for this IMR Report was completed on 20 August 2024.

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About SMITH ZANDER INTERNATIONAL SDN BHD

SMITH ZANDER is a professional independent market research company based in Kuala Lumpur, Malaysia, offering market research, industry intelligence and strategy consulting solutions. SMITH ZANDER is involved in the preparation of independent market research reports for capital market exercises, including initial public offerings, reverse takeovers, mergers and acquisitions, and other fund-raising and corporate exercises.

Profile of the signing partner, Dennis Tan Tze Wen

Dennis Tan is the Managing Partner of SMITH ZANDER. Dennis Tan has over 26 years of experience in market research and strategy consulting, including over 21 years in independent market research and due diligence studies for capital markets throughout the Asia Pacific region. Dennis Tan has a Bachelor of Science (major in Computer Science and minor in Business Administration) from Memorial University of Newfoundland, Canada.

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1 THE AUTOMOTIVE INDUSTRY IN MALAYSIA

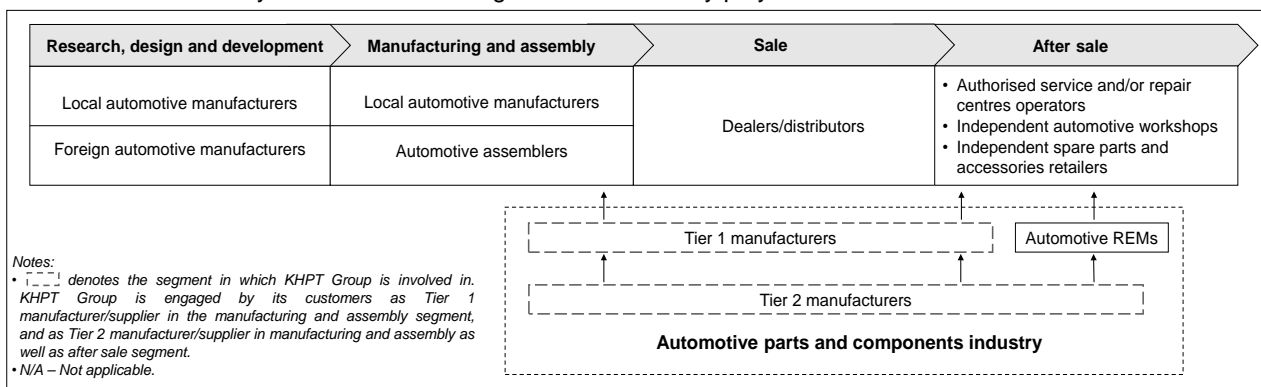
1.1 Introduction and value chain

As of 2023, Malaysia was amongst the top three largest automotive markets in Southeast Asia in terms of production and sales of motor vehicles, along with Indonesia and Thailand.¹ In 1985, Perusahaan Otomobil Nasional Berhad (“Proton”), the first local automotive manufacturer in Malaysia, launched the country’s first local branded car model, namely Proton Saga.² This marked the launch of the manufacturing of the first local completely knocked-down (“CKD”) model. In 1994, Malaysia’s second local automotive manufacturer, Perusahaan Otomobil Kedua Sendirian Berhad (“Perodua”), launched its first model, Perodua Kancil.³

The automotive industry in Malaysia comprises the following industry players:

Industry players	Description
Local automotive manufacturers	Local motor vehicle brand owners who design, develop, manufacture and/or assemble motor vehicles, for example, Proton and Perodua.
Foreign automotive manufacturers	Foreign motor vehicle brand owners who design, develop, and/or assemble motor vehicles, such as Toyota, Honda, Nissan, Mitsubishi, BMW, Mercedes Benz, Audi and Volvo.
Automotive assemblers	Appointed by foreign automotive manufacturers to carry out the assembly of motor vehicles in Malaysia.
Tier 1 manufacturers	Appointed by local and/or foreign automotive manufacturers and/or automotive assemblers for the manufacturing and/or sub-assembly of automotive parts and components.
Tier 2 manufacturers	Engaged by Tier 1 manufacturers for the manufacturing of automotive parts and components.
Dealers/distributors	Appointed by local and/or foreign automotive manufacturers to operate showrooms and sell motor vehicles to the public.
Automotive replacement equipment manufacturers (“REMs”)	Manufacturers and/or suppliers of non-genuine spare parts to independent automotive workshops and spare part retailers.
Authorised service and/or repair centre operators	Owned or appointed by local and/or foreign automotive manufacturers to provide after-sales services such as vehicle servicing, sales of spare parts, as well as repair and painting services for the vehicle models of the respective automotive manufacturers.
Independent automotive workshops	Operate automotive workshops independently from automotive manufacturers to provide vehicle servicing, sales of spare parts, as well as repair and painting services for selected or all vehicle models.
Independent spare parts and accessories retailers	Operate spare parts and/or accessories retail shops independently such as vehicle spare parts, exhaust systems, bodykits and dash cameras as well as providing modification and/or installation services.

The automotive industry value chain involving the above industry players is described as follows:



Notes:
 • [Dashed box] denotes the segment in which KHPT Group is involved in.
 • KHPT Group is engaged by its customers as Tier 1 manufacturer/supplier in the manufacturing and assembly segment, and as Tier 2 manufacturer/supplier in manufacturing and assembly as well as after sale segment.
 • N/A – Not applicable.

Source: SMITH ZANDER

¹ Source: ASEAN Automotive Federation

² Source: Proton company website

³ Source: Perodua company website

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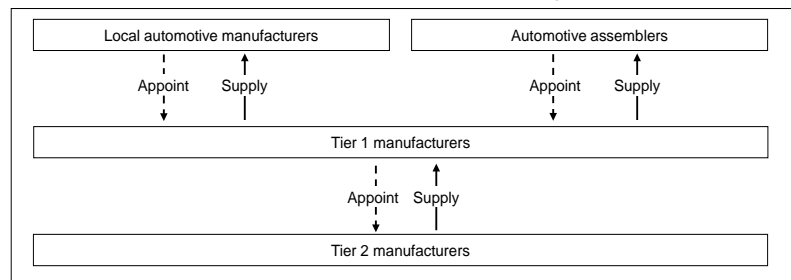
Research, design and development

The automotive industry value chain in Malaysia begins with the research, design and development segment. Local automotive manufacturers carry out research and development activities on latest technologies to enhance current models for facelifts as well as to design and develop new models. Foreign automotive manufacturers typically carry out research, design and development activities in their home countries.

Manufacturing and assembly

Motor vehicles are manufactured and/or assembled by local automotive manufacturers or automotive assemblers using parts and components manufactured in-house as well as parts and components sourced from third party manufacturers (i.e. Tier 1 manufacturers and Tier 2 manufacturers). The relationship between local automotive manufacturers, automotive assemblers, Tier 1 manufacturers, and Tier 2 manufacturers is depicted as follows:

Tier 2 manufacturers manufacture parts and components according to their customers' designs and specifications, which varies for each vehicle brand/model. These parts and components are then supplied to Tier 1 manufacturers for sub-assembly into larger automotive components for onward supply to automotive manufacturers or automotive assemblers. The role of Tier 1 or Tier 2



Source: SMITH ZANDER

manufacturers varies across different vehicle models as well as different parts and components, and it is dependent on the arrangement with the respective Tier 1 manufacturer, local automotive manufacturer or automotive assembler.

Generally, Tier 1 and Tier 2 manufacturers supply parts and components to local automotive manufacturers and automotive assemblers over the long term once they have been identified as qualified suppliers. This is because Tier 1 and Tier 2 manufacturers are required to pass stringent qualification processes with the respective automotive manufacturers and automotive assemblers, whereby they are assessed in various aspects, including manufacturing and technical capabilities, product accuracy and quality consistency, product costing and timeliness of delivery.

Further, local automotive manufacturers, automotive assemblers and Tier 1 manufacturers generally source different parts and components from various Tier 2 manufacturers. Parts and components that are sourced from different Tier 2 manufacturers will then be sub-assembled by Tier 1 manufacturers, automotive manufacturers or automotive assemblers to form larger components such as seats, vehicle bodies, or engines, which will then be used in the manufacturing and assembly of motor vehicles. Hence, it is crucial that parts and components sourced from different Tier 2 manufacturers are of precise measurements to ensure that they are able to be sub-assembled together.

Due to the time-consuming qualification process as well as the stringent requirement in terms of measurements and dimensions, local automotive manufacturers and automotive assemblers maintain long term engagements with their Tier 1 and Tier 2 manufacturers once they are deemed qualified.

Sale

Finished motor vehicles are sold by local and foreign automotive manufacturers to dealers/distributors, who operate showrooms and sell the motor vehicles to end-users.

After-sales

The after-sales segment includes authorised service and/or repair centre operators, independent automotive workshops, as well as independent spare parts and accessories retailers. Authorised service and/or repair centre operators source genuine spare parts and components from Tier 1 manufacturers, who manufacture the genuine spare parts and components in-house or source them from Tier 2 manufacturers. Authorised service and/or repair centre operators owned or appointed by foreign automotive manufacturers may also import genuine spare parts and components that are not manufactured by local Tier 1 or Tier 2 manufacturers. Genuine spare parts and components are identical to the automotive parts and components used in the assembly of motor vehicles, as they are manufactured according to the designs and specifications of the local or foreign automotive manufacturers.

Independent automotive workshops may carry genuine spare parts and components as well as non-genuine spare parts and components; whereas independent spare parts and accessories retailers mainly carry non-genuine spare parts. Non-genuine spare parts and components are manufactured by automotive REMs, hence may not have identical specifications to genuine spare parts.

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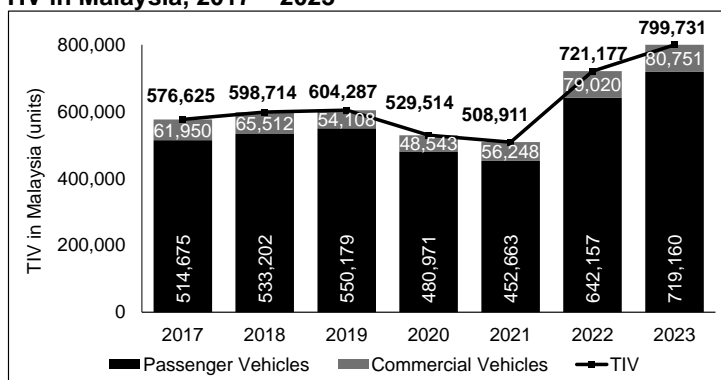
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1.2 Industry performance, size and growth

The growth and outlook of the automotive parts and components industry is driven by the size and growth of the automotive industry. The size of the automotive industry in Malaysia is represented by total industry volume ("TIV"), which refers to new passenger vehicles and commercial vehicles registered in Malaysia. On average, passenger vehicles contributed 89.63% of the TIV in Malaysia from 2017 to 2023, and the remaining 10.37% was contributed by commercial vehicles.

The TIV of the automotive industry in Malaysia increased at a compound annual growth rate ("CAGR") of 2.37% from 576,625 units to 604,287 units from 2017 to 2019. Pursuant to the outbreak of COVID-19 pandemic, the TIV decreased 12.37% year-on-year ("YOY") to 529,514 units in 2020, and further decreased by 3.89% YOY to 508,911 units in 2021. This was mainly due to operational restrictions and shortages of labour faced by the industry during the movement restriction periods. Further, supply chain challenges and rising cost of freight caused shortages of certain automotive parts and components (e.g. semiconductor chips), which in turn disrupted production.

TIV in Malaysia, 2017 – 2023



Sources: Malaysian Automotive Association ("MAA"), SMITH ZANDER

Economic downturns caused by the COVID-19 pandemic also caused a decline in demand as consumers were more prudent in spending. Nevertheless, this impact was cushioned by the sales tax exemption⁴ implemented by the Government which continued to drive sales of passenger vehicles amidst the COVID-19 pandemic.

The TIV recovered by 41.71% YOY to 721,177 units in 2022, supported by the reduction in COVID-19 cases, the transition to endemic phase and fulfilment of order backlogs as production activities normalised. In addition, the recovery of the economy had also stimulated demand. In 2023, the TIV grew by a further 10.89% YOY to 799,731 units, mainly due to fulfilment of pent-up car bookings, resilient domestic economy and improved supply chain environment.

In terms of passenger vehicles, the TIV increased from 514,675 units in 2017 to 550,179 units in 2019 at a CAGR of 3.39%. Pursuant to the outbreak of the COVID-19 pandemic, TIV of passenger vehicles dropped by 12.58% to 480,971 units in 2020, and further decreased by 5.89% to 452,663 units in 2021. Subsequently as operational restrictions were lifted, the TIV of passenger vehicles increased by 41.86% from 452,663 units in 2021 to 642,157 units in 2022, surpassing pre-pandemic levels. In 2023, TIV of passenger vehicles increased further by 11.99% YOY to 719,160 units, which was boosted by favourable economic conditions and new vehicle model launches.

Notwithstanding the all-time high TIV recorded in 2023, the MAA forecasts TIV of the automotive industry in Malaysia to normalise from 799,731 units in 2023 to 765,000 units in 2024, and the TIV of passenger vehicles to also normalise from 719,160 units in 2023 to 696,150 units in 2024. This is mainly due to global economic uncertainties and the anticipated dampening of consumer spending resulting from expectations of rising cost of living. However, the demand for passenger vehicles is expected to be supported by the increasing disposable income of the Malaysian population attributed to economic recovery as well as the car-centric culture in Malaysia moving forward. For more details on the factors supporting the demand for passenger vehicles, please refer to **Chapter 3.1 Key demand drivers** of this IMR Report.

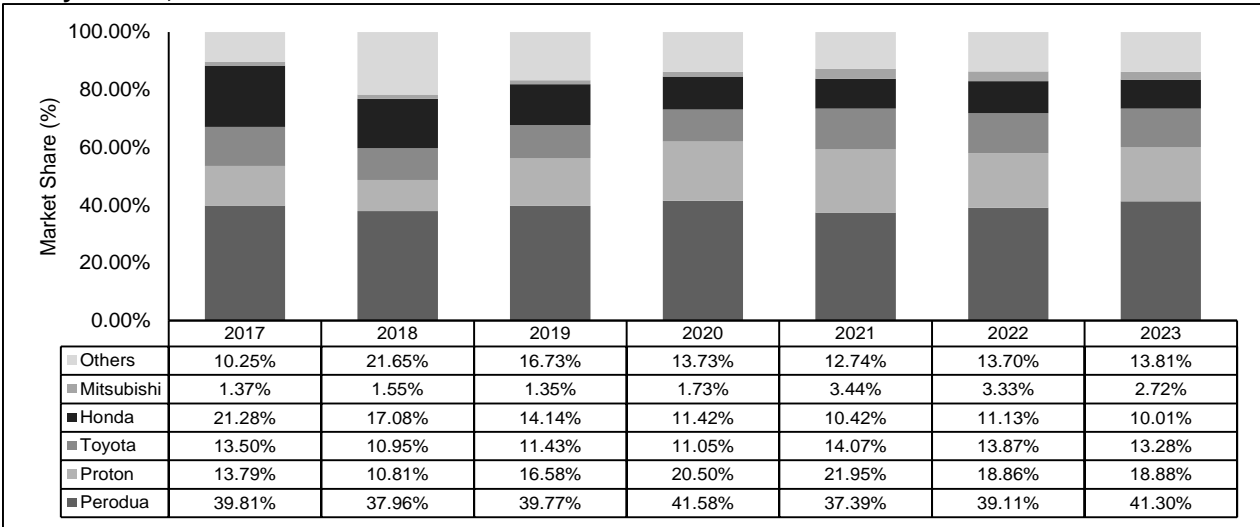
Perodua is the highest selling vehicle brand in Malaysia, with market share by TIV ranging from 37.39% to 41.58%, between 2017 and 2023. On the other hand, prior to 2019, Proton was the third largest contributor (i.e. 13.79% market share) and fourth largest contributor (i.e. 10.81% market share) to the TIV in 2017 and 2018 respectively. In 2019, Proton became the second highest selling vehicle brand when its market share contribution to the TIV increased to 16.58% following the launch of its new X70 model in December 2018. From 2019 to 2023, Proton has maintained its market share as the second largest contributor to the TIV in Malaysia. Collectively, the market share of the local automotive manufacturers, namely Perodua and Proton, increased from 53.60% in 2017 to 60.18% in 2023, dominating the automotive industry in Malaysia.

⁴ In June 2020, the Government introduced 100% sales tax exemption on CKD vehicles and 50% sales tax exemption on completely built-up ("CBU") vehicles which are foreign assembled passenger vehicles, effective from 15 June 2020 to 31 December 2020. The sales tax exemption was later announced to be extended to 30 June 2021, and was then further extended to 31 December 2021. The sales tax exemption was extended for the third time under Budget 2022 to 30 June 2022, where buyers with confirmed bookings made by 30 June 2022 are allowed to enjoy the sales tax exemption with the new passenger vehicles registered by 31 March 2023.

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TIV by brands, 2017 – 2023



Notes:

- Includes both passenger and commercial vehicles as breakdown for passenger vehicles is not publicly available.
- Others comprise Mitsubishi, Nissan, Mazda, Ford, BMW, Mercedes Benz, Audi and Volvo, amongst others.

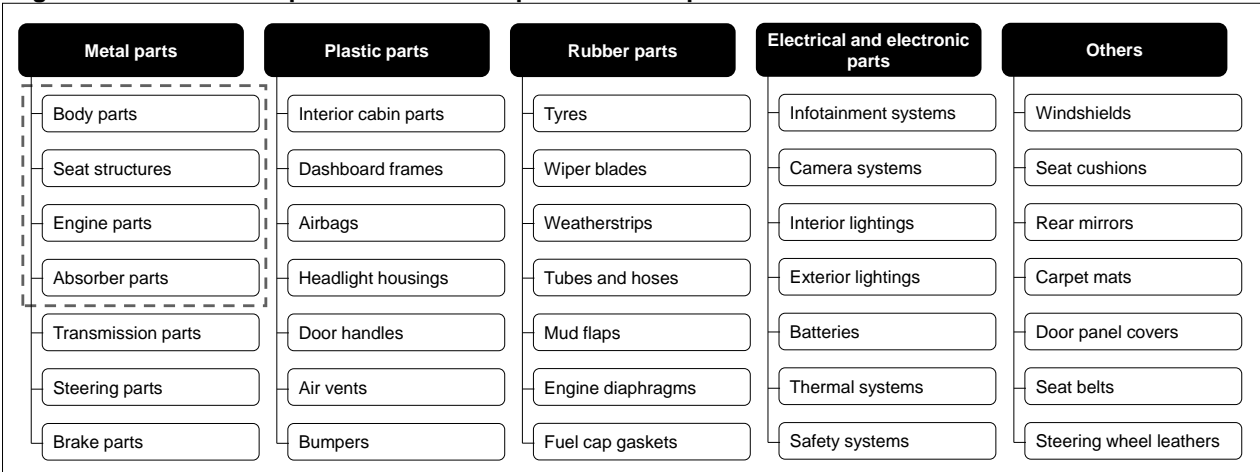
Sources: MAA, SMITH ZANDER

2 THE AUTOMOTIVE PARTS AND COMPONENTS INDUSTRY IN MALAYSIA

2.1 Introduction and segmentation

Automotive parts and components can be broadly segmented into metal parts, plastic parts, rubber parts, electrical and electronic parts and other parts, as follows:

Segmentation and examples of automotive parts and components



Notes:

- The list is not exhaustive.
- [] denotes the segment in which KHPT Group is involved in, namely the manufacturing of metal stamped parts comprising body parts, seat structures, engine parts and absorber parts for passenger vehicles.

Source: SMITH ZANDER

These automotive parts and components are manufactured by industry players (e.g. Tier 1 and Tier 2 manufacturers) and supplied to local automotive manufacturers and automotive assemblers for assembly into motor vehicles. Local automotive manufacturers and automotive assemblers may also manufacture certain automotive parts and components in-house.

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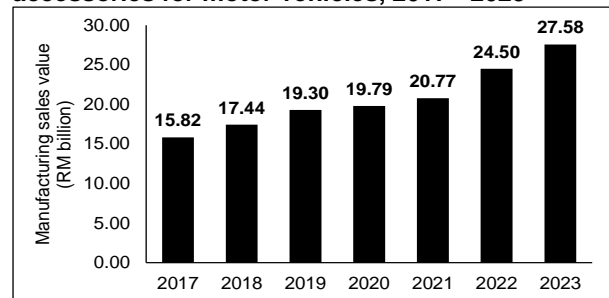
The automotive parts and components industry plays an integral role in supporting the automotive industry, as automotive industry players rely on automotive parts and components industry players for automotive parts and components. According to MIDA, there are approximately 640 automotive parts and components industry players in Malaysia, producing a wide range of parts and components including body parts, engine parts, transmission parts, steering parts, brake parts, seat structures, dashboard frames, interior cabin parts, as well as various rubber parts as well as electrical and electronics parts.

2.2 Industry performance, size and growth

As KHPT Group is involved in the manufacturing and sale of metal automotive parts and components, this section will focus on the performance of the metal automotive parts or components segment of the automotive parts and components industry. The size of metal automotive parts or components segment, in which KHPT Group is involved in, is represented by the manufacturing sales value of metal parts and accessories for motor vehicles⁵.

The manufacturing sales value of metal parts and accessories for motor vehicles increased from RM15.82 billion in 2017 to RM27.58 billion in 2023 at a CAGR of 9.71%. Despite the decline in the TIV in Malaysia in 2020 and 2021 due to operational restrictions, shortages of labour and supply chain disruptions resulting from the COVID-19 pandemic, the manufacturing sales value of metal parts and accessories recorded a CAGR of 3.74% from RM19.30 billion in 2019 to RM20.77 billion in 2021. Although motor vehicles produced and registered in 2020 and 2021 decreased due to shortage of certain automotive parts and components (e.g. semiconductor chips), industry players involved in manufacturing of metal automotive parts and accessories carried on with production to fulfill orders.

Manufacturing sales value of metal parts and accessories for motor vehicles, 2017 - 2023



Sources: Department of Statistics Malaysia ("DOSM"), SMITH ZANDER

In 2022, the manufacturing sales value of metal parts and accessories for motor vehicles increased 17.96% YOY to RM24.50 billion and further increased by 12.57% to RM27.58 billion in 2023. This is attributed to industry players scaling up production to meet the demand from automotive manufacturers and automotive assemblers, with the TIV increasing by 41.71% YOY to 721,177 units in 2022 and 10.89% YOY to 799,731 units in 2023.

The continuous growth of local automotive manufacturers, namely Perodua and Proton, as depicted by their domination of the automotive industry in terms of TIV, is expected to benefit industry players who supply parts and components for the manufacturing or Proton and Perodua vehicles, including KHPT Group.

3 KEY DEMAND DRIVERS, RISKS AND CHALLENGES

3.1 Key demand drivers

► Introduction of new vehicle models and localisation of parts and components drives the automotive parts and components industry

Local automotive manufacturers constantly design and develop new vehicle models as part of their growth strategies to drive sales. Between 2017 and 2023, Proton and Perodua each launched 4 (i.e. Proton X50, Proton X70, Proton X90 and Proton S70) and 2 new vehicle models (i.e. Perodua Aruz and Perodua Ativa) respectively. Further, local automotive manufacturers also continuously carry out research and development activities to enhance their existing vehicle models for facelifts. This may include designing and developing new parts and components to replace older parts and components.

The ongoing design and development activities for new and existing vehicle models lead to the development of new automotive parts and components, which in turn leads to the localisation of automotive parts and components. The sustained demand for new automotive parts and components is expected to continue driving the growth of

⁵ The manufacturing sales value of metal parts and accessories used in the computation of the size of the metal automotive parts or components segment covers all types of metal parts and accessories for motor vehicles, including metal parts and accessories that KHPT Group does not manufacture such as bumpers, cylinder blocks, crankcases, pistons, brakes, gear boxes, steering columns, exhaust pipes, generators, clutches and spark plugs. Further, it also covers commercial vehicles which KHPT Group's automotive parts and components are not used in, as it includes manufacturing sales value of metal parts and accessories for motor vehicles with more than 2 wheels, such as passenger vehicles, commercial vehicles, all-terrain vehicles (ATVs) and motor carts. There is no further breakdown for the manufacturing sales value of parts and accessories for passenger and commercial vehicles, specifically for the automotive parts and components manufactured by the Group.

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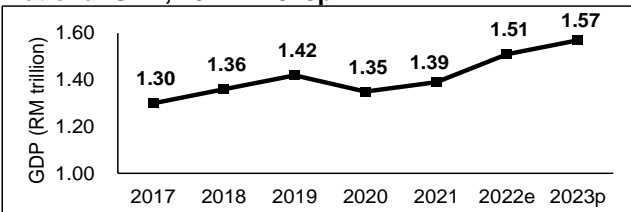


automotive parts and components industry players (e.g. Tier 1 and Tier 2 manufacturers) which supply parts and components for the assembly of vehicles. In addition, the commonisation of automotive parts and components (i.e. the use of same parts and components across different vehicle models) is also expected to drive growth for industry players, as existing manufacturers are expected to continue to be engaged to supply the same parts for new models, due to the stringent and lengthy qualification processes.

► **Economic recovery and increasing disposable income drive the demand for passenger vehicles, in turn driving the automotive parts and components industry**

The gross domestic product (“GDP”) of Malaysia increased at a CAGR of 4.51% from RM1.30 trillion in 2017 to RM1.42 trillion in 2019. In 2020, due to the Government-imposed lockdowns and restricted operations of non-essential businesses as containment measures to curb the COVID-19 pandemic, the GDP decreased 4.93% YOY to RM1.35 trillion. Subsequently, the GDP recovered and grew by 2.96% YOY to RM1.39 trillion in 2021, and by

National GDP, 2017 – 2023p



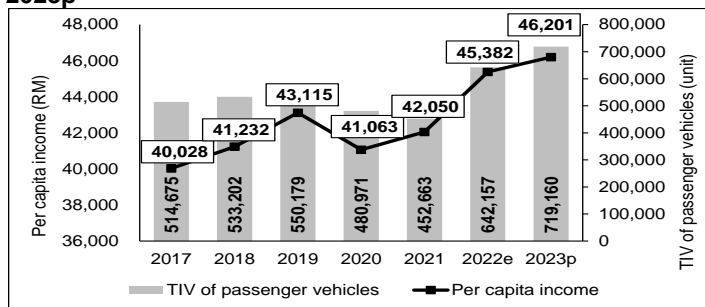
Note: e – estimate; p – preliminary.

Sources: DOSM, SMITH ZANDER

8.63% YOY to RM1.51 trillion in 2022, which exceeded the pre-COVID-19 level of RM1.42 trillion in 2019. In 2023, the national GDP increased by 3.97% YOY to RM1.57 trillion, attributed to increasing domestic demand, successful containment and management of the pandemic as well as the Government’s support on the cost of living.⁶ According to the Ministry of Finance, economic growth is expected to sustain and the national GDP is anticipated to grow at approximately 4.00% to 5.00% in 2024⁷.

Growth in economic conditions is expected to lead to continuous recovery and increase in disposable income. The TIV of passenger vehicles generally moves in tandem with the growth in disposable income as increasing disposable income signifies greater spending power.

Per capita income and TIV of passenger vehicles, 2017 – 2023p



Note: e – estimate; p – preliminary.

Sources: DOSM, MAA, SMITH ZANDER

The disposable income of the Malaysian population, measured by per capita income, increased at a CAGR of 3.78% from RM40,028 in 2017 to RM43,115 in 2019. The TIV for passenger vehicles also increased, at a CAGR of 3.39%, from 514,675 units in 2017 to 550,179 units in 2019.

In 2020, per capita income decreased 4.76% YOY to RM41,063, in line with the adverse impacts on the economy due to the COVID-19 pandemic. Similarly, the TIV of passenger vehicles also decreased, by 12.58%, to 480,971 units in 2020. Following which, per capita income recovered by 2.40% to RM42,050 in 2021.

Despite the recovery in per capita income, the TIV for passenger vehicles dropped by 5.89% to 452,663 units due to operational restrictions, shortages of labour, as well as supply chain challenges. Further, uncertainties caused by the COVID-19 pandemic may have also resulted in more cautious spending. In 2022, per capita income recovered further by 7.92% to RM45,382, and subsequently increased 1.80% YOY to RM46,201 in 2023. In line with the increasing trend of per capita income, the TIV of passenger vehicles recorded YOY growth of 41.86% to 642,157 units and 11.99% to 719,160 units in 2022 and 2023 respectively.

► **Car-centric culture in Malaysia drives the growth of the automotive industry, which in turn benefits automotive parts and components manufacturers**

Malaysia has a car-centric culture as people generally prefer to own and drive their own vehicles. In 2021, there was a total of 15.81 million cars on the road in Malaysia.⁸ This could be due to:

- i. Affordable fuel – Certain grades of petrol and diesel are subsidised by the Malaysian Government to shield Malaysians against high crude oil prices, allowing more Malaysians to afford and enjoy lower-priced fuel.

⁶ Source: Economic Outlook 2023

⁷ Source: Economic Outlook 2024

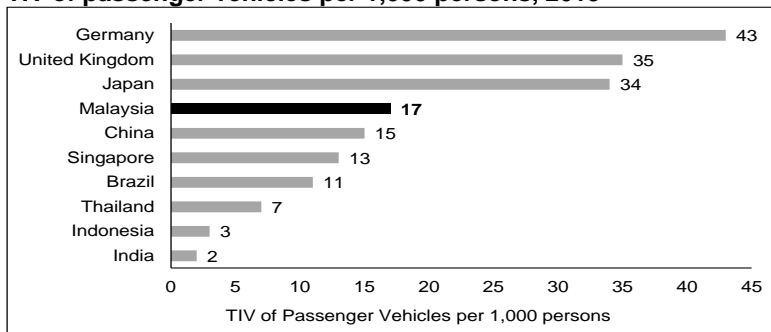
⁸ Source: Road Transport Department

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- ii. Comfort of driving – People are able to enjoy personal space while driving as public transport tends to be crowded during peak hours.

In addition, certain consumer segments deem owning vehicles as representation of financial wellbeing, as well as symbol of wealth and social status. Automotive manufacturers and their dealers/distributors leverage on the car-centric culture in Malaysia to promote car-buying through marketing activities such as roadshows, advertisements and festive season promotions, as well as extended warranties and/or free after-sales service to attract buyers.

The car-centric culture in Malaysia is represented by the TIV of new passenger vehicles per 1,000 persons in 2019 as compared to other selected countries. In view of the impact caused by the COVID-19 pandemic to the demand for passenger vehicles, TIV of new passenger vehicles in 2019 is used in the comparison of car ownership across the different countries.

TIV of passenger vehicles per 1,000 persons, 2019

Sources: Various associations and databases⁹, SMITH ZANDER

In 2019, Malaysia recorded approximately 17 new passenger vehicles sold per 1,000 persons. Other Southeast Asian countries such as Singapore, Thailand and Indonesia recorded approximately 13, 7, and 3 new passenger vehicles sold per 1,000 persons respectively. In other developing countries such as China, Brazil and India, there were approximately 15, 11 and 2 new passenger vehicles sold per 1,000 persons in 2019 respectively.

On the other hand, TIV of new passenger vehicles per 1,000 persons in developed countries such as, Germany, United Kingdom and Japan were recorded at approximately 43, 35 and 34 respectively. As shown above, car ownership in Malaysia is relatively higher than its peers in Asia, which demonstrates the car-centric culture in Malaysia.

► Government initiatives to drive the automotive industry

The automotive industry is one of the sectors which the Government focuses on to drive the economy of the country. The Government has introduced various incentives to attract foreign automotive manufacturers to set up plants in Malaysia. Amongst others, the Government has announced full excise duty and sales tax exemptions on CKD electric vehicles ("EV") up to 31 December 2027, as well as full import duty and excise duty exemptions on CBU EV up to 31 December 2025. Excise duty exemption on EV helps reduce cost for EV assemblers, hence is expected to attract foreign automotive manufacturers to expand their operations in Malaysia. Further, sales tax exemption on EV could help to boost local demand for EV, which could in turn drive the growth of the automotive industry. Increase in foreign direct investments in the EV sector as well as greater demand for EV could create greater need for automotive parts and components, which will benefit industry players, particularly those involved in manufacturing parts and components that are used in EV and non-EV (i.e. internal combustion engine) vehicles, which includes parts and components such as seats and seat structures, body parts and absorber parts.

In addition, to maintain the competitiveness of the automotive industry of Malaysia in the global markets, the Government has introduced the National Automotive Policy 2020 ("NAP 2020") to enhance the digital industrial transformation, development and implementation of Industry Revolution 4.0 ("IR 4.0") in the Malaysian automotive industry from 2020 to 2030. The strategies announced in the NAP 2020 to support the transformation to IR 4.0 include expanding soft loan schemes to support supply chain activities, as well as leading automotive parts and components manufacturers towards smart manufacturing by establishing relevant training programmes. The initiatives under the NAP 2020 are expected to enhance operational efficiency which in turn reduces the cost of producing components with the use of IR 4.0 technologies, as well as to help industry players to remain competitive in the pursuit of high-quality parts and components.

⁹ Comprise ASEAN Automotive Federation, DOSM, German Association of the Automotive Industry, International Organization of Motor Vehicle Manufacturers, Japan Automobile Manufacturers Association, MAA, and The World Bank.

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3.2 Key industry risks and challenges

► **The automotive parts and components industry is dependent on the performance of the automotive industry**

The growth of the automotive parts and components industry is reliant on the performance of the automotive industry. The performance of the automotive industry generally correlates to economic conditions, as the wellbeing of the economy affects the demand for automobiles. In 2020, the national GDP and per capita income decreased by 4.93% and 4.76% YOY respectively, in line with effects from the COVID-19 pandemic. Similarly, the TIV of passenger vehicles also decreased by 12.58% YOY in 2020. Please refer to **Chapter 3.1 Key demand drivers** of this IMR Report for further details on the relationship between per capita income and TIV of passenger vehicles. In the event that the economy experiences a decline, the demand for passenger vehicles may reduce. Such negative impact to the performance of automotive industry may negatively affect the automotive parts and components industry.

The automotive industry can also be adversely impacted by unexpected events or disruptions such as outbreak of diseases, such as the COVID-19 pandemic, which may lead to lockdowns. Further, lockdowns may also cause disruptions to business operations of automotive industry players, which may cause negative impacts on automotive parts and components industry players.

► **The automotive industry as well as the automotive parts and components industry face risks arising from political, economic, social and regulatory changes**

The performance of the automotive industry as well as automotive parts and components industry are exposed to any uncertainties in the political, economic, social and legal environment in the country. Events such as changes in political leadership, terrorisms, wars, strikes, riots, changes in tax policies, amongst others, could lead to adverse impacts on the operations of industry players, hence negatively affecting their business and financial performances. Further, any introduction and implementation of new regulations governing the automotive industry or automotive parts and components industry may also affect the operations of industry players.

In addition, any uncertainties arising from political, economic, social and regulatory changes may also cause consumers to be more cautious with their spendings, which could lead to reduce in demand for high-priced goods, including automobiles. This may in turn cause negative impacts on the financial performance of industry players.

► **Competition from other industry players**

Automotive parts and components industry players compete with other industry players in terms of technical capabilities, manufacturing capacities, pricing, quality of products and services, as well as delivery timing. Industry players generally compete with each other during tendering stage. Local automotive manufacturers and automotive assemblers typically continue to engage automotive parts and components industry players that have been identified as qualified suppliers for a period of time due to the time-consuming qualification process. As such, it is important for industry players to remain competitive in order to successfully secure sales from their customers (i.e local automotive manufacturers and automotive assemblers). Failure to constantly remain competitive can cause industry players to lose their abilities to retain existing customers or secure new customers, hence affecting their business and financial performances.

4 COMPETITIVE LANDSCAPE

4.1 Overview

This section will focus on the metal stamping segment of the automotive parts and components industry in Malaysia as KHPT Group is principally involved in the manufacturing and sale of metal stamped automotive parts and components in Malaysia.

Industry players in the metal stamping segment of the automotive parts and components industry generally compete in terms of technical capabilities, manufacturing capacities, pricing, quality of products and services and delivery timing. Industry players who have strong technical capabilities in understanding and meeting customers' specifications have competitive advantage as they are able to modify and adapt their manufacturing processes to ensure that the automotive parts and components manufactured are of high quality and in accordance to customers' requirements. Further, the technical capability in process engineering also increases the competitiveness of industry players as it allows them to add value to their customers by helping their customers achieve cost efficiencies.

8. IMR REPORT (Cont'd)

SMITH ZANDER

The metal stamping segment of the automotive parts and components industry is competitive with substantial barriers to entry. Industry players are required to go through qualification processes with their customers in various aspects, such as technical capabilities, manufacturing capacities, product consistency and product costing, prior to being appointed by their customers. These qualification processes are stringent and lengthy, hence customers will generally continue to engage with manufacturers that they have qualified to ensure consistency in quality and delivery. Automotive parts and components industry players also require high initial capital for the purchase of machinery and equipment. Further, investments are also required for the design, development and manufacture of moulds and dies, which are required in metal stamping processes where flat metal sheets are pressed against the moulds and dies to form the required shapes and dimensions.

4.2 Key industry players

The basis for selection of key industry players in the automotive parts and components industry that compete with KHPT Group is based on the following criteria:

- Companies involved in the manufacturing of metal-stamped seat structures, car body parts or other metal parts, and
- Companies which recorded more than RM30.00 million in revenue based on their respective latest available financial years.

Company ⁽ⁱ⁾	Examples of metal parts and components supplied	Latest available financial year	Revenue ⁽ⁱⁱ⁾ (RM million)	Gross profit / (loss) margin (%)	Profit / (loss) after tax margin (%)
EP Manufacturing Berhad ⁽ⁱⁱⁱ⁾	Cross member, dash panel, door panel, car lamps, suspension, and other metal parts	31 December 2023	650.11	10.33	3.11
Ingress Technologies Sdn Bhd ^(iv) (subsidiary of Ingress Corporation Bhd ^(v))	Front-end module, floor module assembly, body lower back, panel assembly, cross beam, and other metal parts	31 January 2024	288.05	8.23	3.40
Autokeen Sdn Bhd ^(iv)	Body parts and other metal parts	30 June 2023	265.58	4.02	1.20
Erect Engineering Pressworks Sdn Bhd	Body parts and other metal parts	31 March 2023	228.22	13.25	2.84
LSF Technology Sdn Bhd	Door hinge side, roof side rail, roof centre, windshield header, centre body pillar, and other metal parts	31 December 2022	226.79	7.11	1.53
Industrial Quality Management Sdn Bhd ^(iv)	Panel rear end assembly, front deck assembly, pedal clutch, pedal assembly brake module, and other metal parts	31 March 2023	189.62	10.04	1.32
United Vehicles Industries Sdn Bhd	Cross member assembly, floor cross, bracket oil filter, bracket air cleaner, member front panel, and other metal parts	28 February 2023	139.19	13.03	6.84
KHPT Holdings Berhad	Body parts, seat structures and other parts (i.e. engine parts and absorber parts)	31 December 2023	114.08	12.39	4.85
Y&L Metal Components Sdn Bhd	Safety belt, automotive frame, car seat rail, automotive board mounting, automotive exhaust, and other metal parts	31 July 2023	58.96	32.72	16.57
Namicoh Suria Press Sdn Bhd (formerly known as Anshin Precision Industries Sdn Bhd)	Seat structures and other metal parts	31 December 2023	56.57	7.81	(1.63)
Burnmark Industries Sdn Bhd ^(iv)	Cross member assembly, panel body lower back inner, lid assembly fuel filler opening, brake and acceleration pedal module, and other metal parts	31 December 2023	55.43	14.78	3.14
S.A. Networks Technical Industries Sdn Bhd	Seat structures and other metal parts	31 December 2022	52.84	5.58	0.98
Dermaga Sari Holdings Sdn Bhd	Body parts and other metal parts	31 December 2022	38.11	9.45	1.10
Aureumaex Industries (M) Sdn Bhd	Seat structures and other metal parts	31 December 2022	35.09	1.71	(30.78)

8. IMR REPORT (Cont'd)

SMITH ZANDER

Notes:

- (i) An industry player can be a Tier 2 manufacturer in certain arrangements (i.e. appointed by a Tier 1 manufacturer), and the same industry player can be a Tier 1 manufacturer in other arrangements (i.e. appointed directly by a local automotive manufacturer or automotive assembler).
- (ii) Revenue of industry players may include revenue derived from other business activities (i.e. business activities other than the manufacturing of metal-stamped seat structures, car body parts or other metal parts) and/or revenue derived from countries outside Malaysia.
- (iii) Listed on the Main Market of Bursa Malaysia Securities Berhad.
- (iv) These companies are customers of KHPT Group. Despite being KHPT Group's customers, these companies are deemed industry players that compete with KHPT Group due to their involvement in the manufacturing of metal stamped automotive parts and components either as Tier 1 manufacturers or Tier 2 manufacturers.
- (v) Ingress Corporation Bhd was listed on the Main Market of Bursa Malaysia Securities Berhad, and was subsequently delisted from Bursa Malaysia Securities Berhad in 2013 through a privatisation exercise. Ingress Industrial (Thailand) Public Company Limited, a subsidiary of Ingress Corporation Bhd, is listed on the Stock Exchange of Thailand.
- Latest available as at the date of research completion.
 - The identified key industry players include all industry players that were identified by SMITH ZANDER based on sources available, such as the internet, published documents and industry directories. However, there may be companies that do not have online and/or published media presence, or are operating with minimal public advertisement, and hence SMITH ZANDER is unable to state conclusively that the list of industry players identified is exhaustive.

Sources: KHPT Group, various company websites, Companies Commission of Malaysia, SMITH ZANDER

4.3 Market share

KHPT Group captured a market share of approximately 0.41%, computed based on its revenue of RM114.08 million in the FYE 2023 against the manufacturing sales value of metal parts and accessories for motor vehicles of RM27.58 billion in Malaysia in 2023.¹⁰

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¹⁰ There is no further breakdown for the manufacturing sales value of metal parts and accessories for passenger and commercial vehicles, specifically for the automotive metal parts and components manufactured by the Group. Hence, the market share of the Group specifically against metal parts and accessories for passenger vehicles manufactured by the Group cannot be determined.

5 PROSPECTS AND OUTLOOK

The Malaysian automotive industry, represented by TIV, recorded a CAGR of 2.37% from 576,625 units in 2017 to 604,287 units in 2019. The TIV decreased 12.37% YOY to 529,514 units in 2020, and further decreased by 3.89% YOY to 508,911 units in 2021 pursuant to the outbreak of COVID-19 pandemic. The TIV recovered by 41.71% YOY to 721,177 units in 2022, and subsequently increased by 10.89% YOY to 799,731 units in 2023. This was mainly due to the transition to endemic phase, fulfilment of pent-up car bookings, resilient domestic economy as well as improved supply chain environment. The automotive industry is expected to normalise in 2024 after recording an all-time high TIV in 2023. MAA forecasts the TIV of the automotive industry to normalise from 799,731 units in 2023 to 765,000 units in 2024, and the TIV of passenger vehicles to also normalise from 719,160 units in 2023 to 696,150 units in 2024.

In terms of the automotive parts and components industry, the manufacturing sales value of metal parts and accessories for motor vehicles increased from RM15.82 billion in 2017 to RM27.58 billion in 2023 at a CAGR of 9.71%. In view of the anticipated normalisation of TIV in Malaysia in 2024, SMITH ZANDER forecasts the manufacturing sales value of metal parts and accessories for motor vehicle to be registered at RM26.78 billion in 2024. Moving forward, the growth of the automotive industry as well as the automotive parts and components industry is expected to be driven by the following:

► **Introduction of new vehicle models and localisation of parts and components**

Continuous design and development activities of local automotive manufacturers for new as well as existing vehicle models lead to the sustained demand for new automotive parts and components, which is expected to drive the growth of automotive parts and components industry players (e.g. Tier 1 and Tier 2 manufacturers).

► **Economic recovery and increasing disposable income**

The improving economic conditions in Malaysia is expected to lead to continuous recovery and increase in disposable income of the Malaysian population. Per capita income in Malaysia increased at a CAGR of 3.78% from RM40,028 in 2017 to RM43,115 in 2019. In 2020, per capita income decreased 4.76% YOY to RM41,063, in line with the adverse impacts on the economy arising from the COVID-19 pandemic. Following which, per capita income recovered by 2.40% to RM42,050 in 2021. In 2022, per capita income recovered further by 7.92% to RM45,382, and subsequently increased 1.80% YOY to RM46,201 in 2023. Further, according to the Ministry of Finance, economic growth is expected to sustain and the national GDP is anticipated to grow at approximately 4.00% to 5.00% in 2024. The anticipated growth of the general economy is expected to lead to higher disposable income, hence driving the demand for high-priced goods, including passenger vehicles. This will in turn drive the growth of automotive as well as automotive parts and components industry players.

► **Car-centric culture in Malaysia**

Malaysia recorded 17 new passenger vehicles sold per 1,000 persons in 2019, which was relatively higher than its peers in Asia, such as, amongst others, China (15 new passenger vehicles sold per 1,000 persons), Singapore (13 new passenger vehicles sold per 1,000 persons), Thailand (7 new passenger vehicles sold per 1,000 persons) and Indonesia (3 new passenger vehicles sold per 1,000 persons). This reflects the car-centric culture in Malaysia, as Malaysians generally prefer owning cars due to the affordability of fuel, the comfort of driving, as well as the perception of car ownership as a symbol of financial wellbeing. This is expected to sustain the demand for passenger vehicles, hence driving the growth of automotive as well as automotive parts and components industry players.

► **Government initiatives to drive the automotive industry**

The Malaysian Government has introduced and implemented various initiatives to drive the automotive industry as well as the automotive parts and components industry. This includes, amongst others, full excise duty and tax exemptions on CKD EV, full import duty and excise duty exemptions on CBU EV, as well as the NAP 2020 to enhance digital industrial transformation by providing soft loan schemes and relevant training programs. These initiatives are expected to drive the demand for EV in the local markets and provide growth opportunities to automotive industry as well as automotive parts and components industry players.

9. RISK FACTORS

YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING KEY RISK FACTORS WHICH MAY HAVE A MATERIAL ADVERSE IMPACT ON OUR BUSINESS OPERATIONS, FINANCIAL POSITION AND THE FUTURE PERFORMANCE OF OUR GROUP, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE INVESTING IN OUR COMPANY.

9.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

9.1.1 We are dependent on our major customers who contributed substantially to our Group's revenue

We are dependent on our top 4 major customers in the Financial Periods Under Review, namely Customer Group A, Ingress Technologies Sdn Bhd, PHN Companies and Autokeen Sdn Bhd, who collectively contributed substantially to our Group's revenue at 90.17%, 88.87%, 90.24% and 90.08% in the Financial Periods Under Review. If any one of these customers ceases to engage us, we may experience a significant reduction in sales, which could result in a loss of revenue, given that we may not be able to replace these customers with new customers or with additional sales from existing customers in a timely manner. Nevertheless, our existing customers do not impose any restrictions on our business engagements with other customers.

Although Customer Group A, Ingress Technologies Sdn Bhd, PHN Companies and Autokeen Sdn Bhd issued letters of intent/ letters of appointment⁽¹⁾ to appoint us as their appointed suppliers, they purchase parts and components from us by purchase orders. Generally:

- (i) there is no specific duration or due date specified in the letters of intent/ letters of appointment and we will continue supplying them with the parts and components as per their respective purchase orders to support the assembly activities by the local automotive manufacturers; and
- (ii) in our agreements with Subsidiary 2 of Customer Group A and with PHN, we are required to continue supplying the parts and components for up to 10 years after the respective vehicle models are discontinued in the market ("**Discontinued Vehicles**"). As at the LPD, none of the agreements for the Discontinued Vehicles with our customers will reach the 10th year within the next 12 months.

While we have not experienced any termination of letters of intent/ letters of appointment granted to us or any termination of business relationship whereby these 4 major customers stop purchasing from us for parts and components used in vehicle models that are still actively being sold in the market, there is no assurance that we will be able to continuously maintain our relationships with these 4 major customers or secure sales to supply more parts and components to them in the future. Any loss of these major customers and our inability to replace these major customers with new customers or with additional orders from existing customers in a timely manner, could result in a loss of revenue and will have an adverse impact on our Group's financial performance.

Our ability to continue maintaining our relationship with, and securing sales from, these 4 major customers are dependent on several factors including, amongst others, our ability to meet these major customers' specifications and requirements, competitive pricing, timely delivery of products, as well as continued customer service. Please refer to Section 7.13 of this Prospectus for further information on the steps taken to ensure we are able to meet our customers' quality requirements and fulfil their orders in timely manner.

Note:

- (1) *The scope of these letters of intent/ letters of appointment includes undertaking by AGSB, payment terms, product quality and termination/events of default. Please refer to Section 7.15 of this Prospectus for the salient terms of these letters of intent/ letters of appointment.*

9. RISK FACTORS (Cont'd)

9.1.2 We are dependent on the availability of technical personnel

Our Group is dependent on the availability of technical personnel for the design and manufacturing processes of our parts and components. As at the LPD, we have 12 technical personnel whereby 7 are involved in dies solution services and process engineering and 5 are involved in quality assurance. Our technical personnel generally have academic backgrounds (i.e. diploma or degree) in the engineering field, and/or prior working experience in the engineering field. Further, amongst the 12 technical personnel, 2 are foreign employees. Notwithstanding this, we are not dependent on foreign employees for any certain technical background and qualifications.

Our technical personnel's expertise in dies solution services and process engineering as well as their in-depth industry knowledge, allow us to adapt to changing requirements quickly by developing or adjusting our manufacturing processes and techniques accordingly whilst maintaining the quality of our products, which is one of the key factors driving our business growth over the years.

We compete with other industry players within the automotive parts and components manufacturing industry to recruit and retain qualified, competent and experienced technical personnel. The loss of a substantial number of our Group's technical personnel (simultaneously or within a short span of time) without suitable and timely replacements, or our inability to attract or retain qualified, competent and experienced technical personnel, may adversely affect our ability to compete and grow in the automotive parts and components manufacturing industry.

Although we have not previously faced any shortage of technical personnel that led to major disruptions to our operations, there can be no assurance that we will be able to recruit, develop and retain adequate number of technical personnel to support the future growth and expansion of our Group.

9.1.3 We are exposed to the risk of shortages and/or delays in the supply of raw materials

The primary raw materials used in our manufacturing activities are steel coils and steel cut sheets with purchase contributions of 93.89%, 96.36%, 96.04% and 96.71% to our Group's total purchases respectively, in the Financial Periods Under Review. Please refer to Section 7.9 of this Prospectus for the breakdown of our purchases for the Financial Periods Under Review.

The nature of our operations requires us to obtain sufficient quantities of raw materials in timely manner to continue our operations and meet the demand from our customers, in order to avoid production downtime to our customers' operations which may affect the supply chain of the final production of complete vehicles. We rely on local steel suppliers who are the approved steel suppliers of our customers, as well as some of our major customers who are also our steel suppliers, for the supply of steel coils and steel cut sheets. Please refer to Section 7.9 of this Prospectus for the details of our raw materials procurement arrangements. While these raw materials are generally readily available, there can be no assurance that there will not be any shortages and/or delays in the supply of raw materials from our steel suppliers due to unforeseen reasons such as unexpected disruptions at the approved local steel suppliers' premises, disruptions to the delivery of raw materials to our TPG Factory, and/or general shortage of the relevant raw materials in the market.

While we have not encountered any shortages and/or delays in the supply of raw materials in the Financial Periods Under Review and up to the LPD, there is no assurance that such incident will not occur in the future. Any prolonged shortages and/or delays in the supply of raw materials may affect our business operations. Further, there is also no assurance that we will be able to obtain raw materials at similar specifications from other steel suppliers that are approved by our customers in a timely manner. In the event that our manufacturing operations are disrupted due to shortages and/or delays in the supply of raw materials, it may adversely affect our business operations as well as cause delays in supplying parts and components to our customers.

9. RISK FACTORS *(Cont'd)*

9.1.4 Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire, natural disasters and outbreak of infectious diseases, which may be beyond our control

We rely on a range of machinery and equipment to perform manufacturing activities of automotive parts and components as well as dies and jigs. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. Our business is also subject to loss due to events that are beyond our control such as fire, which may cause damage or destruction of the whole or part of our factory as well as machinery and equipment, resulting in interruptions to, or prolonged suspension of, our operations.

Further, our business operations may also be affected by the occurrence of unexpected power failure and adverse weather conditions or natural disasters such as floods or storms, which may lead to interruptions to the operations at our factory and/or damages to our machinery and equipment. The occurrence of these unexpected events may affect our ability to meet the agreed upon delivery schedule with our customers. This could adversely affect our relationship with our customers and our reputation in the market as well as our business and financial performance.

In addition, the outbreak of the COVID-19 pandemic had resulted in imposition of different forms of movement restrictions by the Government in 2020 and 2021, as a containment measure to curb the spread of the virus, which had led to disruptions and/or temporary suspension of our Group's business activities. Further, our operations were temporarily closed for several days in April 2021 as required by KKM due to 94 COVID-19 positive cases reported at TPG Factory. Please refer to Section 7.6.1 of this Prospectus for further information on the impact of COVID-19 pandemic on our operations and financial performance. Should there be a future outbreak of infectious disease similar to the COVID-19 pandemic, there is no assurance that our business operations and financial performance will not be adversely and materially affected.

For the Financial Periods Under Review and up to the LPD, saved for COVID-19 pandemic, we have not experienced any incident of unanticipated machinery and equipment failures, fires and natural disasters, which would have led to major interruptions in our operations. However, there can be no assurance that such incidences will not happen in the future. In the event that any of these incidences occurs, it may result in interruptions to our operations and thus adversely affect our business operations and financial performance.

In the event that we have to halt our operations due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time.

9.1.5 We may not be able to successfully implement our future plans and business strategies

We plan to grow our Group's business through our future plans and business strategies as follows:

- (i) We intend to expand our manufacturing capacity by setting up a new automated body parts production line;
- (ii) We will renovate our TPG factory to accommodate the installation of new machinery and equipment; and
- (iii) We intend to purchase an additional overhead crane to accommodate our expansion in manufacturing capacity.

In order to successfully implement these future plans and business strategies, we are required to purchase additional press machines, automation equipment and overhead crane as well as renovate our TPG factory. Please refer to Section 7.12 of this Prospectus for further details of our future plans and strategies.

9. RISK FACTORS *(Cont'd)*

The execution of our business strategies is also subject to additional expenditures including operational expenditures and other working capital requirements. Such additional expenditure will increase our Group's operational cost including overhead costs, which may adversely affect our profit margin if we are unable to sustain sufficient revenue by securing more sales following the implementation of our business strategies. Furthermore, the implementation of our business strategies may be influenced by factors beyond our control, such as changes in general market conditions, economic climate as well as political environment in Malaysia, which may affect the commercial viability of our business strategies. The implementation of our business strategies could also be adversely affected by a variety of other factors such as more efficient manufacturing process adopted by our competitors or attractive pricing offered by our competitors, which may affect the attractiveness of our offerings.

Hence, there can be no assurance that the effort and expenditures spent on the implementation of our business strategies will yield the expected results in growing our business in terms of financial performance and market presence. We are also not able to guarantee that we will be successful in executing our business strategies, nor can we assure that we will be able to anticipate all the business, operational and industry risks arising from our business strategies. Such failure may lead to adverse effect on our business operations and financial performance.

9.1.6 We are dependent on our Group Managing Director and Key Senior Management team for continued success and growth of our business

The future growth and continued success of our Group largely depends on the continuous contribution and involvement of our Group Managing Director and Key Senior Management team. Our Group Managing Director, Datin Eloise, who has 21 years of industry experience, is responsible in steering the overall strategic direction of our Group. With her experience as well as technical and industry knowledge in the automotive parts manufacturing industry and our business, she plays a pivotal role in formulating and implementing business strategies and policies to drive the future development and growth of our Group. Further, our Key Senior Management team is equipped with the relevant knowledge and skills in their respective fields of work to ensure smooth operation of our business. Please refer to Sections 5.1.3 (i) and 5.5.2 of this Prospectus for the profiles of our Group Managing Director and Key Senior Management team.

We recognise that our Group's continued success and future growth depend significantly on the capabilities and efforts of our Group Managing Director and Key Senior Management team. Therefore, the loss of any of our Group Managing Director and Key Senior Management team (simultaneously or within a short period of time) may have an unfavourable impact on our Group's operations and the future growth of our business. If we are unable to attract suitable talents to replace the loss of any of our Group Managing Director and Key Senior Management team in a timely manner, this may affect the results of operations, financial performance and prospects of our Group.

9.1.7 We are dependent on the availability of manual labour to support our manufacturing activities

We are dependent on the availability of manual labour, including foreign workers to carry out our manufacturing activities. As at the LPD, we have 150 production workers, out of which 135 are contractual foreign workers and 15 are permanent local workers. All our contract foreign workers have valid working permits, which are renewed annually. Please refer to Section 7.21 of this Prospectus for further details on our employees and foreign workers.

On 22 June 2020, the Human Resources Minister announced a hiring freeze on foreign workers with the aim to create more job opportunities for the local workforce in view of the adverse impact from the COVID-19 pandemic which caused high unemployment in the country. Since then, there were several extensions implemented on the hiring freeze. Based on the latest publicly available news published on 31 January 2024, the Government has further extended the freeze on the hiring of foreign workers, where the tenure of the extension will be announced on a later date. Nevertheless, as at the LPD, our Group was not affected by this hiring freeze as we have sufficient workforce to support our manufacturing activities during this hiring freeze period.

9. RISK FACTORS (Cont'd)

In addition, as disclosed in Note (3) in Section 7.16 of this Prospectus, AGSB is required to comply with the conditions of the manufacturing licence for manufacturing of metal stamped parts at TPG Factory in regard to the total workforce of AGSB which shall comprise at least 80% Malaysians by 31 December 2024. During this period when our Group is working to meet the requirement of 80% Malaysian workforce, the continued extensions to the hiring freeze of foreign workers may still lead to interruptions to our business operations if we are unable to hire workers to support our business operations. This may consequently cause delays in product delivery and result in production downtime to our customers' operations, which in turn lead to incurrences of charges by our customers that may affect our financial performance and reputation.

9.1.8 Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. As at the LPD, our Group's material insurance coverage are as follows:

No	Material insurance coverage	Aggregate coverage amount (RM)
1.	Fire	30,496,195
2.	Burglary	200,000
3.	Public liability	3,000,000 ⁽¹⁾
4.	Employers' liability	1,000,000
5.	Fidelity Guarantee	100,000
6.	Vehicle (Private Car)	215,000
7.	Vehicle (Commercial Car)	451,000
8.	Money	35,000

Note:

(1) Any one accident.

However, our insurance may not be adequate to cover all losses or liabilities that might be incurred in our operations as a result of any unforeseen circumstances. For example, while we are insured against losses resulting from liabilities as mentioned above, we do not maintain insurance against losses at TPG Factory from the occurrence of natural disasters, wars and acts of terrorism as we consider the likelihood of these events occurring to be remote.

Moreover, we will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance.

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9. RISK FACTORS (Cont'd)**9.1.9 We are exposed to credit risks and default payment by customers**

We generally grant our customers a credit period of 30 days to 90 days upon the delivery of goods. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Further, it may also lead to impairment losses on financial assets or writing-off of trade receivables as bad debts, which may adversely affect our financial performance.

Our net impairment (losses)/gains on financial assets for the Financial Periods Under Review were as follows:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Net impairment losses/(gain) on financial assets	-	369	(260)	-

Please refer to Section 12.3.2 (vi) of this Prospectus for further details on impairment losses on financial assets.

For the Financial Periods Under Review and up to the LPD, we have not experienced any default payment by customers which led to writing-off of trade receivables as bad debts. However, we had bad-debts written off in the Financial Periods Under Review due to disagreement on the steel material price difference adjustments with our customers as detailed in Section 12.3.2(v).

9.1.10 We may not be able to secure funding, especially on terms acceptable to us, to meet our capital requirement

Our ability to obtain external financing is subject to various uncertainties, including our future results of operations, financial condition and cash flows, the performance of the Malaysian economies, the cost of financing and the condition of financial markets, and the continued willingness of banks to provide new loans. There is no assurance that any required financing, either on a short-term or long-term basis, will be made available to us on terms satisfactory to us or at all.

If adequate funding is not available when needed, or is available only on unfavourable terms, meeting our capital needs or otherwise taking advantage of business opportunities or responding to competitive pressures may become challenging, which could have a material and adverse effect on our business, financial condition and results of operations.

The following table sets out the maturity profile of our borrowings and finance lease liabilities for the Financial Periods Under Review:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Bank borrowings				
Current	7,643	6,231	6,157	5,351
Non-current	3,209	1,908	651	235
	10,852	8,139	6,808	5,586
Lease liabilities				
Current	114	72	19	19
Non-current	197	122	42	32
	311	194	61	51

9. RISK FACTORS (Cont'd)

9.1.11 We require licences, permits, approvals and certificates from relevant government authorities and regulatory agencies for our business operations

We require and hold certain licences, permits and approvals issued by various government authorities and regulatory agencies and these approvals, licences and permits are essential for the conduct of our business. See Section 7.16 of this Prospectus for further details of our major approvals, licences and permits obtained including the applicable authorities, expiration dates and status of compliance.

As at the LPD, we have obtained all major licences, permits and approvals which our Group is dependent on for our business operations in Malaysia.

According to Section 3(1) of the ICA 1975 and the Industrial Co-ordination (Exemption) Order 1976, manufacturing companies with shareholders' funds of RM2.50 million and above or employing 75 or more full-time paid employees are required to have a manufacturing licence. Section 3(2) of the ICA 1975 provides that failure to comply with Section 3(1) of the ICA 1975 is an offence and on conviction, the offender is liable to a fine not exceeding RM2,000 or to a term of imprisonment not exceeding 6 months and a further fine not exceeding RM1,000 for every day during which such default continues. We had in the past, experienced non-compliance with Section 3(1) of the ICA 1975, which has since been rectified. Please refer to Note (1) in Section 7.16 and Section 7.20(i) of this Prospectus for further details.

As at the LPD, we have not been subject to any enforcement action with respect to the foregoing. However, there can be no assurance that we will not be subject to enforcement actions by the relevant authorities, including cessation of operation or monetary penalties.

Generally, the licences, permits and approvals we require and hold are subject to a variety of conditions which are either stipulated within the licences, permits and approvals themselves, or under the particular legislation and/or regulations of the issuing authorities. Certain of these licences, permits and approvals need to be renewed on a periodic basis or reassessed by the relevant regulatory authorities. If we are unable to fulfil any new or existing terms or conditions that may be imposed, we may not be able to renew or obtain the approvals, licences and permits required for our operations. Further, regulations of the issuing authorities may become more stringent from time to time and it may be costly for us to comply with the terms and conditions of these licences, permits and approvals.

In addition, as disclosed in Note (3) in Section 7.16 and Section 7.21 of this Prospectus, AGSB has yet to comply with the conditions of the manufacturing licence for manufacturing of metal stamped parts at TPG Factory in regard to the total workforce of AGSB which shall comprise of at least 80% Malaysians by 31 December 2024.

There is no assurance that AGSB will be able to meet such condition by 31 December 2024. In the event such condition is not met by 31 December 2024 and there is no extension of time granted by MITI, MITI may take action by issuing warnings, imposing penalties or additional conditions or restrictions, suspending and/ or revoking our manufacturing licence for any breach or non-compliance of the condition. In the event of a revocation of the manufacturing licence of AGSB, our Group's operations and financial performance will be materially affected. As at the LPD, save as disclosed above, we have complied with the relevant rules, regulations and requirements that apply to our major approvals, licences and permits.

Should there be any subsequent modifications of, or additions or new terms and conditions to the current compliance standards, we may incur additional costs to comply with the new or modified standards which may adversely affect our profitability. Any breach or material non-compliance with such regulations may result in the suspension, withdrawal or termination of the relevant licences, permits and approvals, financial penalties or cessation of our operations.

9. RISK FACTORS *(Cont'd)*

9.2 RISKS RELATING TO OUR INDUSTRY

9.2.1. We are dependent on the performance of automotive market in Malaysia, specifically the demand for Proton and Perodua vehicles, for our continued success and growth

The performance of our business is dependent on the performance of automotive market in Malaysia, specifically the demand for Proton and Perodua vehicles as the parts and components we manufacture and supply are for the assembly of Proton and Perodua vehicles. Growth in the sales of Proton and Perodua vehicles translate to higher demand for parts and components required for the assembly of these vehicles, which subsequently drives the demand for our parts and components.

According to the IMR Report, in 2023, Perodua and Proton are the top 2 automotive brands sold in Malaysia in terms of total industry volume (“TIV”), accounting for 41.30% and 18.88% of TIV respectively. Furthermore, Perodua was consistently the top automotive brand in Malaysia in terms of TIV from 2017 to 2023, while Proton ranked second in terms of TIV in 2017 as well as from 2019 to 2023.

Furthermore, according to the IMR Report, the performance of automotive market in Malaysia is driven by the recovering economy increasing disposable of Malaysian consumers, Malaysia’s car-centric culture and government incentives for the automotive industry. Any prolonged adverse economic conditions may affect businesses and employment rate which will lead to weakened disposable income to spend on large expenses like purchase of vehicles. While the sales of Proton and Perodua vehicles are less impacted by adverse economic conditions due to relatively lower pricing as compared to foreign branded vehicles, there is no assurance that the sales of local branded vehicles will remain strong during adverse economic conditions. In the event of any slowdown in the demand for Proton and Perodua vehicles it will adversely affect the demand for our parts and components, which will in turn adversely affect our financial performance.

9.2.2 We face risks arising from political, economic, social and regulatory changes

Our Group operates in Malaysia. Hence, our business, prospects, financial condition and results of operations may be affected by any adverse development or uncertainties in the political, economic, social and/or legal conditions in Malaysia.

Any adverse development in the political, economic, social and legal environment in Malaysia could materially or adversely affect our operations and financial performance. Such developments include, but not limited to, changes in political leadership, terrorism, war, strikes, riots, expropriation, nationalisation, fiscal and monetary policies of the Government such as inflation, deflation, methods of taxation, tax policies (including sales and services tax, excise, duties and tariffs) and currency exchange controls, unemployment trends, deterioration of international bilateral relationships and other matters that influence consumer confidence and spending. Our group could also be affected by new laws, regulations and guidelines that are introduced to govern manufacturing activities whether in general or specific to the automotive manufacturing industry, including automotive parts and components manufacturing industry.

Further, increasing volatility in financial markets may cause these factors to change with a greater degree of frequency and magnitude. Unfavourable developments in the socio-political environment in Malaysia could materially and adversely affect our business, financial performance, financial conditions and prospects.

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9. RISK FACTORS *(Cont'd)*

9.2.3 We face competition from other industry players

We operate in the metal stamping segment of the automotive parts and components industry in Malaysia, which is a competitive industry. Generally, we compete with other industry players during the tendering stage, where our Group, along with other industry players, receives tender requests for the manufacturing of automotive parts and components either directly from local automotive manufacturers or through their Tier 1 Suppliers/Manufacturers, prior to the launch of any new car models. At this stage, we compete with other industry players in terms of technical capabilities, manufacturing capacities, pricing, quality of products and services and delivery timing. In the event that the automotive parts and components which we manufacture and supply do not meet the requirements of local automotive manufacturers or their Tier 1 Suppliers/Manufacturers in terms of product quality, cost considerations and timeliness of delivery, we might lose our competitive edge in the industry as well as erode the confidence of our customers in our Group's products and services.

As such, failure to remain competitive may adversely impact our Group's ability to sustain the sales orders secured from our customers at current or increased levels in the future, which in turn may affect our Group's financial performance.

9.3 RISKS RELATING TO INVESTMENT IN OUR SHARES

9.3.1 No prior market for our Shares

Prior to our IPO, there has been no public market for our Shares. Hence, there is no assurance that upon Listing, an active market for the trading of our Shares will develop, or if developed, that such a market will be sustainable. There is also no assurance as to the liquidity of the market that may develop for our Shares, the ability of holders to sell our Shares or the prices at which holders would be able to sell our Shares.

There also can be no assurance that the IPO Price which has been determined after taking into consideration the factors set out in Section 4.4 of this Prospectus will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing.

9.3.2 Delay in or failure of our Listing

The occurrence of certain events, including the following, may cause a delay in, or abortion of, our Listing:

- (a) our Company or our Underwriter fails to honour its obligations under the Underwriting Agreement;
- (b) identified investors fail to subscribe for the portions of the IPO Shares allotted to them; and/or
- (c) we are unable to meet the public shareholding spread requirements of the Listing Requirements, i.e. at least 25% of our issued share capital for which listing is sought must be held by a minimum number of 200 public shareholders holding not less than 100 Shares each at the time of Listing.

In the event that we fail to fulfil any of the events above, we will return in full, without interest, monies paid in respect of all applications, in compliance with Section 243(2) of the CMSA.

Nevertheless, we will endeavour to ensure compliance of the various listing requirements for our successful listing on the ACE Market.

9. RISK FACTORS (Cont'd)

9.3.3 Volatility of share prices traded on Bursa Securities

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

The performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and global stock exchanges and the flows of foreign funds. Market sentiment is also influenced by factors such as the prevailing economic and political climate of the country, and the potential for growth in various sectors of the economy. Other factors that may negatively affect investor sentiment include natural disasters, and health epidemics including outbreaks of contagious diseases. These factors contribute to the volatility of trading volumes on Bursa Securities, and of the market price of our Shares.

9.3.4 Uncertainty of dividend payment

It is the intention of our Board to recommend and distribute a dividend of up to 10% of the profit attributable to the owners of the Company. However, our Group's ability to distribute dividends or make other distributions to our shareholders is subject to various factors as set out in Section 12.17 of this Prospectus. Deterioration of these factors could have an effect on our business, which in turn will affect our ability to declare dividends to our shareholders. As such, there can be no assurance (i) that dividends will be paid out in the future; (ii) on timing of any dividends that are to be paid in the future; or (iii) on the quantum of dividends that are to be paid in the future.

Furthermore, dividend payments are not guaranteed and our Board may decide, at its discretion, at any time and for any reason, not to pay dividends. If we do not pay dividends or pay dividends at levels lower than that anticipated by investors, the market price of our Shares may be negatively affected and the value of any investment in our Shares may be reduced.

Please refer to Section 12.17 of this Prospectus for further information on our dividend policy.

9.3.5 The interest of our Promoter and person connected with our Promoter ("Controlling Shareholders") who control our Group may not be aligned with the interest of our shareholders

As disclosed in Section 5.1 of this Prospectus, our Controlling Shareholders will directly and indirectly hold approximately 59.27% of our enlarged issued Shares upon Listing. As a result, our Controlling Shareholders will be able to, in the foreseeable future, effectively control the business direction and management of our Group. Given that our Controlling Shareholders will directly and indirectly hold approximately 59.27% of our enlarged issued Shares upon Listing, our Controlling Shareholders will be able to vote on and pass ordinary resolutions at general meetings, specifically pertaining to transactions which do not involve the interest of our Controlling Shareholders where they are not required to abstain from voting either by our Constitution, by law and/or by the relevant guidelines or regulations. Other matters which may also be subject to significant influence from our Controlling Shareholders include the election of Directors as well as the timing and payment of dividends. There can be no assurance that the interests of our Controlling Shareholders will always be aligned with those of our other shareholders.

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9. RISK FACTORS (Cont'd)

9.3.6 The sale, or the possible sale, of a substantial number of our Shares in the public market following our Listing could adversely affect the price of our Shares

Following our Listing, we will have in issue 402,386,413 Shares, of which up to 146,870,900 Shares, will be held by investors participating in our Listing (representing approximately 36.50% of our enlarged issued Shares) and 63.50% will be held by the Promoter and substantial shareholders via their direct interests in our Company. Our Shares will be tradable on the ACE Market of Bursa Securities following our Listing.

It is possible that Datin Eloise and Ivy See may dispose of some or all of their Shares after the moratorium period pursuant to their own investment objectives. If Datin Eloise and Ivy See sell, or are perceived as intending to sell, a substantial amount of our Shares that they hold, the market price for our Shares could be adversely affected.

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10. RELATED PARTY TRANSACTIONS

10.1 RELATED PARTY TRANSACTIONS

10.1.1 Related party transactions

Under the Listing Requirements, a “**related party transaction**” is a transaction entered into by a listed issuer or its subsidiaries that involves the interest, direct or indirect, of a related party. A “**related party**” of a listed issuer is:

- (i) a director, having the meaning given in Section 2(1) of the CMSA, and includes any person who is or was within the preceding 6 months of the date in which the terms of the transaction were agreed upon, a director of the listed issuer, its subsidiary or holding company or a chief executive of the listed issuer, its subsidiary or holding company; or
- (ii) a major shareholder, and includes any person who is or was within the preceding 6 months of the date on which the terms of the transaction were agreed upon, a major shareholder of the listed issuer or its subsidiaries or holding company, and has or had an interest or interests in one or more voting shares in a corporation and the number or aggregate number of those shares, is:
 - (a) 10.0% or more of all the voting shares in the corporation; or
 - (b) 5.0% or more of all the voting shares in the corporation where such person is the largest shareholder of the corporation; or
- (iii) a person connected with such director or major shareholder.

10.1.2 Material related party transactions entered into by our Group

Save for those disclosed below and in Section 10.3 of this Prospectus, there is no material related party transaction, existing or proposed, entered or to be entered into by our Group which involves the interests, direct or indirect, of our Directors, major shareholders and/or persons connected with them for the Financial Periods Under Review and up to the LPD.

Related Party	Nature of relationship	Nature of transaction	Transaction Value				1 July 2024 up to the LPD
			FYE 2021	FYE 2022	FYE 2023	FPE 2024	
			(RM)	(RM)	(RM)	(RM)	(RM)
KHEI ⁽¹⁾	See Ming Hoi being the director and shareholder of KHEI, is the father of Datin Eloise and Ivy See, the directors of AGSB	Supply of labour from KHEI	242,496 (0.45% of our Group's cost of sales)	-	-	-	-

Note:

- (1) *KHEI does not have any subsidiary. Both Datin Eloise and Ivy See resigned as directors of KHEI on 5 March 2018.*

Our Board is of the view that the supply of labour from KHEI was carried out at arm's length basis or normal commercial terms which are not unfavourable to our Group and comparable to those generally available to third parties.

As at the LPD, there is no outstanding balance to or from KHEI and no supply of labour from KHEI subsequent to FYE 2021.

10. RELATED PARTY TRANSACTIONS (Cont'd)

Under the Listing Requirements, related party transactions may be aggregated to determine its materiality if the transactions:

- (i) occur within a 12-month period;
- (ii) are entered into with the same party or with parties related to one another; or

if the transactions involve the acquisition or disposal of securities or interests in one corporation / asset or of various parcels of land contiguous to each other.

10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITION

There are no transactions that were unusual in its nature or condition, involving goods, services, tangible or intangible assets, to which our Company and our Subsidiary were a party in respect of the Financial Periods Under Review and up to the LPD.

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10. RELATED PARTY TRANSACTIONS (Cont'd)**10.3 OUTSTANDING LOANS (INCLUDING GUARANTEES OF ANY KIND)**

Save as disclosed below, our Board has confirmed that there are no outstanding loan and/or financial assistance (including guarantee of any kind) made to our Group or by our Group to or for the benefit of any related parties for the Financial Periods Under Review and up to the LPD:

(i) Outstanding loans

Loans made to or for the benefit of related parties	Interested related party and nature of relationship	Nature of transaction	Transaction Value				1 July 2024 up to the LPD
			FYE 2021	FYE 2022	FYE 2023	FPE 2024	
			(RM)	(RM)	(RM)	(RM)	(RM)
KHPT Venture ⁽¹⁾	Datin Eloise, being the director of AGSB, was also a director and shareholder of KHPT Venture	Advances for payment of administrative fees ⁽²⁾	8,330 (0.04% of our Group's NA)	7,734 (0.03% of our Group's NA)	12,449 (0.04% of our Group's NA)	-	-
		Repayment for the advances	-	-	42,679	-	-
Maya Berjasa Sdn Bhd ("Maya Berjasa") ⁽³⁾	See Ming Hoi being the director and shareholder of Maya Berjasa, is the father of Datin Eloise and Ivy See, the directors of AGSB	Repayment for the advances	287	-	-	-	-
Ivy See	Ivy See is the director of AGSB	Loan from AGSB ⁽⁴⁾	-	240,000 (0.85% of our Group's NA)	-	-	-

10. RELATED PARTY TRANSACTIONS (Cont'd)

Loans made to or for the benefit of related parties	Interested related party and nature of relationship	Nature of transaction	Transaction Value				1 July 2024 up to the LPD
			FYE 2021	FYE 2022	FYE 2023	FPE 2024	
			(RM)	(RM)	(RM)	(RM)	(RM)
KHEI ⁽⁵⁾	See Ming Hoi being the director and shareholder of KHEI, is the father of Datin Eloise and Ivy See, the directors of AGSB	Advances ⁽⁶⁾	-	306,227 (1.09% of our Group's NA)	-	-	-

Notes:

- (1) KHPT Venture does not have any subsidiary and has not commenced any business operations since incorporation. On 18 April 2024, KHPT Venture has been struck off the register.
- (2) Administrative fees include fees for audit, tax, secretarial affairs, telephone, fax and postage, filing and stamping, rental of storage space, printing and stationery. As at the LPD, the advances were fully repaid and there is no outstanding balance.
- (3) Both Datin Eloise and Ivy See resigned as directors of Maya Berjasa on 18 February 2019. On 8 May 2024, Maya Berjasa has been struck off the register.
- (4) AGSB has entered into a loan bond agreement dated 1 January 2022 with Ivy See for RM240,000 without interest to finance her children's education, which has to be repaid within 1 year, i.e. on or before 31 December 2022. On 26 December 2022, Ivy See has made the full repayment of the loan to AGSB by way of cheques payment. As at the LPD, Ivy See has no outstanding amounts due payable to AGSB.
- (5) KHEI does not have any subsidiary. Both Datin Eloise and Ivy See resigned as directors of KHEI on 5 March 2018.
- (6) Advances to KHEI was repaid within the same financial year.

Our Board is of the view that the advances or loan by the Group were not made on an arm's length basis as the advances were not on normal commercial terms as they were interest-free, unsecured and without fixed repayment terms. However, the possible interest may be earned by the Group from these advances to related parties are minimal and does not materially impact the financials of the Group.

As at the LPD, there is no outstanding balance to or from any related party and the Group's management undertakes that no new advances will be given to the related parties moving forward.

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10. RELATED PARTY TRANSACTIONS (Cont'd)**(ii) Financial assistance (including guarantees of any kind)**

As at LPD, Datin Eloise, Ivy See and Tiu Kuang Hong have jointly or severally, provided personal guarantees for banking and / or credit facilities extended to AGSB by Alliance Bank Malaysia Berhad, Malaysian Industrial Development Finance Bhd and Maybank Islamic Berhad (collectively, "Financiers of AGSB").

Financiers	Type of facilities	Total credit facilities granted / amount guaranteed	Outstanding balance as at LPD	Guarantors
		(RM)	(RM)	
(1) Alliance Bank Malaysia Berhad	Overdraft Term Loan 1 Trade Facilities	21,000,000	4,828,345	<u>Jointly and severally by:</u> Datin Eloise; and Tiu Kuang Hong
	Term Loan	1,000,000	288,594	<u>Jointly and severally by:</u> Datin Eloise; and Tiu Kuang Hong
(2) Malaysian Industrial Development Finance Bhd	Term-i Financing	1,800,000	459,498	<u>Jointly and severally by:</u> Datin Eloise; Tiu Kuang Hong; and Ivy See
(3) Maybank Islamic Berhad	Cash Line-i (CL-i) Tradeline-i	6,000,000	-	<u>Jointly and severally by:</u> Datin Eloise; Tiu Kuang Hong; and Ivy See

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10. RELATED PARTY TRANSACTIONS (Cont'd)

In conjunction with the Listing, we have obtained the relevant conditional approvals from all of the respective Financiers of AGSB, to release and discharge the personal guarantees by proposing to substitute the same with a corporate guarantee from our Company. We will ensure that the same are provided in a form acceptable i.e. the conditions imposed by the respective Financiers of AGSB are satisfied, including but not limited to the followings:

No.	Financiers	Conditions imposed
(a)	Malaysian Industrial Development Finance Bhd	<ul style="list-style-type: none"> the joint and several personal guarantee will only be released 6 months after a corporate guarantee from our Company is in place; and a Board of Directors' resolution is provided from our Company to confirm the giving of corporate guarantee does not contravene Section 225 of the Act and is of commercial benefit.
(b)	Alliance Bank Malaysia Berhad	<ul style="list-style-type: none"> successful Listing of the Company; a letter of undertaking is provided by AGSB to ensure that no joint and several guarantees or similar obligations are provided to any financial institutions for all present and future credit facilities; Datin Eloise collectively hold (directly or indirectly) not less than 51% shareholding of AGSB during the subsistence of the credit facilities with Alliance Bank Malaysia Berhad; release of joint and several personal guarantees is agreed by other Financiers of AGSB; and Datin Eloise will remain as directors of AGSB and the Company.
(c)	Maybank Islamic Berhad	<ul style="list-style-type: none"> execution and perfection of corporate guarantee by the Company within 3 months post Listing.

Until such release and discharge are obtained from the respective Financiers of AGSB, Datin Eloise, Ivy See and Tiu Kuang Hong will (as the case may be) continue to jointly or severally guarantee the facilities extended to AGSB.

Moving forward, our Group has put in place internal control and compliance procedures in relation to advances, loans and financial assistance from or to third parties, and no further advances, loans or financial assistance will be taken from or provided to any related parties by the Group unless such advances and loans are permitted under law and the Listing Requirements.

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10. RELATED PARTY TRANSACTIONS (Cont'd)

10.4 MONITORING AND OVERSIGHT OF RELATED PARTY TRANSACTIONS**10.4.1 Audit and Risk Management Committee review**

In order to avoid any potential conflicts of interest, our Audit and Risk Management Committee will review the terms of all related party transactions (including the adequacy of the procedures and processes set to monitor the same) and ensure that any related party transactions (including recurrent related party transactions) are:

- carried out on normal commercial terms not more favourable to the related parties than those generally available to third parties dealing at arm's length basis; and
- are not to the detriment of our Group as a whole.

In addition, our Directors will report and disclose all recurrent related party transactions (if any) annually in our Company's annual report, documenting the required details i.e. nature of the transactions made, names of the related parties involved and their relationship with our Group.

10.4.2 Our Group's policy on related party transactions

We will be required to seek our shareholders' approval each time we enter into related party transactions in accordance with the Listing Requirements. However, if the related party transactions can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate. The interested person shall abstain from deliberation and voting on resolution(s) pertaining to the respective transaction.

Our Group will seek such relevant shareholders' approval and an independent adviser may be required to be appointed to comment whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instance, the independent adviser shall also advise the minority shareholders on whether they should vote in favour of the transaction. Further, we will make disclosures in our annual report of the aggregate value of the recurrent related party transactions entered into by us based on the nature of the transactions made, names of the related parties involved and their relationship with our Group.

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11. CONFLICT OF INTEREST

11.1 CONFLICT OF INTEREST

None of our Directors or substantial shareholders has any other interest, whether direct or indirect, in any businesses or corporations which are carrying on a similar trade as our Group or which are the customers or suppliers of our Group.

The Directors' involvement in other business activities outside the Group would not give rise to any conflict of interest situations as the principal activities of those companies are not similar to the Group's business.

11.2 DECLARATION BY ADVISERS ON CONFLICT OF INTEREST**11.2.1 Principal Adviser, Sponsor, Underwriter and Placement Agent**

KAF IB has confirmed that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Underwriter and Placement Agent in relation to the Listing.

11.2.2 Legal Advisers

Jeff Leong, Poon & Wong has confirmed that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Legal Advisers to our Group in relation to the Listing.

11.2.3 Reporting Accountants

Crowe Malaysia PLT has confirmed that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the Reporting Accountants to our Group in relation to the Listing.

11.2.4 Independent Market Researcher

Smith Zander International has confirmed that as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as the IMR to our Group in relation to the Listing.

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12. FINANCIAL INFORMATION

12.1 HISTORICAL FINANCIAL INFORMATION

Our historical financial information throughout the Financial Periods Under Review have been prepared in accordance with the MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

We completed the Acquisition on 7 February 2024. AGSB is assumed under the common control of the Company during the Financial Periods Under Review. As such, the historical financial information of our Group for the Financial Periods Under Review is presented based on the combined and consolidated audited financial statements of our Group.

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

The following table sets out a summary of our combined and consolidated statements of profit or loss and other comprehensive income for the Financial Periods Under Review which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in Sections 12.3 and 13 respectively.

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	58,965	116,246	114,082	50,888	52,323
Cost of sales	(54,223)	(99,110)	(99,939)	(45,099)	(46,024)
GP	4,742	17,136	14,143	5,789	6,299
Other income	254	229	556	132	164
Administrative expenses	(4,389)	(4,767)	(5,094)	(2,218)	(2,614)
Other expenses	(291)	(893)	⁽⁵⁾ (1,452)	(186)	(301)
Net impairment (losses)/gains on financial assets	-	(369)	260	260	-
PBT	316	11,336	8,413	3,777	3,548
Income tax expense	(163)	(2,538)	(2,880)	(1,320)	(1,244)
PAT	153	8,798	5,533	2,457	2,304
PAT/Total comprehensive income attributable to:-					
Owners of the Company	153	8,798	5,533	2,457	2,304
EBIT ⁽¹⁾	846	11,831	8,584	3,901	3,557
EBITDA ⁽¹⁾	2,985	13,876	10,463	4,903	4,522
GP margin (%) ⁽²⁾	8.04	14.74	12.40	11.38	12.04
PBT margin (%) ⁽³⁾	0.54	9.75	7.37	7.42	6.78
PAT margin (%) ⁽⁴⁾	0.26	7.57	4.85	4.83	4.40
Adjusted PBT margin (%) ⁽⁵⁾	N/A	N/A	8.28	N/A	N/A
Adjusted PAT margin (%) ⁽⁵⁾	N/A	N/A	5.75	N/A	N/A
Basic/Diluted EPS (sen) ⁽⁶⁾	0.04	2.19	1.38	0.61	0.57

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

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

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	153	8,798	5,533	2,457	2,304
Less:					
Interest income	(68)	(89)	(185)	(71)	(149)
Add:					
Finance costs	598	584	356	195	158
Income tax expense	163	2,538	2,880	1,320	1,244
EBIT	846	11,831	8,584	3,901	3,557
Add:					
Depreciation	2,139	2,045	1,879	1,002	965
EBITDA	2,985	13,876	10,463	4,903	4,522

- (2) *Calculated based on GP over revenue.*
- (3) *Calculated based on PBT over revenue.*
- (4) *Calculated based on PAT over revenue.*
- (5) *Included in other expenses is an impairment loss on the non-current asset held for sale of RM1.03 million, which is a one-off expense in nature. The impairment loss represented the write-down of the investment property and was recognised in other expenses. Please refer to Note (1) to the combined and consolidated statement of financial position in Section 12.1.2 of this Prospectus for further details.*

If the said one-off impairment loss is excluded in FYE 2023, the adjusted PBT and PAT and its related margins are as follows:

	Audited
	FYE 2023
	RM'000
PBT	8,413
<i>Impairment loss on non-current asset held for sale</i>	<i>1,031</i>
Adjusted PBT	9,444
<i>Income tax expense</i>	<i>(2,880)</i>
Adjusted PAT	6,564
<i>Adjusted PBT margin (%)</i>	<i>8.28</i>
<i>Adjusted PAT margin (%)</i>	<i>5.75</i>

- (6) *Basic and diluted EPS are calculated based on PAT for the Financial Periods Under Review over our enlarged 402,386,413 Shares in issue after our IPO. There are no potential dilutive securities in issue during the respective Financial Periods Under Review.*

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

The following table sets out the combined and consolidated statements of financial position of our Group as at 31 December 2021, 2022, 2023 and 30 June 2024 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13 respectively.

	Audited			
	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment	25,590	19,545	22,991	23,204
Investment property	-	⁽¹⁾ 4,812	-	-
Total non-current assets	25,590	24,357	22,991	23,204
Current assets				
Inventories	4,840	3,760	3,817	2,960
Trade receivables	11,733	18,206	12,680	12,194
Other receivables, deposits and prepayments	599	352	3,078	3,518
Amount owing by related parties	22	30	-	-
Current tax assets	902	-	-	542
Fixed deposits with licensed banks	-	2,000	6,304	7,308
Cash and bank balances	4,591	8,088	6,080	6,818
Total current assets	22,687	32,436	31,959	33,340
Non-current asset held for sale	-	-	⁽¹⁾ 3,780	-
Total assets	48,277	56,793	58,730	56,544
Equity				
Share capital	250	250	250	31,724
Retained profits	23,045	27,843	32,376	34,681
Merger deficits	-	-	-	(31,474)
Total equity	23,295	28,093	32,626	34,931
Non-current liabilities				
Lease liabilities	197	122	42	32
Term loans	3,209	1,908	651	235
Deferred tax liabilities	1,089	1,159	948	1,362
Total non-current liabilities	4,495	3,189	1,641	1,629
Current liabilities				
Trade payables	10,628	15,011	12,725	11,028
Other payables and accruals	2,101	3,782	5,473	3,586
Amount owing to directors	1	-	-	-
Bankers' acceptances	5,050	5,000	4,900	4,300
Lease liabilities	114	72	19	19
Term loans	1,276	1,231	1,257	1,051
Bank overdrafts	1,317	-	-	-
Current tax liabilities	-	415	89	-
Total current liabilities	20,487	25,511	24,463	19,984

12. FINANCIAL INFORMATION (Cont'd)

	Audited			
	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Total liabilities	24,982	28,700	26,104	21,613
Total equity and liabilities	48,277	56,793	58,730	56,544

Note:

- (1) *In FYE 2022, our Group has transferred Lot 2625 with the carrying amount of RM4.81 million from the property, plant and equipment to investment property.*

Our Group purchased Lot 2625 in 1999 at RM0.38 million. Subsequently, Lot 2625 was revalued in 2015 at RM4.80 million as deemed cost based on a valuation performed by an independent external qualified valuer using an open market value method upon the adoption of MFRS. Lot 2625 subsequently was classified as a non-current asset held for sale upon our Group entering into a sale and purchase agreement on 1 August 2023 to sell Lot 2625 for a cash consideration of RM3.78 million, which resulted in our Group recorded an impairment loss on the non-current asset held for sale of RM1.03 million during FYE 2023.

Assuming the disposal price of RM3.78 million with Lot 2625 cost of RM0.38 million, the disposal of Lot 2625 would have resulted in our Group materialising a net gain on disposal of RM3.06 million (net of real property gain tax of 10%).

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

The following table sets out the combined and consolidated statements of cash flows of our Group for the Financial Periods Under Review, which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.3 and 13, respectively.

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows from operating activities					
PBT	316	11,336	8,413	3,777	3,548
Adjustments for:					
Depreciation of property, plant and equipment	2,139	2,045	1,879	1,002	965
Equipment written off	4	104	78	1	13
Bad debts recovered	-	-	(6)	(6)	-
Bad debts written off	-	434	7	7	-
Impairment loss on non-current asset held for sale	-	-	1,031	-	-
Impairment losses/(Reversal for) on trade receivables	-	369	(260)	(260)	-
Gain on disposal of property, plant and equipment	(59)	(5)	(271)	(43)	(1)
Interest expense	598	584	356	195	158
Interest income	(68)	(89)	(185)	(71)	(149)
Operating profit before working capital changes	2,930	14,778	11,042	4,602	4,534
(Increase)/Decrease in inventories	(1,876)	1,081	(57)	294	857
Decrease/(Increase) in trade and other receivables	1,224	(7,029)	3,086	5,260	468
(Decrease)/Increase in trade and other payables	(663)	6,066	(596)	(5,642)	(3,589)
Cash from operations	1,615	14,896	13,475	4,514	2,270
Income tax paid	(287)	(1,151)	(4,000)	(313)	(1,461)
Income tax refund	554	-	583	-	-
Interest paid	(590)	(572)	(349)	(190)	(151)
Interests received	68	89	160	71	106
Net cash from operating activities	1,360	13,262	9,869	4,082	764
Cash flows for investing activities					
Proceeds from disposal of property, plant and equipment	59	4	393	156	1
Proceeds from disposal of non-current asset held for sale	-	-	-	-	3,402
Purchase of plant and equipment	(345)	(915)	(5,526)	(2,544)	(1,191)
Repayment to directors	(11)	(1)	-	-	-
Addition of fixed deposit with tenure more than 3 months	-	-	(304)	(300)	(2,004)
Net cash (for)/from investing activities	(297)	(912)	(5,437)	(2,688)	208

12. FINANCIAL INFORMATION (Cont'd)

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Cash flows for financing activities					
Dividend paid	-	(4,000)	(1,000)	-	-
Proceeds from bankers' acceptances	8,800	15,450	15,600	8,450	7,200
Repayment of bankers' acceptances	(9,680)	(15,500)	(15,700)	(8,900)	(7,800)
Repayment of lease interest	(7)	(13)	(7)	(5)	(2)
Repayment of lease liabilities	(90)	(118)	(132)	(115)	(9)
Repayment of term loans	(1,170)	(1,347)	(1,231)	(612)	(623)
Repayment from a related party	-	-	42	-	-
Advances to related parties	(8)	(8)	(12)	(4)	-
Net cash for financing activities	(2,155)	(5,536)	(2,440)	(1,186)	(1,234)
Net (decrease)/increase in cash and cash equivalents	(1,092)	6,814	1,992	208	(262)
Cash and cash equivalents at the beginning of the financial year/period	4,366	3,274	10,088	10,088	12,080
Cash and cash equivalents at the end of the financial year/period	3,274	10,088	12,080	10,296	11,818

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12. FINANCIAL INFORMATION (Cont'd)**12.2 CAPITALISATION AND INDEBTEDNESS**

The table below sets out our capitalisation and indebtedness as at 31 July 2024 and after adjusting for the effects of the Public Issue and the utilisation of proceeds.

	Unaudited	I	II
	As at 31 July 2024	After the Public Issue	After I and utilisation of proceeds
	RM'000	RM'000	RM'000
INDEBTEDNESS			
Current			
<u>Secured and guaranteed</u>			
Bankers' acceptances	4,300	4,300	4,300
Term loans	999	999	999
	5,299	5,299	5,299
Non-current			
<u>Secured and guaranteed</u>			
Term loans	183	183	183
	183	183	183
Total borrowings	5,482	5,482	5,482
Total contingent liabilities	-	-	-
Total indebtedness	5,482	5,482	5,482
CAPITALISATION			
Share capital	31,724	53,453	51,746
Merger deficit	(31,474)	(31,474)	(31,474)
Retained profits	35,722	35,722	32,066
Total capitalisation	35,972	57,701	52,338
TOTAL CAPITALISATION AND INDEBTEDNESS	41,454	63,183	57,820
Gearing ratio (times)⁽¹⁾	0.15	0.10	0.10

Note:

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

12. FINANCIAL INFORMATION (Cont'd)

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

The following discussion and segmental analysis of our combined and consolidated financial statements for the Financial Periods Under Review should be read with the Accountants' Report included in Section 13 of this Prospectus.

12.3.1 Overview of our operations**(i) Principal activities**

We are principally involved in the manufacturing and sale of automotive parts and components, comprising body parts, seat structures and other parts (i.e. engine parts and absorber parts). We are engaged by our customers to manufacture customised automotive parts and components according to our customers' requirements and precise technical specifications. Please refer to Section 7.1 of this Prospectus for our Group's principal activities and products.

(ii) Revenue

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer and is measured at the consideration specified in the contract of which our Group expects to be entitled in exchange for transferring promised goods or services to a customer net of sales and service tax, returns, rebates and discounts. Our Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

Revenue from sale of goods is recognised when our Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance.

(iii) Changes to accounting policies and estimates

Our significant accounting policies are summarised in Note 3 of the Accountants' Report set out in Section 13 of this Prospectus. There are no significant accounting policies that are peculiar to our Group because of the nature of our business activities. There were no material changes to our accounting policies and estimates during the Financial Periods Under Review.

The summary of the judgements, estimates and assumptions made in applying accounting policies are disclosed in Note 3.1 of the Accountants' Report set out in Section 13 of this Prospectus. There are no key assumptions made concerning the future, and other key sources of estimation uncertainty for the Financial Periods Under Review that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed in Note 3.1 of the Accountants' Report set out in Section 13 of this Prospectus. There are no instances of application of critical judgement in applying our Group's accounting policies which will have a significant effect on the amounts recognised in the combined and consolidated financial statements.

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12. FINANCIAL INFORMATION (Cont'd)**(iv) Significant events subsequent to the FPE 2024**

There were no other significant events subsequent to our audited combined and consolidated financial statements for the FPE 2024.

(v) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Financial Periods Under Review. In addition, our audited combined and consolidated financial statements for the Financial Periods Under Review were not subject to any audit qualifications.

(vi) Significant factors affecting our financial condition and result of operations

Section 9 of this Prospectus details a number of risk factors relating to our business and industry in which we operate. Some of these risk factors have an impact on our Group's financial condition and result of operations. The main factors which affect our revenue and profits include but are not limited to the following:

(a) We are dependent on our major customers who contributed substantially to our Group's revenue

We are dependent on our top 4 major customers in the Financial Periods Under Review, namely Customer Group A, Ingress Technologies Sdn Bhd, PHN Companies and Autokeen Sdn Bhd, who collectively contributed substantially to our Group's revenue at 90.17%, 88.87%, 90.24% and 90.09% in the Financial Periods Under Review. If any one of these customers ceases to engage us, we may experience a significant reduction in sales, which could result in a loss of revenue, given that we may not be able to replace these customers with new customers or with additional sales from existing customers in a timely manner.

While we have not experienced any termination of letter of intent/ letter of award granted to us or any termination of business relationship whereby these 4 major customers stop purchasing from us for parts and components used in vehicle models that are still actively being sold in the market, there is no assurance that we will be able to continuously maintain our relationships with these 4 major customers or secure sales to supply more parts and components to them in the future. Any loss of these major customers and our inability to replace these major customers with new customers or with additional orders from existing customers in a timely manner, could result in a loss of revenue and will have an adverse impact on our Group's financial performance.

Our ability to continue maintaining our relationship with, and securing sales from, these 4 major customers are dependent on several factors including, amongst others, our ability to meet these major customers' specifications and requirements, competitive pricing, timely delivery of products, as well as continued customer service. Please refer to Section 7.13 of this Prospectus for further information on the steps taken to ensure we are able to meet our customers' quality requirements and fulfil their orders in timely manner.

(b) We are dependent on the availability of technical personnel

Our Group is dependent on the availability of technical personnel for the design and manufacturing of our parts and components. Our technical personnel's expertise in die solution services and process engineering as well as their in-depth industry knowledge, allow us to adapt to changing requirements quickly by developing or adjusting our manufacturing processes and techniques accordingly whilst maintaining the quality of our products, which is one of the key factors driving our business growth over the years.

12. FINANCIAL INFORMATION (Cont'd)

We compete with other industry players within the automotive parts and components manufacturing industry to recruit and retain qualified, competent and experienced technical personnel. The loss of a substantial amount of our Group's technical personnel (simultaneously or within a short span of time) without suitable and timely replacements, or our inability to attract or retain qualified, competent and experienced technical personnel, may adversely affect our ability to compete and grow in the automotive parts and components manufacturing industry.

Although we have not previously faced any shortage of technical personnel that led to major disruptions to our operations, there can be no assurance that we will be able to recruit, develop and retain adequate number of technical personnel to support the future growth and expansion of our Group.

(c) We are exposed to the risk of shortages and/or delays in the supply of raw materials

The primary raw materials used in our manufacturing activities are steel coils and steel cut sheets with purchase contributions of 93.89%, 96.36%, 96.04% and 96.71% to our Group's total purchases respectively, in the Financial Periods Under Review. We rely on local steel suppliers who are the approved steel suppliers of our customers, as well as some of our major customers who are also our steel suppliers, for the supply of steel coils and steel cut sheets. Any prolonged shortages and/or delays in the supply of raw materials may affect our business operations and there is no assurance that we will be able to obtain raw materials at similar specifications from other steel suppliers that are approved by our customers in a timely manner.

In the event that our manufacturing operations are disrupted due to shortages and/or delays in the supply of raw materials, it may adversely affect our business operations as well as cause delays in supplying parts and components to our customers.

(d) Our business operations are exposed to unexpected interruptions or delays caused by equipment failures, fire, natural disasters and outbreak of infectious diseases, which may be beyond our control

We rely on a range of machinery and equipment to perform manufacturing activities of automotive parts and components as well as dies and jigs. These machinery and equipment may, on occasion, be out of service due to unanticipated failures or damages sustained during operations. Our business is also subject to loss due to events that are beyond our control such as fire, which may cause damage or destruction of the whole or part of our factory as well as machinery and equipment, resulting in interruptions to, or prolonged suspension of, our operations.

Further, our business operations may also be affected by the occurrence of unexpected power failure and adverse weather conditions or natural disasters such as floods or storms, which may lead to interruptions to the operations at our factory and/or damages to our machinery and equipment. The occurrence of these unexpected events may affect our ability to meet the agreed upon delivery schedule with our customers. This could adversely affect our relationship with our customers and our reputation in the market as well as our business and financial performance.

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12. FINANCIAL INFORMATION (Cont'd)

The outbreak of the COVID-19 pandemic had resulted in imposition of different forms of movement restrictions by the Government in 2020 and 2021, as a containment measure to curb the spread of the virus, which had led to disruptions and/or temporary suspension of our Group's business activities. Please refer to Section 7.6.1 of this Prospectus for further information on the impact of COVID-19 pandemic on our operations and financial performance. Should there be a future outbreak of infectious disease similar to the COVID-19 pandemic, there is no assurance that our business operations and financial performance will not be adversely and materially affected.

For the Financial Periods Under Review and up to the LPD, saved for COVID-19 pandemic, we have not experienced any incident of unanticipated machinery and equipment failures, fires and natural disasters, which would have led to major interruptions in our operations. However, there can be no assurance that such incidences will not happen in the future. In the event that any of these incidences occurs, it may result in interruptions to our operations and thus adversely affect our business operations and financial performance.

In the event that we have to halt our operations due to the abovementioned incidences, we will still be required to incur operating expenses such as labour costs and utility costs. Our Group's operations and financial performance may be adversely affected should the interruptions occur for a prolonged period of time.

(e) Our insurance coverage may not be adequate to cover all losses or liabilities that may arise in connection with our operations

We maintain insurance at levels that are customary in our industry to protect against various losses and liabilities. We will be subject to the risk that, in the future, we may not be able to maintain or obtain insurance of the type and amount desired at reasonable rates. If we were to incur a significant liability for which we were not fully insured, it could have a material adverse effect on our business operations and financial performance.

(f) We are exposed to credit risks and default payment by customers

We generally grant our customers a credit period of 30 days to 90 days upon the delivery of goods. In the event of not receiving payment within the credit period or default in payment by our customers, our operating cash flows or financial results of operations may be adversely affected. Additional information on credit risks and default payment is set out in Sections 9.1.9 and 12.3.2(vi).

(g) We are dependent on the performance of automotive market in Malaysia, specifically the demand for Proton and Perodua vehicles, for our continued success and growth

The performance of our business is dependent on the performance of automotive market in Malaysia, specifically the demand for Proton and Perodua vehicles as the parts and components we manufacture and supply are for the assembly of Proton and Perodua vehicles.

The performance of automotive market in Malaysia is driven by the recovering economy increasing disposable of Malaysian consumers, Malaysia's car-centric culture and government incentives for the automotive industry. Any prolonged adverse economic conditions may affect businesses and employment rate which will lead to weakened disposable income to spend on large expenses like purchase of vehicles and any slowdown in the demand for Proton and Perodua vehicles, may adversely affect the demand for our parts and components, which will in turn adversely affect our financial performance.

12. FINANCIAL INFORMATION (Cont'd)**12.3.2 Review of results of operations****(i) Revenue**

Our revenue by products and sales volume for the Financial Periods Under Review are as follows:

(a) Revenue by products

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Automotive parts and components ⁽¹⁾ :						
• Body parts	36,949	62.66	74,218	63.85	63,661	55.80
• Seat structures	18,367	31.15	37,465	32.23	45,104	39.54
• Other parts ⁽²⁾	3,649	6.19	4,563	3.92	3,785	3.32
Dies solution services ⁽³⁾	-	-	-	-	1,532	1.34
Total⁽⁴⁾	(5)58,965	100.00	116,246	100.00	114,082	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Automotive parts and components ⁽¹⁾ :				
• Body parts	27,654	54.34	29,584	56.54
• Seat structures	20,974	41.22	21,217	40.55
• Other parts ⁽²⁾	2,260	4.44	1,522	2.91
Dies solution services ⁽³⁾	-	-	-	-
Total⁽⁴⁾	50,888	100.00	52,323	100.00

Notes:

- (1) The revenue contribution from the sale of automotive parts and components includes the proceeds from the sale of steel scrap. The sale of steel scrap is a residual income from the waste generated during the manufacturing of our automotive parts and components which are our core products. The total sale of steel scrap in the Financial Periods Under Review was RM3.62 million, RM7.48 million, RM7.70 million and RM3.36 million, respectively, accounting for 6.13%, 6.43%, 6.75% and 6.42% of our total revenue, respectively.

The steel scrap will be sold only to the contracted licensed scrap recycling/collecting companies ("**Steel Scrap Collectors**") based on the weight of the steel scrap at the price determined by the Steel Scrap Collectors in accordance with the current market trend of steel price on the disposal date. The sale of steel scrap is recurring in nature, which is incidental to the manufacturing of automotive parts and components. The sale of steel scrap will be recognised upon collection of the steel scrap by the Steel Scrap Collectors.

- (2) Other parts mainly comprise engine parts and absorber parts. It also includes other parts such as leaf springs for trucks, however, contributions from the sale of these other parts were minimal for the Financial Periods Under Review.

12. FINANCIAL INFORMATION (Cont'd)

- (3) There was no revenue generated by dies solution services in FYE 2021 and FYE 2022. This was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2021 and FYE 2022, resulting in the revenue not being recognised in the respective years. Manufacturing process of dies and jigs involves design, prototyping and testing, where the dies and jigs are customized according to detailed specifications, prior to production and commissioning of the said dies and jigs. Hence, these factors contributed to the extended period required for revenue recognition. In FYE 2023, the aforementioned dies and jigs were completed and as such the revenue for the manufacturing of these dies and jigs was recognised, contributing to a 1.34% of our Group's total revenue for FYE 2023. There was no revenue generated by dies solution services in FPE 2023 and FPE 2024.
- (4) Our Group's revenue for the Financial Periods Under Review is derived solely from Malaysia.
- (5) Our operations were interrupted in FYE 2021 due to several closures of operations caused by different forms of lockdown imposed by the government of Malaysia to contain the spread of COVID-19 and our Group were not deemed as essential services during these lockdowns. The operations of some of our suppliers and customers were also disrupted at different times in FYE 2021 due to positive COVID-19 cases reported among their employees which affected their manufacturing operations and subsequently caused slowdowns in the automotive assembly supply chain, including our Group. Due to the outbreak of the COVID-19 pandemic, there was a general slowdown in the automotive industry, which resulted our Group recorded lower revenue in FYE 2021.

(b) Sales volume by products

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	Units	%	Units	%	Units	%
Automotive parts and components:						
• Body parts	3,757,843	34.22	6,828,441	40.58	5,993,585	34.51
• Seat structures	5,475,719	49.87	8,242,981	48.98	10,146,074	58.41
• Other parts	1,747,537	15.91	1,756,528	10.44	1,229,653	7.08
Total	10,981,099	100.00	16,827,950	100.00	17,369,312	100.00
	Unaudited		Audited			
	FPE 2023		FPE 2024			
	Units	%	Units	%		
Automotive parts and components:						
• Body parts	2,722,442	33.85	2,717,692	33.98		
• Seat structures	4,573,352	56.87	4,889,730	61.14		
• Other parts	746,182	9.28	389,936	4.88		
Total	8,041,976	100.00	7,997,358	100.00		

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

Our revenue increased by RM57.28 million or 97.13% to RM116.25 million for FYE 2022 (FYE 2021: RM58.97 million) due to the resumption of automotive activities resulting from the relaxation of movement controls during FYE 2022.

Revenue from the body parts and seat structures remain our primary revenue contributor, which collectively contributing RM111.68 million or 96.08% to our total revenue for FYE 2022 (FYE 2021: RM55.32 million or 93.81%).

In terms of our revenue by sales volume, total sales volume increased by 5,846,851 units or 53.24% to 16,827,950 units for FYE 2022 (FYE 2021: 10,981,099 units), for which body parts and seat structures collectively contributed 89.56% of our total sales volume for FYE 2022 (FYE 2021: 84.09%). Sales volume for:

- (i) Body parts increased by 3,070,598 units or 81.71% to 6,828,441 units for FYE 2022 (FYE 2021: 3,757,843 units); and
- (ii) Seat structures increased by 2,767,262 units or 50.54% to 8,242,981 units for FYE 2022 (FYE 2021: 5,475,719 units).

Body parts

Our revenue from the body parts increased by RM37.27 million or 100.87% to RM74.22 million for FYE 2022 (FYE 2021: RM36.95 million). Such an increase was in tandem with the increase in sales volume for our body parts.

The resumption of automotive activities resulting from the relaxation of movement controls during FYE 2022 has contributed to the increase in revenue from the body parts mainly from the following customers:

- (i) Higher sales from Autokeen Sdn Bhd, which contributed to increased revenue of RM14.06 million and sales volume of 996,047 units, mainly due to increase orders for Perodua car models;
- (ii) Higher sales from PHN Companies, which contributed to increased revenue of RM10.36 million and sales volume of 841,018 units, primarily due to increase orders for Perodua car models as well as Proton car model. The Production Support (herein defined) has also contributed to the increase in sales during FYE 2022, which is further explained in Section 12.3.2(c) below; and
- (iii) Higher sales from Ingress Technologies Sdn Bhd, which contributed to increased revenue of RM8.13 million and sales volume of 222,371 units, mainly due to increase orders for Perodua car models.

Seat structures

Our revenue from the seat structures increased by approximately RM19.10 million or 103.97% to RM37.47 million for FYE 2022 (FYE 2021: RM18.37 million). Such an increase was in tandem with the increase in sales volume for our seat structure.

The increase in revenue from the seat structures was mainly contributed by higher sales from Customer Group A, which contributed to the increase in revenue of RM17.24 million and sales volume of 2,821,992 units, mainly contributed by Perodua car models.

Other parts

Our revenue for other parts increased by RM0.91 million or 24.93% to RM4.56 million for FYE 2022 (FYE 2021: RM3.65 million). The increase was mainly due to the increase in absorber parts for both Perodua and Proton's vehicle models by RM1.00 million.

12. FINANCIAL INFORMATION (Cont'd)***Dies solution services***

There was no revenue generated by dies solutions services for FYE 2022, this was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2022, resulting in the revenue not being recognised.

Comparison between FYE 2022 and FYE 2023

Our revenue decreased by RM2.17 million or 1.87% to RM114.08 million for FYE 2023 (FYE 2022: RM116.25 million), mainly due to lower revenue generated from our body parts.

Revenue from the body part and seat structures remain our primary revenue contributor, which collectively contributing RM108.77 million or 95.34% of our total revenue for FYE 2023 (FYE 2022: RM111.68 million or 96.08%).

In terms of our revenue by sales volume, total sales volume increased by 541,362 units or 3.22% to 17,369,312 units for FYE 2023 (FYE 2022: 16,827,950 units), of which the body parts and seat structures collectively contributed 92.92% of our total sales volume for FYE 2023 (FYE 2022: 89.56%).

Body parts

Our revenue from the body parts decreased by RM10.56 million or 14.23% to RM63.66 million for FYE 2023 (FYE 2022: RM74.22 million). Such a decrease was in tandem with the decrease in sales volume for our body parts by 834,856 units or 12.23% to 5,993,585 units for FYE 2023 (FYE 2022: 6,828,441 units).

The decrease in revenue from the body parts was mainly contributed by the following customers:

- (i) Lower sales from Ingress Technologies Sdn Bhd, which contributed to decreased revenue of RM11.10 million and sales volume of 658,434 units, primarily attributable to the normalised of orders as higher orders during FYE 2022 were due to the resumption of automotive activities resulting from the relaxation of movement control;
- (ii) Lower sales from Autokeen Sdn Bhd, which contributed to decreased revenue of RM5.34 million and sales volume of 344,261 units, mainly due to the normalised of orders as higher orders during FYE 2022 were due to the resumption of automotive activities resulting from the relaxation of movement control; and
- (iii) Lower sales from Perodua Manufacturing Sdn Bhd, which contributed to decreased revenue of RM2.37 million and sales volume of 218,056 units, mainly due to the surge in order from Perodua Manufacturing Sdn Bhd in order to fulfil orders in a timely manner from its' customers upon the relaxation of movement controls during FYE 2022.

The above decreases were partially offset by the increase in higher sales from PHN Industry Sdn Bhd, which contributed to an increase in revenue of RM8.71 million and sales volume of 885,661 units, mainly due to higher order for car body blanking parts for Perodua car models.

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

Our revenue from the seat structures increased by RM7.63 million or 20.36% to RM45.10 million for FYE 2023 (FYE 2022: RM37.47 million). Such an increase was in tandem with the increase in sales volume for our seat structures by 1,903,093 units or 23.09% to 10,146,074 units for FYE 2023 (FYE 2022: 8,242,981 units).

The increase in revenue from the seat structures was mainly contributed by higher sales from Customer Group A, which contributed to an increase in revenue of RM6.80 million and sales volume of 1,881,265 units. The increase in revenue from the seat structures was also due to the Group's appointment for the manufacture, production and supply of seat structures for a new Perodua vehicle model launched in first quarter of FYE 2023.

Other parts

Our revenue for other parts decreased by RM0.77 million or 16.89% to RM3.79 million for FYE 2023 (FYE 2022: RM4.56 million). The decrease was mainly due to the decrease in absorber part for both Proton and Perodua's vehicle models by RM0.85 million. The decrease was partially offset by the increase in engine parts for Proton's vehicle models by RM0.07 million.

Dies solution services

We recorded a total revenue of RM1.53 million for dies solution services for FYE 2023 as our Group reached a completion stage in manufacturing dies and jigs for seat structures of Perodua's vehicle model during FYE 2023.

Comparison between FPE 2023 and FPE 2024

Our revenue increased by RM1.43 million or 2.81% to RM52.32 million for FPE 2024 (FPE 2023: RM50.89 million), mainly due to higher revenue generated from our body parts.

Revenue from the body part and seat structures remain our primary revenue contributor, which collectively contributing RM50.80 million or 97.09% of our total revenue for FPE 2024 (FPE 2023: RM48.63 million or 95.56%).

In terms of our revenue by sales volume, total sales volume decreased by 44,618 units or 0.55% to 7,997,358 units for FPE 2024 (FPE 2023: 8,041,976 units), of which the body parts and seat structures collectively contributed 95.12% of our total sales volume for FPE 2024 (FPE 2023: 90.72%).

Body parts

Our revenue from the body parts increased by RM1.93 million or 6.98% to RM29.58 million for FPE 2024 (FPE 2023: RM27.65 million). Such an increase was mainly due to the following customers:

- (i) Higher sales from PHN Industry Sdn Bhd for providing car body blanking and stamping parts, which contributed to increased revenue of RM0.99 million due to our Group sourced raw materials in FPE 2024 as we were appointed to supply body parts for Perodua's vehicle models; and
- (ii) Higher sales from Autokeen Sdn Bhd, which contributed to increased revenue of RM0.29 million or 3.32%, mainly due to higher order for a Perodua's vehicle model.

12. FINANCIAL INFORMATION (Cont'd)

However, in term of sales volume for body parts, we recorded a decrease in sales volume by 4,750 units or 0.17% to 2,717,692 units for FPE 2024 (FPE 2023: 2,722,442 units) mainly due to a Proton's vehicle model has been phased out during 4th quarter, 2023.

Seat structures

Our revenue from the seat structures increased by RM0.25 million or 1.19% to RM21.22 million for FPE 2024 (FPE 2023: RM20.97 million). Such an increase was in tandem with the increase in sales volume for our seat structures by 316,378 units or 6.92% to 4,889,730 units for FPE 2024 (FPE 2023: 4,573,352 units). Such an increase was mainly due to the net effects of the following:

- (i) Higher sales from Subsidiary 2 of Customer Group A, which contributed to an increase in revenue of RM1.08 million or 6.57% and sales volume of 478,486 units or 11.91% mainly attributable to higher orders for a Perodua vehicle model which was launched during first quarter, 2023 which has contributed to the increase in the sales volume; and
- (ii) Lower sales from Subsidiary 1 of Customer Group A, which contributed to a decrease in revenue of RM0.87 million or 33.71% and sales volume of 142,800 or 27.61% units. This was mainly due to lower orders for parts for two Proton vehicle models and a Perodua vehicle model which is in line with the respective vehicle models' production planning as provided by customers.

Other parts

Our revenue for other parts decreased by RM0.74 million or 32.74% to RM1.52 million for FPE 2024 (FPE 2023: RM2.26 million). The decrease was mainly due to our Group focusing to manufacture engine part (i.e. drive plate) for a Proton's vehicle model which yield better margin due to higher precision requirements.

Dies solution services

There was no revenue generated by dies solutions services for FPE 2024, this was due to there were no manufacturing process of dies and jigs secured in FPE 2024.

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12. FINANCIAL INFORMATION (Cont'd)**(ii) Cost of sales, GP and GP margin****(a) Cost of sales by cost components**

The components of our cost of sales for the Financial Periods Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Material costs ⁽ⁱ⁾	42,455	78.30	84,186	84.94	82,951	83.00
- Raw materials	41,879	77.24	83,370	84.12	82,008	82.06
- Accessories	576	1.06	816	0.82	943	0.94
Subcontractor services ⁽ⁱⁱ⁾	2,273	4.19	2,289	2.31	2,437	2.44
Direct labour related expenses ⁽ⁱⁱⁱ⁾	4,494	8.29	6,156	6.21	7,121	7.12
Other direct costs ^(iv)	2,397	4.42	3,356	3.39	4,545	4.55
Depreciation of property, plant and equipment ^(v)	1,856	3.42	1,721	1.74	1,565	1.57
Transportation related costs ^(vi)	748	1.38	1,402	1.41	1,320	1.32
Total	54,223	100.00	99,110	100.00	99,939	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Material costs ⁽ⁱ⁾	37,147	82.37	38,568	83.80
- Raw materials	36,690	81.36	38,205	83.01
- Accessories	457	1.01	363	0.79
Subcontractor services ⁽ⁱⁱ⁾	1,252	2.78	906	1.97
Direct labour related expenses ⁽ⁱⁱⁱ⁾	3,244	7.19	3,397	7.38
Other direct costs ^(iv)	1,953	4.33	1,641	3.57
Depreciation of property, plant and equipment ^(v)	837	1.85	710	1.54
Transportation related costs ^(vi)	666	1.48	802	1.74
Total	45,099	100.00	46,024	100.00

(i) Material costs

Material costs comprised raw materials and accessories for manufacturing our parts and components, which were the largest component of our cost of sales, representing 78.30% to 84.94% of our total cost of sales for the Financial Periods Under Review.

Raw material costs primarily consist of steel coils and steel cut sheets. These steel materials are generally readily available and are purchased from steel suppliers approved by our customers or from our customers.

12. FINANCIAL INFORMATION (Cont'd)

Accessories comprise nuts, weld nuts, pins and revert and wires, amongst others. Our Group purchases accessories from third party suppliers, in which we will obtain quotations from our subcontractors/suppliers and subsequently appoint subcontractors/purchase from suppliers approved by our customers.

(II) Subcontractor services

Subcontractor services comprised costs of outsourced finishing services, laser cutting services, manufacturing services and stamping works to third party subcontractors, when required, based on the requirements of our customers.

(III) Direct labour related expenses

Direct labour related expenses comprised mainly salaries, bonuses, employees' provident fund contributions, staff welfare and related expenses.

(IV) Other direct costs

Other direct costs comprised mainly consumable tools, tooling maintenance costs, gas and wire, packaging costs and factory overheads such as factory utility expenses, upkeep of machinery, forklifts and factory costs.

(V) Depreciation of property, plant and equipment

Includes depreciation costs for our machinery and equipment used for manufacturing our parts and components.

(VI) Transportation related costs

Transportation related costs comprised petrol and toll charges, import and freight inwards, transportation and handling charges for purchase of spare parts for machinery.

(b) Cost of sales by products

The cost of sales by products of our Group for the Financial Periods Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Automotive parts and components:						
• Body parts	33,816	62.37	61,466	62.02	54,488	54.52
• Seat structures	17,033	31.41	34,167	34.47	41,775	41.80
• Other parts	3,374	6.22	3,477	3.51	2,852	2.85
Dies solution services ⁽¹⁾	-	-	-	-	824	0.83
Total	54,223	100.00	99,110	100.00	99,939	100.00

12. FINANCIAL INFORMATION (Cont'd)

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Automotive parts and components:				
* Body parts	23,303	51.67	25,634	55.70
* Seat structures	20,179	44.74	19,510	42.39
* Other parts	1,617	3.59	880	1.91
Dies solution services ⁽¹⁾	-	-	-	-
Total	45,099	100.00	46,024	100.00

Note:

- (1) There was no cost incurred for dies solution services in the FYE 2021 and FYE 2022. This was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2021 and FYE 2022, resulting in the costs not being recognised in the combined statement of profit or loss and other comprehensive income for the respective years. In FYE 2023, the aforementioned dies and jigs were completed and as such the costs for the manufacturing of these dies and jigs was recognised contributing to a 0.83% of our Group's total cost of sales for FYE 2023. There was no cost incurred for dies solution services in FPE 2023 and FPE 2024.

(c) GP and GP margin by products

The GP and GP margin by products of our Group for the Financial Periods Under Review are as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	GP RM'000	GP Margin %	GP RM'000	GP margin %	GP RM'000	GP margin %
Automotive parts and components:						
* Body parts	3,133	8.48	12,752	17.18	9,173	14.41
* Seat structures	1,334	7.26	3,298	8.80	3,329	7.38
* Other parts	275	7.54	1,086	23.80	933	24.65
Dies solution services	-	-	-	-	708	46.21
Total GP/Overall GP margin	4,742	(1)8.04	17,136	14.74	14,143	12.40

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12. FINANCIAL INFORMATION (Cont'd)

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	GP RM'000	GP Margin %	GP RM'000	GP margin %
Automotive parts and components:				
• Body parts	4,351	15.73	3,950	13.35
• Seat structures	795	3.79	1,707	8.05
• Other parts	643	28.45	642	42.18
Dies solution services	-	-	-	-
Total GP/Overall GP margin	5,789	11.38	6,299	12.04

Note:

- (1) We recorded lower GP margin of 8.04% for FYE 2021 mainly due to our Group recorded lower revenue during FYE 2021 coupled with our costs i.e. direct labour related expenses and depreciation of property, plant and equipment which were not decreased in tandem with our revenue as they are fixed-in-nature.

Comparison between FYE 2021 and FYE 2022

Our cost of sales comprised mainly material costs, representing 84.94% of our total cost of sales for FYE 2022 (FYE 2021: 78.30%). Our cost of sales increased by RM44.89 million or 82.79% to RM99.11 million for FYE 2022 (FYE 2021: RM54.22 million). The increase in our cost of sales was in tandem with the increase in our revenue.

In terms of our cost of sales by cost components, our cost components have increased in FYE 2022 compared to FYE 2021 mainly due to the following:

- (i) Material costs increased by RM41.73 million or 98.28% to RM84.19 million for FYE 2022 (FYE 2021: RM42.46 million), mainly due to the increase in raw materials required for production, which increased in tandem with the increase in our sales volumes;
- (ii) Direct labour related expenses increased by RM1.67 million or 37.19% to RM6.16 million for FYE 2022 (FYE 2021: RM4.49 million), mainly due to the following:
- (a) Increase in average foreign worker headcount to 66 staff for FYE 2022 (FYE 2021: 56 staff);
- (b) Our Group has revised the minimum wage from RM1,200 to RM1,500 upon the coming into force of the Minimum Wages Order 2022 from May 2022 onwards as well as annual salary increments; and
- (c) Our Group payout lesser salaries during June to August 2021 as several closure of operations due to different forms of lockdown imposed by the Government due to resurgence of COVID-19 cases in FYE 2021 and we were not deemed as essential services during these lockdowns.

12. FINANCIAL INFORMATION (Cont'd)

- (iii) Other direct costs increased by RM0.96 million or 40.00% to RM3.36 million for FYE 2022 (FYE 2021: RM2.40 million), mainly due to an increase in the upkeep of machinery costs and utility expenses as our Group's production volumes increased to cater the increase sale orders in FYE 2022. The lower other direct costs incurred for FYE 2021 mainly resulted from the several closures of our business operations due to different forms of lockdown imposed by the Government due to resurgence of COVID-19 cases in FYE 2021.

Our cost of sales increased at a rate lower than our revenue growth rate of 97.13%. Hence, our GP increased by RM12.40 million or 261.60% to RM17.14 million for FYE 2022 (FYE 2021: RM4.74 million), and we recorded an improved GP margin from 8.04% for FYE 2021 to 14.74% for FYE 2022. This was primarily attributable to the increase in direct labour related expenses as well as depreciation of property, plant and equipment, which increased not in proportionate with the revenue growth.

Body parts

Our body parts have remained the primary contributor to our cost of sales and GP, which contributed 62.02% and 74.42% of our total cost of sales and GP for FYE 2022, respectively (FYE 2021: 62.37% and 66.07% of our total cost of sales and GP, respectively).

This segment recorded an increase in the cost of sales by RM27.65 million or 81.76% to RM61.47 million for FYE 2022 (FYE 2021: RM33.82 million), and our GP for body parts increased by RM9.62 million or 307.35% to RM12.75 million for FYE 2022 (FYE 2021: RM3.13 million), which increased in tandem with the increase in our sales volumes and revenue for FYE 2022.

We recorded an improved GP margin from 8.48% for FYE 2021 to 17.18% for FYE 2022, mainly due to the following:

- (i) due to higher sales recorded for our body parts; and
- (ii) our Group provided additional body parts manufacturing services to a customer whose business operations were affected by the flood incident in December 2021 ("**Affected Customer**"). Subsequent to the flood incident, the Affected Customer approached our Group to seek assistance in manufacturing its products to ensure no interruption to the automotive supply chain ("**Production Support**"). The said Production Support contributed 4.49% of the total revenue from body parts for FYE 2022 and generally yield a better GP margin, approximately 69.90% for FYE 2022 as the raw materials and dies were provided by the Affected Customer. Our Group is still engaged by the Affected Customer to provide Production Support in the FYE 2023.

Seat structures

The cost of sales for our seat structures increased by RM17.14 million or 100.65% to RM34.17 million for FYE 2022 (FYE 2021: RM17.03 million), and our GP for seat structures increased by RM1.97 million or 148.12% to RM3.30 million for FYE 2022 (FYE 2021: RM1.33 million), which increased in tandem with the increase in our sales volumes and revenue for FYE 2022.

We recorded an improved GP margin from 7.26% for FYE 2021 to 8.80% for FYE 2022, mainly due to our direct labour related expenses and depreciation of property, plant and equipment were not increased in tandem with our revenue growth as they are fixed-in-nature.

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

The cost of sales for our other parts increased by RM0.11 million or 3.26% to RM3.48 million for FYE 2022 (FYE 2021: RM3.37 million), and our GP increased by RM0.81 million or 289.29% to RM1.09 million for FYE 2022 (FYE 2021: RM0.28 million), which increased in tandem with the increase in our sales volumes and revenue for FYE 2022.

We recorded a higher GP margin for FYE 2022, which improved to 23.80% for FYE 2022 (FYE 2021: 7.54%) primarily due to our direct labour and related expenses and depreciation of property, plant and equipment were not increased in tandem with our revenue growth as they are fixed-in-nature.

Dies solution services

There was no cost of sales recorded for FYE 2022. This was due to the on-going manufacturing process of dies and jigs, where the dies and jigs were not completed in FYE 2022, resulting in the costs not being recognised in FYE 2022.

Comparison between FYE 2022 and FYE 2023

Our cost of sales comprised mainly material costs, representing 83.00% of our total cost of sales for FYE 2023 (FYE 2022: 84.94%). Our cost of sales increased by RM0.83 million or 0.84% to RM99.94 million for FYE 2023 (FYE 2022: RM99.11 million). The increase in the cost of sales was not in tandem with the decrease in our revenue mainly due to the following:

- (i) The increase in other direct costs by RM1.19 million or 35.42% to RM4.55 million for FYE 2023 (FYE 2022: RM3.36 million), primarily due to higher utility expenses recorded as a result of no government subsidy (i.e: imbalance cost pass-through mechanism which was implemented by Tenaga Nasional Bhd from December 2022 onwards); and
- (ii) The increase in direct labour related expenses by RM0.97 million, primarily attributable to the increase in average foreign worker headcount to 114 staff for FYE 2023 (FYE 2022: 66 staff).

The abovementioned increases were partially offset by the decrease in material costs by RM1.24 million or 1.47% to RM82.95 million for FYE 2023 (FYE 2022: RM84.19 million), mainly contributed by the decrease in raw materials required for production, which decreased in tandem with the decreased in our sales volume for body parts.

Our GP decreased by RM3.00 million or 17.50% to RM14.14 million for FYE 2023 (FYE 2022: RM17.14 million), primarily due to decrease in revenue coupled with the higher cost of sales resulting from the increase in direct labour related expenses and other direct costs which were increased not in proportionate with the revenue fluctuation as they are fixed-in-nature. Hence, the GP margin decreased from 14.74% for FYE 2022 to 12.40% for FYE 2023.

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

Our body parts remain the primary contributor to our cost of sales and GP, which contributed 54.52% and 64.86% to our total cost of sales and GP, respectively, for FYE 2023 (FYE 2022: 62.02% and 74.42% of our total cost of sales and GP, respectively).

This segment recorded a decrease in the cost of sales by RM6.98 million or 11.36% to RM54.49 million for FYE 2023 (FYE 2022: RM61.47 million), which in tandem with the decrease in revenue.

Hence, our GP for body parts decreased by RM3.58 million or 28.08% to RM9.17 million for FYE 2023 (FYE 2022: RM12.75 million), as well as decrease in GP margin from 17.18% for FYE 2022 to 14.41% for FYE 2023. This was mainly due to decrease in revenue coupled with the higher cost of sales resulting from the increase in direct labour related expenses and other direct costs as explained above.

Meanwhile, the Production Support for the FYE 2023 contributed 3.31% of the total revenue from body parts and yield GP margin of approximately 45.72%, which both revenue and GP margin reduced as compared to FYE 2022. The said reduction also contributed to the overall decrease in revenue and GP margin for body parts.

Seat structures

The cost of sales for our seat structures increased by RM7.61 million or 22.27% to RM41.78 million for FYE 2023 (FYE 2022: RM34.17 million), which was in tandem with the revenue growth.

However, our Group recorded marginal increase in GP for seat structures increased by RM0.03 million or 0.91% to RM3.33 million for FYE 2023 (FYE 2022: RM3.30 million) and we recorded a decrease in GP margin from 8.80% for FYE 2022 to 7.38% for FYE 2023, mainly due higher cost of sales resulting from the increase in direct labour related expenses and other direct costs as explained above.

Other parts

The cost of sales for our other parts decreased by RM0.63 million or 18.10% to RM2.85 million for FYE 2023 (FYE 2022: RM3.48 million), which was in tandem with the decrease in revenue.

Hence, our GP decreased by RM0.16 million or 14.68% to RM0.93 million for FYE 2023 (FYE 2022: RM1.09 million). However, we recorded a slight increase in GP margin from 23.80% for FYE 2022 to 24.65% for FYE 2023, primarily due to decrease in revenue and sales volume for other parts was not in proportionate with the decrease in direct labour related expenses and other direct costs.

Dies solution services

The cost of sales for our dies solution services was RM0.82 million for FYE 2023 (FYE 2022: RM Nil), which was contributed by the revenue recognition from the dies solution services for FYE 2023, resulting in the manufacturing of the new dies and jigs for seat structures of Perodua's vehicle model. This segment recorded a GP of RM0.71 million and a GP margin of 46.21% for FYE 2023.

12. FINANCIAL INFORMATION (Cont'd)**Comparison between FPE 2023 and FPE 2024**

Our cost of sales comprised mainly material costs, representing 83.80% of our total cost of sales for FPE 2024 (FPE 2023: 82.37%). Our cost of sales increased by RM0.92 million or 2.04% to RM46.02 million for FPE 2024 (FPE 2023: RM45.10 million). The increase in the cost of sales was mainly due to the following:

- (i) Material costs increased by RM1.42 million or 3.82% to RM38.57 million for FPE 2024 (FPE 2023: RM37.15 million), mainly due to the increase in raw materials required for production, which increased in tandem with the increase in our sales volumes; and
- (ii) Direct labour related expenses increased by RM0.16 million or 4.94% to RM3.40 million for FPE 2024 (FPE 2023: RM3.24 million), primarily attributable to the increase in average foreign worker headcount to 138 staff for FPE 2024 (FPE 2023: 114 staff).

The abovementioned increases were partially offset by the following:

- (i) Decrease in subcontractor services by RM0.34 million or 27.2% to RM0.91 million for FPE 2024 (FPE 2023: RM1.25 million), mainly due to our Group utilised lesser subcontractor services as the Group has additional manpower to carry out the production in-house; and
- (ii) Decrease in other direct costs by RM0.31 million or 15.90% to RM1.64 million for FPE 2024 (FPE 2023: RM1.95 million), primarily due to lower utility expenses recorded as our Group implemented energy management as disclosed in Section 7.23 of this Prospectus.

Our cost of sales increased at a rate lower than our revenue growth rate of 2.81%. Hence, our GP increased by RM0.51 million or 8.81% to RM6.30 million for FPE 2024 (FPE 2023: RM5.79 million). As such, we recorded an improved GP margin from 11.38% for FPE 2023 to 12.04% for FPE 2024, as explained above which fluctuated not in proportionate with the revenue growth.

Body parts

Our body parts remain the primary contributor to our cost of sales and GP, which contributed 55.69% and 62.71% to our total cost of sales and GP, respectively, for FPE 2024 (FPE 2023: 51.67% and 75.16% of our total cost of sales and GP, respectively).

This segment recorded an increase in the cost of sales by RM2.33 million or 10.00% to RM25.63 million for FPE 2024 (FPE 2023: RM23.30 million), which in tandem with the increase in revenue.

Despite our Group recorded an increase in both revenue and cost of sales for body parts, we recorded a decrease in GP by RM0.40 million or 9.20% to RM3.95 million for FPE 2024 (FPE 2023: RM4.35 million), as well as decrease in GP margin from 15.73% for FPE 2023 to 13.35% for FPE 2024. This was mainly due to the Production Support ceased in 1st quarter, 2024*.

* *Production Support contributed 1.35% of the our Group's revenue from body parts in FPE 2024 (FPE 2023: 5.87%) and GP margin of 80.95% for FPE 2024 (FPE 2023: 89.06%).*

12. FINANCIAL INFORMATION (Cont'd)

Seat structures

The cost of sales for our seat structures decreased by RM0.67 million or 3.32% to RM19.51 million for FPE 2024 (FPE 2023: RM20.18 million), which was not in tandem with the revenue growth mainly due to decrease in material costs and subcontractor services. The decrease was primarily due to the following:

- (i) Our Group reduced the outsourcing of stamping processes to the third party subcontractor as resulted from additional manpower to carry out the production in-house; and
- (ii) Lower demand for two of the Proton's vehicle model.

Hence, our Group recorded increase in GP by RM0.91 million or 113.75% to RM1.71 million for FPE 2024 (FPE 2023: RM0.80 million) and we recorded an improved GP margin from 3.79% for FPE 2023 to 8.05% for FPE 2024.

Other parts

The cost of sales for our other parts decreased by RM0.74 million or 45.68% to RM0.88 million for FPE 2024 (FPE 2023: RM1.62 million), which was in tandem with the decrease in revenue.

However, we recorded a consistent GP and an increase in GP margin from 28.45% for FPE 2023 to 42.18% for FPE 2024, primarily due to our Group focusing on manufacture engine part (i.e. drive plate) for a Proton's vehicle model which yield a better margin due to higher precision requirements.

Dies solution services

There was no cost of sales for our dies solutions services for FPE 2024, this was due to there were no manufacturing process of dies and jigs secured in FPE 2024.

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

The breakdown of our other income for the Financial Periods Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Interest income	68	26.77	89	38.87	185	33.28
Government wage subsidies ⁽¹⁾	126	49.61	-	-	-	-
Transportation and rental of forklift charges	-	-	129	56.33	-	-
Gain on disposal of property, plant and equipment	59	23.23	5	2.18	271	48.74
Income from sales of equipment replacement parts	-	-	-	-	55	9.89
Others ⁽²⁾	1	0.39	6	2.62	45	8.09
Total	254	100.00	229	100.00	556	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Interest income	71	53.79	149	90.85
Gain on disposal of property, plant and equipment	43	32.57	1	0.61
Income from sales of equipment replacement parts	5	3.79	7	4.27
Others ⁽²⁾	13	9.85	7	4.27
Total	132	100.00	164	100.00

Notes:

- (1) Government wage subsidies are a temporary financial assistance programme by the Government introduced to assist small and medium enterprise due to the COVID-19 pandemic.
- (2) Others comprise mainly income from disposal of plastic, payment in lieu of resignation notice from an employee, refund from human resource development corporation, bad debt recovered and reimbursement of training allowance received from Proton.

Comparison between FYE 2021 and FYE 2022

Our Group's other income decreased by RM0.02 million or 8.00% to RM0.23 million for FYE 2022 (FYE 2021: RM0.25 million). The decrease was mainly attributable to the following:

- (i) Decrease in government wage subsidies of RM0.13 million; and
- (ii) Decrease in net gain on disposal of property, plant and equipment of RM0.05 million.

12. FINANCIAL INFORMATION (Cont'd)

However, the decrease in other income above was partially offset by the increase in transportation and rental of forklift charges received from the customers of RM0.13 million, which our Group supported the customers in storing, manufacturing and delivering of finished goods to their customers due to the flood at the customers' premises.

Comparison between FYE 2022 and FYE 2023

Our Group's other income increased by RM0.33 million or 143.48% to RM0.56 million for FYE 2023 (FYE 2022: RM0.23 million). The increase was mainly attributable to the following:

- (i) Increase in net gain on disposal of property, plant and equipment of RM0.27 million mainly contributed by the disposal of motor vehicles and plant and machineries;
- (ii) Increase in interest income of RM0.10 million mainly due to fixed deposits interest income received in FYE 2023; and
- (iii) Income from sales of equipment replacement parts of RM0.06 million.

However, the abovementioned increases were partially narrowed by no transportation and rental of forklift charges received from the Affected Customer of RM0.13 million as it was only generated in FYE 2022.

Comparison between FPE 2023 and FPE 2024

Our Group's other income increased by RM0.03 million or 23.08% to RM0.16 million for FPE 2024 (FPE 2023: RM0.13 million). The increase was mainly attributable to the increase in interest income of RM0.08 million mainly due to fixed deposits interest income received in FPE 2024.

The increase was partially narrowed by the decrease in gain on disposal of property, plant and equipment of RM0.04 million primarily due to there were disposal of plant and machineries in FPE 2023.

(iv) Administrative expenses

The breakdown of our administrative expenses for the Financial Periods Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	2,544	57.96	2,608	54.71	2,551	50.08
Directors' remuneration	770	17.55	814	17.08	951	18.67
Finance costs ⁽²⁾	598	13.63	584	12.25	356	6.99
Legal and professional fees ⁽³⁾	87	1.98	421	8.83	569	11.17
Upkeep of office equipment, fittings and motor vehicles	80	1.82	76	1.60	114	2.24
Stamp duties and penalty	-	-	1	0.02	141	2.77
Office and operations related expenses ⁽⁴⁾	130	2.96	177	3.71	232	4.55
Others ⁽⁵⁾	180	4.10	86	1.80	180	3.53
Total	4,389	100.00	4,767	100.00	5,094	100.00

12. FINANCIAL INFORMATION (Cont'd)

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Staff costs ⁽¹⁾	1,143	51.53	1,431	54.75
Directors' remuneration	440	19.84	577	22.07
Finance costs ⁽²⁾	195	8.79	158	6.04
Legal and professional fees ⁽³⁾	183	8.25	189	7.23
Upkeep of office equipment, fittings and motor vehicles	23	1.04	39	1.49
Stamp duties and penalty	69	3.11	1	0.04
Office and operations related expenses ⁽⁴⁾	94	4.24	163	6.24
Others ⁽⁵⁾	71	3.20	56	2.14
Total	2,218	100.00	2,614	100.00

Notes:

- (1) Staff costs comprised salaries, bonuses, employees' provident fund contributions, allowances, staff welfare and related expenses.
- (2) Finance costs comprised mainly term loan interests, bankers' acceptance interests and bank overdraft interests.
- (3) Legal and professional fees comprised mainly audit fees, payroll outsourcing fee, consultancy fees and financial advisor fee.
- (4) Office and operations related expenses comprised mainly stationery and printing expenses, leasing of office equipment, bank charges as well as software and maintenance expenses.
- (5) Others comprised mainly travelling and accommodation expenses, quit rent and assessment.

Comparison between FYE 2021 and FYE 2022

Our administrative expenses increased by RM0.38 million or 8.66% to RM4.77 million for FYE 2022 (FYE 2021: RM4.39 million). The increase mainly due to consultancy fees of RM0.25 million incurred for business planning and financial advisor fees to assist our Group in seeking business financing facilities.

Comparison between FYE 2022 and FYE 2023

Our administrative expenses increased by RM0.32 million or 6.71% to RM5.09 million for FYE 2023 (FYE 2022: RM4.77 million). The increase was mainly attributable to the following:

- (i) Legal and professional fees of RM0.15 million mainly due to higher audit fees as well as legal fees incurred for the sales of a freehold agricultural land;
- (ii) Stamp duties and penalty of RM0.14 million primarily attributable to i) stamp duties for banking facilities and ii) tax penalty due to underestimation of income tax for the year assessment 2022 as the actual final tax payable for year assessment 2022 was more than 30% of the estimated tax payable resulted from the additional revenue toward the end of FYE 2022; and
- (iii) Directors' remuneration of RM0.14 million, primarily due to annual salary increments as rewards for our Group's business growth.

12. FINANCIAL INFORMATION (Cont'd)

The abovementioned increases were partially offset by the decrease in finance costs of RM0.23 million mainly due to the higher interest incurred for FYE 2022 as a result of deferment of principal repayment for bankers' acceptances in FYE 2022. The said deferment was granted by the financial institutions as an initiative to provide support for post COVID-19 economic recovery.

Comparison between FPE 2023 and FPE 2024

Our administrative expenses increased by RM0.39 million or 17.57% to RM2.61 million for FPE 2024 (FPE 2023: RM2.22 million). The increase was mainly attributable to the following:

- (i) Staff costs of RM0.29 million mainly due to higher bonuses; and
- (ii) Directors' remuneration of RM0.14 million, primarily due to annual salary increments and independent directors' fee incurred during FPE 2024 due to the appointment of independent directors in December 2023.

(v) Other expenses

The breakdown of our other expenses for the Financial Periods Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Depreciation of property, plant and equipment	283	97.26	324	36.28	314	21.63
Impairment loss on non-current asset held for sale	-	-	-	-	1,031	71.01
Bad debts written off	-	-	434	48.60	7	0.48
Equipment written off	4	1.37	104	11.65	78	5.37
Realised loss in foreign exchange	4	1.37	31	3.47	22	1.51
Total	291	100.00	893	100.00	1,452	100.00

	Unaudited		Audited	
	FPE 2023		FPE 2024	
	RM'000	%	RM'000	%
Depreciation of property, plant and equipment	165	88.71	255	84.72
Impairment loss on non-current asset held for sale	-	-	-	-
Bad debts written off	6	3.22	-	-
Equipment written off	1	0.54	13	4.32
Realised loss in foreign exchange	14	7.53	33	10.96
Total	186	100.00	301	100.00

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

Our other expenses increased by RM0.60 million or 206.90% to RM0.89 million for FYE 2022 (FYE 2021: RM0.29 million). The increase was mainly attributable to the following:

- (i) A one-off bad debts written off of RM0.43 million mainly due to the disagreement on the steel material price difference adjustments with our customers. Subsequently, our Group has formalisation the back charge arrangement; and
- (ii) Increase in equipment written off of RM0.10 million was related to polyboxes due to wear-and-tear.

Comparison between FYE 2022 and FYE 2023

Our other expenses increased by RM0.56 million or 62.92% to RM1.45 million for FYE 2023 (FYE 2022: RM0.89 million), mainly due to impairment loss on non-current asset held for sale for Lot 2625 to its disposal consideration as disclosed in Note (1) of Section 12.1.2 of this Prospectus. This was partially offset by the decrease in bad debt written off as there were higher bad debts written off amounting to RM0.43 million recorded in FYE 2022. In FYE 2023, we recorded a bad debt written off of RM6,680 which was resulted from an administrative mismatch between invoicing records of the Group and the system input by a customer. After taking into consideration that the amount is insignificant and this is a remote incident which was not experience by the Group throughout their previous business dealings with the same customer, the Group decided to write-off the outstanding amount.

Comparison between FPE 2023 and FPE 2024

Our other expenses increased by RM0.11 million or 57.89% to RM0.30 million for FPE 2024 (FPE 2023: RM0.19 million). The increase was mainly attributable to the increase in depreciation of property, plant and equipment of RM0.09 million primarily due to purchase of system and software as well as renovation costs incurred for our office.

(vi) Net impairment losses/(gain) on financial assets

The breakdown of our net impairment losses/(gain) on financial assets for the Financial Periods Under Review is as follows:

	Audited					
	FYE 2021		FYE 2022		FYE 2023	
	RM'000	%	RM'000	%	RM'000	%
Net impairment losses/(gain) on financial assets ⁽¹⁾	-	-	369	100.00	(260)	(100.00)
	Unaudited		Audited			
	FPE 2023		FPE 2024			
	RM'000	%	RM'000	%		
Net impairment (gain)/losses on financial assets ⁽¹⁾	(260)	(100.00)	-	-		

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

(1) Our Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. Our Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information.

Comparison between FYE 2021 and FYE 2022

In FYE 2022, our Group recorded net impairment losses on financial assets of RM0.37 million, primarily attributable to the impairment of the amount due from a customer as a result of the uncertainties on the outcome of the negotiation for the back charge of steel material price differences adjustments prior to the formalisation of the back charge arrangement. Our Group has recovered partial of the impaired amount subsequent to FYE 2022.

Comparison between FYE 2022 and FYE 2023

In FYE 2023, our Group recorded a reversal of impairment losses on financial assets of RM0.26 million, mainly due to the reversal of trade receivables in relation to partial collection received from a customer, which impairment losses on trade receivables provided for in the prior financial year.

Comparison between FPE 2023 and FPE 2024

In FPE 2023, our Group recorded a reversal of impairment losses on financial assets of RM0.26 million, mainly due to the reversal of trade receivables in relation to partial collection received from a customer, which impairment losses on trade receivables provided for in the prior financial year. There were no net impairment losses/(gain) on financial assets recorded for FPE 2024.

(vii) Taxation

	FYE 2021	Audited FYE 2022	FYE 2023	Unaudited FPE 2023	Audited FPE 2024
Taxation (RM'000)	163	2,538	2,880	1,320	1,244
Effective tax rate (%)	⁽¹⁾ 51.58	22.39	34.23	34.95	35.06
Malaysia Statutory tax rate (%)	24.00	24.00	24.00	24.00	24.00

Note:

(1) Our effective tax rate for FYE 2021 of 51.58% was higher than the statutory tax rate mainly due to certain expenses of RM0.07 million are not deductible for tax reporting purposes, mainly contributed by gratuity, auditors' remuneration and late interest charges.

Comparison between FYE 2021 and FYE 2022

Our tax expenses increased by RM2.38 million or 1,487.50% to RM2.54 million for FYE 2022 (FYE 2021: RM0.16 million) due to higher PBT recorded for FYE 2022.

12. FINANCIAL INFORMATION (Cont'd)

Our effective tax rate for FYE 2022 of 22.39% was lower than the statutory tax rate mainly due to the following:

- (i) Utilisation of unrecognised deferred tax assets of RM0.21 million, i.e., unutilised tax losses and unabsorbed capital allowances previously not recognised in the financial statements as a result of the uncertainty as to whether sufficient taxable profits will be available to utilise these unrecognised deferred tax assets; and
- (ii) Certain expenses of RM0.14 million are not deductible for tax reporting purposes, mainly contributed by i.e: legal and professional fees and equipment written off.

Comparison between FYE 2022 and FYE 2023

Our tax expenses increased by RM0.34 million or 13.39% to RM2.88 million for FYE 2023 (FYE 2022: RM2.54 million) mainly due to our Group recorded under provision of income tax expenses in the prior financial year of RM0.63 million.

Our effective tax rate for FYE 2023 of 34.23% was higher than the statutory tax rate mainly due to the following:

- (i) Under provision of income tax expenses in the previous financial year of RM0.63 million; and
- (ii) Certain expenses of RM0.64 million are not deductible for tax reporting purposes, mainly contributed by i.e: impairment loss on non-current asset held for sale and interest restrictions on interest expenses incurred not in the production of business income as the excess funds from borrowings for working capital purposes were being placed as fixed deposits with licensed banks.

Comparison between FPE 2023 and FPE 2024

Our tax expenses decreased by RM0.08 million or 6.06% to RM1.24 million for FPE 2024 (FPE 2023: RM1.32 million) mainly due to our Group recorded under provision of deferred tax expenses in the previous financial year of RM0.29 million.

Our effective tax rate for FPE 2024 of 35.06% was higher than the statutory tax rate mainly due to the following:

- (i) Under provision of deferred tax in the previous financial year of RM0.29 million; and
- (ii) Certain expenses of RM0.19 million are not deductible for tax reporting purposes, mainly contributed by i.e: interest restrictions on interest expenses incurred not in the production of business income as the excess funds from borrowings for working capital purposes were being placed as fixed deposits with licensed banks.

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12. FINANCIAL INFORMATION (Cont'd)**(viii) PBT, PBT margin, PAT and PAT margin**

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
PBT (RM'000)	316	11,336	8,413	3,777	3,548
PBT margin (%)	⁽¹⁾ 0.54	9.75	7.37	7.42	6.78
PAT (RM'000)	153	8,798	5,533	2,457	2,304
PAT margin (%)	⁽¹⁾ 0.26	7.57	4.85	4.83	4.40

Note:

(1) We recorded lower PBT and PBT margin of RM0.32 million and 0.54% for FYE 2021 respectively, mainly due to our operations were interrupted in FYE 2021 due to several closures of operations caused by different forms of lockdown imposed by the governments of Malaysia to contain the spread of COVID-19 and our Group were not deemed as essential services during these lockdowns. The operations of some of our suppliers and customers were also disrupted at different times in FYE 2021 due to positive COVID-19 cases reported among their employees which affected their manufacturing operations and subsequently caused slowdowns in the automotive assembly supply chain, including our Group. Correspondingly, our Group recorded lower PAT and PAT margin of RM0.15 million and 0.26% for FYE 2021, respectively.

Comparison between FYE 2021 and FYE 2022

Our PBT and PBT margin increased to RM11.34 million for FYE 2022 (FYE 2021: RM0.32 million) and 9.75% for FYE 2022 (FYE 2021: 0.54%), respectively. The increase in PBT and PBT margin was mainly due to higher GP and GP margin, which are detailed in Section 12.3.2 (ii) of this Prospectus.

Correspondingly, our PAT and PAT margin increased to RM8.80 million for FYE 2022 (FYE 2021: RM0.15 million) and 7.57% for FYE 2022 (FYE 2021: 0.26%), respectively.

Comparison between FYE 2022 and FYE 2023

Our PBT and PBT margin decreased to RM8.41 million for FYE 2023 (FYE 2022: RM11.34 million) and 7.37% for FYE 2023 (FYE 2022: 9.75%), respectively. The decrease in PBT and PBT margin was mainly due to lower GP and GP margin, which are detailed in Section 12.3.2 (ii) of this Prospectus as well as higher administrative expenses and other expenses as detailed in Sections 12.3.2 (iv) and 12.3.2 (v) of this Prospectus.

Correspondingly, our PAT and PAT margin decreased to RM5.53 million for FYE 2023 (FYE 2022: RM8.80 million) and 4.85% for FYE 2023 (FYE 2022: 7.57%), respectively.

Comparison between FPE 2023 and FPE 2024

Our PBT and PBT margin decreased to RM3.55 million for FPE 2024 (FPE 2023: RM3.78 million) and 6.78% for FPE 2024 (FPE 2023: 7.42%), respectively. The decrease in PBT and PBT margin was mainly due there were no reversal of impairment on financial assets for FPE 2024.

Correspondingly, our PAT and PAT margin decreased to RM2.30 million for FPE 2024 (FPE 2023: RM2.46 million) and 4.40% for FPE 2024 (FPE 2023: 4.83%), respectively.

12. FINANCIAL INFORMATION (Cont'd)

12.4 LIQUIDITY AND CAPITAL RESOURCES

Our operations are funded by a combination of internal and external sources of funds. Our internal sources of funds comprise share capital and cash generated from our operating activities, while our external sources of funds are mainly credit extended by our suppliers and/or facilities from financial institutions. Our facilities from financial institutions comprise term loans, bankers' acceptance, bank overdrafts and hire purchases.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflows, future working capital requirements, future capital expenditure requirements, and the interest rates on borrowings. We carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

Our Board confirms that we will have sufficient working capital to meet our present 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 equivalents of RM11.26 million as at the LPD;
- (ii) Our expected future cash flows from operations;
- (iii) Our total banking facilities as at the LPD of RM23.00 million, of which RM4.00 million has been utilised; and
- (iv) Our pro forma gearing level of approximately 0.11 times, computed based on our pro forma statements of financial position of our Group as at 30 June 2024 after the Public Issue (and utilisation of proceeds).

As at the LPD, we do not foresee any circumstances which may materially affect our liquidity.

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12. FINANCIAL INFORMATION (Cont'd)**12.5 REVIEW OF CASH FLOWS**

The following table sets out the summary of the combined and consolidated statements of cash flows for the Financial Periods Under Review, which have been extracted from the Accountants' Report set out in Section 13 of this Prospectus and should be read in conjunction thereto:

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Net cash from operating activities	1,360	13,262	9,869	4,082	764
Net cash (for)/from investing activities	(297)	(912)	(5,437)	(2,688)	208
Net cash for financing activities	(2,155)	(5,536)	(2,440)	(1,186)	(1,234)
Net (decrease)/increase in cash and cash equivalents	(1,092)	6,814	1,992	208	(262)
Cash and cash equivalents at the beginning of the financial year/period	4,366	3,274	10,088	10,088	12,080
Cash and cash equivalents at the end of the financial year/period	3,274	10,088	12,080	10,296	11,818

(i) FYE 2021**(a) Net cash from operating activities**

For FYE 2021, our Group recorded operating cash flows before working capital changes of RM2.93 million. After adjusting for the following key items, our Group's net cash inflows from operating activities was RM1.36 million, contributed mainly by the following:

- (i) Increase in inventories of RM1.88 million mainly due to our Group recorded higher finished goods as a result of the flood incident on our major customer's premises toward the end of FYE 2021 has caused a delay in delivering the finished goods;
- (ii) Decrease in trade and other receivables of RM1.22 million was mainly contributed by lower trade receivables, which decreased in tandem with the decrease in our revenue for FYE 2021;
- (iii) Decrease in trade and other payables of RM0.66 million was contributed mainly by lower accrual for the purchase of materials resulting from a general slowdown in the automotive industry as a result of the outbreak of the COVID-19 pandemic;
- (iv) Interests paid of RM0.59 million;
- (v) Income tax paid of RM0.29 million; and
- (vi) Income tax refund of RM0.55 million for the year assessment 2019.

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

For FYE 2021, our Group recorded net cash outflows for investing activities of RM0.30 million mainly due to the purchase of property, plant and equipment of RM0.35 million for the following:

- (i) Plant and machinery of RM0.11 million for the manufacturing of automotive parts and components;
- (ii) Office equipment and furniture of RM0.20 million, mainly purchase of software and license of RM0.14 million for our operations; and
- (iii) Motor vehicles of RM0.04 million for our operations.

(c) Net cash for financing activities

For FYE 2021, our Group recorded net cash outflows for financing activities of RM2.16 million mainly contributed by the following:

- (i) Repayment of bankers' acceptance of RM9.68 million and term loans of RM1.17 million; and
- (ii) Drawdown of bankers' acceptance of RM8.80 million for payments to suppliers.

(ii) FYE 2022**(a) Net cash from operating activities**

For FYE 2022, our Group recorded operating cash flows before working capital changes of RM14.78 million. After adjusting for the following key items, our Group's net cash inflows from operating activities was RM13.26 million, contributed mainly by the following:

- (i) Decrease in inventories of RM1.08 million was mainly attributable to the resumption of our Group's operations at our manufacturing facilities after the relaxation of movement control. Hence, we recorded lower finished goods as at 31 December 2022. Higher finished goods at the end of the previous financial year was mainly due to the flood incident on our major customer's premises toward the end of FYE 2021, which caused a delay in delivering the finished goods;
- (ii) Increase in trade and other receivables of RM7.03 million mainly due to the increase in trade receivables, which increased in tandem with our Group's revenue growth in FYE 2022 as well as higher sales towards the end of FYE 2022;
- (iii) Increase in trade and other payables of RM6.07 million was mainly due to the increase in purchases, which increased in tandem with our revenue growth for FYE 2022 as well as higher purchases towards the end of FYE 2022;
- (iv) Interests paid of RM0.57 million; and
- (v) Income tax paid of RM1.15 million.

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

For FYE 2022, our Group recorded net cash outflows for investing activities of RM0.91 million, mainly due to purchase of property, plant and equipment of RM0.92 million for the following:

- (i) Plant and machinery of RM0.17 million for manufacturing of automotive parts and components;
- (ii) Renovation of RM0.60 million for our office; and
- (iii) Office equipment and furniture of RM0.15 million, mainly purchase of office equipment of RM0.08 million as well as software and license of RM0.06 million for our operations.

(c) Net cash for financing activities

For FYE 2022, our Group recorded net cash outflows for financing activities of RM5.54 million, mainly contributed by the following:

- (i) Dividend payment of RM4.00 million;
- (ii) Repayment of term loans of RM1.35 million and bankers' acceptance of RM15.50 million; and
- (iii) Drawdown of bankers' acceptance of RM15.45 million for the payments to suppliers.

(iii) FYE 2023**(a) Net cash from operating activities**

For FYE 2023, our Group recorded operating cash flows before working capital changes of RM11.04 million. After adjusting for the following key items, our Group's net cash inflows from operating activities was RM9.87 million, contributed mainly by the following:

- (i) Decrease in trade and other receivables of RM3.09 million mainly due to the decrease in trade receivables, which resulted from lesser sales towards the end of FYE 2023 as compared to FYE 2022;
- (ii) Decrease in trade and other payables of RM0.60 million mainly due to lower material purchases as a result of phased out of a Perodua's vehicle model;
- (iii) Interests paid of RM0.35 million;
- (iv) Income tax paid of RM4.00 million; and
- (v) Income tax refund of RM0.58 million for years assessment 2020 and 2021.

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

For FYE 2023, our Group recorded net cash outflows for investing activities of RM5.44 million, mainly due to the purchase of plant and machinery of RM5.53 million for the following:

- (i) Plant and machinery of RM3.77 million for manufacturing of automotive parts and components;
- (ii) Renovation of RM1.06 million for our office;
- (iii) Motor vehicles of RM0.18 million for our operations; and
- (iv) Office equipment and furniture of RM0.51 million.

(c) Net cash for financing activities

For FYE 2023, our Group recorded net cash outflows for financing activities of RM2.44 million, mainly contributed by the following:

- (i) Dividend payment of RM1.00 million;
- (ii) Drawdown of bankers' acceptance of RM15.60 million for the payment to suppliers; and
- (iii) Repayment of term loans of RM1.23 million and bankers' acceptance of RM15.70 million.

(iv) FPE 2024**(a) Net cash from operating activities**

For FPE 2024, our Group recorded operating cash flows before working capital changes of RM4.53 million. After adjusting for the following key items, our Group's net cash inflows from operating activities was RM0.76 million, contributed mainly by the following:

- (i) Decrease in inventories of RM0.86 million mainly attributable to lower finished goods resulting from higher sales towards the end of FPE 2024 as compared to towards the end of FYE 2023;
- (ii) Decrease in trade and other receivables of RM0.47 million mainly due to faster collection from customers for the past due outstanding receivables;
- (iii) Decrease in trade and other payables of RM3.59 million mainly due to lower accrual for the purchase of materials as a result of our Group has received the materials but pending invoices from our suppliers and lower material purchases as a result of reduced in orders for a Perodua's vehicle model where a variant of the said Perodua vehicle model were phased out during first quarter, 2023;
- (iv) Interests paid of RM0.15 million; and
- (v) Income tax paid of RM1.46 million.

12. FINANCIAL INFORMATION (Cont'd)

(b) Net cash from investing activities

For FPE 2024, our Group recorded net cash inflows from investing activities of RM0.21 million, mainly due to the proceed received from the disposal of non-current asset held for sale of RM3.40 million. The said cash inflow was narrowed by the cash outflows for the following:

- (i) Purchase of plant and equipment of RM1.19 million comprise mainly of the additions of office equipment and furniture for our office; and
- (ii) Placement of fixed deposit with tenure more than 3 months of RM2.00 million.

(c) Net cash for financing activities

For FPE 2024, our Group recorded net cash outflows for financing activities of RM1.23 million, mainly contributed by the following:

- (i) Repayment of term loans of RM0.62 million and bankers' acceptance of RM7.80 million; and
- (ii) Drawdown of bankers' acceptance of RM7.20 million for the payment to suppliers.

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12. FINANCIAL INFORMATION (Cont'd)**12.6 BORROWINGS**

Our total outstanding borrowings as at 30 June 2024 stood at RM5.64 million, details of which are set out as follows. All our borrowings are interest-bearing and denominated in RM.

Type of borrowings	Purpose	Tenure of the facility	Interest rate % Per annum	Audited as at 30 June 2024 RM'000	Repayable in 12 months RM'000	Repayable after 12 months RM'000
Term loans	Refinancing of previous term loans used for working capital and purchase of machineries	5 years	5.82%	440	440	-
	Financing the purchase of machineries	5 years	4.00%	522	397	125
	Working capital	5 years	3.50%	324	214	110
Bankers' acceptances	Finance the trade purchases	4 months	3.70% - 5.14%	4,300	4,300	-
Lease liabilities	To lease motor vehicles under hire purchase arrangement	5 years	5.71%	51	19	32
Total borrowings				5,637	5,370	267

Pro forma gearing (times)After the Public Issue⁽¹⁾

0.10

After the Public Issue and utilisation of proceeds⁽²⁾

0.11

Notes:

(1) Computed based on the pro forma consolidated statements of financial position after the Public Issue.

(2) Computed based on the pro forma consolidated statements of financial position after the Public Issue and utilisation of proceeds.

12. FINANCIAL INFORMATION (Cont'd)

Our pro forma gearing ratio is expected to register approximately 0.10 times after the Public Issue, and approximately 0.11 times after the Public Issue (and utilisation of proceeds).

Our borrowings including term loans and bankers' acceptance are secured by one or a combination of the following:

- (a) Third party charge against the factory building of our Group;
- (b) Joint and several guarantees by the directors of our Group; and
- (c) A fixed charge over the assets financed by the licensed bank.

Meanwhile, our hire purchase for motor vehicles are secured by assets purchased through the facilities.

Our bank borrowings carry the following interest rates for the Financial Periods Under Review:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	% per annum			
Bank overdrafts	6.67 – 6.92	-	-	-
Bankers' acceptances	3.77 – 5.42	4.29 – 5.04	3.70 – 5.14	3.64 – 5.14
Lease liabilities	4.52 – 6.29	4.52 – 6.29	4.16 – 5.71	5.71
Term loans	3.50 – 5.42	3.50 – 6.42	3.50 – 5.82	3.50 – 5.82

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 borrowings throughout the Financial Periods Under Review and the subsequent financial year up to the LPD.

As at the LPD, our Group is not in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan, which can materially affect our financial position and results or business operations or the investments by holders of our securities. We do not encounter any seasonality in our borrowings trend, and there are no restrictions on our committed borrowing facilities i.e., our bankers.

For the Financial Periods Under Review, we have not experienced any clawback or reduction in the facilities limit granted to us by our lenders.

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12. FINANCIAL INFORMATION (Cont'd)

12.7 TYPES OF FINANCIAL INSTRUMENTS USED, TREASURY POLICIES AND OBJECTIVES

From an accounting perspective, financial instruments may include fixed deposits with licensed banks, trade and other receivables, trade and other payables, and borrowings such as bank overdraft facility, term loans, bankers' acceptances and lease liabilities as shown on our combined and consolidated statements of financial position. These financial instruments are used in our ordinary course of business.

As at the LPD, save for our bank borrowings as disclosed in Section 12.6, we do not utilise any other financial instruments.

We finance our operations mainly through cash generated from our operations, credit extended by our suppliers as well as external sources of funds which mainly comprise bank borrowings. The principal usages of these banking facilities are for working capital and purchase of property, plant and equipment.

Save for our finance lease liabilities, term loans for purchase of machineries and working capital which carry fixed interest rates, all of our other borrowings bear variable interest rates which are based on the banks' interest rates, including any additional margin added to or deducted from the prevailing rates depending on the different types of bank facilities as agreed upon with our respective bankers.

12.8 MATERIAL CAPITAL COMMITMENTS

As at the LPD, we do not have any other material capital commitments incurred or to be incurred by us that have been provided for which, upon becoming enforceable, may have a material effect on our financial position.

12.9 MATERIAL LITIGATION AND CONTINGENT LIABILITIES

We are not 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 our Group's financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

There are no other contingent liabilities incurred by our Group which upon becoming enforceable, may have a material effect on our Group's financial position as at the LPD.

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12. FINANCIAL INFORMATION (Cont'd)

12.10 KEY FINANCIAL RATIOS

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

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Trade receivables turnover (days) ⁽¹⁾	76	47	49	43
Trade payables turnover (days) ⁽²⁾	83	55	59	56
Inventory turnover (days) ⁽³⁾	34	19	17	16
Current ratio (times) ⁽⁴⁾	1.11	1.27	1.31	1.67
Gearing ratio (times) ⁽⁵⁾	0.48	0.30	0.21	0.16

Notes:

- (1) Computed based on average trade receivables over revenue for the financial year/period multiplied by 365/182 days for each financial year/period.
- (2) Computed based on average trade payables over purchases for the financial year/period multiplied by 365/182 days for each financial year/period.
- (3) Computed based on average inventory over material costs for the financial year/period multiplied by 365/182 days for each financial year/period.
- (4) Computed based on current assets over current liabilities as at each financial year/period.
- (5) Computed based on our total borrowings (including lease liabilities and bank overdrafts) over total equity as at each financial year/period.

12.10.1 Trade receivables turnover

Our trade receivables' turnover period (in days) for the Financial Periods Under Review is stated as below:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	12,734	11,733	18,206	12,680
Closing trade receivables	11,733	18,206	12,680	12,194
Average trade receivables	12,234	14,970	15,443	12,437
Revenue	58,965	116,246	114,082	52,323
Average trade receivables turnover period (days)	76	47	49	43

The normal credit terms granted by our Group to our customers ranges from 30 days to 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis after considering various factors such as customers relationship, customers payment history, creditworthiness as well as the quantum of the amount outstanding.

Our Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. Our Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying value of trade receivables.

12. FINANCIAL INFORMATION (Cont'd)

Our Group deems any receivables having financial difficulty or with significant balances outstanding for more than 90 days as credit impaired and assesses for their risk of loss individually.

The expected loss rates are based on the payment profiles of sales over a period of 1 year from the measurement date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

Our average trade receivables turnover periods for FYE 2021, FYE 2022, FYE 2023 and FPE 2024 were 76 days, 47 days, 49 days and 43 days, respectively, which were within our normal credit terms granted to our customers.

Our average trade receivables turnover periods for FYE 2021 were 76 days mainly due to our customers took longer time to pay our Group due to the imposition of movement restriction resulting from the COVID-19 pandemic.

During the Financial Periods Under Review, our trade receivables are collected generally within the credit terms, and therefore, there is minimal exposure to credit risk.

The ageing analysis of our trade receivables as at 30 June 2024 is as follows:

	Trade receivables as at 30 June 2024		Amount collected from 1 July 2024 up to the LPD	Balance of trade receivables which have yet to be collected as at the LPD
	RM'000	Percentage of trade receivables (%)	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Current (not past due)	10,858	89.05	5,721	5,137
Past due:				
• Less than 3 months	1,299	10.65	1,296	3
• More than 3 months	37	0.30	37	-
• More than 6 months	-	-	-	-
• More than 1 year	-	-	-	-
	1,336	10.95	1,333	3
Total	12,194	100.00	7,054	5,140

As at the LPD, our Group has collected RM7.05 million or 57.85% of our trade receivables as at 30 June 2024.

For the Financial Periods Under Review and up to the LPD, save for those disclosed in Section 12.3.2 (v) and Section 12.3.2 (vi) above, our Group has not encountered any disputes with our trade receivables.

Specific impairment in respect of a customer of RM0.37 million was provided in FYE 2022. Our Group has recovered partial of the impaired amount of RM0.26 million during FYE 2023, which disclosed in Section 12.3.2 (vi) above. The outstanding balances were written off during FYE 2022 as disclosed in Section 12.3.2 (v) above.

12. FINANCIAL INFORMATION (Cont'd)**12.10.2 Trade payables turnover**

Our trade payables' turnover period (in days) for the Financial Periods Under Review is as follows:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	10,560	10,628	15,011	12,725
Closing trade payables	10,628	15,011	12,725	11,028
Average trade payables	10,594	12,820	13,868	11,877
Total purchases	46,605	85,395	85,445	38,617
Average trade payables turnover period (days)	83	55	59	56

The normal credit terms granted by our trade suppliers to our Group is 60 days. To maintain good relationship with our suppliers, we will pay our suppliers as payments fall due.

Our trade payables turnover periods for the FYE 2021, FYE 2022, FYE 2023 and FPE 2024 were 83 days, 55 days, 59 days and 56 days, respectively.

Our trade payables turnover period were 83 days for FYE 2021 as we took a longer time to pay our suppliers taking consideration the anticipated delay in collection from customers as discussed in Section 12.10.1 of this Prospectus.

Our trade payables turnover period decreased from 83 days for FYE 2021 to 55 days for FYE 2022 mainly due to relaxation of the MCO, our Group paid our suppliers as payments fall due.

Our trade payables turnover period increased from 55 days for FYE 2022 to 59 days for FYE 2023, which relatively consistent as compared to FYE 2022.

Our trade payables turnover period reduced from 59 days for FYE 2023 to 56 days for FPE 2024, which relatively consistent as compared to FYE 2023.

The ageing analysis of our trade payables as at 30 June 2024 is as follows:

	Trade payables as at 30 June 2024		Amount paid from 1 July 2024 up to LPD	Balance of trade payables which have yet to be paid as at LPD
	RM'000	Percentage of trade payables (%)	RM'000	RM'000
	(a)	(a)/total of (a)	(b)	(c) = (a)-(b)
Within credit period	7,789	70.63	3,650	4,139
Exceeding credit period:				
• 1 to 30 days	3,239	29.37	3,239	-
• 31 to 60 days	-	-	-	-
• More than 60 days	-	-	-	-
	3,239	29.37	3,239	-
Total	11,028	100.00	6,889	4,139

12. FINANCIAL INFORMATION (Cont'd)

As at the LPD, we have outstanding trade payables of RM4.14 million, representing 37.53% of our trade payables as at 30 June 2024. These remaining unsettled balances were within the credit period.

As at the LPD, there are also no disputes in respect of trade payables, and no legal action has been initiated by our suppliers to demand for payment.

12.10.3 Inventories turnover

Our inventory turnover period (in days) for the Financial Periods Under Review are as below:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Opening inventories	2,964	4,840	3,760	3,817
Closing inventories	4,840	3,760	3,817	2,960
Average inventories	3,902	4,300	3,789	3,389
Material costs	42,455	84,186	82,951	38,568
Average inventory turnover period (days)	34	19	17	16

Our inventory turnover periods for the FYE 2021, FYE 2022, FYE 2023 and FPE 2024 were 34 days, 19 days, 17 days and 16 days, respectively.

Our Group recorded higher inventory turnover period of 34 days for FYE 2021 mainly attributable to our Group recorded higher finished goods. The flood incident on our major customer's premises toward the end of FYE 2021 has caused a delay in delivering the finished goods.

Our inventory turnover period decreased from 34 days for FYE 2021 to 19 days for FYE 2022 which is within our inventories holding policy, i.e. at least 2 weeks.

Our inventory turnover period further reduced to 17 days for FYE 2023 is relatively consistent as compared to 19 days for FYE 2022.

Our inventory turnover period further reduced to 16 days for FPE 2024 is relatively consistent as compared to 17 days for FYE 2023.

Reviews are made periodically by management on damaged, obsolete and slow moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories.

We conduct a monthly management meeting to review stockholding level and inventory ageing analysis. Approval is required from the authorised personnel at management level for replenishment of inventories and impairment on slow moving inventories, if any.

We assess whether inventories should be impaired by identifying slow moving inventories during periodic stock count, obsolete inventories will be written down to their net realisable value while damaged/stolen inventories will be written off.

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12. FINANCIAL INFORMATION (Cont'd)**12.10.4 Current ratio**

Our current ratio for the Financial Periods Under Review is as follows:

	Audited			
	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Current assets	22,687	32,436	31,959	33,340
Current liabilities	(20,487)	(25,511)	(24,463)	(19,984)
Net current assets	2,200	6,925	7,496	13,356
Current ratio (times)	1.11	1.27	1.31	1.67

Our current ratio ranges from 1.11 times to 1.67 times for the Financial Periods Under Review. This indicates that our Group is able to meet our current obligations as our current assets, such as inventories and trade receivables, which can be readily converted into cash, together with our fixed deposits and bank balances is sufficient to meet our current liabilities.

As at 31 December 2022, our current ratio increased to 1.27 times mainly due increase in the following:

- (i) Increase in trade receivables by RM6.47 million, which increased in tandem with our Group's revenue growth in FYE 2022;
- (ii) Increase in cash and bank balances by RM3.50 million, which was attributable to an increase in internally generated funds from our business growth; and
- (iii) Decrease in bank overdrafts by RM1.32 million as our Group have sufficient internally generated funds for our business operations;

The abovementioned was partially offset by the following:

- (i) Decrease in inventories by RM1.08 million, this was mainly attributable to the resumption of our Group's operations at our manufacturing facilities after the relaxation of movement controls. Hence, we recorded lower finished goods as at 31 December 2022. Higher finished goods at the end of the previous financial year was mainly due to the flood incident on our major customer's premises toward the end of FYE 2021, which caused a delay in delivering the finished goods;
- (ii) Increase in trade payables by RM4.38 million was primarily attributable to the increase in purchases, which increased in tandem with our revenue growth for FYE 2022 as well as higher purchases toward the end of FYE 2022; and
- (iii) Increase in other payables and accruals by RM1.68 million mainly due to the following:
 - (a) Increase in accruals for salaries and employees' provident fund contributions of RM0.74 million primarily attributable to increase in headcounts during FYE 2022; and
 - (b) Increase in accrual for the purchase of materials of RM0.87 million as a result of our Group have received the materials but pending invoices from our suppliers.

As at 31 December 2023, our current ratio increased to 1.31 times mainly due to the following:

- (i) Net increase in fixed deposits with licensed bank and cash and bank balances of RM2.30 million due to higher internally generated funds from business growth;

12. FINANCIAL INFORMATION (Cont'd)

- (ii) Increase in other receivables, deposits and prepayments of RM2.73 million due to increase in prepayments in the following:
 - (a) Prepayments in relations to IPO expenses of RM1.09 million;
 - (b) Prepayment for purchase of manufacturing software of RM0.53 million, which is partly funded with a government grant through the Industry4WRD Intervention Fund amounting to RM0.50 million. The Group has received an initial grant of RM0.15 million while the remaining grant will be released upon audit visit by MIDA; and
 - (c) The net advances from customer for the dies solution services of RM0.58 million as at 31 December 2022 were recognised in profit or loss upon the completion of the dies solution services in FYE 2023;
- (iii) Decrease in term loans of RM1.23 million due to scheduled term loan repayments;
- (iv) Decrease in trade payables by RM2.29 million primarily attributable to lower material purchases as a result of phased out of a Perodua's vehicle model;
- (v) Decrease in current tax liabilities of RM0.33 million as our Group recorded a lower PBT during FYE 2023; and
- (vi) Decrease in deferred tax liabilities of RM0.21 million, primarily attributable to overprovision in the previous financial year.

The abovementioned was partially offset by the following:

- (i) Decrease in trade receivables of RM5.53 million mainly due to lesser sales towards the end of FYE 2023 as compared to FYE 2022;
- (ii) Increase in other payables and accruals of RM1.69 million mainly due to the following:
 - (a) amount payable for purchase of plant and machinery of RM1.24 million for the manufacturing of automotive parts and components. The purchase was made from a supplier in China who agreed on monthly instalment payments up to December 2024; and
 - (b) deposit received of RM0.38 million, being deposit of 10% for the disposal consideration for Lot 2625.

As at 30 June 2024, our current ratio increased to 1.67 times mainly due to the following:

- (i) Increase in fixed deposits with licensed bank of RM1.00 million due to higher internally generated funds from business growth;
- (ii) Decrease in other payables and accruals of RM1.91 million mainly due to decrease in accrual for the purchase of materials of RM1.34 million as a result of our Group have received the materials but pending invoices from our suppliers;
- (iii) Decrease in trade payables of RM1.70 million primarily attributable to lower material purchases as a result of reduced in orders for a Perodua's vehicle model where a variant of the said Perodua vehicle model were phased out during first quarter, 2023; and
- (iv) Decrease in bankers' acceptances of RM0.60 million mainly due to lower utilisation of bankers' acceptances facilities.

12. FINANCIAL INFORMATION (Cont'd)**12.10.5 Gearing ratio**

Our gearing ratio for the Financial Periods Under Review is as follows:

	Audited			
	As at 31 December			As at 30 June
	2021	2022	2023	2024
	RM'000	RM'000	RM'000	RM'000
Total bank borrowings (including lease liabilities and bank overdraft)	11,163	8,333	6,869	5,637
Total equity	23,295	28,093	32,626	34,931
Gearing ratio (times)	0.48	0.30	0.21	0.16

Our gearing ratio ranged from 0.16 times to 0.48 times for the Financial Periods Under Review.

Our Group recorded higher gearing ratio of 0.48 times as at 31 December 2021 primarily attributable to drawdown of term loans of RM1.18 million mainly for working capital purposes in second quarter of FYE 2020 which brought forward to FYE 2021.

Our Group's gearing ratio decreased from 0.48 times as at 31 December 2021 to 0.30 times as at 31 December 2022, mainly due to our Group's increased retained profits arising from net profits recorded during FYE 31 December 2022. The increase was narrowed by the decrease in the bank borrowings for the following:

- (i) Decrease in bank overdrafts as our Group have sufficient internally generated funds for our business operations; and
- (ii) Decrease in term loan due to scheduled term loan repayments.

Our Group's gearing ratio decreased from 0.30 times as at 31 December 2022 to 0.21 times as at 31 December 2023, mainly due to our Group's increased retained profits arising from net profits recorded during FYE 31 December 2023 and the decrease in the bank borrowings primarily attributable to scheduled term loan repayments.

Our Group's gearing ratio further decrease to 0.16 times as at 30 June 2024 primarily due to our Group's increased retained profits arising from net profits recorded during FPE 2024 and the decrease in bank borrowings mainly due to scheduled term loan repayments and lower utilisation of bankers' acceptances facilities.

12.11 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES

Save for policies in relation to the COVID-19 pandemic, there were no government, economic, fiscal or monetary policies or factors which have materially affected our operation and financial performance during the Financial Periods Under Review.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 9 of this Prospectus.

12. FINANCIAL INFORMATION (Cont'd)**12.12 IMPACT OF INFLATION**

During the Financial Periods Under Review, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward. Any significant increase in costs of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices.

12.13 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND COMMODITY PRICES ON OUR GROUP'S OPERATIONS**12.13.1 Impact of foreign exchange rates**

Our transactions for sales and purchases of raw materials as well as accessories are solely denominated in RM.

From the Financial Periods Under Review, our purchases of machinery, machinery spare parts and upgrade of machinery from our overseas supplier amounted to RM0.11 million, RM0.28 million, RM2.15 million, RM2.15 million and RM0.43 million, respectively.

For the Financial Periods Under Review, our losses from the foreign exchange fluctuations is as follows:

	Audited			Unaudited	Audited
	FYE 2021	FYE 2022	FYE 2023	FPE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000	RM'000
Realised loss on foreign exchange	4	31	22	14	33

As at the LPD, we have not entered into any forward foreign exchange contracts as our sales and purchases of raw materials as well as accessories are solely denominated in RM. The realised foreign exchange differences during the Financial Periods Under Review arose from the purchases of machinery, machinery spare parts and upgrade of machinery from our overseas supplier. As such, we are subject to foreign exchange fluctuation risk for the purchases denominated in foreign currency. A depreciation of the RM against the foreign currencies will lead to higher costs of supplies for our Group.

12.13.2 Impact of interest rates

Interest coverage ratio measures the number of times a company is able to meet its interest payment obligations with its EBIT. Our interest coverage ratio for the Financial Periods Under Review is as follows:

	FYE 2021	FYE 2022	FYE 2023	FPE 2024
Interest coverage ratio (times) ⁽¹⁾	1.41	20.26	24.11	22.51

Note:

(1) Computed based on EBIT over finance costs for the Financial Periods Under Review.

Our interest coverage ratio ranged from 1.41 to 24.11 times for the Financial Periods Under Review, indicating that our Group has been able to generate sufficient profits from operations to meet our interest servicing obligations.

We recorded lower interest coverage ratio of 1.41 times for FYE 2021, in tandem with the lower PAT recorded for FYE 2021.

12. FINANCIAL INFORMATION (Cont'd)

Our interest coverage ratio increased from 1.41 times for FYE 2021 to 20.26 times for FYE 2022, in tandem with the increase in our PAT recorded for FYE 2022.

Our interest coverage ratio increased from 20.26 times for FYE 2022 to 24.11 times for FYE 2023, mainly due to higher finance costs recorded for FYE 2022, as explained in Section 12.3.2 (iv) of this Prospectus.

Our interest coverage ratio decreased from 24.11 times for FYE 2023 to 22.51 times for FPE 2024, in tandem with the lower PAT recorded for FPE 2024.

Our financial results for the Financial Periods Under Review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group.

12.13.3 Impact of commodity prices

For the Financial Periods Under Review, the prices of steel were subject to price fluctuations as a result of demand and supply conditions. However, we are generally able to pass on price fluctuations in the cost of these steel materials to our customers as the prices of steel materials required for the manufacturing of our parts and components are set by local automotive manufacturer after direct negotiation between the steel manufacturers and local automotive manufacturer, and shared with their respective appointed suppliers. Hence, the fluctuations in commodities prices did not have any material negative impact on our business operations and financial performance.

There is no assurance that our financial performance will not be adversely affected by the impact of commodity prices moving forward. Any significant increase in costs of sales in the future may adversely affect our operations and performance in the event where we are unable to pass on higher costs to our customers through an increase in selling prices.

12.14 ORDER BOOK

We do not enter into long-term contracts with our customers. Our sales are made based on purchase orders from our customers on an ongoing basis. Due to the nature of our business, we do not maintain an order book.

12.15 DIRECTORS' STATEMENT ON OUR GROUP'S FINANCIAL PERFORMANCE

Our Board is of the opinion that:

- (a) Our revenue will remain sustainable with an upward growth trend, in line with the anticipated growth in the automotive industry as set out in the IMR Report;
- (b) Our liquidity will improve further subsequent to the Public Issue given the additional funds to be raised for our Group to carry out our business strategies as stated in Section 7.12 of this Prospectus; and
- (c) Our capital resources will strengthen, taking into account the amount to be raised from the Public Issue as well as internally generated funds. We may consider debt or equity funding for our capital expansion should the need arise.

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

12. FINANCIAL INFORMATION (Cont'd)

12.16 TREND INFORMATION

As at the LPD, save as disclosed in this Prospectus and to the best of our Board confirms that there are no:

- (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, save as disclosed in Section 12.3, Section 7, Section 8 and Section 9 of this Prospectus;
- (ii) Material commitments for capital expenditure, as set out in Sections 12.8 of this Prospectus;
- (iii) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group, save as discussed in Section 9 and Section 12.3 of this Prospectus;
- (iv) Known trends, demands, commitments, events or uncertainties that had resulted in a substantial increase in our Group's revenue and/or profit as disclosed in this Section 12.3 of this Prospectus, business and IMR Report, as set out in Section 7 and Section 8, as well as business strategies and prospects as set out in Section 7.12 of this Prospectus;
- (v) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not indicative of the future financial performance and position, save as disclosed in this section and Section 9 of this Prospectus; and
- (vi) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's liquidity and capital resources, save as disclosed in this section, Section 7 and Section 9 of this Prospectus.

However, our Board foresees certain risk factors as set out in Section 9 that may affect our future financial condition and results of operations.

Nevertheless, our Board is optimistic about the future prospects of our Group given our Group's competitive strengths as set out in Section 7.7 of this Prospectus, the outlook of the automotive industry in Malaysia as set out in the IMR Report in Section 8 of this Prospectus and our commitment to implement the business strategies as set out in Section 7.12 of this Prospectus.

12.17 DIVIDEND POLICY

The actual dividend that our Board may recommend or declare in any particular financial year or period will be subject to various factors, such as having profits and excess funds, which are not required to be retained to fund our business. Our Board will consider the following factors (which may not be exhaustive) when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) the level of cash and level of indebtedness;
- (ii) required and expected interest expense, cash flows, profits, return on equity and retained earnings;
- (iii) our expected results of current and future level of operations;
- (iv) our projected levels of capital expenditure and other investment plans; and

12. FINANCIAL INFORMATION (Cont'd)

(v) the prior consent from our banking institutions, if any.

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

We target a payout ratio of up to 10% of our profit attributable to the owners of our Company for each financial year on a consolidated basis after taking into account working capital, maintenance capital and committed capital requirements of our Group. The declaration and payment of any dividend is subject to the confirmation of our Board as well as any applicable law, license conditions and contractual obligations and provided that such distribution will not be detrimental to our cash requirements, or any plans approved 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 future dividends which are subject to modification (including non-declaration thereof) at our Board's discretion. There can be no assurance that we will be able to pay dividends or that our Board will declare dividends in the future. There can also be no assurance that future dividends declared by our Board, if any, will not differ materially from historical dividend levels.

For the Financial Periods Under Review, our Subsidiary had declared the following dividends to their respective shareholders:

	Audited			
	FYE 2021	FYE 2022	FYE 2023	FPE 2024
	RM'000	RM'000	RM'000	RM'000
Dividend declared and paid	-	(1)4,000	(2)1,000	-

Notes:

(1) RM0.40 million was paid on 5 January 2022 and RM3.60 million was paid on 29 December 2022.

(2) RM1.00 million was paid on 29 December 2023.

Please refer to Note 26 of the Accountants' Report set out in Section 13 of this Prospectus for further details.

The dividends declared and/or to be declared above were funded by internal funds sourced from the cash and bank balances of our Subsidiary. The dividends will not affect the execution and implementation of our future plans or strategies. We also believe that we have sufficient funding from our internally generated funds and bank borrowings for the funding requirements of our operations and expansion plans.

As at the LPD, there is no outstanding dividends declared but remained unpaid. Subsequent to LPD, no dividend was declared, made or paid by our Group prior to the completion of the Listing.

Please refer to Section 9.3.4 of this Prospectus for risks relating to the payment of dividends.

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

12. FINANCIAL INFORMATION (Cont'd)**12.18 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024**

Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
 Level 16, Tower C, Megan Avenue II
 12, Jalan Yap Kwan Seng
 50450 Kuala Lumpur
 Malaysia
 Main +6 03 2788 9999
www.crowe.my

Date: 22 August 2024

The Board of Directors
KHPT HOLDINGS BERHAD
 Lot 2228, Jalan Kasawari,
 Kawasan Perusahaan Kebun Baru,
 Batu 9, Kg. Kebun Baru,
 42500 Telok Panglima Garang,
 Kuala Langat, Selangor.

Dear Sir/Madam

**KHPT HOLDINGS BERHAD (“KHPT” or the “Company”)
 REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of KHPT Holdings Berhad and its subsidiary (hereinafter referred to as the “Group”) as at 30 June 2024 and the related notes (as set out in Appendix A which we have stamped for the purpose of identification) prepared by the Board of Directors of the Group for inclusion in the Prospectus in connection with the listing of and quotation for the entire issued share capital of the Group on the ACE Market of Bursa Malaysia Securities Berhad (“the Listing”).

The applicable criteria on the basis of which the Board of Directors of the Group have compiled the Pro Forma Consolidated Statements of Financial Position are specified in the Prospectus Guidelines issued by the Securities Commission Malaysia (“the Prospectus Guidelines”) and the Guidance Note for issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants (“Guidance Note”).

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors of the Group to illustrate the impact of the events or transactions set out in the notes thereon to the Pro Forma Consolidated Statements of Financial Position as if the events have occurred or the transactions have been undertaken on 30 June 2024. As part of this process, information about the Group’s financial position has been extracted by the Board of Directors of KHPT from the Group’s audited statements of financial position as at 30 June 2024.

THE BOARD OF DIRECTORS’ RESPONSIBILITIES

The Board of Directors of the Group is responsible for compiling the Pro Forma Consolidated Statements of Financial Position as set out in the notes to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines.

12. FINANCIAL INFORMATION (Cont'd)**REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

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

Our firm applies International Standard on Quality Management 1 (ISQM 1), *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality management including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Group on the basis as 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 and the Guidance Note.

We conducted our engagement in accordance with the International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors of the Group 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 purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the Pro Forma 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.

The purpose of Pro Forma Consolidated Statements of Financial Position included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

12. FINANCIAL INFORMATION (Cont'd)**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

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 set out in notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with the requirements of the Prospectus Guidelines, involves performing procedures to assess whether the applicable criteria used by the Board of Directors 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:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma 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.

OPINION

In our opinion, the Pro Forma Consolidated Statements of Financial Position has been compiled, in all material respects, 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.

OTHER MATTER

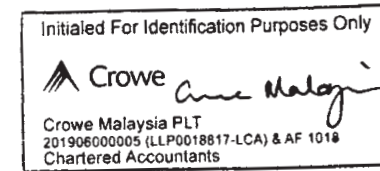
This letter has been prepared solely for the purpose of inclusion in the prospectus of KHPT, in connection with the Listing. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility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

Yours faithfully,

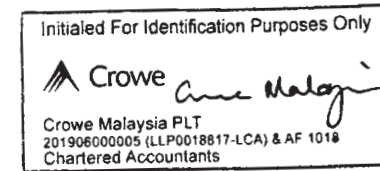
Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

Kuala Lumpur

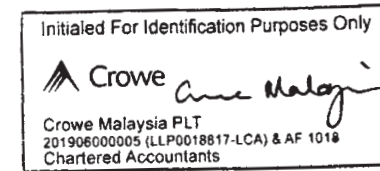
Ung Voon Huay
03233/09/2024 J
Chartered Accountant

12. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****KHPT HOLDINGS BERHAD****PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024**

		<u>Audited</u>		<u>I</u>		<u>II</u>
		Consolidated As at 30.6.2024 RM'000	Public Issue RM'000	After Public Issue RM'000	Utilisation of proceeds RM'000	After I and utilisation of proceeds RM'000
ASSETS						
NON-CURRENT ASSET						
Property, plant and equipment	6.1	23,204	-	23,204	16,366	39,570
CURRENT ASSETS						
Inventories		2,960	-	2,960	-	2,960
Trade receivables		12,194	-	12,194	-	12,194
Other receivables, deposits, and prepayments	6.2	3,518	-	3,518	(2,481)	1,037
Current tax assets		542	-	542	-	542
Fixed deposit with licensed banks		7,308	-	7,308	-	7,308
Cash and bank balances	6.3	6,818	21,729	28,547	(19,248)	9,299
		<u>33,340</u>	21,729	<u>55,069</u>	(21,729)	<u>33,340</u>
TOTAL ASSETS		<u>56,544</u>	21,729	<u>78,273</u>	(5,363)	<u>72,910</u>

12. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****KHPT HOLDINGS BERHAD****PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)**

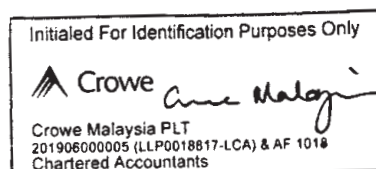
	Audited		I		II
	Consolidated As at 30.6.2024 RM'000	Public Issue RM'000	After Public Issue RM'000	Utilisation of proceeds RM'000	After I and utilisation of proceeds RM'000
EQUITY AND LIABILITIES					
EQUITY					
Share capital	6.4 31,724	21,729	53,453	(1,707)	51,746
Merger deficit	(31,474)	-	(31,474)	-	(31,474)
Retained profits	6.5 34,681	-	34,681	(3,656)	31,025
TOTAL EQUITY	34,931	21,729	56,660	(5,363)	51,297
NON-CURRENT LIABILITIES					
Lease liabilities	32	-	32	-	32
Term loans	235	-	235	-	235
Deferred tax liabilities	1,362	-	1,362	-	1,362
	1,629	-	1,629	-	1,629

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

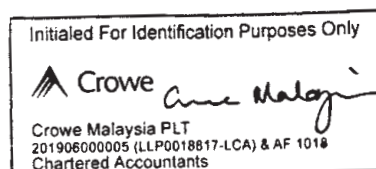
KHPT HOLDINGS BERHAD**PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)**

	<u>Audited</u>		<u>I</u>		<u>II</u>
	Consolidated As at 30.6.2024 RM'000	Public Issue RM'000	After Public Issue RM'000	Utilisation of proceeds RM'000	After I and utilisation of proceeds RM'000
CURRENT LIABILITIES					
Trade payables	11,028	-	11,028	-	11,028
Other payables and accruals	3,586	-	3,586	-	3,586
Bankers' acceptances	4,300	-	4,300	-	4,300
Lease liabilities	19	-	19	-	19
Term loans	1,051	-	1,051	-	1,051
	<u>19,984</u>	-	<u>19,984</u>	-	<u>19,984</u>
TOTAL LIABILITIES	<u>21,613</u>	-	<u>21,613</u>	-	<u>21,613</u>
TOTAL EQUITY AND LIABILITIES	<u>56,544</u>	21,729	<u>78,273</u>	(5,363)	<u>72,910</u>
Number of shares in issue ('000)	293,742	108,644	402,386	-	402,386
NA per share (RM)	0.12	-	0.14	-	0.13
Borrowings (All interest bearing debts) (RM'000)	5,637	-	5,637	-	5,637
Gearing ratio (times)	0.16	-	0.10	-	0.11
Current ratio (times)	1.67	-	2.76	-	1.67

12. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****KHPT HOLDINGS BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024****1. ABBREVIATIONS**

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

Acquisition of AGSB	: Acquisition by KHPT for the entire equity interest of AGSB comprising 250,000 ordinary shares for a purchase consideration of RM31,724,148 which was fully satisfied by the issuance of 293,742,111 new Shares at an issue price of RM0.108 per Share
AGSB or Subsidiary	: Automev Global Sdn Bhd (<i>formerly known as Kah Hong Precision Tooling Sdn Bhd</i>)
Bursa Securities	: Bursa Malaysia Securities Berhad
IPO	: Initial public offering comprising the Public Issue and Offer for Sale, collectively
IPO Price	: The indicative issue/offer price of RM0.20 per IPO Share pursuant to the IPO
IPO Share(s)	: Collectively, the Issue Share(s) and Offer Share(s)
Issue Share(s)	: 108,644,300 new Share(s) to be issued pursuant to the Public Issue
KHPT or the Company	: KHPT Holdings Berhad
KHPT Group or the Group	: KHPT Holdings Berhad and its Subsidiary
KHPT Shares or Shares	: Ordinary shares in KHPT
Listing	: Listing of and quotation for the entire enlarged issued share capital of KHPT on the ACE Market of Bursa Securities
LPD	: 20 August 2024, being the latest practicable date
Offer for Sale	: Offer for sale of 38,226,600 Shares by the offerors (namely Datin Eloise and Tiu Kuang Hong) at IPO Price
Prospectus	: Prospectus of the Company in relation to the IPO
Public Issue	: Public issue of 108,644,300 new Shares at IPO Price
RM and Sen	: Ringgit Malaysia and sen, respectively
TPG Factory	: The Group's sole principal place of business located at Lot 2228, Jalan Kasawari, Kawasan Perusahaan Kebun Baru, Batu 9, Kg. Kebun Baru, 42500 Telok Panglima Garang, Kuala Langat, Selangor Darul Ehsan

12. FINANCIAL INFORMATION (Cont'd)**KHPT HOLDINGS BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024 (CONT'D)****APPENDIX A****2. INTRODUCTION**

The Pro Forma Consolidated Statements of Financial Position of the Group as at 30 June 2024 ("Pro Forma Consolidated Statements of Financial Position") together with the notes thereon, for which the Board of Directors of the Group ("the Directors") are solely responsible, have been prepared for illustrative purposes only for the purpose of inclusion in the Prospectus to be issued in connection with the IPO in conjunction with the Listing and should not be relied upon for any other purposes.

3. BASIS OF PREPARATION

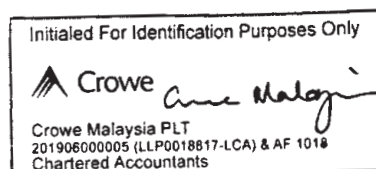
The Pro Forma Consolidated Statements of Financial Position is prepared based on the audited combined statements of financial position of the Group as at 30 June 2024 which, was prepared in accordance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs"), and in a manner consistent with the format of the financial statements and accounting policies of the Group.

The combined financial statements used in the preparation of these Pro Forma Consolidated Statements of Financial Position were not subject to any audit qualification, modification, disclaimer of opinion or emphasis of matter.

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

The identifiable assets and liabilities of all commonly controlled entities are accounted for at their historical costs.

The Pro Forma Consolidated Statements of Financial Position together with the related notes thereon, have been prepared solely to illustrate the impact of the events and transactions set out in Note 5 to the Pro Forma Consolidated Statements of Financial Position had the events occurred or transactions been undertaken on 30 June 2024. The Pro Forma Consolidated Statements of Financial Position are not necessarily indicative of the financial position that would have been attained had the Listing actually occurred at the respective dates.

12. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****KHPT HOLDINGS BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)****4. LISTING SCHEME****4.1 Acquisition of AGSB**

On 28 December 2023, the Company entered into a conditional share sale and purchase agreement with Datin See Hui Pving, Tiu Kuang Hong and See Hui Shi ("AGSB's Vendors", collectively) to acquire the entire issued share capital of AGSB of RM0.25 million comprising 250,000 AGSB's ordinary shares for a purchase consideration of approximately RM31.72 million which was entirely satisfied by the issuance of 293,742,111 new Shares on 8 January 2024, at an issue price of RM0.108 per Share to AGSB's Vendors.

The purchase consideration of approximately RM31.72 million was arrived at a willing buyer-willing seller basis and after taking into consideration the audited net assets of AGSB as at 30 September 2023 of approximately RM31.72 million. The said acquisition was completed on 7 February 2024 and AGSB has become a wholly-owned subsidiary of the Group.

4.2 Listing scheme

In conjunction with, and as an integral part of the Listing, the Company undertook the following:-

(a) IPOPublic Issue

The Public Issue of 108,644,300 Issue Shares representing approximately 27.00% of the enlarged issued share capital of KHPT at IPO Price will be allocated in the following manner:-

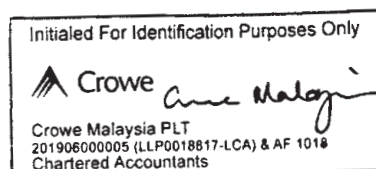
- 20,119,400 Issue Shares will be made available for application by the Malaysian Public via balloting;
- 10,059,700 Issue Shares will be made available for application by the eligible directors and employees of the Group; and
- 78,465,200 Issue Shares will be made available by way of private placement to selected investors.

Proposed Offer for Sale

Concurrent with the Listing, the Offer for Sale of 38,226,600 Offer Shares will be made available by way of private placement to selected investors at the IPO Price.

(b) Proposed Listing

Upon completion of the Proposed IPO, the Company will be admitted to the Official List and the entire enlarged issued share capital of approximately RM53.45 million comprising 402,386,413 shares shall be listed and quoted on the ACE Market.

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)****5. PRO FORMA ADJUSTMENTS TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****5.1 Pro Forma I**

Pro Forma I incorporates the effects of Public Issue as set out in Note 4.2(a) to the Pro Forma Consolidated Statements of Financial Position.

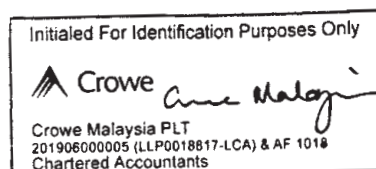
5.2 Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I and the utilisation of proceeds from Public Issue. The proceeds from the Public Issue will be utilised as follows:-

Purposes	Amount of proceeds		Estimated timeframe for utilisation from the Listing date
	RM'000	%	
Capital expenditure ⁽¹⁾ :			Within 24 months
- Purchase of press machines	11,046	50.83	Within 24 months
- Purchase of automation equipment	4,500	20.71	Within 24 months
- Renovation of TPG Factory	452	2.08	Within 24 months
- Purchase of one overhead crane	368	1.70	Within 24 months
Working capital ⁽²⁾	705	3.24	Within 12 months
Estimated listing expenses ⁽³⁾	4,658	21.44	Within 1 month
Total	21,729	100.00	

Notes:-

- (1) The Group intends to allocate RM16.37 million of the gross proceeds from the Public Issue to fully fund the capital expenditure of the Group which includes the purchase of press machines, purchase of automation equipment, purchase of overhead crane and renovation of TPG Factory. As at the LPD, the Group has yet to enter into any contractual binding arrangements or issued any purchase orders in relation to the said capital expenditure of the Group.
- (2) The Group has allocated RM0.70 million of the gross proceeds from the Public Issue for the working capital requirements of the Group, which are the general administrative and daily operational expenses such as electricity, upkeep of machinery / equipment and maintenance costs. As at the LPD, the Group has yet to issue any purchase orders for the working capital requirements of the Group.
- (3) The estimated listing expenses of RM1.71 million directly attributable to the Public Issue will be set off against share capital and the remaining estimated listing expenses of RM2.95 million that are attributable to the Listing will be expensed off to profit or loss. As of 30 June 2024, RM2.48 million has been paid and debited into other receivables, deposits and prepayments.

12. FINANCIAL INFORMATION (Cont'd)

APPENDIX A

KHPT HOLDINGS BERHAD**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2024 (CONT'D)****6. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION****6.1 Property, plant and equipment**

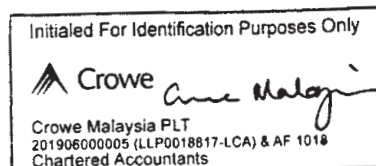
	RM'000
As at 30 June 2024/ Pro Forma I	23,204
Pursuant to utilisation of proceeds	
- Capital expenditure	16,366
As per Pro Forma II	<u>39,570</u>

6.2 Other receivables, deposits, and prepayments

	RM'000
As at 30 June 2024/ Pro Forma I	3,518
Pursuant to utilisation of proceeds	
- Estimated listing expenses	(2,481)
As per Pro Forma II	<u>1,037</u>

6.3 Cash and bank balances

	RM'000
As at 30 June 2024	6,818
Pursuant to Public Issue	21,729
As per Pro Forma I	<u>28,547</u>
Pursuant to utilisation of proceeds	
- Capital expenditure	(16,366)
- Working capital	(705)
- Estimated listing expenses	(2,177)
As per Pro Forma II	<u>9,299</u>

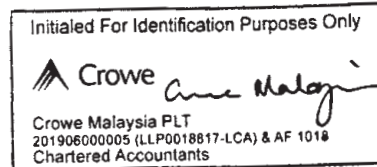
12. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****KHPT HOLDINGS BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2024 (CONT'D)****6. EFFECTS ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)****6.4 Share capital**

	Number of Ordinary Shares '000	Amount of Share Capital RM'000
As at 30 June 2024	293,742	31,724
Pursuant to Public Issue	108,644	21,729
As per Pro Forma I	402,386	53,453
Pursuant to utilisation of proceeds		
- Estimated listing expenses	-	(1,707)
As per Pro Forma II	<u>402,386</u>	<u>51,746</u>

6.5 Retained profits

	RM'000
As at 30 June 2024/ Pro Forma I	34,681
Pursuant to utilisation of proceeds	
- Working capital	(705)
- Estimated listing expenses	(2,951)
As per Pro Forma II	<u>31,025</u>

12. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

KHPT HOLDINGS BERHAD

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors of KHPT Holdings Berhad in accordance with a resolution dated 22 August 2024.

On behalf of the Board of Directors,

A large, stylized handwritten signature in black ink, appearing to read "See Hui Pvang".

See Hui Pvang

A handwritten signature in black ink, appearing to read "H. Nomura".
Hideki Nomura

13. ACCOUNTANTS' REPORT

Date: 22 August 2024

The Board of Directors
KHPT HOLDINGS BERHAD
 Lot 2228, Jalan Kasawari,
 Kawasan Perusahaan Kebun Baru,
 Batu 9, Kg. Kebun Baru,
 42500 Telok Panglima Garang,
 Kuala Langat, Selangor.

Crowe Malaysia PLT
 201906000005 (LLP0018817-LCA) & AF 1018
 Chartered Accountants
 Level 16, Tower C, Megan Avenue II
 12, Jalan Yap Kwan Seng
 50450 Kuala Lumpur
 Malaysia
 Main +6 03 2788 9999
 www.crowe.my

Dear Sirs/Madam

REPORTING ACCOUNTANTS' OPINION ON THE FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF KHPT HOLDINGS BERHAD (THE "COMPANY" OR "KHPT")

OPINION

We have audited the financial information of the Company and its subsidiary (collectively known as the "Group"), which comprise the combined statements of financial position as at 31 December 2021, 31 December 2022, 31 December 2023, and consolidated financial statements as at 30 June 2024, and the combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended ("FYE") 31 December 2021, 31 December 2022, 31 December 2023 and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for FPE 30 June 2024, and notes to the combined and consolidated financial statements, including material accounting policy information as set out on pages 4 to 77.

The historical financial information has been prepared for inclusion in the prospectus of KHPT Holdings Berhad in connection with the initial public offering and listing of KHPT Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad ("the Proposed Listing"). This report is required by the Prospectus Guidelines issued by the Securities Commission Malaysia (the "Prospectus Guidelines") and is given for the purpose of complying with Chapter 10.03 of the Prospectus Guidelines and for no other purpose.

In our opinion, the combined and consolidated financial information gives a true and fair view of the financial position of the Group as at 31 December 2021, 31 December 2022, 31 December 2023 and 30 June 2024, and of its financial performance and its combined and consolidated cash flows for each of the FYE 31 December 2021, 31 December 2022 and 31 December 2023 in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards, and of their financial position as at 30 June 2024 and of its financial performance and its cash flows for the FPE 30 June 2024 in accordance with MFRS 134 "Interim Financial Reporting" and International Accounting Standards 34 "Interim Financial Reporting".

BASIS FOR OPINION

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

Page 1

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

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

DIRECTORS' RESPONSIBILITIES FOR THE COMBINED AND CONSOLIDATED FINANCIAL INFORMATION

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

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

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF COMBINED AND CONSOLIDATED FINANCIAL INFORMATION

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

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

- Identify and assess the risks of material misstatement of the combined and consolidated financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

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

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

- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the combined and consolidated financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of this report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the combined and consolidated financial information of the Group, including the disclosures, and whether the combined and consolidated financial information of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes 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.

RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the prospectus of KHPT Holdings Berhad in connection with the listing of KHPT Holdings Berhad on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

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

Kuala Lumpur

Ung Voon Huay
03233/09/2024 J
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
ASSETS						
NON-CURRENT ASSETS						
Property, plant and equipment	4	25,589,900	19,544,734	22,991,351	20,972,879	23,204,329
Investment property	5	-	4,811,569	-	4,811,569	-
		<u>25,589,900</u>	<u>24,356,303</u>	<u>22,991,351</u>	<u>25,784,448</u>	<u>23,204,329</u>
CURRENT ASSETS						
Inventories	6	4,839,980	3,759,791	3,816,788	3,465,431	2,960,025
Trade receivables	7	11,732,822	18,206,100	12,679,904	12,798,468	12,193,693
Other receivables, deposits, and prepayments	8	598,702	351,961	3,077,641	759,259	3,517,632
Amount owing by related parties	9	22,497	30,231	-	34,913	-
Current tax assets		901,754	-	-	-	542,020
Fixed deposits with licensed banks	10	-	2,000,000	6,304,235	3,800,000	7,308,477
Cash and bank balances		4,590,971	8,088,216	6,080,234	7,789,364	6,818,155
		<u>22,686,726</u>	<u>32,436,299</u>	<u>31,958,802</u>	<u>28,647,435</u>	<u>33,340,002</u>
Non-current asset held for sale	11	-	-	3,780,000	-	-
TOTAL ASSETS		<u>48,276,626</u>	<u>56,792,602</u>	<u>58,730,153</u>	<u>54,431,883</u>	<u>56,544,331</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
EQUITY AND LIABILITIES						
EQUITY						
Share capital	12(a)	2	2	2	2	31,724,150
Invested capital	12(b)	250,000	250,000	250,000	250,000	-
Merger deficit		-	-	-	-	(31,474,148)
Retained profits		23,044,974	27,843,347	32,376,816	30,300,228	34,680,969
TOTAL EQUITY		23,294,976	28,093,349	32,626,818	30,550,230	34,930,971
NON-CURRENT LIABILITIES						
Lease liabilities	13	196,698	121,355	41,707	51,715	31,721
Term loans	14	3,209,467	1,908,022	651,050	1,285,564	234,912
Deferred tax liabilities	15	1,088,515	1,159,259	948,027	1,159,259	1,361,778
		4,494,680	3,188,636	1,640,784	2,496,538	1,628,411

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

	Note	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
CURRENT LIABILITIES						
Trade payables	16	10,627,492	15,011,244	12,724,676	10,479,920	11,028,493
Other payables and accruals	17	2,100,438	3,781,801	5,472,806	2,671,583	3,586,046
Amount owing to directors	18	1,404	-	-	-	-
Bankers' acceptances	19	5,050,000	5,000,000	4,900,006	4,550,013	4,300,017
Lease liabilities	13	114,323	71,428	19,137	26,452	19,691
Term loans	14	1,276,066	1,231,170	1,256,972	1,241,928	1,050,702
Bank overdrafts	20	1,317,247	-	-	993,068	-
Current tax liabilities		-	414,974	88,954	1,422,151	-
		<u>20,486,970</u>	<u>25,510,617</u>	<u>24,462,551</u>	<u>21,385,115</u>	<u>19,984,949</u>
TOTAL LIABILITIES		<u>24,981,650</u>	<u>28,699,253</u>	<u>26,103,335</u>	<u>23,881,653</u>	<u>21,613,360</u>
TOTAL EQUITY AND LIABILITIES		<u>48,276,626</u>	<u>56,792,602</u>	<u>58,730,153</u>	<u>54,431,883</u>	<u>56,544,331</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	Note	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
REVENUE	21	58,965,533	116,246,414	114,081,850	50,887,986	52,323,193
COST OF SALES		(54,223,215)	(99,110,092)	(99,938,765)	(45,099,188)	(46,024,065)
GROSS PROFIT		4,742,318	17,136,322	14,143,085	5,788,798	6,299,128
OTHER INCOME		254,290	228,859	556,068	130,304	163,634
ADMINISTRATIVE EXPENSES		(4,389,108)	(4,766,672)	(5,093,980)	(2,217,626)	(2,613,872)
OTHER EXPENSES		(291,364)	(892,926)	(1,452,176)	(185,001)	(300,711)
NET IMPAIRMENT (LOSSES)/GAINS ON FINANCIAL ASSETS	22	-	(368,901)	260,083	260,083	-
PROFIT BEFORE TAXATION	23	316,136	11,336,682	8,413,080	3,776,558	3,548,179
INCOME TAX EXPENSE	24	(162,659)	(2,538,309)	(2,879,611)	(1,319,677)	(1,244,026)
PROFIT AFTER TAXATION		153,477	8,798,373	5,533,469	2,456,881	2,304,153
OTHER COMPREHENSIVE INCOME		-	-	-	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		153,477	8,798,373	5,533,469	2,456,881	2,304,153

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

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

	Note	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
PROFIT AFTER TAXATION/ TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:- Owners of the Company		153,477	8,798,373	5,533,469	2,456,881	2,304,153
EARNINGS PER SHARE (SEN)						
- Basic	25	61.39	3,519.32	2,213.37	982.74	0.78
- Diluted	25	61.39	3,519.32	2,213.37	982.74	0.78

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital RM	Invested Capital RM	Retained Profits RM	Total Equity RM
Audited					
Balance at 1.1.2020		2	250,000	23,209,283	23,459,285
Loss after taxation/Total comprehensive expense for the financial year		-	-	(317,786)	(317,786)
Balance at 1.1.2021		2	250,000	22,891,497	23,141,499
Profit after taxation/Total comprehensive income for the financial year		-	-	153,477	153,477
Balance at 31.12.2021/1.1.2022		2	250,000	23,044,974	23,294,974
Profit after taxation/Total comprehensive income for the financial year		-	-	8,798,373	8,798,373
Contribution by and distribution to owners of the Company: - Dividends	26	-	-	(4,000,000)	(4,000,000)
Balance at 31.12.2022/1.1.2023		2	250,000	27,843,347	28,093,349
Profit after taxation/Total comprehensive income for the financial year		-	-	5,533,469	5,533,469
Contribution by and distribution to owners of the Company: - Dividends	26	-	-	(1,000,000)	(1,000,000)
Balance at 31.12.2023		2	250,000	32,376,816	32,626,818

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM	Invested Capital RM	Merger Deficit RM	Retained Profits RM	Total Equity RM
Audited						
Balance at 1.1.2024		2	250,000		32,376,816	32,626,818
Contribution by and distribution to owners of the Company:						
- Issuance of shares for the acquisition of a subsidiary	12	31,724,148	-	-	-	31,724,148
- Adjustment on the acquisition of a subsidiary		-	(250,000)	(31,474,148)	-	(31,724,148)
		31,724,148	(250,000)	(31,474,148)	-	-
Profit after taxation/Total comprehensive income for the financial period		-	-	-	2,304,153	2,304,153
Balance at 30.6.2024		31,724,150	-	(31,474,148)	34,680,969	34,930,971
Unaudited						
Balance at 1.1.2023		2	250,000		27,843,347	28,093,349
Profit after taxation/Total comprehensive income for the financial period		-	-		2,456,881	2,456,881
Balance at 30.6.2023		2	250,000		30,300,228	30,550,230

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS

Note	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	316,136	11,336,682	8,413,080	3,776,558	3,548,179
Adjustments for:-					
Depreciation of property, plant and equipment	2,139,537	2,044,636	1,879,045	1,002,407	965,092
Equipment written off	3,637	104,303	78,060	696	13,040
Bad debts recovered	-	-	(6,314)	(6,314)	-
Bad debts written off	-	433,869	6,680	6,680	-
Impairment loss on non-current asset held for sale	-	-	1,031,569	-	-
Impairment losses/(Reversal for) on trade receivables	-	368,901	(260,083)	(260,083)	-
Gain on disposal of property, plant and equipment	(58,997)	(4,547)	(271,064)	(43,195)	(889)
Interest expense	597,893	584,403	355,500	195,162	158,341
Interest income	(68,640)	(89,459)	(185,538)	(70,854)	(149,457)
Operating profit before working capital changes	2,929,566	14,778,788	11,040,935	4,601,057	4,534,306
(Increase)/Decrease in inventories	(1,876,462)	1,080,189	(56,997)	294,360	856,763
Decrease/(Increase) in trade and other receivables	1,223,731	(7,029,307)	3,085,698	5,260,051	467,929
(Decrease)/Increase in trade and other payables	(662,654)	6,065,115	(595,563)	(5,641,542)	(3,588,927)
CASH FROM OPERATIONS	1,614,181	14,894,785	13,474,073	4,513,926	2,270,071
Income tax paid	(286,663)	(1,150,837)	(4,000,479)	(312,500)	(1,461,249)
Income tax refund	554,330	-	583,616	-	-
Interest paid	(590,295)	(571,629)	(348,638)	(189,930)	(150,732)
Interest received	68,640	89,459	160,073	70,854	105,748
NET CASH FROM OPERATING ACTIVITIES	1,360,193	13,261,778	9,868,645	4,082,350	763,838

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES						
Proceeds from disposal of property, plant and equipment		59,000	4,550	393,476	156,021	900
Proceeds from sale of land		-	-	-	-	3,402,000
Purchase of plant and equipment	27(a)	(344,489)	(915,345)	(5,526,134)	(2,544,074)	(1,191,121)
Repayment to directors		(11,472)	(1,404)	-	-	-
Addition of fixed deposit with tenure more than 3 months		-	-	(304,235)	(300,000)	(2,004,242)
NET CASH (FOR)/FROM INVESTING ACTIVITIES		<u>(296,961)</u>	<u>(912,199)</u>	<u>(5,436,893)</u>	<u>(2,688,053)</u>	<u>207,537</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

COMBINED AND CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
CASH FLOWS FOR FINANCING ACTIVITIES						
Dividend paid	26	-	(4,000,000)	(1,000,000)	-	-
Proceeds from bankers' acceptances	27(b)	8,800,000	15,450,000	15,600,027	8,450,013	7,200,017
Repayment of bankers' acceptances	27(b)	(9,680,000)	(15,500,000)	(15,700,021)	(8,900,000)	(7,800,006)
Repayment of lease interest	27(b)	(7,598)	(12,774)	(6,862)	(5,232)	(1,625)
Repayment of lease liabilities	27(b)	(89,844)	(118,238)	(131,939)	(114,616)	(9,432)
Repayment of term loans	27(b)	(1,170,383)	(1,346,341)	(1,231,170)	(611,700)	(622,408)
Repayment from a related party		-	-	42,679	-	-
Advances to related parties		(8,044)	(7,734)	(12,448)	(4,682)	-
NET CASH FOR FINANCING ACTIVITIES		(2,155,869)	(5,535,087)	(2,439,734)	(1,186,217)	(1,233,454)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		(1,092,637)	6,814,492	1,992,018	208,080	(262,079)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD		4,366,361	3,273,724	10,088,216	10,088,216	12,080,234
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	27(c)	3,273,724	10,088,216	12,080,234	10,296,296	11,818,155

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**1. GENERAL INFORMATION**

KHPT Holdings Sdn. Bhd. was a private limited company incorporated in Malaysia under the Companies Act 2016 on 20 February 2019, and is principally engaged in investment holding. The Company was subsequently converted to a public company on 1 March 2024 and assumed the name KHPT Holdings Berhad ("KHPT"), to embark on the listings of and quotation of its enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities").

KHPT was incorporated for the purpose of acquiring the existing operating entity pursuant to the restructuring exercise as disclosed in Note 1.1 to the combined and consolidated financial statements.

The information of the entities within the combined and consolidated financial statements is as follows:

(a) Automev Global Sdn. Bhd. ("AGSB") (formerly known as Kah Hong Precision Tooling Sdn. Bhd.) was incorporated in Malaysia on 25 September 1996 under the Companies Act 1965, as a private limited company and is principally engaged in the manufacturing and sale of automotive parts and components.

(b) The registered office and principal place of business of KHPT and AGBS are as follows:

Registered office	:	12th Floor, Menara Symphony, No. 5 Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
Principal place of business	:	Lot 2228, Kampung Batu 9, Kebun Baru, Jalan Kasawari, 42500 Telok Panglima Garang, Selangor Darul Ehsan, Malaysia.

(KHPT and AGBS shall collectively be referred to as the "Group".)

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13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**1. GENERAL INFORMATION (CONT'D)****1.1 RESTRUCTURING EXERCISE***Shareholding Restructuring*

On 9 August 2023, See Hui Pvng, being one of the existing shareholders of AGSB entered into a conditional share sale agreement with See Hui Shi for the transfer of 12,500 AGSB ordinary shares, representing 5% of the total issued share capital of AGSB to See Hui Shi for a total purchase consideration of RM1,406,194. The shareholding restructuring did not involve the issuance of any new shares and was completed on 27 December 2023.

Acquisition of AGSB

On 28 December 2023, the Company entered into a conditional share sale and purchase agreement with See Hui Pvng, Tiu Kuang Hong and See Hui Shi ("AGSB's Vendors", collectively) to acquire the entire issued share capital of AGSB of RM250,000 comprising 250,000 AGSB ordinary shares for a purchase consideration of RM31,724,148.

The said purchase consideration was entirely satisfied by the issuance of 293,742,111 new ordinary shares in the Company at an issue price of RM0.108 per share to AGSB's Vendors, as follows:

Vendors of AGSB	No. of AGSB shares acquired	% of shareholding held in AGSB	Purchase Consideration (RM)	No. of shares issued
See Hui Pvng	218,750	87.50	27,758,630	257,024,352
Tiu Kuang Hong	18,750	7.50	2,379,311	22,030,657
See Hui Shi	12,500	5.00	1,586,207	14,687,102
	250,000	100.00	31,724,148	293,742,111

The purchase consideration of RM31,724,148 was arrived at a willing buyer-willing seller basis and after taking into consideration the audited net assets of AGSB as at 30 September 2023 of RM31,724,148. The acquisition of AGSB was completed on 7 February 2024 and became a wholly-owned subsidiary of KHPT.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**1. GENERAL INFORMATION (CONT'D)****1.2 LISTING SCHEME**

In conjunction with and as an integral part of the listing of and quotation for the entire issued share capital of KHPT on the ACE Market of Bursa Securities ("the Proposed Listing"), KHPT will implement the following:-

(a) Proposed IPO**Proposed Public Issue**

The Proposed Public Issue of 108,644,300 shares representing approximately 27.00% of the enlarged issued share capital of KHPT allocated in the following manner:-

- 20,119,400 Issue Shares will be made available for application by the Malaysian Public via balloting;
- 10,059,700 Issue Shares will be made available for application by the eligible directors, employees, customers and suppliers who have contributed to the success of the Group; and
- 78,465,200 Issue Shares will be made available by way of private placement to selected investors.

Proposed Offer for Sale

Concurrent with the Listing, the Offer for Sale of 38,226,600 Offer Shares will be made available by way of private placement to selected investors at the IPO Price.

(b) Proposed Listing

Upon completion of the Proposed IPO, the Company will be admitted to the Official List and the entire enlarged issued share capital of 402,386,413 shares shall be listed and quoted on the ACE Market.

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

2. BASIS OF PREPARATION**FYE 31 DECEMBER 2021, 2022, 2023 AND FPE 30 JUNE 2023, 2024**

For the purpose of inclusion of combined and consolidated financial statements in the prospectus of KHPT Holdings Berhad in connection with the listing and quotation of the entire enlarged share capital of KHPT Holdings Berhad on the ACE Market of Bursa Securities, the combined and consolidated financial statements comprise the combined statements of financial position as at 31 December 2021, 2022, 2023, 30 June 2023 and 2024, combined statements of profit or loss and other comprehensive income, combined statements of changes in equity and combined statements of cash flows of the Group for each of the financial years ended 31 December 2021, 2022, 2023 and for the financial period ended 30 June 2023 and 2024.

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

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

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

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

These combined and consolidated financial statements of the Group are prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under material accounting policy information, and in compliance with Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**2. BASIS OF PREPARATION (CONT'D)**

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

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

MFRS 17 Insurance Contracts

Amendments to MFRS 17: Insurance Contracts

Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information

Amendments to MFRS 101: Disclosure of Accounting Policies

Amendments to MFRS 108: Definition of Accounting Estimates

Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Amendments to MFRS 112: International Tax Reform – Pillar Two Model Rules

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

- 2.2 The Group has not applied in advance the following accounting standard(s) and/or interpretation(s) (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the current financial period:-

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

	Effective Date
MFRS 18: Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19: Subsidiaries without Public Accountability: Disclosures	1 January 2027
Amendments to MFRS 9 and MFRS 7: Amendments to the Classification and Measurement of Financial Instruments	1 January 2026
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements	1 January 2024
Amendments to MFRS 121: Lack of Exchangeability	1 January 2025
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION**3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

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

(a) Depreciation of Property, Plant and Equipment

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment as at the reporting date is disclosed in Note 4 to the financial statements.

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

The Group determines whether an item of its property, plant and equipment, investment property and right-of-use assets is impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amount of property, plant and equipment, investment property and right-of-use assets as at the reporting date are disclosed in Notes 4 and 5 to the financial statements.

(c) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 6 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(d) Impairment of Trade Receivables**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables. The carrying amount of trade receivables as at the reporting date is disclosed in Note 7 to the financial statements.

(e) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amounts of other receivables and amounts owing by related parties as at the reporting date are disclosed in Notes 8 and 9 to the financial statements respectively.

(f) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of current tax assets as at the reporting date is RM542,020 (30.6.2023 - current tax liabilities RM1,422,151; 2023 - current tax liabilities RM88,954; 2022 - current tax liabilities RM414,974; 2021 - current tax assets RM901,754).

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the combined and consolidated financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****3.2 FINANCIAL INSTRUMENTS****(a) Financial Assets**Financial Assets Through Profit or Loss

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

Financial Assets at Amortised Cost

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

Financial Assets Through Other Comprehensive Income

The financial assets are initially measured at fair value plus transaction costs. Subsequent to the initial recognition, the financial assets are remeasured to their fair values at the reporting date with fair value changes taken up in other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference of a debt instrument which are recognised directly in profit or loss. The fair value changes do not include interest and dividend income.

(b) Financial LiabilitiesFinancial Liabilities Through Profit or Loss

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

Financial Liabilities at Amortised Cost

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

(c) EquityOrdinary Shares

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

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)**3.3 BASIS OF COMBINATION**

The Group applies the acquisition method of accounting for all business combinations except for those involving entities under common control which are accounted for applying the merger method of accounting.

Under the merger method of accounting, the assets and liabilities of the merger entities are reflected in the consolidated financial statements at their carrying amounts reported in the individual financial statements. The consolidated statement of profit or loss and other comprehensive income reflects the results of the merger entities for the full reporting period (irrespective of when the combination takes place) and comparatives are presented as if the entities had always been combined since the date for which the entities had come under common control.

The difference between the cost of the merger and the share capital of the merger entities is reflected within equity as merger reserve or merger deficit, as appropriate. The merger deficit is adjusted against suitable reserves of the merger entities to the extent that laws or statutes do not prohibit the use of such reserves

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**3. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)****3.4 PROPERTY, PLANT AND EQUIPMENT**

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

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

Freehold land is not depreciated. Depreciation on other property, plant and equipment is using the straight-line method to allocate their depreciable amounts over the estimated useful lives. The principal annual rates used for this purpose are:-

Factory building	4%
Plant and machinery	10%-25%
Motor vehicles	20%-30%
Office equipment and furniture	10%-33%
Renovation	10%

3.5 INVESTMENT PROPERTY

Investment properties are initially measured at cost. Subsequent to the initial recognition, the investment properties are stated at cost less accumulated depreciation and any accumulated impairment losses and adjusted for any remeasurement of lease liabilities

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

Leasehold land	60 – 99 years
Building	2% - 10%

3.6 INVENTORIES

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

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT**

	At 1.1.2021 RM	Additions RM	Write-off RM	Disposal RM	Depreciation charge (Note 23) RM	At 31.12.2021 RM
Audited						
31.12.2021						
<i>Carrying Amount</i>						
<i>Right-of-use asset</i>						
Motor vehicles	239,222	237,000	-	-	(95,541)	380,681
<i>Owned assets</i>						
Freehold land	18,233,069	-	-	-	-	18,233,069
Factory building	1,482,179	-	-	-	(127,532)	1,354,647
Plant and machinery	6,650,884	113,200	-	-	(1,728,404)	5,035,680
Motor vehicles	17,038	-	-	(3)	(17,032)	3
Office equipment and furniture	445,926	195,887	(3,637)	-	(140,531)	497,645
Renovation	118,672	-	-	-	(30,497)	88,175
	27,186,990	546,087	(3,637)	(3)	(2,139,537)	25,589,900

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2022 RM	Additions RM	Write-off RM	Disposal RM	Transfer to investment property (Note 5) RM	Depreciation charge (Note 23) RM	At 31.12.2022 RM
Audited							
31.12.2022							
<i>Carrying Amount</i>							
<i>Right-of-use asset</i>							
Motor vehicles	380,681	-	-	-	-	(140,305)	240,376
<i>Owned assets</i>							
Freehold land	18,233,069	-	-	-	(4,811,569)	-	13,421,500
Factory building	1,354,647	-	-	-	-	(127,532)	1,227,115
Plant and machinery	5,035,680	171,053	(27,611)	(2)	-	(1,593,634)	3,585,486
Motor vehicles	3	-	-	-	-	-	3
Office equipment and furniture	497,645	144,930	(76,692)	(1)	-	(147,207)	418,675
Renovation	88,175	599,362	-	-	-	(35,958)	651,579
	25,589,900	915,345	(104,303)	(3)	(4,811,569)	(2,044,636)	19,544,734

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2023 RM	Additions RM	Write-off RM	Disposal RM	Depreciation charge (Note 23) RM	At 31.12.2023 RM
Audited						
31.12.2023						
<i>Carrying Amount</i>						
<i>Right-of-use asset</i>						
Motor vehicles	240,376	-	-	(89,862)	(82,239)	68,275
<i>Owned assets</i>						
Freehold land	13,421,500	-	-	-	-	13,421,500
Factory building	1,227,115	-	(1,237)	-	(127,530)	1,098,348
Plant and machinery	3,585,486	3,767,773	(21,841)	(20,877)	(1,437,663)	5,872,878
Motor vehicles	3	179,224	-	(1)	(24,136)	155,090
Office equipment and furniture	418,675	516,554	(14,024)	(11,672)	(107,254)	802,279
Renovation	651,579	1,062,583	(40,958)	-	(100,223)	1,572,981
	19,544,734	5,526,134	(78,060)	(122,412)	(1,879,045)	22,991,351

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2024 RM	Additions RM	Write-off RM	Disposal RM	Depreciation charge (Note 23) RM	At 30.6.2024 RM
Audited						
30.6.2024						
<i>Carrying Amount</i>						
<i>Right-of-use asset</i>						
Motor vehicles	68,275	-	-	-	(14,108)	54,167
<i>Owned assets</i>						
Freehold land	13,421,500	-	-	-	-	13,421,500
Factory building	1,098,348	-	-	-	(63,738)	1,034,610
Plant and machinery	5,872,878	168,357	-	-	(646,719)	5,394,516
Motor vehicles	155,090	25,500	(7,783)	-	(18,280)	154,527
Office equipment and furniture	802,279	994,064	(5,257)	(11)	(135,586)	1,655,489
Renovation	1,572,981	3,200	-	-	(86,661)	1,489,520
	22,991,351	1,191,121	(13,040)	(11)	(965,092)	23,204,329

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At 1.1.2023 RM	Additions RM	Write-off RM	Disposal RM	Depreciation charge (Note 23) RM	At 30.6.2023 RM
Unaudited						
30.6.2023						
<i>Carrying Amount</i>						
<i>Right-of-use asset</i>						
Motor vehicles	240,376	-	-	(89,860)	(58,898)	91,618
<i>Owned assets</i>						
Freehold land	13,421,500	-	-	-	-	13,421,500
Factory building	1,227,115	-	-	-	(63,766)	1,163,349
Plant and machinery	3,585,486	2,058,750	(2)	(20,872)	(773,271)	4,850,091
Motor vehicles	3	161,184	-	(1)	(6,786)	154,400
Office equipment and furniture	418,675	27,691	(694)	(2,093)	(55,189)	388,390
Renovation	651,579	296,449	-	-	(44,497)	903,531
	19,544,734	2,544,074	(696)	(112,826)	(1,002,407)	20,972,879

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Audited			
31.12.2021			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	701,524	(320,843)	380,681
<i>Owned assets</i>			
Freehold land	18,233,069	-	18,233,069
Factory building	3,188,308	(1,833,661)	1,354,647
Plant and machinery	21,551,106	(16,515,426)	5,035,680
Motor vehicles	232,473	(232,470)	3
Office equipment and furniture	977,442	(479,797)	497,645
Renovation	304,967	(216,792)	88,175
	<u>45,188,889</u>	<u>(19,598,989)</u>	<u>25,589,900</u>
Audited			
31.12.2022			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	701,524	(461,148)	240,376
<i>Owned assets</i>			
Freehold land	13,421,500	-	13,421,500
Factory building	3,188,308	(1,961,193)	1,227,115
Plant and machinery	21,065,990	(17,480,504)	3,585,486
Motor vehicles	232,473	(232,470)	3
Office equipment and furniture	1,027,370	(608,695)	418,675
Renovation	904,329	(252,750)	651,579
	<u>40,541,494</u>	<u>(20,996,760)</u>	<u>19,544,734</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Audited			
31.12.2023			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	294,462	(226,187)	68,275
<i>Owned assets</i>			
Freehold land	13,421,500	-	13,421,500
Factory building	3,186,878	(2,088,530)	1,098,348
Plant and machinery	23,595,475	(17,722,597)	5,872,878
Motor vehicles	314,185	(159,095)	155,090
Office equipment and furniture	1,392,486	(590,207)	802,279
Renovation	1,680,488	(107,507)	1,572,981
	<u>43,885,474</u>	<u>(20,894,123)</u>	<u>22,991,351</u>
Audited			
30.6.2024			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	294,462	(240,295)	54,167
<i>Owned assets</i>			
Freehold land	13,421,500	-	13,421,500
Factory building	3,186,878	(2,152,268)	1,034,610
Plant and machinery	23,763,832	(18,369,316)	5,394,516
Motor vehicles	330,665	(176,138)	154,527
Office equipment and furniture	2,370,934	(715,445)	1,655,489
Renovation	1,683,688	(194,168)	1,489,520
	<u>45,051,959</u>	<u>(21,847,630)</u>	<u>23,204,329</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost RM	Accumulated Depreciation RM	Carrying Amount RM
Unaudited			
30.6.2023			
<i>Carrying Amount</i>			
<i>Right-of-use asset</i>			
Motor vehicles	571,524	(479,906)	91,618
<i>Owned assets</i>			
Freehold land	13,421,500	-	13,421,500
Factory building	3,188,308	(2,024,959)	1,163,349
Plant and machinery	22,476,072	(17,625,981)	4,850,091
Motor vehicles	330,145	(175,745)	154,400
Office equipment and furniture	1,035,871	(647,481)	388,390
Renovation	1,200,777	(297,246)	903,531
	<u>42,224,197</u>	<u>(21,251,318)</u>	<u>20,972,879</u>

- (a) Motor vehicles with a carrying amount of RM54,167 (30.6.2023 - RM91,618; 31.12.2023 - RM68,275; 31.12.2022 - RM240,376; 31.12.2021 - RM380,681) which were acquired under hire purchase terms have been represented as 'right-of-use asset' following the application of MFRS 16 by the Group.
- (b) Carrying amount of property, plant and equipment charged to licensed banks as security for banking facilities granted to the Group as disclosed in Note 14 to the financial statements:-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Factory building	1,354,647	1,227,115	1,098,348	1,163,349	1,034,611
Plant and machinery	1,518,017	1,303,499	1,088,981	1,196,240	981,723
	<u>2,872,664</u>	<u>2,530,614</u>	<u>2,187,329</u>	<u>2,359,589</u>	<u>2,016,334</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**5. INVESTMENT PROPERTY**

	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Cost:-				
At 1 January	-	4,811,569	4,811,569	-
Transfer from property, plant and equipment	4,811,569	-	-	-
Transfer to non-current asset held for sale (Note 11)	-	(3,780,000)	-	-
Impairment loss	-	(1,031,569)	-	-
At 31 December/30 June	<u>4,811,569</u>	<u>-</u>	<u>4,811,569</u>	<u>-</u>
Represented by:-				
Freehold land	<u>4,811,569</u>	<u>-</u>	<u>4,811,569</u>	<u>-</u>

The investment property has been reclassified to non-current asset held for sale at 31 December 2023.

The carrying amount of the investment property is measured at the lower of its carrying amount and fair value less costs to sell. An impairment loss of RM1,031,569, representing the write-down of the investment property, was recognised in "Other Expenses" line item of the combined statements of profit or loss and other comprehensive income as disclosed in Note 23 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**6. INVENTORIES**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Raw materials	765,690	1,497,635	269,755	505,900	392,635
Work-in-progress	1,604,357	1,042,472	757,648	1,057,627	1,082,960
Finished goods	2,469,933	1,219,684	2,789,385	1,901,904	1,484,430
	<u>4,839,980</u>	<u>3,759,791</u>	<u>3,816,788</u>	<u>3,465,431</u>	<u>2,960,025</u>
Recognised in profit or loss:- Inventories recognised as cost of sales	<u>44,728,392</u>	<u>86,475,193</u>	<u>85,387,972</u>	<u>38,398,877</u>	<u>39,473,793</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**7. TRADE RECEIVABLES**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Trade receivables	11,732,822	18,575,001	12,679,904	12,798,468	12,193,693
Less: Allowance for impairment losses	-	(368,901)	-	-	-
	<u>11,732,822</u>	<u>18,206,100</u>	<u>12,679,904</u>	<u>12,798,468</u>	<u>12,193,693</u>
Allowance for impairment losses:-					
At 1 January	-	-	368,901	368,901	-
Addition during the financial year/period (Note 22)	-	368,901	-	-	-
Reversal during the financial year/period (Note 22)	-	-	(260,083)	(260,083)	-
Write-off during the financial year/period	-	-	(108,818)	(108,818)	-
At 31 December/30 June	<u>-</u>	<u>368,901</u>	<u>-</u>	<u>-</u>	<u>-</u>

The Group's normal trade credit terms range from 30 to 90 (30.6.2023 - 30 to 90; 31.12.2023 - 30 to 90; 31.12.2022 - 30 to 90; 31.12.2021 - 30 to 90) days.

8. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Other receivables	138,098	90,692	179,781	88,174	107,681
Goods and services tax recoverable	13,744	13,744	13,744	13,744	13,731
Deposits	58,011	64,681	136,328	96,498	152,228
Prepayments	388,849	182,844	2,747,788	560,843	3,243,992
	<u>598,702</u>	<u>351,961</u>	<u>3,077,641</u>	<u>759,259</u>	<u>3,517,632</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**9. AMOUNT OWING BY RELATED PARTIES**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Amount owing by related parties:-					
<u>Current</u>					
Non-trade balance	22,497	30,231	-	34,913	-

The non-trade balance represents unsecured payments made on behalf. The amount owing is repayable on demand and is to be settled in cash.

10. FIXED DEPOSIT WITH LICENSED BANKS

The fixed deposit with licensed banks of the Group at the end of the reporting period bore effective interest rates ranging from 2.70% to 3.70% (30.6.2023 - 2.79% to 3.55%; 31.12.2023 - 2.80% to 3.55%; 31.12.2022 - 3.00%; 31.12.2021 - NIL) per annum. The fixed deposits have maturity periods ranging from 3 to 6 months (30.6.2023 - 3 to 6 months; 31.12.2023 - 3 to 6 months; 31.12.2022 - 3 months; 31.12.2021 - NIL).

11. NON-CURRENT ASSET HELD FOR SALE

Non-current asset held for sale is in respect of investment property comprising freehold agricultural land located at Lot No. 2625, Mukim of Teluk Panglima Garang, District of Kuala Langat, 42500 Selangor with a carrying amount of RM4,811,569, which the Company has committed to dispose. On 1 August 2023, the Company entered into a Sale and Purchase Agreement with an individual buyer to sell the property for a cash consideration of RM3,780,000. The sale is conditional upon full payment.

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL AND INVESTED CAPITAL

(a) Share capital

	Audited 31.12.2021	Audited 31.12.2022	Audited 31.12.2023	Unaudited 30.6.2023	Audited 30.6.2024
	<----- Number of Shares ----->				
Issued and Fully Paid-Up					
Ordinary shares					
At 1 January	2	2	2	2	2
Issuance of shares for the acquisition of a subsidiary	-	-	-	-	293,742,111
At 31 December/30 June	2	2	2	2	293,742,113
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Issued and Fully Paid-Up					
Ordinary shares					
At 1 January	2	2	2	2	2
Issuance of shares for the acquisition of a subsidiary	-	-	-	-	31,724,148
At 31 December/30 June	2	2	2	2	31,724,150

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

12. SHARE CAPITAL AND INVESTED CAPITAL (CONT'D)

(b) Invested capital

	Audited 31.12.2021	Audited 31.12.2022	Audited 31.12.2023	Unaudited 30.6.2023	Audited 30.6.2024
	<----- Number of Shares ----->				
Issued and Fully Paid-Up					
Ordinary shares					
At 1 January	250,000	250,000	250,000	250,000	250,000
Adjustment on the acquisition of a subsidiary	-	-	-	-	(250,000)
At 31 December/30 June	250,000	250,000	250,000	250,000	-
	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Issued and Fully Paid-Up					
Ordinary shares					
At 1 January	250,000	250,000	250,000	250,000	250,000
Adjustment on the acquisition of a subsidiary	-	-	-	-	(250,000)
At 31 December/30 June	250,000	250,000	250,000	250,000	-

The holders of ordinary shares are entitled to receive as and when declared by the Company and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

The new ordinary shares issued rank pari passu in all respect with the then existing ordinary shares of KHPT.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**13. LEASE LIABILITIES**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
At 1 January	199,267	311,021	192,783	192,783	60,844
Addition	201,598	-	-	-	-
Interest expense recognised in profit or loss	7,598	12,774	6,862	5,232	1,625
Repayment of principal	(89,844)	(118,238)	(131,939)	(114,616)	(9,432)
Repayment of interest expense	(7,598)	(12,774)	(6,862)	(5,232)	(1,625)
At 31 December/30 June	<u>311,021</u>	<u>192,783</u>	<u>60,844</u>	<u>78,167</u>	<u>51,412</u>
Analysed by:-					
Current liabilities	114,323	71,428	19,137	26,452	19,691
Non-current liabilities	196,698	121,355	41,707	51,715	31,721
	<u>311,021</u>	<u>192,783</u>	<u>60,844</u>	<u>78,167</u>	<u>51,412</u>

Certain lease liabilities of the Group are secured by the Group's motor vehicles under the hire purchase arrangements as disclosed in Note 4 to the financial statements, with lease terms ranging from 2 to 5 years and bear effective interest rates of 5.71% (30.6.2023 - 4.16% - 5.71%; 31.12.2023 - 4.16% - 5.71%; 31.12.2022 - 4.52% - 6.29%; 31.12.2021 - 4.52% - 6.29%).

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**14. TERM LOANS**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Current liabilities	1,276,066	1,231,170	1,256,972	1,241,928	1,050,702
Non-current liabilities	3,209,467	1,908,022	651,050	1,285,564	234,912
	<u>4,485,533</u>	<u>3,139,192</u>	<u>1,908,022</u>	<u>2,527,492</u>	<u>1,285,614</u>

The term loans are secured by:-

- (a) third party charge against the factory building of the Group as disclosed in Note 4(b) to the financial statements;
- (b) joint and several guarantees by the directors of the Group; and
- (c) a fixed charge over the assets financed by the licensed bank.

	Effective Interest Rate %	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Fixed rate term loans	3.50 - 4.00	2,243,081	1,699,747	1,135,237	1,421,377	846,159
Floating rate term loans	5.57 - 5.82	2,242,452	1,439,445	772,785	1,106,115	439,455
		<u>4,485,533</u>	<u>3,139,192</u>	<u>1,908,022</u>	<u>2,527,492</u>	<u>1,285,614</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**15. DEFERRED TAX LIABILITIES**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
At 1 January	955,000	1,088,515	1,159,259	1,159,259	948,027
Recognised in Profit or Loss (Note 24)	133,515	70,744	(211,232)	-	413,751
At 31 December/30 June	<u>1,088,515</u>	<u>1,159,259</u>	<u>948,027</u>	<u>1,159,259</u>	<u>1,361,778</u>

The deferred tax consists of the tax effects of the following items:-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Deferred tax liabilities:					
- Property, plant and equipment	1,088,515	1,247,795	948,027	1,159,259	1,361,778
Deferred tax assets:					
- Provisions	-	(88,536)	-	-	-
	<u>1,088,515</u>	<u>1,159,259</u>	<u>948,027</u>	<u>1,159,259</u>	<u>1,361,778</u>

In the previous financial year, the Group fully utilised unabsorbed reinvestment allowances (stated at gross) amounting to RM875,110.

16. TRADE PAYABLES

The normal trade credit term granted to the Group is 60 (30.6.2023 - 60; 31.12.2023 - 60; 31.12.2022 - 60; 31.12.2021 - 60) days.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**17. OTHER PAYABLES AND ACCRUALS**

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Other payables	625,199	679,681	2,121,717	477,455	1,706,067
Accruals	1,475,239	3,102,120	3,351,089	2,194,128	1,879,979
	<u>2,100,438</u>	<u>3,781,801</u>	<u>5,472,806</u>	<u>2,671,583</u>	<u>3,586,046</u>

18. AMOUNT OWING TO DIRECTORS

The amount owing is non-trade in nature, unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

19. BANKERS' ACCEPTANCES

The bankers' acceptances are secured by a joint and several guarantees by the Directors of the Group. The bankers' acceptances of the Group at the end of the reporting period bore effective interest rates ranging from 3.64% - 5.14% (30.6.2023 - 3.53% - 5.14%; 31.12.2023 - 3.70% - 5.14%; 31.12.2022 - 4.29% - 5.04%; 31.12.2021 - 3.77% - 5.42%) per annum.

20. BANK OVERDRAFT

- (a) In the previous financial year, the bank overdrafts of the Group are secured by a fixed charge over certain of the Group's plant and equipment as disclosed in Note 4 to the financial statements.
- (b) The bank overdrafts of the Group at the end of the reporting period bore floating interest rate at NIL% (30.6.2023 - 6.67% - 6.92%; 31.12.2023 - NIL%; 31.12.2022 - NIL%; 31.12.2021 - 6.67% - 6.92%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**21. REVENUE**

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Revenue from Contracts with Customers					
<u>Revenue recognised at a point in time</u>					
Sales of goods	58,965,533	116,246,414	114,081,850	50,887,986	52,323,193
Represented by geographical markets:- Malaysia	58,965,533	116,246,414	114,081,850	50,887,986	52,323,193

22. NET IMPAIRMENT LOSSES/(GAINS) ON FINANCIAL ASSETS

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Impairment losses on trade receivables	-	368,901	-	-	-
Reversal of impairment losses on trade receivables	-	-	(260,083)	(260,083)	-
	-	368,901	(260,083)	(260,083)	-

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**23. PROFIT BEFORE TAXATION**

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Profit before taxation is arrived at after charging/(crediting):-					
Auditors' remuneration					
- statutory audit	46,500	57,500	57,500	28,730	28,730
- special audit	-	-	46,000	-	-
Depreciation of property, plant and equipment	2,139,537	2,044,636	1,879,045	1,002,407	965,092
Equipment written off	3,637	104,303	78,060	696	13,040
Bad debts written off	-	433,869	6,680	6,680	-
Directors' remuneration	786,454	813,636	950,867	440,309	588,228
Impairment loss on non-current asset held for sale	-	-	1,031,569	-	-
Interest expense on financial liabilities that are not at fair value through profit or loss:-					
- bankers' acceptances	134,721	343,380	219,966	116,482	112,913
- lease	7,598	12,774	6,862	5,232	1,625
- term loans	341,881	169,023	125,190	70,045	43,673
- bank overdrafts	113,693	59,226	3,482	3,403	130
Net realised loss on foreign exchange	4,126	31,285	22,014	12,255	32,856
Short-term rental expenses:-					
- office equipment	14,670	19,638	33,283	13,871	22,053
- forklifts	225,129	243,177	259,122	129,992	126,530
- workers' quarters	94,300	102,580	204,090	79,500	110,600

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**23. PROFIT BEFORE TAXATION (CONT'D)**

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Profit before taxation is arrived at after charging/(crediting):- (Cont'd)					
Staff costs:-					
- salaries, wages and allowances	5,969,521	7,588,322	8,404,523	3,850,457	4,123,936
- defined contribution plan	326,480	342,182	329,362	149,295	184,828
- others	556,392	810,791	930,724	382,084	491,750
Bad debt recovered	-	-	(6,314)	(6,314)	-
Gain on disposal of property, plant and equipment	(58,997)	(4,547)	(271,064)	(43,195)	(889)
Interest income	(68,640)	(89,459)	(185,538)	(70,854)	(149,457)

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**24. INCOME TAX EXPENSE**

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Income tax:-					
- for the financial year/period	16,474	2,428,977	2,462,257	1,319,677	946,440
- under/(over) provision in the previous financial year/period	12,670	38,588	628,586	-	(116,165)
	29,144	2,467,565	3,090,843	1,319,677	830,275
Deferred tax (Note 15):-					
- for the financial year/period	130,377	215,263	178,351	-	124,020
- under/(over) provision in the previous financial year/period	3,138	(144,519)	(389,583)	-	289,731
	133,515	70,744	(211,232)	-	413,751
	162,659	2,538,309	2,879,611	1,319,677	1,244,026

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**24. INCOME TAX EXPENSE (CONT'D)**

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

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Profit before taxation	316,136	11,336,682	8,413,080	3,776,558	3,548,179
Tax at the statutory tax rate of 24%	75,873	2,720,803	2,019,139	906,374	851,563
Tax effects of:-					
Non-deductible expenses	70,978	165,827	642,859	437,832	222,086
Non-taxable income	-	(32,365)	(21,390)	(1,419)	(3,189)
Deferred tax assets previously not recognised				(23,110)	-
Utilisation of deferred tax assets previously not recognised	-	(210,025)	-	-	-
Under provision of income tax expense in the previous financial year/period	12,670	38,588	628,586	-	(116,165)
Under/(Over) provision of deferred taxation in the previous financial year/period	3,138	(144,519)	(389,583)	-	289,731
	<u>162,659</u>	<u>2,538,309</u>	<u>2,879,611</u>	<u>1,319,677</u>	<u>1,244,026</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year/period. The taxation of other jurisdictions is calculated at the rates prevailing in the respective jurisdiction.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**25. EARNINGS PER SHARE**

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Profit after taxation attributable to owners of the Company	153,477	8,798,373	5,533,469	2,456,881	2,304,153
Weighted average number of ordinary shares in issue	250,002	250,002	250,002	250,002	293,742,113
Basic earnings per share (sen)	61.39	3,519.32	2,213.37	982.74	0.78

The Group has not issued any dilutive potential ordinary shares and hence, the diluted earnings per share is equal to the basic earnings per share.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**26. DIVIDENDS**

	Audited 31.12.2021		Audited 31.12.2022		Audited 31.12.2023		Unaudited 30.6.2023		Audited 30.06.2024	
	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM	Gross dividend per share sen	Amount of dividend net of tax RM
Ordinary shares										
In respect of the financial year ended 31 December 2022										
- Second interim single-tier dividend	-	-	1,440	3,600,000	-	-	-	-	-	-
In respect of the financial year ended 31 December 2023/2022										
- First interim single-tier dividend	-	-	160	400,000	400	1,000,000	-	-	-	-
	<u>-</u>	<u>-</u>	<u>1,600</u>	<u>4,000,000</u>	<u>400</u>	<u>1,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**27. CASH FLOW INFORMATION**

(a) The cash disbursed for the purchase of property and equipment is as follows:-

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Cost of plant and equipment purchased (Note 4)	546,087	915,345	5,526,134	2,544,074	1,191,121
Amount financed through lease liabilities (Note 27(b))	(201,598)	-	-	-	-
	<u>344,489</u>	<u>915,345</u>	<u>5,526,134</u>	<u>2,544,074</u>	<u>1,191,121</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**27. CASH FLOW INFORMATION (CONT'D)**

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

Audited	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
31.12.2021				
At 1 January	5,655,916	199,267	5,930,000	11,785,183
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	8,800,000	8,800,000
Repayment of principal	(1,170,383)	(89,844)	(9,680,000)	(10,940,227)
Repayment of interests	(341,881)	(7,598)	(134,721)	(484,200)
	(1,512,264)	(97,442)	(1,014,721)	(2,624,427)
<u>Non-cash Changes</u>				
Acquisition of new leases	-	201,598	-	201,598
Interest expense recognised in profit or loss (Note 23)	341,881	7,598	134,721	484,200
	341,881	209,196	134,721	685,798
At 31 December	4,485,533	311,021	5,050,000	9,846,554

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**27. CASH FLOW INFORMATION (CONT'D)**

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

Audited	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
31.12.2022				
At 1 January	4,485,533	311,021	5,050,000	9,846,554
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	15,450,000	15,450,000
Repayment of principal	(1,346,341)	(118,238)	(15,500,000)	(16,964,579)
Repayment of interests	(169,023)	(12,774)	(343,380)	(525,177)
	(1,515,364)	(131,012)	(393,380)	(2,039,756)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss (Note 23)	169,023	12,774	343,380	525,177
At 31 December	3,139,192	192,783	5,000,000	8,331,975

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**27. CASH FLOW INFORMATION (CONT'D)**

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

Audited	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
31.12.2023				
At 1 January	3,139,192	192,783	5,000,000	8,331,975
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	15,600,027	15,600,027
Repayment of principal	(1,231,170)	(131,939)	(15,700,021)	(17,063,130)
Repayment of interests	(125,190)	(6,862)	(219,966)	(352,018)
	(1,356,360)	(138,801)	(319,960)	(1,815,121)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss (Note 23)	125,190	6,862	219,966	352,018
At 31 December	1,908,022	60,844	4,900,006	6,868,872

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**27. CASH FLOW INFORMATION (CONT'D)**

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

Audited	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
30.6.2024				
At 1 January	1,908,022	60,844	4,900,006	6,868,872
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	7,200,017	7,200,017
Repayment of principal	(622,408)	(9,432)	(7,800,006)	(8,431,846)
Repayment of interests	(43,673)	(1,625)	(112,913)	(158,211)
	(666,081)	(11,057)	(712,902)	(1,390,040)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss (Note 23)	43,673	1,625	112,913	158,211
At 30 June	1,285,614	51,412	4,300,017	5,637,043

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

27. CASH FLOW INFORMATION (CONT'D)

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

Unaudited	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Total RM
30.6.2023				
At 1 January	3,139,192	192,783	5,000,000	8,331,975
<u>Changes in Financing Cash Flows</u>				
Proceeds from drawdown	-	-	8,450,013	8,450,013
Repayment of principal	(611,700)	(114,616)	(8,900,000)	(9,626,316)
Repayment of interests	(70,045)	(5,232)	(116,482)	(191,759)
	(681,745)	(119,848)	(566,469)	(1,368,062)
<u>Non-cash Changes</u>				
Interest expense recognised in profit or loss (Note 23)	70,045	5,232	116,482	191,759
At 30 June	2,527,492	78,167	4,550,013	7,155,672

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**27. CASH FLOW INFORMATION (CONT'D)**

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

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Fixed deposits with licensed banks	-	2,000,000	6,304,235	3,800,000	7,308,477
Cash and bank balances	4,590,971	8,088,216	6,080,234	7,789,364	6,818,155
Bank overdrafts (Note 20)	(1,317,247)	-	-	(993,068)	-
	<u>3,273,724</u>	<u>10,088,216</u>	<u>12,384,469</u>	<u>10,596,296</u>	<u>14,126,632</u>
Less: Fixed deposit with tenure of more than 3 months	-	-	(304,235)	(300,000)	(2,308,477)
	<u>3,273,724</u>	<u>10,088,216</u>	<u>12,080,234</u>	<u>10,296,296</u>	<u>11,818,155</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**28. KEY MANAGEMENT PERSONNEL COMPENSATION**

The key management personnel of the Group include executive directors of the Group and certain members of senior management of the Group.

The key management personnel compensation during the financial year/period are as follows:-

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Directors					
Short-term employee benefits:					
- fees	30,000	30,000	27,500	15,000	94,500
- salaries, bonuses and other benefits	676,174	700,897	812,247	380,309	442,678
- defined contribution benefits	80,280	82,739	96,120	45,000	51,050
	<u>786,454</u>	<u>813,636</u>	<u>935,867</u>	<u>440,309</u>	<u>588,228</u>
Other Key Management Personnel					
Short-term employee benefits	355,054	416,619	484,997	192,238	208,738
Defined contribution benefits	38,607	49,197	60,616	25,320	30,456
	<u>393,661</u>	<u>465,816</u>	<u>545,613</u>	<u>217,558</u>	<u>239,194</u>

The estimated monetary value of benefit-in-kind provided by the Group to its directors was RM3,500 (30.6.2023 - RM9,265; 31.12.2023 - RM12,568; 31.12.2022 - RM19,998; 31.12.2021 - RM43,045).

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**29. RELATED PARTY DISCLOSURES****(a) Subsidiary**

The subsidiary is disclosed in Note 1 to the financial statements.

(b) Significant Related Party Transactions and Balances

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

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Advances to related parties	8,330	313,961	12,449	4,682	-
Repayment from related parties	(287)	(306,227)	(42,679)	-	-
Labour supplied payment to a related party	206,401	71,641	-	-	-
Labour supplied charges from a related party	(242,496)	-	-	-	-
Loan to a director	-	240,000	-	-	-
Repayment from a director	-	(240,000)	-	-	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the combined and consolidated financial statements.

The related party transactions described above were entered into in the normal course of business carried out based on negotiated terms and conditions and are mutually agreed with respective parties.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**30. OPERATING SEGMENTS****30.1 BUSINESS SEGMENT AND GEOGRAPHICAL INFORMATION**

The Group operates predominantly in one business segment in Malaysia. Accordingly, the information by business and geographical segments is not presented.

30.2 MAJOR CUSTOMERS

The following are major customers with revenue equal to or more than 10% of the Group's total revenue:-

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM	Segment
Customer A	18,229,731 *	35,809,885 *	43,182,975 *	19,809,297 *	19,324,623 *	Malaysia
Customer B	9,627,965	23,688,258	18,350,600	8,786,496	9,077,829	Malaysia
Customer C	14,359,904	22,490,647	11,393,611	5,620,025	5,841,571	Malaysia
Customer D	10,948,723 *	21,306,008	30,016,201	11,365,769	12,894,289	Malaysia

Note:

* The amount represents total revenue contributed by several companies within the same customer group.

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

31. CAPITAL COMMITMENTS

	Audited 1.1.2021 to 31.12.2021 RM	Audited 1.1.2022 to 31.12.2022 RM	Audited 1.1.2023 to 31.12.2023 RM	Unaudited 1.1.2023 to 30.6.2023 RM	Audited 1.1.2024 to 30.6.2024 RM
Purchase of office equipment and furniture	-	-	816,000	816,000	-
Renovation	-	-	55,000	-	-
	<u>-</u>	<u>-</u>	<u>871,000</u>	<u>816,000</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

KHPT HOLDINGS BERHAD

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS

32. FINANCIAL INSTRUMENTS

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

32.1 FINANCIAL RISK MANAGEMENT POLICIES

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

(a) Market Risk**(i) Foreign Currency Risk**

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

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group adopts a policy of obtaining the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The fixed rate receivables and borrowings of the Group are not subject to interest rate risk since neither carrying amounts nor the future cash flows will fluctuate because of a change in market interest rates.

The exposure to interest rate risk based on the carrying amounts of the financial instruments at the end of the reporting period are disclosed in Notes 14, 19 and 20 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(ii) Interest Rate Risk (Cont'd)

Interest Rate Risk Sensitivity Analysis

The following table details the sensitivity analysis to a reasonably possible change in the interest rates at the end of the reporting period, with all other variables held constant:-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Effects on Profit After Taxation					
Increase of 100 basis points	(82,481)	(61,858)	(51,741)	(61,336)	(42,451)
Decrease of 100 basis points	82,481	61,858	51,741	61,336	42,451

(iii) Equity Price Risk

The Group does not have any quoted investments and hence, is not exposed to equity price risk.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk

The exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade and other receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 60 days, which are deemed to have higher credit risk, are monitored individually.

(i) Credit Risk Concentration Profile

The Group's major concentration of credit risk relates to the amounts owing by 3 (30.6.2023 – 3; 31.12.2023 – 3; 31.12.2022 - 3; 31.12.2021 - 3) customers which constituted approximately 88% (30.6.2023 - 75%; 31.12.2023 - 82%; 31.12.2022 - 81%; 31.12.2021 - 72%) of its trade receivables at the end of the reporting period.

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an ongoing basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost and contract assets are credit impaired.

The gross carrying amounts of financial assets are written off when there is no reasonable expectation of recovery (i.e. the debtor does not have assets or sources of income to generate sufficient cash flows to repay the debt) despite the fact that they are still subject to enforcement activities.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over a year of 12 months (30.6.2023 - 12 months; 31.12.2023 - 12 months; 31.12.2022 - 12 months; 31.12.2021 - 12 months) and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year/period.

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below:-

	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
Audited			
31.12.2021			
Current (not past due)	6,628,218	-	6,628,218
Past due:			
- less than 3 months	4,795,524	-	4,795,524
- more than 3 months	68,409	-	68,409
- more than 6 months	4,810	-	4,810
- more than 1 year	235,861	-	235,861
	<u>11,732,822</u>	<u>-</u>	<u>11,732,822</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below:-
(Cont'd)

	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
Audited			
31.12.2022			
Current (not past due)	9,539,718	-	9,539,718
Past due:			
- less than 3 months	8,661,317	-	8,661,317
- more than 3 months	5,065	-	5,065
- more than 6 months	-	-	-
- more than 1 year	368,901	(368,901)	-
	<u>18,575,001</u>	<u>(368,901)</u>	<u>18,206,100</u>
Audited			
31.12.2023			
Current (not past due)	9,030,092	-	9,030,092
Past due:			
- less than 3 months	3,649,812	-	3,649,812
- more than 3 months	-	-	-
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<u>12,679,904</u>	<u>-</u>	<u>12,679,904</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)

The information about the exposure to credit risk and the loss allowances calculated under MFRS 9 for trade receivables is summarised below:-
(Cont'd)

	Gross Amount RM	Individual Impairment RM	Carrying Amount RM
Audited			
30.6.2024			
Current (not past due)	10,858,297	-	10,858,297
Past due:			
- less than 3 months	1,298,583	-	1,298,583
- more than 3 months	36,813	-	36,813
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<u>12,193,693</u>	-	<u>12,193,693</u>
Unaudited			
30.6.2023			
Current (not past due)	11,679,229	-	11,679,229
Past due:			
- less than 3 months	1,118,080	-	1,118,080
- more than 3 months	1,159	-	1,159
- more than 6 months	-	-	-
- more than 1 year	-	-	-
	<u>12,798,468</u>	-	<u>12,798,468</u>

The movement in the loss allowances in respect of trade receivables is disclosed in Note 7 to the financial statements.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Other Receivables and Amount Owing by Related Parties

The Group applies the 3-stage general approach to measuring expected credit losses for its other receivables and amount owing by related parties.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

Under this approach, loss allowance is measured on either 12-month expected credit losses or lifetime expected credit losses, by considering the likelihood that the receivable would not be able to repay during the contractual period (probability of default, PD), the percentage of contractual cash flows that will not be collected if default happens (loss given default, LGD) and the outstanding amount that is exposed to default risk (exposure at default, EAD).

In deriving the PD and LGD, the Group considers the receivable's past payment status and its financial condition as at the reporting date. The PD is adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the receivable to settle its debts.

Allowance for Impairment Losses

No expected credit loss is recognised on other receivables and amount owing by related parties as they are negligible.

Fixed Deposits with Licensed Banks, Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

Maturity Analysis

The following table sets out the maturity profile of the financial liabilities at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
Audited						
31.12.2021						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.52 - 6.29	311,021	340,249	130,492	209,757	-
Term loans	3.50 - 5.42	4,485,533	4,792,286	1,426,204	3,366,082	-
Bankers' acceptances	3.77 - 5.42	5,050,000	5,050,000	5,050,000	-	-
Bank overdrafts	6.67 - 6.92	1,317,247	1,317,247	1,317,247	-	-
Trade payables	-	10,627,492	10,627,492	10,627,492	-	-
Other payables and accruals	-	2,100,438	2,100,438	2,100,438	-	-
Amount owing to directors	-	1,404	1,404	1,404	-	-
		23,893,135	24,229,116	20,653,277	3,575,839	-

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
Audited						
31.12.2022						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.52 - 6.29	192,783	209,480	78,664	130,816	-
Term loans	3.50 - 6.42	3,139,192	3,324,785	1,353,093	1,971,692	-
Bankers' acceptances	4.29 - 5.04	5,000,000	5,000,000	5,000,000	-	-
Trade payables	-	15,011,244	15,011,244	15,011,244	-	-
Other payables and accruals	-	3,781,801	3,781,801	3,781,801	-	-
		27,125,020	27,327,310	25,224,802	2,102,508	-

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
Audited						
31.12.2023						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.16 - 5.71	60,844	66,312	22,116	44,196	-
Term loans	3.50 - 5.82	1,908,022	1,974,729	1,318,986	655,743	-
Bankers' acceptances	3.70 - 5.14	4,900,006	4,900,006	4,900,006	-	-
Trade payables	-	12,724,676	12,724,676	12,724,676	-	-
Other payables and accruals	-	5,472,806	5,472,806	5,472,806	-	-
		25,066,354	25,138,529	24,438,590	699,939	-

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
Audited						
30.6.2024						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	5.71	51,412	55,254	22,116	33,138	-
Term loans	3.50 - 5.82	1,285,614	1,420,556	1,073,353	347,203	-
Bankers' acceptances	3.64 - 5.14	4,300,017	4,300,017	4,300,017	-	-
Trade payables	-	11,028,493	11,028,493	11,028,493	-	-
Other payables and accruals	-	3,586,046	3,586,046	3,586,046	-	-
		20,251,582	20,390,366	20,010,025	380,341	-

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)*Maturity Analysis (Cont'd)*

	Contractual Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 - 5 Years RM	Over 5 Years RM
Unaudited						
30.6.2023						
<u>Non-derivative Financial Liabilities</u>						
Lease liabilities	4.16 - 5.71	78,167	85,284	30,030	55,254	-
Term loans	3.50 - 5.82	2,527,492	2,646,019	1,336,545	1,309,474	-
Bankers' acceptances	3.53 - 5.14	4,550,013	4,550,013	4,550,013	-	-
Bank overdrafts	6.67 - 6.92	993,068	993,068	993,068	-	-
Trade payables	-	10,479,920	10,479,920	10,479,920	-	-
Other payables and accruals	-	2,671,583	2,671,583	2,671,583	-	-
		21,300,243	21,425,887	20,061,159	1,364,728	-

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.2 CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Lease liabilities	311,021	192,783	60,844	78,167	51,412
Term loans	4,485,533	3,139,192	1,908,022	2,527,492	1,285,614
Bankers' acceptances	5,050,000	5,000,000	4,900,006	4,550,013	4,300,017
Bank overdrafts	1,317,247	-	-	993,068	-
	<u>11,163,801</u>	<u>8,331,975</u>	<u>6,868,872</u>	<u>8,148,740</u>	<u>5,637,043</u>
Less: Fixed deposits with licensed banks	-	(2,000,000)	(6,304,235)	(3,800,000)	(7,308,477)
Less: Cash and bank balances	(4,590,971)	(8,088,216)	(6,080,234)	(7,789,364)	(6,818,155)
Net debt	<u>6,572,830</u>	<u>(1,756,241)</u>	<u>(5,515,597)</u>	<u>(3,440,624)</u>	<u>(8,489,589)</u>
Total equity	<u>23,294,976</u>	<u>28,093,349</u>	<u>32,626,818</u>	<u>30,550,230</u>	<u>34,930,971</u>
Debt-to-equity ratio	<u>0.28</u>	<u>*</u>	<u>*</u>	<u>*</u>	<u>*</u>

* Not applicable as the Group's cash and cash equivalents exceed its borrowings.

There was no change in the Group's approach to capital management during the financial year/period.

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Financial Assets					
<u>Amortised Cost</u>					
Trade receivables	11,732,822	18,206,100	12,679,904	12,798,468	12,193,693
Other receivables and deposits	209,853	169,117	329,853	198,416	273,640
Amount owing by related parties	22,497	30,231	-	34,913	-
Fixed deposits with licensed banks	-	2,000,000	6,304,235	3,800,000	7,308,477
Cash and bank balances	4,590,971	8,088,216	6,080,234	7,789,364	6,818,155
	<u>16,556,143</u>	<u>28,493,664</u>	<u>25,394,226</u>	<u>24,621,161</u>	<u>26,593,965</u>
Financial Liabilities					
<u>Amortised Cost</u>					
Lease liabilities	311,021	192,783	60,844	78,167	51,412
Term loans	4,485,533	3,139,192	1,908,022	2,527,492	1,285,614
Bankers' acceptances	5,050,000	5,000,000	4,900,006	4,550,013	4,300,017
Bank overdrafts	1,317,247	-	-	993,068	-
Trade payables	10,627,492	15,011,244	12,724,676	10,479,920	11,028,493
Other payables and accruals	2,100,438	3,781,801	5,472,806	2,671,583	3,586,046
Amount owing to directors	1,404	-	-	-	-
	<u>23,893,135</u>	<u>27,125,020</u>	<u>25,066,354</u>	<u>21,300,243</u>	<u>20,251,582</u>

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	Audited 31.12.2021 RM	Audited 31.12.2022 RM	Audited 31.12.2023 RM	Unaudited 30.6.2023 RM	Audited 30.6.2024 RM
Financial Assets					
<i>Amortised Cost</i>					
Net (losses)/gains recognised in profit or loss	-	(368,901)	260,083	260,083	-
Financial Liabilities					
<i>Amortised Cost</i>					
Net losses recognised in profit or loss	(597,893)	(584,403)	(355,500)	(195,162)	(158,341)

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)****32.5 FAIR VALUE INFORMATION**

The fair values of the financial assets and financial liabilities of the Group which are maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:-

	Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1 RM	Level 2 RM	Level 3 RM		
Audited					
31.12.2021					
<u>Financial Liabilities</u>					
Bank overdrafts	-	1,317,247	-	1,317,247	1,317,247
Bankers' acceptances	-	5,050,000	-	5,050,000	5,050,000
Lease liabilities	-	311,021	-	311,021	311,021
Term loans	-	4,485,533	-	4,485,533	4,485,533
31.12.2022					
<u>Financial Liabilities</u>					
Bankers' acceptances	-	5,000,000	-	5,000,000	5,000,000
Lease liabilities	-	192,783	-	192,783	192,783
Term loans	-	3,139,192	-	3,139,192	3,139,192
31.12.2023					
<u>Financial Liabilities</u>					
Bankers' acceptances	-	4,900,006	-	4,900,006	4,900,006
Lease liabilities	-	60,844	-	60,844	60,844
Term loans	-	1,908,022	-	1,908,022	1,908,022
30.6.2024					
<u>Financial Liabilities</u>					
Bankers' acceptances	-	4,300,017	-	4,300,017	4,300,017
Lease liabilities	-	51,412	-	51,412	51,412
Term loans	-	1,285,614	-	1,285,614	1,285,614

13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)****32.5 FAIR VALUE INFORMATION (CONT'D)**

As the Group does not have any financial instruments carried at fair value, the following table sets out only the fair value profile of financial instruments that are not carried at fair value at the end of the reporting period:- (Cont'd)

	Fair Value of Financial Instruments Not Carried at Fair Value			Total Fair Value RM	Carrying Amount RM
	Level 1	Level 2	Level 3		
	RM	RM	RM		
Unaudited					
30.6.2023					
<u>Financial Liabilities</u>					
Bank overdrafts	-	993,068	-	993,068	993,068
Bankers' acceptances	-	4,550,013	-	4,550,013	4,550,013
Lease liabilities	-	78,167	-	78,167	78,167
Term loans	-	2,527,492	-	2,527,492	2,527,492

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13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

NOTES TO THE COMBINED AND CONSOLIDATED FINANCIAL STATEMENTS**32. FINANCIAL INSTRUMENTS (CONT'D)**

32.5 FAIR VALUE INFORMATION (CONT'D)

Fair Value of Financial Instruments Not Carried at Fair Value

The fair values, which are for disclosure purposes, have been determined using the following basis:-

- (i) The fair value of the Group's term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.
- (ii) The fair value of hire purchase payables, bankers' acceptances and trade financing that carry fixed interest rates are determined by discounting the relevant future contractual cash flows using current market interest rates for similar instruments at the end of the reporting period. The interest rates used to discount the estimated cash flows are as follows:-

	Audited 31.12.2021 %	Audited 31.12.2022 %	Audited 31.12.2023 %	Unaudited 30.6.2023 %	Audited 30.6.2024 %
Bank overdrafts	6.67 - 6.92	-	-	6.67 - 6.92	-
Bankers' acceptances	3.77 - 5.42	4.29 - 5.04	3.70 - 5.14	3.53 - 5.14	3.64 - 5.14
Lease liabilities	4.52 - 6.29	4.52 - 6.29	4.16 - 5.71	4.16 - 5.71	5.71
Term loans	3.50 - 5.42	3.50 - 6.42	3.50 - 5.82	3.50 - 5.82	3.50 - 5.82

33. SIGNIFICANT EVENTS DURING AND AFTER THE REPORTING PERIOD

- (a) On 8 January 2024, KHPT acquired 250,000 ordinary shares of AGSB, representing 100% of the total issued share capital of AGSB by the issuance of 293,742,111 new ordinary shares at RM0.108 per share amounting to RM31,724,148. Subsequently on 7 February 2024, AGSB became a wholly owned subsidiary of KHPT.
- (b) On 4 July 2024, the Company obtained conditional approval from Bursa Securities for its Listing on the ACE Market of Bursa Securities.

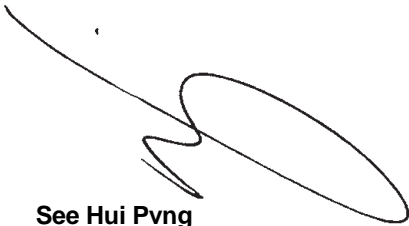
13. ACCOUNTANTS' REPORT (Cont'd)**KHPT HOLDINGS BERHAD**

(Incorporated in Malaysia)

STATEMENT BY DIRECTORS

We, See Hui Pvng and Hideki Nomura, being two of the directors of KHPT Holdings Berhad, state that, in the opinion of the directors, the combined and consolidated financial statements set out on pages 4 to 77 are drawn up in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards and the Prospectus Guidelines issued by the Securities Commission Malaysia so as to give a true and fair view of the financial position of KHPT Holdings Berhad and its combined entities (collectively known as the "Group") as of 31 December 2021, 2022 and 2023 and of their financial performance and cash flows for each of the financial years ended 31 December 2021, 2022 and 2023 and are drawn up in accordance with MFRS 134 "Interim Financial Reporting", International Accounting Standard 34 "Interim Financial Reporting" and the Prospectus Guidelines so as to give a true and fair view of the financial position of the Group as of 30 June 2024 and of its financial performance and its cash flows for the financial period ended 30 June 2024.

Signed in accordance with a resolution of the directors dated 22 August 2024.



See Hui Pvng



Hideki Nomura

14. ADDITIONAL INFORMATION

14.1 EXTRACT OF OUR CONSTITUTION

The following provisions are extracted from our Company's Constitution and are qualified in its entirety by the provisions of our Constitution and by applicable law.

The words and expressions appearing in the following provisions shall bear the same meanings used in our Company's Constitution unless they are otherwise defined or the context otherwise requires.

14.1.1 Remuneration of Directors

The provision in our Constitution dealing with remuneration of Directors are as follows:

Clause 111

The fees and any benefits payable to the Directors of the Company and its subsidiaries including any compensation for loss of employment of Director or former Director shall from time to time be determined by the Company in general meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine PROVIDED ALWAYS that:

- (a) fee payable to Non-Executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover and which shall not exceed the amount approved by shareholders in general meeting;
- (b) remuneration and other emoluments (including salary, bonus, benefits or any other elements) payable to Executive Directors who hold an executive office in the Company pursuant to a contract of service need not be determined by the Company in general meeting but such salaries and emoluments may not include a commission on or percentage of turnover. Nothing herein shall prejudice the powers of the Directors to appoint any of their members to be the employee or agent of the Company at such remuneration and upon such terms as they think fit provided that such remuneration shall not include commission on or percentage of turnover;
- (c) fees of Directors and any benefits payable to Directors shall be subject to annual approval at a general meeting;
- (d) any fee paid to an alternate Director shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) the monetary fees and/or benefits payable to Non-Executive Directors of the Company, including those who are also Director of the subsidiaries includes fees, meeting allowances, travelling allowances, benefits, gratuity and compensation for loss of employment of Director or former Director of the Company provided by the Company and subsidiaries, but does not include insurance premium or any issue of securities.

Clause 112

- (1) The Directors shall be paid or reimbursed for all their travelling, hotel and other expenses properly and necessarily expended by them in and about the business of the Company including their travelling and other expenses incurred in attending meetings of the Directors or any committee of the Directors or general meetings or otherwise.

14. ADDITIONAL INFORMATION (Cont'd)

- (2) If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company or in giving special attention to the business of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board provided that in the case of Non-Executive Directors, the said remuneration shall not include a commission on or percentage of profits or turnover. In the case of an Executive Director, such fee may be either in addition to or in substitution for his share in the fee from time to time provided for the Directors.

Clause 146

The remuneration of the Directors appointed to an executive position pursuant to this Constitution shall, subject to Clause 111, be fixed by the Board and may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement. The remuneration of the Director(s) appointed to an executive position under Clause 145 shall be determined by the Board or any committee authorised by the Board and can either be in addition to or in lieu of his/their fees as a Director.

14.1.2 Voting and Borrowing Powers of Directors

The provisions in our Company's Constitution in respect of the voting and borrowing powers of Directors, including voting powers on contracts or arrangements in which they are interested in, are as follows:

Clause 116

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company or subsidiary company or associate company or any related third party subject to the law including but not limited to the provisions of the Act and the Listing Requirements, as they may think fit.

Clause 117

The Directors shall not borrow any money or mortgage or charge any of the Company's or its subsidiaries' undertaking, property or uncalled capital, or issue debentures or other securities, whether outright or as security, for any debt, liability or obligation of an unrelated third party.

Clause 136

Subject to this Constitution, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote. The Chairman of the meeting shall however not have a second or casting vote where two (2) Directors form a quorum and only such a quorum is present at the meeting or only two (2) Directors are competent to vote on the question at issue. A Director present at a meeting of the Directors is presumed to have agreed to, and to have voted in favour of, a resolution of the Directors unless he expressly dissents from or votes to object against the resolution at the meeting.

Clause 140

A Director shall not participate in any discussion or vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest (and if he shall do so his vote shall not be counted).

14. ADDITIONAL INFORMATION (Cont'd)**Clause 142**

A Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Directors any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part, under a guarantee or indemnity or by the deposit of a security.

14.1.3 Changes in capital or variation of class right

The provisions in our Company's Constitution in respect of the changes in capital and variation of class rights, which are no less stringent than those required by law, are as follows:

(i) Change in capital**Clause 62**

The Company may from time to time, by ordinary resolution increase its share capital by the creation and issue of new shares, such new capital to be of such amount and to be divided into shares of such respective amounts and (subject to any special, limited or conditional voting rights for the time being attached to any existing class of shares) to carry such preferential rights or to be subjected to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may, by the resolution authorising such increase, direct.

Clause 65

The Company may by ordinary resolution:

- (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 shares from which the subdivided share is derived; or
- (b) convert all or any of its paid-up shares into stock and may reconvert that stock into paid-up shares; or
- (c) subdivide its share capital or any part thereof, whatever is in the subdivision, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the shares from which the subdivided share is derived; or
- (d) cancel any shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled.

Clause 66

Subject to the provisions of the Act and the requirements of the Exchange and such other relevant law, regulation or guideline, the Company may, with the sanction of an ordinary resolution, to the fullest extent permitted, to purchase its own shares and/or provide financial assistance to any person for the purpose of purchasing its own shares. Any shares in the Company so purchased by the Company and/or any person shall be dealt with in accordance with the Act, the requirements of the Exchange and/or any other relevant authority.

14. ADDITIONAL INFORMATION (Cont'd)**Clause 67**

The Company may reduce its share capital by:

- (a) a special resolution and confirmation by the Court in accordance with Section 116 of the Act; or
- (b) a special resolution supported by a solvency statement in accordance with Section 117 of the Act.

(ii) Variation of class right**Clause 15**

Subject to the provisions of Sections 71 and 91 of the Act, if at any time the share capital is divided into different classes of shares, the rights attached to shares in any class of shares (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with:

- (a) a special resolution passed at a separate meeting of the shareholders of that class; or
- (b) Where necessary majority of such a special resolution is not obtained at the meeting, consent in writing if obtained from the holders of not less than seventy-five per centum (75%) of the total voting rights of the shareholders of that class within two (2) months of the meeting,

shall be as valid and effectual as a special resolution carried at the meeting. To every such separate general meeting, the provisions of this Constitution relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be at least two (2) persons who are shareholders present in person or represented by proxy holding at least one-third (1/3) of the number of issued shares of the class, excluding any shares of that class held as treasury shares and that any holder of shares of the class present in person or by proxy may demand a poll. For adjourned meeting, quorum is one person present holding shares of such class. To every such special resolution, the provisions of Section 292 of the Act shall with such adaptations as are necessary, apply.

14.1.4 Transfer of securities

The provision in our Constitution dealing in respect of the transfer of securities of our Company are as follows:

Clause 36

The instrument of transfer of any securities lodged with the Company shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof. The transfer of any listed securities or class of listed securities of the Company, shall be made by way of book entry by the Bursa Depository in accordance with the Rules and, notwithstanding Sections 105, 106 and 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of such listed securities.

14. ADDITIONAL INFORMATION (Cont'd)**Clause 37**

Subject to the Rules and Listing Requirements, the transfer of any securities may be suspended at such times and for such periods as the Directors may from time to time determine. At least ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.

Clause 38

The Bursa Depository may, in its absolute discretion, refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 39

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

Clause 40

Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Bursa Depository in registering or acting upon a transfer of securities apparently made by a member or any person entitled to the securities by reason of death, bankruptcy or insanity of a member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or the Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the securities proposed or professed to be transferred, and although the transfer may, as between the transferor and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor in the blank as to the name of the transferee, of the particulars of the securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

14.1.5 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights

The provisions in our Constitution in respect of the rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:

Clause 13

Subject to the Act, any preference shares may with the sanction of an ordinary resolution, be issued on the terms that they are, or at the option of the Company are liable, to be redeemed. The Company shall have the power to issue preference capital ranking equally with, or in priority to, preference shares already issued. Preference shareholders shall have the same rights as ordinary shareholders as regards to receiving notices, reports and audited financial statements and attending meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the share capital or winding up or during the winding up of the Company, or on a proposal for the disposal of the whole of the Company's property, business and undertaking, or where any resolution to be submitted to the meeting directly affects their rights and/or privileges attached to the shares, or when the dividend or part of the dividend on the preference shares is in arrears for more than six (6) months.

14. ADDITIONAL INFORMATION (Cont'd)**Clause 14**

Notwithstanding Clause 13, the repayment of preference share capital other than redeemable preference capital or any other alteration of preference shareholders' rights, may only be made pursuant to a special resolution of the preference shareholders concerned PROVIDED ALWAYS that where the necessary majority for such a special resolution is not obtained at the meeting, consent in writing, if obtained from not less than seventy-five per centum (75%) of the total voting rights of the preference shareholders within two (2) months of the meeting, shall be as valid and effectual as a special resolution carried at the meeting.

Clause 60

The holders of stock shall, according to the amount of the stock held by them have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose, but no such right, privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such part of stock as it would not, if existing in shares, have conferred that right, privilege or advantage.

Clause 84

Subject to the Listing Requirements, any resolution set out in the notice of any general meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any general meeting shall be voted by poll. Notwithstanding the above, poll may be demanded in writing:

- (a) by the Chairman of the meeting; or
- (b) by at least three (3) members present in person or by proxy or by attorney or in the case of a corporation by a representative and entitled to vote thereat; or
- (c) by any member or members present in person or by proxy or by attorney or in the case of a corporation by a representative and representing not less than ten per centum (10%) of the total voting rights of all the members having the right to vote at the meeting, excluding any voting rights attached to shares in the Company held as treasury shares; or
- (d) by a member or members present in person or by proxy or by attorney or in the case of a corporation by a representative holding shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid-up equal to not less than ten per centum (10%) of the total sum paid-up on all the shares conferring that right, excluding any voting rights attached to shares in the Company held as treasury shares.

Unless a poll is so demanded in accordance with the foregoing provision, a declaration by the Chairman of the meeting that a resolution has been carried or has not been carried by a particular majority or lost, and an entry to that effect in the book containing the minutes of the proceedings of the Company pursuant to Section 343 of the Act, shall be conclusive evidence of the fact without proof of the number or proportion of the validity of the votes recorded in favour of or against the resolution.

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14. ADDITIONAL INFORMATION (Cont'd)**Clause 87**

Subject to any rights or restrictions for the time being attached to any class of shares at meetings of members or classes of members and Clause 74, Clause 75 and Clause 76 above, each member shall be entitled to be present and to vote at any general meeting in respect of any share or shares of which he is the registered holder and upon which all calls due to the Company have been paid, and may vote in person or by proxy or by attorney or by duly authorised representative for a corporation, and on a resolution to be decided on a show of hands, each holder of an ordinary share, and each holder of a preference share who has a right to vote, shall be entitled to one (1) vote and on a poll, every such member present in person or by proxy or attorney or representative for a corporation shall have one (1) vote for each share he holds. A proxy shall be entitled to vote on a show of hands or on a poll, on any question, at any general meeting. In a voting by poll, each proxy shall be entitled to such number of votes equal to the proportion of the member's shareholdings represented by such proxy. A proxy may only vote as directed in the proxy form. However, if the appointor or representative attend and vote on a resolution, the proxy or attorney must not vote.

Clause 88

Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

Clause 180

Subject to the rights of persons, if any, entitled to shares with special rights as to dividend, all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid, but no amount paid or credited as paid on a share in advance of call shall be treated for the purposes of this Constitution as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the shares during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date, that share shall rank for dividend accordingly.

Clause 194

If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company and any other sanction required by the Act, divide amongst the members in specie the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may for that purpose set such value as he deems fair upon any property to be divided as aforesaid and may determine how the division shall be carried out as between the members or different classes of members. The liquidator may, with the like sanction, vest the whole or any part of any such assets in trustees upon such trusts for the benefit of the members as he with the like sanction determines, but no member shall be compelled to accept any shares or other securities whereon there is any liability.

14.2 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have 1 class of shares namely ordinary shares, all of which rank equally with one another. There are no special rights attached to our Shares.
- (b) None of our Group's capital is under any option or agreed conditionally or unconditionally to be put under any option as at the date of this Prospectus.
- (c) No person has been or is entitled to be given an option to subscribe for any share, stock, debenture or other security of our Group, except for the Pink Form Allocation.
- (d) As at the date of this Prospectus, there is no scheme involving our Directors and employees in the share capital of our Group, except for the Pink Form Allocation.

14. ADDITIONAL INFORMATION (Cont'd)

- (e) As at the date of this Prospectus, save as disclosed in Sections 4.3.1 and 6.2 of this Prospectus, there is no shares, outstanding warrants, options, convertible securities or uncalled capital of our Group which have been or are proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 2 years preceding the date of this Prospectus.
- (f) As at the date of this Prospectus, our Group does not have any outstanding convertible debt securities, options, warrants or uncalled capital.
- (g) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than 6 months after the date of issue of this Prospectus.
- (h) Save as disclosed in this Prospectus and save as provided under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares.

14.3 DEPOSITED SECURITIES AND RIGHTS OF DEPOSITORS

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, a holder of our Shares must deposit his Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer his Shares to the Minister of Finance, Inc. and such Shares may not be traded on Bursa Securities.

Dealing in our Shares deposited with Bursa Depository may only be affected by a Depositor by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares will be deemed to be a shareholder of our Company and will 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.

14.4 LIMITATION ON THE RIGHT TO OWN SECURITIES

Subject to Section 14.3 above, there is no limitation on the right to own our Shares, including any limitation on the right of a non-resident or non-Malaysian shareholder to hold or exercise voting rights on our Shares which is imposed by Malaysian law or by our Constitution.

14.5 MATERIAL LITIGATION, CLAIMS AND ARBITRATION

As at the LPD, we are not engaged in and do not know of any material litigation, claim and/or arbitration, either as plaintiff or defendant, which has a material effect on our financial position, and our Directors confirm that 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.

14.6 MATERIAL CONTRACTS

Save as disclosed below, we have not entered into any contracts which are material (not being contracts entered into in the ordinary course of business) within the period covered by the Financial Periods Under Review as disclosed in this Prospectus up to the date of this Prospectus:

- (a) The sale and purchase agreement dated 1 August 2023 between AGSB (as vendor) and Chan Fook Long (as purchaser) for the sale of Lot 2625 for a total consideration of RM3,780,000. The transaction was completed on 31 January 2024;

14. ADDITIONAL INFORMATION (Cont'd)

- (b) The share sale and purchase agreement between Datin Eloise, Ivy See, Tiu Kuang Hong (collectively as vendors) and the Company (as purchaser) dated 28 December 2023 for the Acquisition. The Acquisition was completed on 7 February 2024; and
- (c) The Underwriting Agreement dated 8 August 2024 entered into between our Company and KAF for the underwriting of 30,179,100 IPO Shares as set out in Section 4.3.3 of this Prospectus. Please refer to Section 4.9 of this Prospectus for the salient terms of the Underwriting Agreement.

14.7 CONSENTS

- (a) The written consents of Principal Adviser, Sponsor, Underwriter and Placement Agent, Legal Advisers, Share Registrar, Issuing House and Company Secretaries for the inclusion in this Prospectus of their names in the form and context in which their names appear in this Prospectus have been given before the issue of this Prospectus, and have not subsequently been withdrawn.
- (b) The written consent of the Reporting Accountants for the inclusion in this Prospectus of their name, the Accountants' Report and the Reporting Accountants' Report on the Compilation of the Pro Forma Statements of Financial Position as at 30 June 2024 in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus, and has not subsequently been withdrawn.
- (c) The written consent of the IMR for the inclusion in this Prospectus of its name and IMR Report in the form and context in which they are contained in this Prospectus has been given before the issue of this Prospectus, and has not subsequently been withdrawn.

14.8 RESPONSIBILITY STATEMENTS

- (a) The Principal Adviser 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 relating to our IPO.
- (b) This Prospectus has been seen and approved by our Directors and Promoters and they collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

14.9 DOCUMENTS FOR INSPECTION

Copies of the following documents may be inspected at our registered office during office hours for a period of 6 months from the date of this Prospectus:

- (a) our Constitution;
- (b) the Industry Overview referred to in Section 8 of this Prospectus;
- (c) audited financial statements of our Company for the Financial Periods Under Review;
- (d) audited financial statements of AGSB for the Financial Periods Under Review;
- (e) Reporting Accountants' Report on the Compilation of the Pro Forma Statements of Financial Position as included in Section 12.18 of this Prospectus;
- (f) Accountants' Report as included in Section 13 of this Prospectus;

14. ADDITIONAL INFORMATION (Cont'd)

- (g) the material contracts referred to in Section 14.6 of this Prospectus; and
- (h) the letters of consent referred to in Section 14.7 of this Prospectus.

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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 CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF THIS PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT OUR ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used here shall carry the same meaning as ascribed to them in this Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

15.1 OPENING AND CLOSING OF APPLICATIONS

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 19 September 2024

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 25 September 2024

Applications for the IPO Shares will open and close at the time and dates stated above.

In the event there is any change to the time and dates stated above, we will advertise the notice of changes in a widely circulated English and Bahasa Malaysia daily newspapers in Malaysia, and make an announcement on Bursa Securities' website.

Late Applications will not be accepted.

15.2 METHODS OF APPLICATIONS

15.2.1 Application by the Malaysian Public and Eligible Persons

Application must accord with this Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

No.	Types of Application and category of investors	Application method
(a)	Applications by Malaysian Public:	
	(i) Individuals	<ul style="list-style-type: none"> ▪ WHITE Application Form; or ▪ Electronic Share Application; or ▪ Internet Share Application
	(ii) Non-Individuals	<ul style="list-style-type: none"> ▪ WHITE Application Form only
(b)	Applications by Eligible Persons	<ul style="list-style-type: none"> ▪ PINK Application Form only

15.2.2 Application by selected investors via private placement

No.	Types of Application	Application method
(a)	Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**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 this Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. **Invalid, nominee or third party CDS Accounts** will not be accepted for the Applications.

Only **ONE** Application Form for each category from each Applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

AN APPLICANT WHO WISHES TO APPLY FOR IPO SHARES OFFERED TO THE MALAYSIAN PUBLIC USING A JOINT BANK ACCOUNT SHOULD COMMUNICATE WITH THE FINANCIAL INSTITUTION IN CHARGE OF IPO APPLICATION TO PROVIDE THE MATCHING NAME IN THE JOINT BANK ACCOUNT AGAINST HIS/ HER CDS ACCOUNT TO THE ISSUING HOUSE. THIS IS TO ENSURE THAT THE ISSUING HOUSE RECEIVES THE IPO APPLICATION WHERE THE NAME IN THE JOINT BANK ACCOUNT MATCHES AGAINST THE NAME IN THE CDS ACCOUNT AND TO MINIMIZE THE INCIDENT OF REJECTED IPO APPLICATION DUE TO "CDS ACCOUNT BELONGS TO OTHER PERSON". OUR COMPANY, PRINCIPAL ADVISER AND ISSUING HOUSE ARE NOT RESPONSIBLE FOR ANY ISSUE ARISING THEREAFTER

15.3.2 Application by the Malaysian Public

You can only apply for our IPO Shares if you fulfil all of the following:

- (a) You must be one of the following:
 - (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or
 - (ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (b) You must not be a director or employee of our Issuing House or an immediate family member of a director or employee of our Issuing House; and
- (c) You must submit Applications by using only one of the following methods:
 - (i) White Application Form;
 - (ii) Electronic Share Application; or
 - (iii) Internet Share Application.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)**15.3.3 Application by Eligible Persons**

The Eligible Persons (including any entities, wherever established) will be provided with Pink Application Forms and letters from us detailing their respective allocation, as well as detailed procedures on how to subscribe to the allocated Issue Shares. The Eligible Persons must follow the notes and instructions in those documents and where relevant, of our Prospectus. All duly completed Pink Application Forms are to submit to our Company through the Human Resources or Finance Department.

The Eligible Persons 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, our Issuing House, KAF, Participating Organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

The Eligible Persons are not precluded from making additional application under the Malaysian Public category using either the White Application Form, Electronic Share Application, or Internet Share Application.

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 this Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.20 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 653**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Method below is relevant for White Form Application Form only whereas for Pink Application Form, kindly direct the submission of the form to our Company, through the Human Resources or Finance Department.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

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)

- (b) **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, so as to arrive not later than 5.00 p.m. on 25 September 2024 or by such other time and date specified in any change to the date and time for closing.

We, together with our Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to our Issuing House.

15.5 PROCEDURES FOR APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Participating Financial Institutions.

15.6 PROCEDURES FOR APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS International Securities Malaysia Sdn Bhd (formerly known as CGS-CIMB Securities Sdn Bhd), Malacca Securities Sdn Bhd, Malayan Banking Berhad, Moomoo Securities Malaysia Sdn Bhd 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 OUR ISSUING HOUSE

Our Issuing House, on the authority of our Board reserves the right to:

- (a) reject Applications which:
- (i) do not conform to the instructions of this Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (ii) are illegible, incomplete or inaccurate; or
 - (iii) are accompanied by an improperly drawn up, or improper form of, remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (c) bank in all Application monies (including those from unsuccessful / partially successful Applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.9 below.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of our 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, our Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our IPO Shares to a reasonable number of Applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis and results of allocation of shares and the balloting results in connection therewith will be furnished by our Issuing House to the SC, Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on our Issuing House's website at www.mih.com.my within 1 market day after the balloting event.

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 Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest or any share of revenue or benefits arising therefrom) and if such monies are not returned in full within 14 days after our Company becomes liable to do so, the provision of Section 243(2) of the CMSA shall apply accordingly.

In the event of an under-subscription of our Issue Shares by the Malaysian Public and / or Eligible Persons, subject to the reallocation provisions as set out in Section 4.3.3 of this Prospectus, any of the abovementioned Issue Shares not subscribed 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 (without interest) will be refunded to you in the following manner.

15.9.1 For applications by way of Application Forms

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful Applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful Applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by our Issuing House as per items (a) and (b) above (as the case may be).
- (d) Our Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful Applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

15.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (a) Our Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institutions or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from our Issuing House.
- (b) You may check your account on the 5th Market Day from the balloting date.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by our Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institutions or Internet Participating Financial Institutions will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institutions or Internet Participating Financial Institutions will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from our Issuing House.

15.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:

- (a) Our IPO Shares allotted to you will be credited into your CDS account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as securities to be deposited in the CDS subject to the provision of the SICDA and the Rules of Bursa Depository. As such, our IPO Shares offered through this 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.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (d) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.11 ENQUIRIES

Enquiries in respect of the Applications may be directed as follows:

Mode of Application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. (03) 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 at the Issuing House's website at www.mih.com.my. An investor can check allotment status by entering CDS Account number on the site, on the allotment day. The status should be available by 3 p.m. or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 16 of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities.

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