

11. FINANCIAL INFORMATION (CONT'D)

No.	Geographical Locations ^{(1) (2)}	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
		%	%	%	%	%
	Overall GP margin	30.15	26.21	37.29	40.21	35.45

Notes:-

- ⁽¹⁾ Our overall GP margins for each of the FYEs are derived based on the respective audited figures.
- ⁽²⁾ Our overall GP margins for different geographical locations are calculated using a methodology which in the opinion of our Board is reasonable, using the audited sales figures, certain audited costs of sales and other unaudited allocated costs of sales which are derived based on the costs allocation to different geographical locations extracted from our accounting system.
- ⁽³⁾ Denotes only USA.
- ⁽⁴⁾ Includes Singapore, Malaysia, Vietnam, Thailand, Japan and China.
- ⁽⁵⁾ Includes Germany, Italy, Switzerland, Portugal and Romania.

(c) Commentaries on GP and GP margins

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Despite registered an increase in revenue for the FYE 30 June 2020, our GP decreased by approximately RM2.92 million or approximately 12.35% from approximately RM23.62 million for the FYE 30 June 2019 to approximately RM20.71 million for the FYE 30 June 2020 due mainly to the decrease in our GP margin by approximately 3.95% from approximately 30.15% for the FYE 30 June 2019 to approximately 26.21% for the FYE 30 June 2020.

The above-mentioned decrease in GP margin was due mainly to the following reasons:-

- (I) We had incurred costs for first articles testing for a lot of new products of our customers such as Semiconductor Customer 2 and Semiconductor Customer Group 1 in the FYE 30 June 2020 and most of the said costs were required to be absorbed by us prior to the mass productions for the said customers; and
- (II) Our cost of sales had increased in the FYE 30 June 2020 due mainly to the increase in our labour costs and production overheads as explained in Section 11.3.3(ii)(f) of this Prospectus and the increase in our revenue in the FYE 30 June 2020 was not able to fully absorb such increase in our cost of sales. Nevertheless, we have been able to pass on some of the increased labour costs and production overheads to our customers.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

In tandem with the increase in revenue for the FYE 30 June 2021, and coupled with the increase in our GP margin by approximately 11.08% from approximately 26.21% for the FYE 30 June 2020 to approximately 37.29% for the FYE 30 June 2021, our GP increased by approximately RM14.13 million or approximately 68.27% from approximately RM20.71 million for the FYE 30 June 2020 to approximately RM34.84 million for the FYE 30 June 2021.

The above-mentioned increase in GP margin was due mainly to the following reasons:-

- (I) The first articles testing for our customers in the FYE 30 June 2020 as mentioned above have decreased in the FYE 30 June 2021 due mainly to the said customers having been satisfied with the products and we have

11. FINANCIAL INFORMATION (CONT'D)

commenced mass productions for the said customers in the FYE 30 June 2021 for those products which had gone through first articles testing in the FYE 30 June 2020. For the avoidance of doubt, we still conduct first articles testing for our customers for their new products in the FYE 30 June 2021, but the level of first articles testing is considered much lesser as compared with those conducted during the FYE 30 June 2020; and

- (II) Our semiconductor customers continued to increase their orders in the FYE 30 June 2021 and the gross margins earned from our semiconductor customers are generally higher than gross margins earned from our customers from other segments due mainly to higher specifications as required by our semiconductor customers; and
- (III) However, the effect of the above-mentioned reasons on the increase in our GP margin was partially offset by the decrease in our GP margin in rendering of services segment by 2.73% from 25.99% for the FYE 30 June 2020 to 17.83% for the FYE 30 June 2021 due mainly to the decrease in GP margin earned from Sport Equipment Customer 1. We have established a long-term relationship with Sport Equipment Customer 1 and had decided to absorb some of the increase in cost of sales incurred for the products manufactured for Sport Equipment Customer 1.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

In tandem with the increase in our revenue for the FYE 30 June 2022, and coupled with the increase in our GP margin by approximately 2.92% from approximately 37.29% for the FYE 30 June 2021 to approximately 40.21% for the FYE 30 June 2022, our GP increased by approximately RM20.99 million or approximately 60.23% from approximately RM34.84 million for the FYE 30 June 2021 to approximately RM55.83 million for the FYE 30 June 2022.

The above increase in our GP margin was due mainly to the following reasons:-

- (I) Our semiconductor customers continued to increase their orders in the FYE 30 June 2022 and the gross margins earned from our semiconductor customers are generally higher than gross margins earned from our customers from other segments due mainly to higher specifications as required by our semiconductor customers; and
- (II) Higher economies of scale as the costs of sales are spread over a larger number of products manufactured by our Group (lower unit cost per unit).

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Despite registering an increase in revenue for the FYE 30 June 2023, our GP decreased by approximately RM4.32 million or approximately 7.74% from approximately RM55.83 million for the FYE 30 June 2022 to approximately RM51.51 million for the FYE 30 June 2023 due mainly to the decrease in our GP margin by approximately 4.76% from approximately 40.21% for the FYE 30 June 2022 to approximately 35.45% for the FYE 30 June 2023.

The above-mentioned decrease in our GP margin was due mainly to the increase in our cost of sales in the FYE 30 June 2023 as a result of the increase in our labour costs and production overheads as explained in Section 11.3.3(ii)(f) of this Prospectus and the increase in our revenue in the FYE 30 June 2023 was not able to fully absorb such increase in our cost of sales. Nevertheless, we have been able to pass on some of the increased labour costs and production overheads to

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our customers.

(iv) Other income

The table below sets out our other income for the Period Under Review.

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Scrap sales	514	60.05	141	18.85	302	34.87	523	77.37	791	75.33
2.	Reimbursement of hostel rental recognised as rental income	-	0.00	155	20.72	162	18.71	109	16.12	200	19.05
3.	Rental income of premises	109	12.73	-	0.00	-	0.00	-	0.00	48	4.57
4.	Government grants	224	26.17	439	58.69	402	46.42	38	5.62	9	0.86
5.	Credit card rebate	-	-	-	-	-	-	-	-	2	0.19
6.	Vouchers given by the vendor	-	0.00	-	0.00	-	0.00	6	0.89	-	0.00
7.	Written-off of unknown balance in payables ⁽¹⁾	9	1.05	-	0.00	-	0.00	-	0.00	-	0.00
8.	Trade in faulty parts	-	0.00	1	0.13	-	0.00	-	0.00	-	0.00
9.	Refund for electricity deposit which had not been recognised in deposit	-	0.00	7	0.94	-	0.00	-	0.00	-	0.00
10.	Write back of over provision of prior year audit fee for Champion Oil	-	0.00	5	0.67	-	0.00	-	0.00	-	0.00
Total		856	100.00	748	100.00	866	100.00	676	100.00	1,050	100.00

Note:-

⁽¹⁾ During the preparation for our HKEX IPO, our Group had conducted a cleaning up exercise of long overdue payables and noticed the said unknown balance. In the FYE 30 June 2019, our Group decided to write off the said unknown balance as we were not able to trace the nature of the said balance and the amount was deemed immaterial.

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Commentaries on other income

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our other income decreased by approximately RM0.11 million or approximately 12.62% from approximately RM0.86 million for the FYE 30 June 2019 to approximately RM0.75 million for the FYE 30 June 2020, due mainly to the following reasons:-

- (a) Decrease in scrap sales by approximately RM0.37 million or approximately 72.57% from approximately RM0.51 million for the FYE 30 June 2019 to approximately RM0.14 million for the FYE 30 June 2020 due mainly to our Group had a major warehouse clearing exercise in the FYE 30 June 2019 on equipment and machinery of the respective production lines which had contributed to higher scrap sales in the FYE 30 June 2019; and
- (b) Cessation of rental income of premises in the FYE 30 June 2020 as compared with rental income of premises of approximately RM0.11 million recorded for the FYE 30 June 2019 due to cessation of rental of our Plant 2 to external party as Champion PT intended to utilise our Plant 2 for their operations.

However, the effect of the decrease in above-mentioned other incomes was partially offset by the following factors:-

- (a) Increase in government grants by approximately RM0.21 million or approximately 95.98% from approximately RM0.22 million for the FYE 30 June 2019 to approximately RM0.44 million for the FYE 30 June 2020 due mainly to wage subsidy from the Government and job support scheme from Singapore government; and
- (b) Recognition of the reimbursement of hostel rental from local and foreign workers which amounted to approximately RM0.16 million in the FYE 30 June 2020 under our other income subsequent to the adoption of MFRS 16 in the FYE 30 June 2020. Prior to adoption of MFRS 16, we had not recognised the reimbursement of hostel rental under other income for the FYE 30 June 2019 as the said reimbursement had been netted off against the rental expenses for the FYE 30 June 2019.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our other income increased by approximately RM0.12 million or approximately 15.78% from approximately RM0.75 million for the FYE 30 June 2020 to approximately RM0.87 million for the FYE 30 June 2021, due mainly to the increase in scrap sales by approximately RM0.16 million or approximately 114.18% from approximately RM0.14 million for the FYE 30 June 2020 to approximately RM0.30 million for the FYE 30 June 2021 due mainly to higher production activities in the FYE 30 June 2021 had resulted in more scraps to be produced which in turn had resulted in higher scrap sales in the FYE 30 June 2021.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our other income decreased by approximately RM0.19 million or approximately 21.94% from approximately RM0.87 million for the FYE 30 June 2021 to approximately RM0.68 million for the FYE 30 June 2022, due mainly to the following reasons:-

- (a) The decrease in government grants by approximately RM0.36 million or approximately 90.55% from approximately RM0.40 million for the FYE 30 June 2021 to approximately RM0.04 million for the FYE 30 June 2022 which was mainly

11. FINANCIAL INFORMATION (CONT'D)

attributed to not having any grants in relation to COVID-19 job support scheme granted by the Singapore government in the FYE 30 June 2022; and

- (b) However, the effect of the above-mentioned decrease in government grants was partially offset by increase in scrap sales by approximately RM0.22 million or approximately 73.18% from approximately RM0.30 million for the FYE 30 June 2021 to approximately RM0.52 million for the FYE 30 June 2022 due mainly to higher production activities in the FYE 30 June 2022 had resulted in more scraps to be produced which in turn had resulted in higher scrap sales in the FYE 30 June 2022.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our other income increased by approximately RM0.37 million or approximately 55.33% from approximately RM0.68 million for the FYE 30 June 2022 to approximately RM1.05 million for the FYE 30 June 2023, due mainly to the following reasons:-

- (a) Increase in scrap sales by approximately RM0.27 million or approximately 51.24% from approximately RM0.52 million for the FYE 30 June 2022 to approximately RM0.79 million for the FYE 30 June 2023 due mainly to higher production activities in the FYE 30 June 2023 had resulted in more scraps to be produced which in turn had resulted in higher scrap sales in the FYE 30 June 2023; and
- (b) Increase in reimbursement of hostel rental recognised as rental income by approximately RM0.09 million or approximately 83.49% from approximately RM0.11 million for the FYE 30 June 2022 to approximately RM0.20 million for the FYE 30 June 2023 due mainly to the Group renting out their housing accommodation to cater for the increase in the local and foreign workers; and
- (c) We recognised rental income of premises which amounted to approximately RM0.05 million due to the rental free period for Plant 5 which commenced from 1 January 2023 to 15 February 2023 for the FYE 30 June 2023.

- (v) Other gains/(losses)

The table below sets out our other gains/(losses) for the Period Under Review.

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Gains/(losses) on disposal of property, plant and equipment, net	(24)	(60.00)	23	3.15	7	(0.46)	257	23.91	131	10.41
2.	Gains/(losses) on foreign exchange, net	⁽¹⁾ 64	160.00	⁽²⁾ 707	96.85	⁽³⁾ (1,514)	100.46	⁽⁴⁾ 806	74.98	⁽⁵⁾ 1,128	89.59
3.	Gain on early termination of lease liabilities	-	0.00	-	0.00	-	0.00	12	1.11	-	0.00
Total		40	100.00	730	100.00	(1,507)	100.00	1,075	100.00	1,259	100.00

Notes:-

11. FINANCIAL INFORMATION (CONT'D)

(1) Due to the following:-

- (i) Unrealised loss on foreign exchange of approximately RM0.24 million due to the translation difference for our receivables, payables and cash and bank balances denominated in currencies other than RM; and
- (ii) Realised gain on foreign exchange of approximately RM0.31 million due to the timing differences between our billings and the actual receipt of payments from our customers and/or actual conversion for transactions which are conducted in currencies other than RM and/or SGD and timing differences between our suppliers' billing and the actual payment to our suppliers which are conducted in currencies other than RM and/or SGD.

(2) Due to the following:-

- (i) Unrealised gain on foreign exchange of approximately RM0.43 million due to the translation difference for our receivables, payables and cash and bank balances denominated in currencies other than RM; and
- (ii) Realised gain on foreign exchange of approximately RM0.28 million due to the timing differences between our billings and the actual receipt of payments from our customers and/or actual conversion for transactions which are conducted in currencies other than RM and/or SGD and timing differences between our suppliers' billing and the actual payment to our suppliers which are conducted in currencies other than RM and/or SGD.

(3) Due to the following:-

- (i) Unrealised gain on foreign exchange of approximately RM0.08 million due to the translation difference for our receivables, payables and cash and bank balances denominated in currencies other than RM; and
- (ii) Realised loss on foreign exchange of approximately RM1.59 million due to the timing differences between our billings and the actual receipt of payments from our customers and/or actual conversion for transactions which are conducted in currencies other than RM and/or SGD and timing differences between our suppliers' billing and the actual payment to our suppliers which are conducted in currencies other than RM and/or SGD.

(4) Due to the following:-

- (i) Unrealised loss on foreign exchange of approximately RM0.06 million due to the translation difference for our receivables, payables and cash and bank balances denominated in currencies other than RM; and
- (ii) Realised gain on foreign exchange of approximately RM0.87 million due to the timing differences between our billings and the actual receipt of payments from our customers and/or actual conversion for transactions which are conducted in currencies other than RM and/or SGD and timing differences between our suppliers' billing and the actual payment to our suppliers which are conducted in currencies other than RM and/or SGD.

(5) Due to the following:-

- (i) Unrealised loss on foreign exchange of approximately RM0.35 million due to the translation difference for our receivables, payables and cash and bank balances denominated in currencies other than RM; and
- (ii) Realised gain on foreign exchange of approximately RM1.48 million due to the timing differences between our billings and the actual receipt of payments from our customers and/or actual conversion for transactions which are conducted in currencies other than RM and/or SGD and timing differences between our suppliers' billing and the actual payment to our suppliers which are conducted in currencies other than RM and/or SGD.

Commentaries on other gains/losses

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our other gains increased by approximately RM0.69 million or approximately 1,725.00% from approximately RM0.04 million for the FYE 30 June 2019 to approximately RM0.73 million for the FYE 30 June 2020, due mainly to the increase in gains on foreign exchange by approximately RM0.64 million or approximately 1,004.69% from approximately RM0.06 million for the FYE 30 June 2019 to approximately RM0.71 million for the FYE 30 June 2020.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

We recorded other losses of approximately RM1.51 million for the FYE 30 June 2021 as compared with other gains of approximately RM0.73 million for the FYE 30 June 2020 due mainly to our Group recording losses on foreign exchange of approximately RM1.51 million for the FYE 30 June 2021 as compared with gains on foreign exchange of approximately RM0.71 million recorded for the FYE 30 June 2020.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

We recorded other gains of approximately RM1.08 million for the FYE 30 June 2022 as compared with other losses of approximately RM1.51 million for the FYE 30 June 2021 due to the following reasons:-

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- (a) We recorded gains on foreign exchange of approximately RM0.81 million for the FYE 30 June 2022 as compared with losses on foreign exchange of approximately RM1.51 million for the FYE 30 June 2021; and
- (b) Our gains on disposal of property, plant and equipment increased by approximately RM0.25 million or approximately 3,571.43% from approximately RM0.007 million for the FYE 30 June 2021 to approximately RM0.26 million for the FYE 30 June 2022.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our other gains increased by approximately RM0.18 million or approximately 17.12% from approximately RM1.08 million for the FYE 30 June 2022 to approximately RM1.26 million for the FYE 30 June 2023 due mainly to our gains on foreign exchange which increased by approximately RM0.32 million or approximately 39.95% from approximately RM0.81 million for the FYE 30 June 2022 to approximately RM1.13 million for the FYE 30 June 2023; and

- (vi) Selling and marketing expenses

The table below sets out a breakdown of our selling and marketing expenses for the Period Under Review.

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Salaries of our key sales personnel	439	30.99	428	46.27	642	81.99	1,375	75.97	1,578	68.61
2.	Travelling and accommodation	523	36.91	385	41.62	38	4.85	168	9.28	405	17.61
3.	Storage services for Healthcare Customer 2 ⁽¹⁾	182	12.84	99	10.70	96	12.26	160	8.84	181	7.87
4.	Commission fee ⁽²⁾	7	0.49	5	0.54	22	2.81	78	4.31	120	5.22
5.	Entertainment	98	6.92	11	1.19	2	0.26	8	0.44	9	0.39
6.	Advertisement	5	0.35	11	1.19	10	1.28	18	0.99	7	0.30
7.	Exhibition and promotion	163	11.50	(14)	(1.51)	(27)	(3.45)	3	0.17	-	0.00
Total		1,417	100.00	925	100.00	783	100.00	1,810	100.00	2,300	100.00

Notes:-

⁽¹⁾ Our Group has rented spaces to store our products sold to Healthcare Customer 2 to reduce the lead times for the orders from Healthcare Customer 2. Save for Healthcare Customer 2, we do not have such arrangement with any of our other customers.

⁽²⁾ The commission fee is in reference to the fee paid to the agent who introduced Aerospace Customer 1 to us. The said commission fee is derived based on the amount collected by us from the sales of our products to Aerospace Customer 1 and it is a recurring expense. Save for the said

11. FINANCIAL INFORMATION (CONT'D)

agent, our Group did not use any other agents for our sales during the Period Under Review. Our Group is not materially dependent on agents to secure new customers.

Commentaries on selling and marketing expenses

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our selling and marketing expenses decreased by approximately RM0.49 million or approximately 34.72% from approximately RM1.42 million for the FYE 30 June 2019 to approximately RM0.93 million for the FYE 30 June 2020 due mainly to the following reasons:-

- (a) We obtained a refund of approximately RM0.01 million for the exhibition and promotion for the FYE 30 June 2020 due mainly to cancellation of exhibitions overseas as a result of COVID-19 as compared with our Group incurring such costs of approximately RM0.16 million for the exhibition and promotion for the FYE 30 June 2019; and
- (b) Decrease in travelling and accommodation expenses by approximately RM0.14 million or approximately 26.39% from approximately RM0.52 million for the FYE 30 June 2019 to approximately RM0.39 million for the FYE 30 June 2020 due mainly to fewer travelling activities upon outbreak of COVID-19 in the FYE 30 June 2020; and
- (c) Decrease in entertainment expenses by approximately RM0.09 million or approximately 88.78% from approximately RM0.10 million for the FYE 30 June 2019 to approximately RM0.01 million for the FYE 30 June 2020 due mainly to fewer entertainment activities upon outbreak of COVID-19 in the FYE 30 June 2020; and
- (d) Decrease in costs of storage services for Healthcare Customer 2 by approximately RM0.08 million or approximately 45.60% from approximately RM0.18 million for the FYE 30 June 2019 to approximately RM0.10 million for the FYE 30 June 2020 due mainly to less space required for the finished parts stored for Healthcare Customer 2.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our selling and marketing expenses decreased by approximately RM0.14 million or approximately 15.35% from approximately RM0.93 million for the FYE 30 June 2020 to approximately RM0.78 million for the FYE 30 June 2021 due mainly to the following reasons:-

- (a) Decrease in travelling and accommodation expenses by approximately RM0.35 million or by 90.13% from approximately RM0.39 million for the FYE 30 June 2020 to approximately RM0.04 million for the FYE 30 June 2021 due mainly to fewer travelling activities in the FYE 30 June 2021 which was due mainly to worldwide COVID-19 situation; and
- (b) However, the effect of the decrease in travelling and accommodation expenses is partially offset by the increase in the salaries of our key sales personnel by approximately RM0.21 million or 50.00% from approximately RM0.43 million for the FYE 30 June 2020 to approximately RM0.64 million for the FYE 30 June 2021 due mainly to Mr. Akira Nakashima has joined us as Chief Operating Officer for International Business Development of Champion PE since April 2021.

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Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our selling and marketing expenses increased by approximately RM1.03 million or approximately 131.16% from approximately RM0.78 million for the FYE 30 June 2021 to approximately RM1.81 million for the FYE 30 June 2022 due mainly to the following reasons:-

- (a) Increase in the salaries of our key sales personnel by approximately RM0.73 million or 114.17% from approximately RM0.64 million for the FYE 30 June 2021 to approximately RM1.38 million for the FYE 30 June 2022 due mainly to full year effect of the remunerations paid to Mr. Akira Nakashima as Chief Operating Officer for International Business Development of Champion PE; and
- (b) Increase in the travelling and accommodation expenses by approximately RM0.13 million or 342.11% from approximately RM0.04 million for the FYE 30 June 2021 to approximately RM0.17 million for the FYE 30 June 2022 due mainly to increase travelling activities for sales and marketing purpose in the FYE 30 June 2022 following the ease of restriction of travelling in the FYE 30 June 2022; and
- (c) Increase in costs of storage services for Healthcare Customer 2 by approximately RM0.06 million or approximately 66.67% from approximately RM0.10 million for the FYE 30 June 2021 to approximately RM0.16 million for the FYE 30 June 2022 due mainly to more space required for the finished parts stored for Healthcare Customer 2; and
- (d) Increase in commission fee by approximately RM0.06 million or approximately 254.55% from approximately RM0.02 million for the FYE 30 June 2021 to approximately RM0.08 million for the FYE 30 June 2022 due mainly to higher commission paid for the receipt of sales to Aerospace Customer 1 in the FYE 30 June 2022; and
- (e) We incurred costs of approximately RM0.003 million for the exhibition and promotion for the FYE 30 June 2022 as compared with obtaining a refund of approximately RM0.03 million for the exhibition and promotion for the FYE 30 June 2021 due to cancellation of exhibitions overseas as a result of COVID-19 and such refund was one-off in nature.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our selling and marketing expenses increased by approximately RM0.49 million or approximately 27.07% from approximately RM1.81 million for the FYE 30 June 2022 to approximately RM2.30 million for the FYE 30 June 2023 due mainly to the following reasons:-

- (a) Increase in the travelling and accommodation expenses by approximately RM0.24 million or 141.07% from approximately RM0.17 million for the FYE 30 June 2022 to approximately RM0.41 million for the FYE 30 June 2023 due mainly to increase in travelling activities for sales and marketing purposes in the FYE 30 June 2023; and
- (b) Increase in the salaries of our key sales personnel by approximately RM0.20 million or 14.76% from approximately RM1.38 million for the FYE 30 June 2022 to approximately RM1.58 million for the FYE 30 June 2023 due mainly to the salary increment of personnel in Champion PE.

11. FINANCIAL INFORMATION (CONT'D)

(vii) General and administrative expenses

Our general and administrative expenses increased from approximately RM7.52 million for the FYE 30 June 2019 to approximately RM10.87 million for the FYE 30 June 2023, representing a CAGR of approximately 9.62%.

The key components of our general and administrative expenses throughout the Period Under Review, consist the following:-

- (a) Staff costs and statutory contributions for employees deployed in the business support functions which include, but not limited to, finance, accounting, human resources, compliance, sales and marketing, purchasing and information technology, which accounted for approximately 53.14%, 53.58%, 51.09%, 39.10% and 42.01% of our general and administrative expenses for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively; and
- (b) Directors' remuneration, fee and statutory contributions, which accounted for approximately 25.42%, 24.68%, 24.68%, 17.56% and 20.89% of our general and administrative expenses for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively; and
- (c) Insurance costs comprising insurance premiums for our insurance which consist insurance for fire, burglary, public liability, product liability, inland transit, all risks, personal accident and medicals which accounted for approximately 3.38%, 4.49%, 5.82%, 3.92% and 4.91% of our general and administrative expenses for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively.

The table below sets out a breakdown of our general and administrative expenses for the Period Under Review.

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
1.	Staff salaries, bonus and statutory contributions	3,998	53.14	4,164	53.58	3,985	51.09	4,428	39.10	4,565	42.01
2.	Directors' remuneration, fee and statutory contributions	1,913	25.42	1,918	24.68	1,925	24.68	1,989	17.56	2,270	20.89
3.	Listing expenses	-	0.00	-	0.00	-	0.00	2,643	23.33	925	8.51
4.	Audit fee	226	3.00	219	2.82	220	2.82	150	1.32	731	6.73
5.	Insurance	254	3.38	349	4.49	454	5.82	444	3.92	534	4.91
6.	Professional	102	1.36	169	2.17	257	3.29	327	2.89	387	3.56

11. FINANCIAL INFORMATION (CONT'D)

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
	charges										
7.	Depreciation expenses	269	3.58	25	0.32	125	1.60	198	1.75	184	1.69
8.	Printing and stationery	155	2.06	122	1.57	112	1.44	132	1.17	154	1.42
9.	Medical fee	122	1.62	110	1.42	134	1.72	133	1.17	141	1.30
10.	Upkeep of office equipment	75	1.00	205	2.64	67	0.86	87	0.77	131	1.21
11.	Bank charges	122	1.62	142	1.83	114	1.46	147	1.30	130	1.20
12.	Telephone and fax charges	111	1.48	94	1.21	88	1.13	80	0.71	91	0.84
13.	Quit rent and assessment	50	0.66	53	0.68	51	0.65	71	0.63	70	0.64
14.	Postage and stamp duty	28	0.37	15	0.19	159	2.04	160	1.41	48	0.44
15.	Penalty	-	0.00	-	0.00	7	0.09	⁽¹⁾ 135	1.19	-	0.00
16.	Others ⁽²⁾	99	1.31	186	2.40	102	1.31	203	1.78	505	4.65
Total		7,524	100.00	7,771	100.00	7,800	100.00	11,327	100.00	10,866	100.00

Notes:-

⁽¹⁾ The penalty expenses in FYE 30 June 2022 were attributable mainly to tax penalty for the understatement of chargeable income for YA 2021 and DOE compounds. Our revenue exceeded our expectations for the remainder of the FYE 30 June 2021 which led to the understatement of our chargeable income to which we have since made full payment to the IRB. In addition to the said tax penalty, we were compounded by DOE for our past non-compliances with the EQA 1974 and EQSWR 2005 as stated in Section 6.23.1(iv) of this Prospectus to which we have also made full payment of the penalties and have rectified all the related non-compliances.

⁽²⁾ Others include expenses in relation to the company dinner, gift and condolence fee, donation, festival expenses, fixed asset written off, general expenses, licence and permits, processing fee, refreshment, red packet, secretarial and filing fee, withholding tax and import duty, subscription fee, training fee, tax consultation fee, upkeep of motor vehicles and rental of office equipment.

Commentaries on general and administrative expenses

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our general and administrative expenses increased by approximately RM0.25 million or approximately 3.28% from approximately RM7.52 million for the FYE 30 June 2019 to approximately RM7.77 million for the FYE 30 June 2020 due mainly to the following reasons:-

- (a) Increase in our staff salaries, bonus and statutory contributions by approximately RM0.17 million or approximately 4.15% from approximately RM4.00 million for the FYE 30 June 2019 to approximately RM4.16 million for the FYE 30 June 2020 due mainly to increase in number of headcounts by 8 staff or approximately 57.14% from 14 staff as at 30 June 2019 to 22 staff as at 30 June 2020; and

11. FINANCIAL INFORMATION (CONT'D)

- (b) Increase in upkeep of office equipment by approximately RM0.13 million or approximately 173.33% from approximately RM0.08 million for the FYE 30 June 2019 to approximately RM0.21 million for the FYE 30 June 2020 due mainly to movement of our office from our Plant 4 to our Plant 2 in the second half of 2019 as we had intended to have our office in a plant owned by us and Plant 4 was still rented by us (not owned by us) then; and
- (c) Increase in our insurance costs by approximately RM0.10 million or approximately 37.40% from approximately RM0.25 million for the FYE 30 June 2019 to approximately RM0.35 million for the FYE 30 June 2020 due mainly to increase in insurance coverage for the insurance for burglary and fire insurance in the FYE 30 June 2020; and
- (d) Increase in professional charges by approximately RM0.07 million or approximately 65.69% from approximately RM0.10 million for the FYE 30 June 2019 to approximately RM0.17 million for the FYE 30 June 2020 due mainly to our Group engaging a consultant for the business development, technical support and customer consultancy; and
- (e) However, the effect of the above-mentioned increases in our general and administrative expenses was partially offset by the decrease in depreciation expenses by approximately RM0.24 million or approximately 90.71% from approximately RM0.27 million for the FYE 30 June 2019 to approximately RM0.03 million for the FYE 30 June 2020 due mainly to following reasons:-
 - (I) We did not recognise any depreciation expenses for our investment properties in the FYE 30 June 2020 as compared with having such recognition of depreciation expenses for the investment properties of approximately RM0.14 million for the FYE 30 June 2019 due mainly to there was no investment properties in the FYE 30 June 2020 as the investment properties referred to in the FYE 30 June 2019 had been classified under our property, plant and equipment; and
 - (II) During the FYE 30 June 2020, we conducted an exercise in tidying up the fixed assets register and based on our Group's policies back then, any amount that was less than RM1,000 is to be charged out immediately to the income statement. An adjustment was then made to the purchase of miscellaneous small valued assets of approximately RM0.18 million that were capitalised in our property, plant and equipment and this had resulted in a decrease of RM0.11 million to our depreciation expenses in the FYE 30 June 2020.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our general and administrative expenses increased by approximately RM0.03 million or approximately 0.37% from approximately RM7.77 million for the FYE 30 June 2020 to approximately RM7.80 million for the FYE 30 June 2021 due mainly to the following reasons:-

- (a) Increase in postage and stamp duty by approximately RM0.14 million or approximately 960.00% from approximately RM0.02 million for the FYE 30 June 2020 to approximately RM0.16 million for the FYE 30 June 2021 due mainly to the increase in stamp duty paid pursuant to the transfer of shares of our MY Subsidiary Companies from Platinum Success to us; and
- (b) Increase in our insurance costs by approximately RM0.10 million or approximately 30.09% from approximately RM0.35 million for the FYE 30 June 2020 to

11. FINANCIAL INFORMATION (CONT'D)

approximately RM0.45 million for the FYE 30 June 2021 due mainly to increase in insurance coverage in the FYE 30 June 2021; and

- (c) Increase in our depreciation expenses by approximately RM0.10 million or approximately 400.00% from approximately RM0.03 million for the FYE 30 June 2020 to approximately RM0.13 million for the FYE 30 June 2021 due mainly to the effect from the decrease in depreciation expenses in the FYE 30 June 2020 as explained above; and
- (d) Increase in professional charges by approximately RM0.09 million or approximately 52.07% from approximately RM0.17 million for the FYE 30 June 2020 to approximately RM0.26 million for the FYE 30 June 2021 due mainly to the additional costs incurred for the preparation of our transfer pricing documentation; and
- (e) However, the effect of the above-mentioned increases in our general and administrative expenses was partially offset by the following reasons:-
 - (I) Decrease in upkeep of office equipment by approximately RM0.14 million or approximately 67.32% from approximately RM0.21 million for the FYE 30 June 2020 to approximately RM0.07 million for the FYE 30 June 2021 due mainly to there was one-off upkeep of office equipment during the movement of the office to another building in the FYE 30 June 2020; and
 - (II) Decrease in expenses spent for company dinner by approximately RM0.09 million or approximately 94.51% from approximately RM0.09 million for the FYE 30 June 2020 to approximately RM0.005 million for the FYE 30 June 2021 due mainly to we only distributed lunch boxes to replace annual dinner due to the restrictions imposed by the Government pursuant to COVID-19.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our general and administrative expenses increased by approximately RM3.53 million or approximately 45.22% from approximately RM7.80 million for the FYE 30 June 2021 to approximately RM11.33 million for the FYE 30 June 2022 due mainly to the following reasons:-

- (a) We recognised the listing expenses for our IPO and Listing of approximately RM2.64 million for the FYE 30 June 2022; and
- (b) Increase in our staff salaries, bonus and statutory contributions by approximately RM0.44 million or approximately 11.12% from approximately RM3.98 million for the FYE 30 June 2021 to approximately RM4.43 million for the FYE 30 June 2022 due mainly to salaries increments to our staff.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our general and administrative expenses decreased by approximately RM0.46 million or approximately 4.07% from approximately RM11.33 million for the FYE 30 June 2022 to approximately RM10.87 million for the FYE 30 June 2023 due mainly to the decrease in listing expenses by approximately RM1.72 million or approximately 65.00% from approximately RM2.64 million for the FYE 30 June 2022 to approximately RM0.93 million for the FYE 30 June 2023.

However, the effect of the above decrease in our listing expenses was partially offset by the following factors:-

11. FINANCIAL INFORMATION (CONT'D)

- (a) Increase in our directors' remuneration, fee and statutory contributions by approximately RM0.28 million or approximately 14.13% from approximately RM1.99 million for the FYE 30 June 2022 to approximately RM2.27 million for the FYE 30 June 2023 due mainly to the full year effect of the directors' remunerations, fee and statutory contributions paid to our directors in FYE 30 June 2023 whereby there are 4 of our Independent Non-Executive Directors that were appointed sometime during the FYE 30 June 2022 and not at the beginning of FYE 30 June 2022; and
- (b) Increase in audit fee by approximately RM0.58 million or approximately 387.33% from approximately RM0.15 million for the FYE 30 June 2022 to approximately RM0.73 million for the FYE 30 June 2023 due mainly to our auditors assessing that there would be increased regulatory obligations resulting from our Group's transition from a private company to going to be a listed company; and
- (c) The expenses incurred for our Company's annual dinner of approximately RM0.16 million for the FYE 30 June 2023 as compared with none for FYE 30 June 2022; and
- (d) Fixed asset written off of approximately RM0.08 million for the FYE 30 June 2023 due mainly to our Group discovering furniture and fittings that were in poor condition which required write-off; and
- (e) Increase in secretarial and filing fee by approximately RM0.07 million or approximately 822.22% from approximately RM0.01 million for the FYE 30 June 2022 to approximately RM0.08 million for the FYE 30 June 2023 due mainly to our company secretary assessing that there will be increased regulatory obligations resulting from our Group's transition from a private company to going to be a listed company.

(viii) Finance income

The table below sets out our finance income for the Period Under Review.

Item	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest income on bank deposits	14	100.00	35	100.00	46	100.00	48	100.00	41	100.00

Commentaries on finance income

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our finance income increased by approximately RM0.02 million or approximately 150.00% from approximately RM0.01 million for the FYE 30 June 2019 to approximately RM0.04 million for the FYE 30 June 2020 due to increase in interest income on short term deposits which was attributed mainly to the increase in deposits pledged to the financial institutions.

11. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our finance income increased by approximately RM0.01 million or approximately 31.43% from approximately RM0.04 million for the FYE 30 June 2020 to approximately RM0.05 million for the FYE 30 June 2021 due to the increase in interest income on short term deposits which was attributed mainly to the increase in deposits pledged to the financial institutions.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our finance income increased by approximately RM0.002 million or approximately 4.35% from approximately RM0.046 million for the FYE 30 June 2021 to approximately RM0.048 million for the FYE 30 June 2022 due to the increase in interest income which was attributed mainly to the increase in deposits pledged to the financial institutions.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our finance income decreased by approximately RM0.007 million or approximately 14.58% from approximately RM0.048 million for the FYE 30 June 2022 to approximately RM0.041 million for the FYE 30 June 2023 due to the decrease in deposits pledged to the financial institutions.

(ix) Finance costs

The table below sets out our finance costs for the Period Under Review.

No.	Items	FYE 30 June 2019		FYE 30 June 2020		FYE 30 June 2021		FYE 30 June 2022		FYE 30 June 2023	
		RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:-											
1.	Term loans	620	43.36	543	48.96	365	46.61	535	49.86	790	49.69
2.	Hire purchase liabilities	810	56.64	486	43.82	360	45.98	477	44.45	668	42.01
3.	Lease liabilities	-	0.00	80	7.22	58	7.41	52	4.85	110	6.92
4.	Trust receipts	-	0.00	-	0.00	-	0.00	9	0.84	22	1.38
Total		1,430	100.00	1,109	100.00	783	100.00	1,073	100.00	1,590	100.00

Commentaries on finance costs

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our finance costs decreased by approximately RM0.32 million or approximately 22.45% from approximately RM1.43 million for the FYE 30 June 2019 to approximately RM1.11 million for the FYE 30 June 2020 due mainly to the following reasons:-

- (a) Decrease in interest expenses on hire purchase liabilities by approximately

11. FINANCIAL INFORMATION (CONT'D)

RM0.33 million or approximately 40.00% from approximately RM0.81 million for the FYE 30 June 2019 to approximately RM0.49 million for the FYE 30 June 2020 due mainly to the decrease in principal sum of the hire purchase liabilities following the monthly payments for our hire purchase liabilities; and

- (b) Decrease in interest expenses on term loans by approximately RM0.08 million or approximately 12.42% from approximately RM0.62 million for the FYE 30 June 2019 to approximately RM0.54 million for the FYE 30 June 2020 due mainly to the decreases in interest rates charged by the financial institution following the reduction of overnight policy rate by BNM in the year 2020; and
- (c) However, the effect of the above-mentioned decreases in our finance costs was partially offset by recognition of lease liabilities of approximately RM0.08 million for the FYE 30 June 2020 due to our adoption of MFRS 16 starting from the FYE 30 June 2020.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our finance costs decreased by approximately RM0.33 million or approximately 29.40% from approximately RM1.11 million for the FYE 30 June 2020 to approximately RM0.78 million for the FYE 30 June 2021 due mainly to the following reasons:-

- (a) Decrease in interest expenses on term loans by approximately RM0.18 million or approximately 32.78% from approximately RM0.54 million for the FYE 30 June 2020 to approximately RM0.37 million for the FYE 30 June 2021 due mainly to decrease in principal sum of the term loans following the monthly payments for our term loans as well as the decrease in interest rates charged by the financial institution following the reduction of overnight policy rate by BNM in the second half of 2020; and
- (b) Decrease in interest expenses on hire purchase liabilities by approximately RM0.13 million or approximately 25.93% from approximately RM0.49 million for the FYE 30 June 2020 to approximately RM0.36 million for the FYE 30 June 2021 due mainly to decrease in principal sum of the hire purchase liabilities following the monthly payments for our hire purchase liabilities.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our finance costs increased by approximately RM0.29 million or approximately 37.04% from approximately RM0.78 million for the FYE 30 June 2021 to approximately RM1.07 million for the FYE 30 June 2022 due mainly to the following:-

- (a) Increase in interest expenses on term loans by approximately RM0.17 million or approximately 46.58% from approximately RM0.37 million for the FYE 30 June 2021 to approximately RM0.54 million for the FYE 30 June 2022 which was attributed mainly to increase in principal sum of the term loans following the drawdowns of our term loans facilities for the acquisition of Plant 4 and for our working capital purposes; and
- (b) Increase in interest expenses on hire purchase liabilities by approximately RM0.12 million or approximately 32.50% from approximately RM0.36 million for the FYE 30 June 2021 to approximately RM0.48 million for the FYE 30 June 2022 which was attributed mainly to the additional hire purchase liabilities arising from the acquisitions of new machines.

11. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our finance costs increased by approximately RM0.52 million or approximately 48.18% from approximately RM1.07 million for the FYE 30 June 2022 to approximately RM1.59 million for the FYE 30 June 2023 due mainly to the following:-

- (a) Increase in interest expenses on term loans by approximately RM0.26 million or approximately 47.66% from approximately RM0.54 million for the FYE 30 June 2022 to approximately RM0.79 million for the FYE 30 June 2023 which was attributed mainly to full year effect of the drawdowns of our term loans facility for the acquisition of Plant 4 and for our working capital purposes in the FYE 30 June 2022 whereby the term loan drawdowns took place in the fourth quarter of 2021 meaning the full year effect of the drawdowns was only felt in FYE 30 June 2023 and the increase in interest rates during FYE 30 June 2023; and
- (b) Increase in interest expenses on hire purchase liabilities by approximately RM0.19 million or approximately 40.04% from approximately RM0.48 million for the FYE 30 June 2022 to approximately RM0.67 million for the FYE 30 June 2023 which was attributed mainly to the additional hire purchase liabilities arising from the acquisitions of new machines.

- (x) PBT and PBT margins

Our PBT and PBT margins for the Period Under Review are as set out in the table below.

No.	Items	Unit/ Measurements	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	PBT	RM'000	14,163	12,414	24,880	43,415	39,101
2.	Adjusted PBT	RM'000	13,261	11,673	23,890	45,111	39,245
3.	PBT margin	%	18.08	15.71	26.63	31.27	26.92
4.	Adjusted PBT margin	%	16.92	14.77	25.57	32.49	27.01

Commentaries on PBT and PBT margins

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our PBT decreased by approximately RM1.75 million or approximately 12.35% from approximately RM14.16 million for the FYE 30 June 2019 to approximately RM12.41 million for the FYE 30 June 2020 due mainly to the following reasons:-

- (a) Decrease in our GP by approximately RM2.92 million or approximately 12.35% from approximately RM23.62 million for the FYE 30 June 2019 to approximately RM20.71 million for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus; and
- (b) Increase in our general and administrative expenses by approximately RM0.25 million or approximately 3.28% from approximately RM7.52 million for the FYE 30 June 2019 to approximately RM7.77 million for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(vii) of this Prospectus; and

11. FINANCIAL INFORMATION (CONT'D)

- (c) However, the effect of the above-mentioned reasons was partially offset by the following reasons:-
- (I) Increase in our other gains by approximately RM0.69 million or approximately 1,725.00% from approximately RM0.04 million for the FYE 30 June 2019 to approximately RM0.73 million for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(v) of this Prospectus; and
 - (II) Decrease in our selling and marketing expenses by approximately RM0.49 million or approximately 34.72% from approximately RM1.42 million for the FYE 30 June 2019 to approximately RM0.93 million for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(vi) of this Prospectus; and
 - (III) Decrease in our finance costs by approximately RM0.32 million or approximately 22.45% from approximately RM1.43 million for the FYE 30 June 2019 to approximately RM1.11 million for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(ix) of this Prospectus.

In tandem with the decrease in our GP margin by approximately 3.94% from approximately 30.15% for the FYE 30 June 2019 to approximately 26.21% for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus, our PBT margin declined by approximately 2.37% from approximately 18.08% for the FYE 30 June 2019 to approximately 15.71% for the FYE 30 June 2020.

Our adjusted PBT decreased by approximately RM1.59 million or approximately 11.98% from approximately RM13.26 million for the FYE 30 June 2019 to approximately RM11.67 million for the FYE 30 June 2020 due mainly to the same reasons as mentioned above.

Our adjusted PBT margin declined by approximately 2.15% from approximately 16.92% for the FYE 30 June 2019 to approximately 14.77% for the FYE 30 June 2020 due mainly to the same reasons as mentioned above.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our PBT increased by approximately RM12.47 million or approximately 100.42% from approximately RM12.41 million for the FYE 30 June 2020 to approximately RM24.88 million for the FYE 30 June 2021 due mainly to the following reasons:-

- (a) Increase in our GP by approximately RM14.13 million or approximately 68.27% from approximately RM20.71 million for the FYE 30 June 2020 to approximately RM34.84 million for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus; and
- (b) Decrease in our selling and marketing expenses by approximately RM0.14 million or approximately 15.35% from approximately RM0.93 million for the FYE 30 June 2020 to approximately RM0.78 million for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(vi) of this Prospectus; and
- (c) Decrease in our finance costs by approximately RM0.33 million or approximately 29.40% from approximately RM1.11 million for the FYE 30 June 2020 to approximately RM0.78 million for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(ix) of this Prospectus; and

11. FINANCIAL INFORMATION (CONT'D)

- (d) However, the effect of the above-mentioned reasons was partially offset by the following reasons:-
- (I) We recognised other losses of approximately RM1.51 million for the FYE 30 June 2021 as compared with recognising other gains of approximately RM0.73 million for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(v) of this Prospectus; and
 - (II) Increase in our general and administrative expenses by approximately RM0.03 million or approximately 0.37% from approximately RM7.77 million for the FYE 30 June 2020 to approximately RM7.80 million for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(vii) of this Prospectus.

In tandem with the increase in our GP margin by approximately 11.08% from approximately 26.21% for the FYE 30 June 2020 to approximately 37.29% for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus, our PBT margin increased by approximately 10.92% from approximately 15.71% for the FYE 30 June 2020 to approximately 26.63% for the FYE 30 June 2021.

Our adjusted PBT increased by approximately RM12.22 million or approximately 104.66% from approximately RM11.67 million for the FYE 30 June 2020 to approximately RM23.89 million for the FYE 30 June 2021 due mainly to the same reasons as mentioned above.

Our adjusted PBT margin increased by approximately 10.80% from approximately 14.77% for the FYE 30 June 2020 to approximately 25.57% for the FYE 30 June 2021 due mainly to the same reasons as mentioned above.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our PBT increased by approximately RM18.54 million or 74.50% from approximately RM24.88 million for the FYE 30 June 2021 to approximately RM43.42 million for the FYE 30 June 2022 due mainly to the following reasons:-

- (a) Increase in our GP by approximately RM20.99 million or approximately 60.23% from approximately RM34.84 million for the FYE 30 June 2021 to approximately RM55.83 million for the FYE 30 June 2022 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus; and
- (b) We recognised other gains of approximately RM1.08 million for the FYE 30 June 2022 as compared with recognising other losses of approximately RM1.51 million for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(v) of this Prospectus; and
- (c) However, the effect of the above-mentioned reasons was partially offset by the following reasons:-
 - (I) Increase in our general and administrative expenses by approximately RM3.53 million or approximately 45.22% from approximately RM7.80 million for the FYE 30 June 2021 to approximately RM11.33 million for the FYE 30 June 2022 due mainly to the reasons as explained in Section 11.3.3(vii) of this Prospectus; and
 - (II) Increase in our selling and marketing expenses by approximately RM1.03 million or approximately 131.16% from approximately RM0.78 million for the FYE 30 June 2021 to approximately RM1.81 million for the FYE 30 June 2022.

11. FINANCIAL INFORMATION (CONT'D)

2022 due mainly to the reasons as explained in Section 11.3.3(vi) of this Prospectus; and

- (III) Decrease in our other income by approximately RM0.19 million or approximately 21.94% from approximately RM0.87 million for the FYE 30 June 2021 to approximately RM0.68 million for the FYE 30 June 2022 due mainly to the reasons as explained in Section 11.3.3(iv) of this Prospectus.

In tandem with the increase of our GP margin by approximately 2.92% from approximately 37.29% for the FYE 30 June 2021 to approximately 40.21% for the FYE 30 June 2022 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus, and coupled with our Group recognising other gains of approximately RM1.08 million for the FYE 30 June 2022 as compared with recognising other losses of approximately RM1.51 million for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(v) of this Prospectus, our PBT margin increased by approximately 4.64% from approximately 26.63% for the FYE 30 June 2021 to approximately 31.27% for the FYE 30 June 2022.

Our adjusted PBT increased by approximately RM21.22 million or approximately 88.83% from approximately RM23.89 million for the FYE 30 June 2021 to approximately RM45.11 million for the FYE 30 June 2022 due mainly to the same reasons as mentioned above.

Our adjusted PBT margin increased by approximately 6.92% from approximately 25.57% for the FYE 30 June 2021 to approximately 32.49% for the FYE 30 June 2022 due mainly to the same reasons as mentioned above.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our PBT decreased by approximately RM4.31 million or 9.94% from approximately RM43.42 million for the FYE 30 June 2022 to approximately RM39.10 million for the FYE 30 June 2023 due mainly to the following reasons:-

- (a) Decrease in our GP by approximately RM4.32 million or approximately 7.74% from approximately RM55.83 million for the FYE 30 June 2022 to approximately RM51.51 million for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus; and
- (b) Increase in our finance costs by approximately RM0.52 million or approximately 48.18% from approximately RM1.07 million for the FYE 30 June 2022 to approximately RM1.59 million for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(ix) of this Prospectus; and
- (c) Increase in our selling and marketing expenses by approximately RM0.49 million or approximately 27.07% from approximately RM1.81 million for the FYE 30 June 2022 to approximately RM2.30 million for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(vi) of this Prospectus; and
- (d) However, the effect of the above-mentioned reasons was partially offset by the following reasons:-
 - (I) Decrease in our general and administrative expenses by approximately RM0.46 million or approximately 4.07% from approximately RM11.33 million for the FYE 30 June 2022 to approximately RM10.87 million for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(vii) of this Prospectus.

11. FINANCIAL INFORMATION (CONT'D)

- (II) Increase in our other income by approximately RM0.37 million or approximately 55.33% from approximately RM0.68 million for the FYE 30 June 2022 to approximately RM1.05 million for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(iv) of this Prospectus; and

In tandem with the decrease of our GP margin by approximately 4.76% from approximately 40.21% for the FYE 30 June 2022 to approximately 35.45% for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(iii)(c) of this Prospectus, our PBT margin decreased by approximately 4.35% from approximately 31.27% for the FYE 30 June 2022 to approximately 26.92% for the FYE 30 June 2023.

Our adjusted PBT decreased by approximately RM5.87 million or approximately 13.00% from approximately RM45.11 million for the FYE 30 June 2022 to approximately RM39.25 million for the FYE 30 June 2023 due mainly to the same reasons as mentioned above.

Our adjusted PBT margin decreased by approximately 5.48% from approximately 32.49% for the FYE 30 June 2022 to approximately 27.01% for the FYE 30 June 2023 due mainly to the same reasons as mentioned above.

- (xi) Tax expenses

Our tax expenses together with the comparison between the effective and statutory tax rates for the Period Under Review are as set out in the table below.

No.	Items	Unit/ Measurements	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	Tax expenses	RM'000	3,048	2,244	6,205	9,501	8,808
2.	Statutory rate	%	24.00	24.00	24.00	24.00	24.00
3.	Effective tax rate ⁽¹⁾	%	21.52	18.08	24.94	21.88	22.53

Note:-

⁽¹⁾ Calculated based on our tax expenses over our PBT for the respective Period Under Review.

FYE 30 June 2019

For the FYE 30 June 2019, our tax expenses of approximately RM3.05 million based on effective tax rate of 21.52% was lower than the taxation of approximately RM3.40 million based on statutory income tax rate of 24.00% in Malaysia, due to the following reasons:-

- (a) Effect of different tax rates applied to the different tax jurisdiction in Singapore which amounted to approximately RM0.77 million; and
- (b) Recognition of prior financial years' over provision of current tax which amounted to approximately RM0.19 million; and
- (c) Certain income which amounted to approximately RM0.09 million are not subject to tax; and
- (d) Effect of different tax rates applied to different level of income for the entities in Malaysia with a paid-up capital of RM2.50 million or less at the beginning of each basis period of the YA under the Income Tax Act 1967 of Malaysia, which

11. FINANCIAL INFORMATION (CONT'D)

amounted to approximately RM0.05 million; and

- (e) However, the above was partially offset by the following reasons:-
- (I) Certain expenses which amounted to approximately RM0.51 million are not deductible for tax purposes; and
 - (II) We had de-recognised deferred tax assets of Champion Oil which amounted to approximately RM0.12 million as we were of the view that it was not probable that Champion Oil would generate any taxable income in the near future against which these deferred tax assets could be used to offset such taxable income.

FYE 30 June 2020

For the FYE 30 June 2020, our tax expenses of approximately RM2.24 million based on effective tax rate of 18.08% was lower than the taxation of approximately RM2.98 million based on statutory income tax rate of 24.00% in Malaysia, due to the following reasons:-

- (a) Effect of different tax rates applied to the different tax jurisdiction in Singapore which amounted to approximately RM0.75 million; and
- (b) Certain income which amounted to approximately RM0.16 million are not subject to tax; and
- (c) Effect of different tax rates applied to different levels of income for the entities in Malaysia with a paid-up capital of RM2.50 million or less at the beginning of each basis period of the YA under the Income Tax Act 1967 of Malaysia, which amounted to approximately RM0.15 million; and
- (d) However, the above was partially offset by the following reasons:-
 - (I) Certain expenses which amounted to approximately RM0.06 million are not deductible for tax purposes; and
 - (II) Recognition of prior financial years' under provision of current tax which amounted to approximately RM0.08 million.

FYE 30 June 2021

For the FYE 30 June 2021, our tax expenses of approximately RM6.21 million based on effective tax rate of 24.94% was higher than the taxation of approximately RM5.97 million based on statutory income tax rate of 24.00% in Malaysia, due to the following reasons:-

- (a) Certain expenses which amounted to approximately RM1.15 million are not deductible for tax purposes; and
- (b) Recognition of prior financial years' under provision of current tax which amounted to approximately RM0.03 million; and
- (c) However, the above was partially offset by the following reasons:-
 - (I) Effect of different tax rates applied to the different tax jurisdiction in Singapore which amounted to approximately RM0.62 million; and
 - (II) Effect of different tax rates applied to different levels of income for the entities in Malaysia with a paid-up capital of RM2.50 million or less at the

11. FINANCIAL INFORMATION (CONT'D)

beginning of each basis period of the YA under the Income Tax Act 1967 of Malaysia, which amounted to approximately RM0.07 million; and

- (III) Certain income which amounted to approximately RM0.06 million are not subject to tax.

FYE 30 June 2022

For the FYE 30 June 2022, our tax expenses of approximately RM9.50 million based on effective tax rate of 21.88% was lower than the taxation of approximately RM10.42 million based on statutory income tax rate of 24.00% in Malaysia, due to the following reasons:-

- (a) Effect of different tax rates applied to the tax jurisdiction in Singapore which amounted to approximately RM1.18 million; and
- (b) However, the above was partially offset by the following reasons:-
- (I) Certain expenses which amounted to approximately RM0.27 million are not deductible for tax purposes; and
- (II) Recognition of prior financial years' under provision of current tax which amounted to approximately RM0.15 million.

FYE 30 June 2023

For the FYE 30 June 2023, our tax expenses of approximately RM8.81 million based on effective tax rate of 22.53% was lower than the taxation of approximately RM9.38 million based on statutory income tax rate of 24.00% in Malaysia, due to the following reasons:-

- (a) Effect of different tax rates applied to the tax jurisdiction in Singapore which amounted to approximately RM1.08 million; and
- (b) Utilisation of previously unrecognised temporary differences in the current financial year which amounted to approximately RM0.22 million. These unrecognised temporary differences are financial timing mismatches that have not been previously reflected in our historical consolidated financial statements until our most recent audited financial statements as at FYE 30 June 2023 and highlight areas where the Group's financial reporting and tax reporting are not synchronised. We keep track of these differences as they can affect the amount of tax that we will pay in the future when the temporary differences reverse; and
- (c) Recognition of prior financial years' over provision of current tax which amounted to approximately RM0.03 million; and
- (d) However, the above was partially offset by certain expenses that are not deductible for tax purposes which amounted to approximately RM0.65 million.
- (xii) PAT and PAT margins

Our PAT and PAT margins for the Period Under Review are as set out in the table below.

11. FINANCIAL INFORMATION (CONT'D)

No.	Items	Unit/ Measurements	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	PAT	RM'000	11,115	10,170	18,675	33,914	30,293
2.	Adjusted PAT	RM'000	10,411	9,504	17,815	35,745	30,585
3.	PAT margin	%	14.19	12.87	19.99	24.43	20.85
4.	Adjusted PAT margin	%	13.29	12.03	19.06	25.74	21.05

Commentaries on PAT and PAT margin

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our PAT decreased by approximately RM0.95 million or approximately 8.50% from approximately RM11.12 million for the FYE 30 June 2019 to approximately RM10.17 million for the FYE 30 June 2020 due mainly to the following reasons:-

- (a) Decrease in our PBT by approximately RM1.75 million or approximately 12.35% from approximately RM14.16 million for the FYE 30 June 2019 to approximately RM12.41 million for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) However, the effect of the above-mentioned decrease in our PBT was partially offset by the decrease in our tax expenses by approximately RM0.80 million or approximately 26.38% from approximately RM3.05 million for the FYE 30 June 2019 to approximately RM2.24 million for the FYE 30 June 2020 due to the following reasons:-
 - (I) Decrease in our PBT as mentioned above; and
 - (II) Decrease in our effective tax rate by approximately 3.44% from approximately 21.52% for the FYE 30 June 2019 to approximately 18.08% for the FYE 30 June 2020.

Our PAT margin decreased by approximately 1.32% from approximately 14.19% for the FYE 30 June 2019 to approximately 12.87% for the FYE 30 June 2020 due to the following reasons:-

- (a) Decrease in our PBT margin by approximately 2.37% from approximately 18.08% for the FYE 30 June 2019 to approximately 15.71% for the FYE 30 June 2020 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) However, the effect of the above-mentioned decrease in our PBT margin was partially offset by the decrease in our effective tax rate as mentioned above.

Our adjusted PAT decreased by approximately RM0.91 million or approximately 8.72% from approximately RM10.41 million for the FYE 30 June 2019 to approximately RM9.50 million for the FYE 30 June 2020 due mainly to the same reasons as mentioned above.

Our adjusted PAT margin decreased by approximately 1.26% from approximately 13.29% for the FYE 30 June 2019 to approximately 12.03% for the FYE 30 June 2020

11. FINANCIAL INFORMATION (CONT'D)

due mainly to the same reasons as mentioned above.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our PAT increased by approximately RM8.51 million or approximately 83.63% from approximately RM10.17 million for the FYE 30 June 2020 to approximately RM18.68 million for the FYE 30 June 2021 due mainly to the following reasons:-

- (a) Increase in our PBT by approximately RM12.47 million or approximately 100.42% from approximately RM12.41 million for the FYE 30 June 2020 to approximately RM24.88 million for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) However, the effect of the above-mentioned increase in our PBT was partially offset by the increase in our tax expenses by approximately RM3.96 million or approximately 176.52% from approximately RM2.24 million for the FYE 30 June 2020 to approximately RM6.21 million for the FYE 30 June 2021 due to the following reasons:-
 - (I) Increase in our PBT as mentioned above; and
 - (II) Increase in our effective tax rate by approximately 6.86% from approximately 18.08% for the FYE 30 June 2020 to approximately 24.94% for the FYE 30 June 2021.

Our PAT margin increased by approximately 7.12% from approximately 12.87% for the FYE 30 June 2020 to approximately 19.99% for the FYE 30 June 2021, due mainly to the following reasons:-

- (a) Increase in our PBT margin by approximately 10.92% from approximately 15.71% for the FYE 30 June 2020 to approximately 26.63% for the FYE 30 June 2021 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) However, the effect of the above-mentioned increase in our PBT margin was partially offset by the increase in our effective tax rate as mentioned above.

Our adjusted PAT increased by approximately RM8.31 million or approximately 87.45% from approximately RM9.50 million for the FYE 30 June 2020 to approximately RM17.82 million for the FYE 30 June 2021 due mainly to the same reasons as mentioned above.

Our adjusted PAT margin increased by approximately 7.04% from approximately 12.03% for the FYE 30 June 2020 to approximately 19.06% for the FYE 30 June 2021 due mainly to the same reasons as mentioned above.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our PAT increased by approximately RM15.24 million or approximately 81.60% from approximately RM18.68 million for the FYE 30 June 2021 to approximately RM33.91 million for the FYE 30 June 2022 due mainly to the following reasons:-

- (a) Increase in our PBT by approximately RM18.54 million or approximately 74.50% from approximately RM24.88 million for the FYE 30 June 2021 to approximately RM43.42 million for the FYE 30 June 2022 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) However, the effect of the above-mentioned increase in our PBT was partially offset by the increase in our tax expenses by approximately RM3.30 million or

11. FINANCIAL INFORMATION (CONT'D)

approximately 53.12% from approximately RM6.21 million for the FYE 30 June 2021 to approximately RM9.50 million for the FYE 30 June 2022 due to the following reasons:-

- (I) Increase in our PBT as mentioned above; and
- (II) However, the effect of the increase in our PBT was partially offset by the decrease in our effective tax rate by approximately 3.06% from approximately 24.94% for the FYE 30 June 2021 to approximately 21.88% for the FYE 30 June 2022.

Our PAT margin increased by approximately 4.44% from approximately 19.99% for the FYE 30 June 2021 to approximately 24.43% for the FYE 30 June 2022, due mainly to the following reasons:-

- (a) Increase in our PBT margin by approximately 4.64% from approximately 26.63% for the FYE 30 June 2021 to approximately 31.27% for the FYE 30 June 2022 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) Decrease in our effective tax rate as mentioned above.

Our adjusted PAT increased by approximately RM17.93 million or approximately 100.65% from approximately RM17.82 million for the FYE 30 June 2021 to approximately RM35.75 million for the FYE 30 June 2022 due mainly to the same reasons as mentioned above.

Our adjusted PAT margin increased by approximately 6.68% from approximately 19.06% for the FYE 30 June 2021 to approximately 25.74% for the FYE 30 June 2022 due mainly to the same reasons as mentioned above.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our PAT decreased by approximately RM3.62 million or approximately 10.68% from approximately RM33.91 million for the FYE 30 June 2022 to approximately RM30.29 million for the FYE 30 June 2023 due mainly to the following reasons:-

- (a) Decrease in our PBT by approximately RM4.31 million or approximately 9.94% from approximately RM43.42 million for the FYE 30 June 2022 to approximately RM39.10 million for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) However, the effect of the above-mentioned decrease in our PBT was partially offset by the decrease in our tax expenses by approximately RM0.69 million or approximately 7.29% from approximately RM9.50 million for the FYE 30 June 2022 to approximately RM8.81 million for the FYE 30 June 2023 due to the following reasons:-
 - (I) Decrease in our PBT as mentioned above; and
 - (II) Increase in our effective tax rate by approximately 0.65% from approximately 21.88% for the FYE 30 June 2022 to approximately 22.53% for the FYE 30 June 2023.

Our PAT margin decreased by approximately 3.58% from approximately 24.43% for the FYE 30 June 2022 to approximately 20.85% for the FYE 30 June 2023, due mainly to the following reasons:-

11. FINANCIAL INFORMATION (CONT'D)

- (a) Decrease in our PBT margin by approximately 4.35% from approximately 31.27% for the FYE 30 June 2022 to approximately 26.92% for the FYE 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(x) of this Prospectus; and
- (b) Increase in our effective tax rate as mentioned above.

Our adjusted PAT decreased by approximately RM5.16 million or approximately 14.44% from approximately RM35.75 million for the FYE 30 June 2022 to approximately RM30.59 million for the FYE 30 June 2023 due mainly to the same reasons as mentioned above.

Our adjusted PAT margin decreased by approximately 4.69% from approximately 25.74% for the FYE 30 June 2022 to approximately 21.05% for the FYE 30 June 2023 due mainly to the same reasons as mentioned above.

11.3.4 Significant Changes on the Financial Position

There are no significant changes that have occurred, which may have a material effect on the financial position and results of our Group since the FYE 30 June 2023, being the date of our most recent audited financial statements.

11.4 LIQUIDITY AND CAPITAL RESOURCES

11.4.1 Working Capital

Our working capital is funded through cash generated from our operating activities, credit extended by our suppliers, various credit facilities extended to us by financial institutions as well as our existing cash and bank balances.

As at 30 June 2023, we have:-

- (i) Deposits, cash and bank balances (under current assets) of approximately RM52.72 million; and
- (ii) Working capital of approximately RM97.97 million, the computation of which are as shown in the table below.

No.	Items	Workings	Amount
			RM'000
1.	Our current assets as at 30 June 2023	A	128,338
2.	Our current liabilities as at 30 June 2023	B	30,369
3.	Working capital	C = A - B	97,969

- (iii) Credit facilities, which consist of term loans, bank overdraft and trade lines.

The details of the total limit and unutilised limit of our credit facilities as at 30 June 2023 are as summarised in the table below.

11. FINANCIAL INFORMATION (CONT'D)

No.	Entity	Type of Credit Facilities	Unit/ Measurements	Total Limit	Utilised Amount as at 30 June 2023	Unutilised Amount
1.	Champion PT	Overdraft	RM'000	1,000	-	1,000
2.	Champion PT	Term loans for working capital	RM'000	⁽¹⁾ 5,200	4,072	-
3.	Champion PE	Bank overdraft facilities	SGD'000	1,000	-	1,000
4.	Champion PE	Trust receipts	SGD'000	700	95	605

Note:-

⁽¹⁾ The initial total limit being granted by the financial institution. Following the monthly instalments, our Group will not be able to drawdown again for the portion which have been repaid.

After taking into consideration our existing level of cash and bank balances, expected cash flows to be generated from our operations, banking facilities available and the estimated net proceeds from our Public Issue, the funding requirements for our material capital expenditures, future plans and our past/future dividend payments, our Board is of the view that we will have sufficient working capital for a period of 12 months from the date of this Prospectus.

11.4.2 Cash Flow Summary

The table below sets out the summary of our consolidated statements of cash flows for the Period Under Review, and should be read in conjunction with the Accountants' Report as set out in Section 12 of this Prospectus.

No.	Items	Audited				
		FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
		RM'000	RM'000	RM'000	RM'000	RM'000
1.	Net operating cash flow	15,237	21,775	24,033	19,054	38,566
2.	Net investing cash flow	(1,372)	(4,958)	(915)	(2,084)	(1,438)
3.	Net financing cash flow	(11,444)	(9,168)	(20,336)	(26,081)	(12,154)
4.	Net change in cash and cash equivalent	2,421	7,649	2,782	(9,111)	24,974
5.	Cash and cash equivalents at beginning of the FYE	21,612	23,734	32,068	35,085	26,815
6.	Effect of changes in exchange rates of cash and cash equivalents	(299)	685	235	841	930

11. FINANCIAL INFORMATION (CONT'D)

No.	Items	Audited				
		FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
		RM'000	RM'000	RM'000	RM'000	RM'000
7.	Cash and cash equivalents at end of the FYE	23,734	32,068	35,085	26,815	52,719

Commentaries on cash flow

FYE 30 June 2019

Net operating cash flow

For the FYE 30 June 2019, we recorded net cash generated from operating activities of approximately RM15.24 million, which was attributed mainly to the following:-

- (i) The operating profit before working capital changes of approximately RM19.76 million; and
- (ii) Decrease in trade and other receivables by approximately RM6.93 million due mainly to decrease in sales which had resulted in less trade receivables; and
- (iii) Decrease in trade and other payables by approximately RM6.06 million due mainly to lower purchases in the FYE 30 June 2019 which had resulted in less trade payables as at 30 June 2019; and
- (iv) Income tax paid of approximately RM5.87 million.

Net investing cash flow

For the FYE 30 June 2019, we recorded net cash used in investing activities of approximately RM1.37 million, which was attributed mainly to the following:-

- (i) Payment of approximately RM0.92 million for the purchase of property, plant and equipment such as renovation, furniture and office equipment, motor vehicles and production equipment; and
- (ii) Increase in short term bank deposits pledged by approximately RM0.50 million.

Net financing cash flow

For the FYE 30 June 2019, we recorded net cash used in financing activities of approximately RM11.44 million, which was attributed to the following:-

- (i) Part-repayment of our hire purchase facilities for our machinery and equipment which amounted to approximately RM9.11 million; and
- (ii) Part-repayment of our bank borrowings for our Plant 2 and Plant 3 and our working capital which amounted to approximately RM3.41 million; and
- (iii) Payment of interests for our hire purchase facilities for our machinery and equipment

11. FINANCIAL INFORMATION (CONT'D)

and bank borrowings for our Plant 2 and Plant 3 and our working capital which amounted to approximately RM1.43 million; and

- (iv) Receipt of proceeds from our bank borrowings for our working capital which amounted to approximately RM2.50 million.

FYE 30 June 2020

Net operating cash flow

For the FYE 30 June 2020, we recorded net cash generated from operating activities of approximately RM21.78 million, which was attributed mainly to the following:-

- (i) The operating profit before working capital changes of approximately RM19.69 million; and
- (ii) Decrease in our inventories by approximately RM7.78 million due mainly to our Group tend to keep less inventories in the FYE 30 June 2020 and attempting to clear our old inventories; and
- (iii) Increase in our trade and other receivables by approximately RM4.41 million due mainly to the increase in our trade receivables by approximately RM4.62 million which was attributed mainly to higher sales achieved in the last quarter of the FYE 30 June 2020 as compared with the last quarter of the FYE 30 June 2019; and
- (iv) Increase in our trade and other payables by approximately RM2.52 million due mainly to the following:-
 - (a) Increase in our trade payables by approximately RM1.73 million due mainly to higher purchases of tooling and sub-contractors' services in the last quarter of the FYE 30 June 2020 as compared with the last quarter of FYE 30 June 2019; and
 - (b) Increase in our other payables by approximately RM0.79 million due mainly to increase in accrued staff costs which was attributed mainly to increase in staff's salaries and their accrued bonuses; and
- (v) Income tax paid of approximately RM3.80 million.

Net investing cash flow

For the FYE 30 June 2020, we recorded net cash used in investing activities of approximately RM4.96 million, which was attributed mainly to the following:-

- (i) Payment of approximately RM5.03 million for the purchase of property, plant and equipment such as machinery and equipment, renovations, furniture and office equipment; and
- (ii) Increase in short term bank deposits pledged by approximately RM0.22 million; and
- (iii) Receipt of proceeds from disposal of property, plant and equipment such as fixture, air compressor and turning machine which amounted to approximately RM0.26 million.

Net financing cash flow

For the FYE 30 June 2020, we recorded net cash used in financing activities of approximately RM9.17 million, which was attributed to the following:-

11. FINANCIAL INFORMATION (CONT'D)

- (i) Part-repayment of our hire purchase facilities for our machinery and equipment which amounted to approximately RM8.39 million; and
- (ii) Part-repayment of our bank borrowings for our Plant 2 and Plant 3 and our working capital which amounted to approximately RM1.20 million; and
- (iii) Payment of interests for our hire purchase facilities for our machinery and equipment and bank borrowings for our Plant 2 and Plant 3 and our working capital which amounted to approximately RM1.11 million; and
- (iv) Repayment of our lease liabilities pursuant to the rental for the hostels in Malaysia and the rental for the premises in Singapore which amounted to approximately RM1.42 million; and
- (v) Receipt of proceeds from our bank borrowings for our working capital which amounted to approximately RM2.95 million.

FYE 30 June 2021

Net operating cash flow

For the FYE 30 June 2021, we recorded net cash generated from operating activities of approximately RM24.03 million, which was attributed mainly to the following:-

- (i) The operating profit before working capital changes of approximately RM32.50 million; and
- (ii) Increase in our inventories by approximately RM4.34 million due mainly to our Group had started to build up our inventories as we had forecasted a stronger demand in the FYE 30 June 2021; and
- (iii) Increase in our trade and other receivables by approximately RM0.87 million due mainly to increase in the other receivables which was due mainly to the increase in goods and services tax recoverable; and
- (iv) Decrease in our trade and other payables by approximately RM0.93 million due mainly to reclassification of other creditors to hire purchase payable; and
- (v) Increase in our contract assets by approximately RM0.30 million due mainly to higher contract assets recognised for Sport Equipment Customer 1; and
- (vi) Income tax paid of approximately RM2.33 million.

Net investing cash flow

For the FYE 30 June 2021, we recorded net cash used in investing activities of approximately RM0.92 million, which was attributed mainly to the following:-

- (i) Payment of approximately RM0.92 million for the purchase of property, plant and equipment such as machinery and equipment; and
- (ii) Increase in short term bank deposits pledged by approximately RM0.05 million; and
- (iii) Interest received of approximately RM0.05 million.

11. FINANCIAL INFORMATION (CONT'D)

Net financing cash flow

For the FYE 30 June 2021, we recorded net cash used in financing activities of approximately RM20.34 million, which was attributed to the following:-

- (i) Dividend paid of approximately RM11.17 million for the dividends declared for the FYE 30 June 2021; and
- (ii) Part-repayment of our hire purchase facilities for our machinery and equipment which amounted to approximately RM4.46 million; and
- (iii) Part-repayment of our bank borrowings for our Plant 2 and Plant 3 and our working capital which amounted to approximately RM2.87 million; and
- (iv) Repayment of our lease liabilities pursuant to the rental for the hostels in Malaysia and the rental for the premises in Singapore which amounted to approximately RM1.06 million; and
- (v) Payment of interests for our hire purchase facilities for our machinery and equipment and bank borrowings for our Plant 2 and Plant 3 and our working capital which amounted to approximately RM0.78 million.

FYE 30 June 2022

Net operating cash flow

For the FYE 30 June 2022, we recorded net cash generated from operating activities of approximately RM19.05 million, which was attributed mainly to the following:-

- (i) The operating profit before working capital changes of approximately RM51.98 million; and
- (ii) Increase in our inventories by approximately RM22.09 million due mainly to our Group had foreseen the possibility of raw materials shortage and price hike for the raw materials and had decided to purchase more raw materials to fulfil the strong demand from our customers; and
- (iii) Increase in our trade and other receivables by approximately RM10.43 million due mainly to the following:-
 - (a) Increase in our trade receivables by approximately RM9.26 million due mainly to higher sales achieved in the last quarter of the FYE 30 June 2022 as compared with the sales in the last quarter of the FYE 30 June 2021; and
 - (b) Recognition of the prepayments for our IPO expenses which amounted to approximately RM0.88 million in the FYE 30 June 2022; and
 - (c) Increase in our goods and services tax recoverable by approximately RM0.38 million; and
 - (d) However, the effects of the above are partially offset by absence of the non-current prepayment as at 30 June 2022 as compared with the non-current prepayment of approximately RM0.87 million as at 30 June 2021. The said non-current prepayment as at 30 June 2021 was attributable to prepayment paid for the purchase of plant and equipment; and

11. FINANCIAL INFORMATION (CONT'D)

- (iv) Increase in our trade and other payables by approximately RM7.35 million due mainly to the following reasons:-
 - (a) Increase in our trade payables by approximately RM5.16 million due mainly to the higher purchases for raw materials and tooling in the last quarter of the FYE 30 June 2022 as compared with the last quarter of the FYE 30 June 2021; and
 - (b) Increase in accrued staff costs by approximately RM2.16 million which was attributed mainly to increase in staff's salaries and their accrued bonuses; and
 - (c) Increase in our other payables by approximately RM0.95 million as we had recognised other creditors for unbilled IPO expenses which amounted to approximately RM1.01 million as at 30 June 2022; and
- (v) Income tax paid of approximately RM7.76 million.

Net investing cash flow

For the FYE 30 June 2022, we recorded net cash used in investing activities of approximately RM2.08 million, which was attributed mainly to the following:-

- (i) Payment of approximately RM2.39 million for the purchase of property, plant and equipment which mainly comprise Plant 4 and machinery and equipment; and
- (ii) Receipt of proceeds from disposal of property, plant and equipment such as milling machines, motor vehicle and forklift which amounted to approximately RM0.28 million.

Net financing cash flow

For the FYE 30 June 2022, we recorded net cash used in financing activities of approximately RM26.08 million, which was attributed to the following:-

- (i) Dividend paid of approximately RM24.43 million for the dividends distributed for the FYE 30 June 2022; and
- (ii) Part-repayment of our hire purchase facilities for our machinery and equipment which amounted to approximately RM4.67 million; and
- (iii) Part-repayment of our bank borrowings for our Plant 2, Plant 3 and Plant 4 and our working capital which amounted to approximately RM1.83 million; and
- (iv) Repayment of our lease liabilities pursuant to the rental for the hostels in Malaysia and the rental for the premises in Singapore which amounted to approximately RM0.93 million; and
- (v) Payment of interests for our hire purchase facilities for our machinery and equipment and bank borrowings which amounted to approximately RM1.07 million; and
- (vi) Receipt of proceeds from our bank borrowings for the working capital which amounted to approximately RM5.30 million; and
- (vii) Net drawdown of approximately RM1.55 million from our trust receipts.

11. FINANCIAL INFORMATION (CONT'D)

FYE 30 June 2023**Net operating cash flow**

For the FYE 30 June 2023, we recorded net cash generated from operating activities of approximately RM38.57 million, which was attributed mainly to the following:-

- (i) The operating profit before working capital changes of approximately RM49.73 million; and
- (ii) Increase in our inventories by approximately RM12.39 million due mainly to our Group having the foresight on the possibility of raw materials shortage and price hike for the raw materials leading to us purchasing more raw materials in the second half of FYE 30 June 2023 to fulfil the expected strong demand from our customers in the second half of FYE 30 June 2024; and
- (iii) Decrease in our trade and other receivables by approximately RM9.72million due mainly to the decrease in our trade receivables by approximately RM6.98 million mainly as a result of decrease in sales in the last quarter of the FYE 30 June 2023 which had resulted in less trade receivables; and
- (iv) Increase in our trade and other payables by approximately RM1.16 million due mainly to the following reasons:-
 - (a) Increase in our trade payables by approximately RM0.27 million due mainly to higher purchases in the FYE 30 June 2023 which had resulted in higher trade payables as at 30 June 2023; and
 - (b) Increase in other payables by approximately RM0.89 million which was attributed mainly to increase in staff's salaries and their accrued bonuses; and
- (v) Income tax paid of approximately RM9.66 million.

Net investing cash flow

For the FYE 30 June 2023, we recorded net cash used in investing activities of approximately RM1.44 million, which was attributed mainly to the following:-

- (i) Payment of approximately RM1.53 million for the purchase of property, plant and equipment which mainly comprise of wastewater treatment plant in Plant 4 and machines; and
- (ii) Receipt of proceeds from disposal of property, plant and equipment such as machines which amounted to approximately RM0.13 million.

Net financing cash flow

For the FYE 30 June 2023, we recorded net cash used in financing activities of approximately RM12.15 million, which was attributed to the following:-

- (i) Part-repayment of our hire purchase facilities for our machinery and equipment which amounted to approximately RM7.34 million; and
- (ii) Payment of interests for our hire purchase facilities for our machinery and equipment and bank borrowings which amounted to approximately RM1.59 million; and
- (iii) Repayment of our lease liabilities pursuant to the rental for the hostels in Malaysia, the

11. FINANCIAL INFORMATION (CONT'D)

rental for the premises in Singapore and the rental for Plant 5 which amounted to approximately RM1.04 million; and

- (iv) Part-repayment of our bank borrowings for our Plant 2, Plant 3 and Plant 4 and our working capital which amounted to approximately RM0.88 million.

11.4.3 Borrowings

Our total outstanding bank borrowings as at 30 June 2023 based on our audited consolidated financial statements for the FYE 30 June 2023 stood at approximately RM30.74 million. The details of our bank borrowings are as summarised in the table below.

No.	Type of Borrowings	Purpose	Tenure	Effective Interest Rates	As at 30 June 2023		
					Total	⁽²⁾ Payable within 12 Months	⁽²⁾ Payable after 12 Months
					RM'000	RM'000	RM'000
				%			
1.	Islamic term financing and term loans ⁽¹⁾	Working capital and finance the purchase of Plant 2, Plant 3 and Plant 4	*	4.40 – 4.57	18,860	915	17,945
2.	Hire purchases	Finance purchase of machinery and equipment	Not more than 3 years	4.38 – 6.05	11,556	6,410	5,146
3.	Trust Receipt	Working capital of Champion PE	120 days	4.38 – 7.60	327	327	-
Total					30,743	7,652	23,091

Notes:-
⁽¹⁾ Kindly refer to Section 3.7.3 of this Prospectus for the maturity dates of each Islamic term financing and term loans.
⁽²⁾ The amounts stated in columns "Payable within 12 Months" and "Payable after 12 Months" are in relation to the repayment terms/schedules of these term loans and they are not related to our intention to utilise the gross proceeds from our Public Issue for our proposed repayments as set out in Section 3.7.3 of the Prospectus.

As at 30 June 2023, our floating and fixed rate borrowings are as set out in the table below.

No.	Type of Borrowings	Total	Floating Rate	Fixed Rate
		RM'000	RM'000	RM'000
1.	Term loans	18,860	18,860	-
2.	Hire purchases	11,556	-	11,556
3.	Trust receipt	327	327	-
Total		30,743	19,187	11,556

11. FINANCIAL INFORMATION (CONT'D)

Our borrowings as at 30 June 2023 are denominated in RM and SGD, secured and interest-bearing.

Our term loans were secured by the following:-

- (i) Legal charges over our land and buildings; and
- (ii) Joint and several guarantee by our Promoters.

The details of land and buildings which are used as collaterals for our Islamic term financing and term loans are as stated in the table below.

No	Banking Facility	Financial Institution	Purpose	(1) Outstanding Amount as at the LPD	Land and Buildings which are Used as Collaterals to Our Islamic Term Financing/ Term Loan
				RM'000	
1.	Islamic term financing	Public Islamic Bank Berhad	Part finance the working capital of our Group	1,991	Plant 1
2.	Term loan	PBB	Part finance the working capital of our Group	1,456	Plant 1
3.	Term loan	PBB	Part finance the working capital of our Group	550	Plant 1
4.	Term loan	PBB	Part finance the acquisition of Plant 2	4,981	Plant 2
5.	Term loan	PBB	Part finance the acquisition of Plant 3	4,391	Plant 3
6.	Term loan	PBB	Part finance the acquisition of Plant 4	5,193	Plant 4
Total				18,562	N/A

Note:-

⁽¹⁾ The difference between the outstanding amount as at 30 June 2023 and outstanding amount as at the LPD was due to the part-repayment of the said facilities from 1 July 2023 up to and including the LPD.

Our hire purchase liabilities were effectively secured as the rights to the hire purchase assets revert to the lessors in the event of default.

We have not defaulted on payments of either interest and/or principal sums in respect of any borrowings throughout the Period Under Review and up to and including the LPD. We also do not encounter any seasonality in our borrowings trend.

As at the LPD, we are not in breach of any terms and conditions or covenants associated with the credit arrangements or bank borrowings, which can materially affect our financial results, financial position or business operations, or the investment by holders of securities in our Group.

11. FINANCIAL INFORMATION (CONT'D)

11.4.4 Financial Instruments, Treasury Policies and Objectives

As at the LPD, save for bank borrowings as disclosed in Section 11.4.3 of this Prospectus, we do not use any other financial instruments.

As at the LPD, we have not used any financial instruments for hedging purpose.

We have been funding our operations through internally generated funds as well as external sources of funds, such as credit extended by our suppliers and sub-contractors and various banking facilities extended by licensed financial institutions.

In our ordinary course of business, we deal with our customers, suppliers and sub-contractors from both the domestic market and foreign market, where transactions are denominated in both local currency as well as foreign currencies. We maintain our bank accounts mainly in RM, SGD, EUR and USD, such that collections can be used to settle payments of the same currency where possible. This provides a natural hedge against fluctuations in the foreign exchange and mitigates our exposure to foreign exchange risks. We may consider other hedging instruments such as derivative contracts available in the financial markets to hedge against foreign exchange risks should the need arise.

Our operations were not subject to any material adverse impact arising from interest rate fluctuations throughout the Period Under Review due mainly to only our term financing/loans and trust receipts are subject to floating interest rate and the differential in the movement of interest rates for the said term financing/loans and trust receipts in the past did not have material adverse impact on our business operations and financial performance. Accordingly, we have not entered into any financial instrument to hedge against the fluctuations in the interest rate. We manage our exposure to interest rate fluctuations by maintaining a combination of fixed-rate and floating-rate borrowings. Kindly refer to Section 2.3.1(a)(iii) of Section 12 of this Prospectus for the sensitivity analysis for our exposure to interest rates on our variable rate borrowings.

11.4.5 Material Capital Commitment

Save as disclosed in the table below, we do not have any other material capital commitment as at the LPD.

No.	Item	Amount
		RM'000
Capital expenditure in respect of purchase of property, plant and equipment		
1.	Approved and contracted for	-
2.	Approved but not contracted for	(1) 103,897
Total		(1) 103,897

Note:-

(1) Pursuant to the following:-

- (i) Acquisition of New Industrial Lands and construction of the New Plants amounting to approximately RM69.60 million using our gross proceeds from our Public Issue; and
- (ii) Purchase of new machinery and equipment amounting to approximately RM32.88 million using our gross proceeds from our Public Issue; and
- (iii) Part-finance our other capital expenditure requirements which include, but not limited to, purchase of new laptops/desktops, replacement of existing laptops/desktops and upgrade of IT system/server amounting to approximately RM1.42 million using our gross proceeds from our Public Issue.

11. FINANCIAL INFORMATION (CONT'D)

We expect to meet our material capital commitment through our internally generated funds and bank borrowings as well as from our gross proceeds from our Public Issue. Further details of the use of proceeds arising from our Public Issue are as set out in Section 3.7 of this Prospectus.

11.4.6 Material Litigation or Claims

As at the LPD, neither we nor our Subsidiary Companies are 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 financial position or profitability, in the 12 months immediately preceding the date of this Prospectus.

11.4.7 Contingent Liabilities

As at the LPD, we do not have any material contingent liabilities which have become enforceable or are likely to become enforceable, which in the opinion of our Board, will or may substantially affect the ability of our Group to meet our obligations as and when they fall due.

11.4.8 Key Financial Ratios

Our key financial ratios as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and FYE 30 June 2023 based on our audited consolidated financial statements for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 respectively are as stated in the table below.

No.	Items	Unit/ Measurements	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
1.	Trade receivables turnover period ⁽¹⁾	Days	56	73	62	66	46
2.	Trade payables turnover period ⁽²⁾	Days	17	23	24	40	38
3.	Inventories turnover period ⁽³⁾	Days	155	92	117	179	209
4.	Current ratio ⁽⁴⁾	Times	3.70	3.63	1.32	3.17	4.23
5.	Adjusted current ratio	Times	⁽⁵⁾ 3.25	⁽⁵⁾ 3.18	^{(5) (6)} 4.36	3.17	4.23
6.	Gearing ratio ⁽⁷⁾	Times	0.26	0.20	0.33	0.34	0.25

Notes:-

- ⁽¹⁾ Computed based on our trade receivables as at the end of the respective FYE over our revenue for the respective FYE multiplied by 365 days for the FYE 30 June 2019, 366 days for the FYE 30 June 2020, 365 days for the FYE 30 June 2021, 365 days for the FYE 30 June 2022 and 365 days for the FYE 30 June 2023.
- ⁽²⁾ Computed based on our trade payables as at the end of the respective FYE over our cost of sales for the respective FYE multiplied by 365 days for the FYE 30 June 2019, 366 days for the FYE 30 June 2020, 365 days for the FYE 30 June 2021, 365 days for the FYE 30 June 2022 and 365 days for the FYE 30 June 2023.
- ⁽³⁾ Computed based on our inventories as at the end of the respective FYE over our cost of sales for the respective FYE multiplied by 365 days for the FYE 30 June 2019, 366 days for the FYE 30 June 2020, 365 days for the FYE 30 June 2021, 365 days for the FYE 30 June 2022 and 365 days for the FYE 30 June 2023.
- ⁽⁴⁾ Computed as current assets divided by current liabilities.
- ⁽⁵⁾ The current assets adopted in the computation of adjusted current ratio excludes amounts due from our Promoters. The amounts due from our Promoters for the Track Record Period were attributable to the prepayments made by our Group on behalf of CPSP Holding pursuant to the HKEX IPO. On 12 August 2021, the said amounts were eventually offset by our Group via a dividend distribution of approximately RM9.32 million to our Promoters.
- ⁽⁶⁾ The current liabilities adopted in the computation of adjusted current ratio excludes amounts due to our Promoters of approximately RM45.64 million pursuant to the Acquisitions of MY Subsidiary Companies as the said amounts have been capitalised pursuant to the Capitalisation of the Amount Owing

11. FINANCIAL INFORMATION (CONT'D)

by CPE Technology to the Promoters.

⁽⁷⁾ Computed as total borrowings and lease liabilities divided by the NA/(NL).

(i) Trade receivables turnover period

A summary of our trade receivables and trade receivables turnover periods as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 based on our audited consolidated financial statements for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively is as shown in the table below.

No.	Items	Unit/ Measurements	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
1.	Trade receivables ⁽¹⁾	RM'000	12,000	15,769	15,882	25,142	18,165
2.	Revenue	RM'000	78,352	79,013	93,444	138,846	145,275
3.	Trade receivables turnover period ⁽²⁾	Days	56	73	62	66	46

Notes:-

⁽¹⁾ Balances of our trade receivables as at the end of the respective FYE.

⁽²⁾ Computed based on our trade receivables as at the end of the respective FYE over our revenue for the respective FYE multiplied by 365 days for the FYE 30 June 2019, 366 days for the FYE 30 June 2020, 365 days for the FYE 30 June 2021, 365 days for the FYE 30 June 2022 and 365 days for the FYE 30 June 2023.

Our credit terms to our customers are generally ranging from 30 to 90 days. The credit terms to our customers are determined on a case-by-case basis, taking into consideration factors such as business relationship with our customer, our customer creditworthiness, historical payment trend as well as transaction volume and value.

Our trade receivables turnover periods stood at approximately 56 days, 73 days, 62 days, 66 days and 46 days respectively as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023.

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our trade receivables turnover period increased by approximately 17 days from approximately 56 days as at 30 June 2019 to approximately 73 days as at 30 June 2020 due mainly to the increase in our trade receivables by approximately RM3.77 million or approximately 31.41% from approximately RM12.00 million as at 30 June 2019 to approximately RM15.77 million as at 30 June 2020 which was attributed mainly to higher sales achieved in the last quarter of the FYE 30 June 2020 as compared with the last quarter of the FYE 30 June 2019.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our trade receivables turnover period decreased by approximately 11.00 days from approximately 73 days as at 30 June 2020 to approximately 62 days as at 30 June 2021 due mainly to our revenue increased by approximately RM14.43 million or approximately 18.26% from approximately RM79.01 million for the FYE 30 June 2020 to approximately RM93.44 million for the FYE 30 June 2021 while our trade receivables as at 30 June 2021 remained at similar level as per our trade receivables as at 30 June 2020 due mainly to our effective credit control and better collection achieved in the FYE 30 June 2021.

11. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our trade receivables turnover period increased by approximately 4 days from approximately 62 days as at 30 June 2021 to approximately 66 days as at 30 June 2022 due mainly to the increase in our trade receivables by approximately RM9.26 million or approximately 58.30% from approximately RM15.88 million as at 30 June 2021 to approximately RM25.14 million as at 30 June 2022 which was attributed mainly to higher sales achieved in the last quarter of the FYE 30 June 2022 as compared with the last quarter of the FYE 30 June 2021.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our trade receivables turnover period decreased by approximately 20 days from approximately 66 days as at 30 June 2022 to approximately 46 days as at 30 June 2023 due mainly to the decrease in our trade receivables by approximately RM6.98 million or approximately 27.75% from approximately RM25.14 million as at 30 June 2022 to approximately RM18.17 million as at 30 June 2023 which was attributed mainly to lower sales achieved in the last quarter of the FYE 30 June 2023 as compared with the last quarter of the FYE 30 June 2022.

Ageing analysis of our trade receivables as at 30 June 2023 based on our audited consolidated statement of financial position as at 30 June 2023

No.	Items	Unit/ Measurements	Total	Within Credit Period	Exceeding Credit Period			
					Not More than 30 Days Overdue	Between 31 Days to 60 Days Overdue	Between 61 Days to 90 Days Overdue	More than 90 days Overdue
1.	Trade receivables	RM'000	18,165	18,016	149	-	-	-
2.	Percentage of trade receivables	%	100.00	99.18	0.82	-	-	-
3.	Collections subsequent to the FYE 30 June 2023 and up to and including the LPD	RM'000	18,145	17,996	149	-	-	-
4.	Net trade receivables after subsequent collections	RM'000	20	20	-	-	-	-
5.	Percentage of trade receivables net of subsequent collections	%	0.11	0.11	-	-	-	-

Our trade receivables stood at approximately RM18.17 million as at 30 June 2023, based on our audited consolidated financial statements for the FYE 30 June 2023, out of which approximately RM0.15 million or approximately 0.82% exceeded the credit terms granted.

11. FINANCIAL INFORMATION (CONT'D)

As at the LPD, we have collected 99.89% of our trade receivables which were outstanding as at 30 June 2023.

We have not experienced any bad debts for the Period Under Review. As part of our policies, assessment on collectability of our trade receivables are done on per individual customer basis and decision on provision for impairment loss on receivables is based on the following:-

- (a) Allowance for impairment loss based on lifetime expected credit loss in accordance with MFRS 9 - Financial Instruments; and
 - (b) Specific allowance for impairment on balances overdue for more than 180 days or where recoverability is uncertain based on the dealings with the customer by us.
- (ii) Trade payables turnover period

A summary of our trade payables and trade payables turnover periods as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 based on our audited consolidated financial statements for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively is as shown in the table below.

No.	Items	Unit/ Measurements	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
1.	Trade payables ⁽¹⁾	RM'000	2,501	3,604	3,924	9,080	9,840
2.	Cost of sales	RM'000	54,728	58,307	58,603	83,020	93,768
3.	Trade payables turnover period ⁽²⁾	Days	17	23	24	40	38

Notes:-

⁽¹⁾ Balances of our trade payables as at the end of the respective FYE.

⁽²⁾ Computed based on our trade payables as at the end of the respective FYE over our cost of sales for the respective FYE multiplied by 365 days for the FYE 30 June 2019, 366 days for the FYE 30 June 2020, 365 days for the FYE 30 June 2021, 365 days for the FYE 30 June 2022 and 365 days for the FYE 30 June 2023.

The credit period extended by our suppliers and sub-contractors to us is generally 30 days. Our trade payables turnover periods stood at approximately 17 days, 23 days, 24 days, 40 days and 38 days respectively as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023. Our trade payables turnover period as at 30 June 2022 and as at 30 June 2023 had exceeded the credit period extended by our suppliers and sub-contractors of 30 days due mainly to higher purchases for raw materials close to the end of the FYE 30 June 2022 and FYE 30 June 2023.

It is our practice to make prompt payments to our suppliers and sub-contractors, in order to foster good business relationship with our suppliers and sub-contractors to safeguard the continuity of supplies at competitive pricing.

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our trade payables turnover period increased by approximately 6 days from approximately 17 days as at 30 June 2019 to approximately 23 days as at 30 June 2020 due mainly to the increase in our trade payables by approximately RM1.10 million or approximately 44.10% from approximately RM2.50 million as at 30 June 2019 to approximately RM3.60 million as at 30 June 2020 due mainly to higher purchases for

11. FINANCIAL INFORMATION (CONT'D)

tooling and sub-contractors' services in the last quarter of the FYE 30 June 2020 as compared with the last quarter of FYE 30 June 2019.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our trade payables turnover period increased by approximately 1 day from approximately 23 days as at 30 June 2020 to approximately 24 days as at 30 June 2021 due mainly to the increase in our trade payables by approximately RM0.32 million or approximately 8.88% from approximately RM3.60 million as at 30 June 2020 to approximately RM3.92 million as at 30 June 2021 due mainly to higher purchases for raw materials close to the end of the FYE 30 June 2021 as compared with the close to the end of the FYE 30 June 2020.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our trade payables turnover period increased by approximately 16 days from approximately 24 days as at 30 June 2021 to approximately 40 days as at 30 June 2022 due mainly to the increase in our trade payables by approximately RM5.16 million or approximately 131.40% from approximately RM3.92 million as at 30 June 2021 to approximately RM9.08 million as at 30 June 2022 due mainly to higher purchases for raw materials close to the end of the FYE 30 June 2022 as compared with close to the end of the FYE 30 June 2021.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our trade payables turnover period decreased by approximately 2 days from approximately 40 days as at 30 June 2022 to approximately 38 days as at 30 June 2023 due mainly to the increase in our cost of sales by approximately RM10.75 million or approximately 12.95% from approximately RM83.02 million as at 30 June 2022 to approximately RM93.77 million as at 30 June 2023 due mainly to the reasons as explained in Section 11.3.3(ii)(f) of this Prospectus.

Ageing analysis of our trade payables as at 30 June 2023 based on our audited consolidated statement of financial position as at 30 June 2023

No.	Items	Unit/ Measurements	Total	Within Credit Period	Exceeding Credit Period		
					Not More than 30 days Overdue	Between 31 Days to 60 Days Overdue	More than 60 Days Overdue
1.	Trade payables	RM'000	9,840	9,835	5	-	-
2.	Percentage of trade payables	%	100.00	99.95	0.05	-	-
3.	Payments subsequent to the FYE 30 June 2023 and up to and including the LPD	RM'000	9,840	9,835	5	-	-
4.	Net trade payables after subsequent payments	RM'000	-	-	-	-	-

11. FINANCIAL INFORMATION (CONT'D)

No.	Items	Unit/ Measurements	Total	Within Credit Period	Exceeding Credit Period		
					Not More than 30 days Overdue	Between 31 Days to 60 Days Overdue	More than 60 Days Overdue
5.	Percentage of trade payables net of subsequent payments	%	-	-	-	-	-

Our trade payables stood at approximately RM9.84 million as at 30 June 2023, based on our audited consolidated financial statements for the FYE 30 June 2023, out of which approximately RM0.005 million or approximately 0.05% exceed the normal credit term mainly to administrative delays as our practice is to pay all the suppliers and sub-contractors in the last week of the month, a practice which we have practiced for many years, which could result in our Group slightly exceeded the credit terms granted by our suppliers and sub-contractors. The said administrative delays is less than 1 month and we have not experienced any dispute with our suppliers and sub-contractors in the past pursuant to the said administrative delays.

As at the LPD, we have settled 100.00% of our trade payables which were outstanding as at 30 June 2023.

(iii) Inventories turnover period

A summary of our inventories and inventories turnover periods as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 based on our audited consolidated financial statements for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively is as shown in the table below.

No.	Items	Unit/ Measurements	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
1.	Inventories ⁽¹⁾						
	Raw materials	RM'000	3,807	2,032	3,319	20,664	25,698
	Work-in-progress	RM'000	4,819	5,100	7,386	11,285	8,552
	Finished goods	RM'000	14,620	7,598	8,083	8,656	19,417
	Total	RM'000	23,246	14,730	18,788	40,605	53,667
2.	Cost of sales	RM'000	54,728	58,307	58,603	83,020	93,768
3.	Inventories turnover period ⁽²⁾	Days	155	92	117	179	209

Notes:-

⁽¹⁾ Balances of our inventories as at the end of the respective FYE.

⁽²⁾ Computed based on our inventories as at the end of the respective FYE over our cost of sales for the respective FYE multiplied by 365 days for the FYE 30 June 2019, 366 days for the FYE 30 June 2020, 365 days for the FYE 30 June 2021, 365 days for the FYE 30 June 2022 and 365 days for the FYE 30 June 2023.

11. FINANCIAL INFORMATION (CONT'D)

Our Group plans our inventories after taking into consideration the factors which include, but not limited to, the order book in hand, the sales forecasts order from our customers, the lead times for our raw materials and the buffer required for our raw materials and will endeavour to maintain the level of inventory of key raw materials that is sufficient to meet our customers' demands. In addition, in anticipation of the demand of our products for our customers, our Group will keep finished goods and this will reduce the lead times when our customers place new orders for the said products.

FYE 30 June 2019 compared with FYE 30 June 2020

Our inventories turnover period decreased by approximately 63 days from approximately 155 days as at 30 June 2019 to approximately 92 days as at 30 June 2020 due mainly to the following reasons:-

- (a) Decrease in raw materials balance by approximately RM1.78 million or approximately 46.62% from approximately RM3.81 million as at 30 June 2019 to approximately RM2.03 million as at 30 June 2020 due mainly to our Group attempting to minimise the raw material purchases and utilise our old raw materials on hand; and
- (b) Decrease in finished goods balance by approximately RM7.02 million or 48.03% from approximately RM14.62 million as at 30 June 2019 to approximately RM7.60 million as at 30 June 2020 due mainly to our Group attempting to minimise the build-up of finished goods for our customers and attempting to clear our old inventories.

FYE 30 June 2020 compared with FYE 30 June 2021

Our inventories turnover period increased by approximately 25 days from approximately 92 days as at 30 June 2020 to approximately 117 days as at 30 June 2021 due mainly to the following reasons:-

- (a) Increase in raw materials balance by approximately RM1.29 million or approximately 63.34% from approximately RM2.03 million as at 30 June 2020 to approximately RM3.32 million as at 30 June 2021 due mainly to our Group had started to buy and keep more raw materials as we had forecasted a stronger demand in the FYE 30 June 2021; and
- (b) Increase in work-in-progress balance by approximately RM2.29 million or approximately 44.82% from approximately RM5.10 million as at 30 June 2020 to approximately RM7.39 million as at 30 June 2021 due mainly to stronger demand from our customers and our forecasted stronger demand as mentioned above had resulted in a lot of manufacturing orders issued and queued in our production lines; and
- (c) Increase in finished goods balance by approximately RM0.49 million or approximately 6.38% from approximately RM7.60 million as at 30 June 2020 to approximately RM8.08 million as at 30 June 2021 due mainly to our Group had kept a higher stock level to fulfil the expected demand in the following financial year. Apart from the finished goods produced based on purchase orders from our customers, our Group will also build a certain level of finished goods based on the anticipation of the demands from our major customers to reduce the lead time in delivery of the finished goods to them.

11. FINANCIAL INFORMATION (CONT'D)

FYE 30 June 2021 compared with FYE 30 June 2022

Our inventories turnover period increased by approximately 62 days from approximately 117 days as at 30 June 2021 to approximately 179 days as at 30 June 2022 due mainly to the following reasons:-

- (a) Increase in raw materials balance by approximately RM17.35 million or approximately 522.60% from approximately RM3.32 million as at 30 June 2021 to approximately RM20.66 million as at 30 June 2022 due mainly to our Group had foreseen the possibility of raw materials shortage and price hike for the raw materials and had decided to purchase more raw materials to fulfil the strong demand from our customers; and
- (b) Increase in work-in-progress balance by approximately RM3.90 million or approximately 52.79% from approximately RM7.39 million as at 30 June 2021 to approximately RM11.29 million as at 30 June 2022 due mainly to stronger demand from our customers had resulted in a lot of manufacturing orders issued and queued in our production lines; and
- (c) Increase in finished goods by approximately RM0.57 million or approximately 7.09% from approximately RM8.08 million as at 30 June 2021 to approximately RM8.66 million as at 30 June 2022 due mainly to our Group had kept a higher stock level to fulfil the expected demand in the following financial period. Apart from the finished goods produced based on purchase orders from our customers, our Group will also build a certain level of finished goods based on the anticipation of the demands from our major customers to reduce the lead time in delivery of the finished goods to them.

FYE 30 June 2022 compared with FYE 30 June 2023

Our inventories turnover period increased by approximately 30 days from approximately 179 days as at 30 June 2022 to approximately 209 days as at 30 June 2023 due mainly to the following reasons:-

- (a) Increase in raw materials balance by approximately RM5.03 million or approximately 24.36% from approximately RM20.66 million as at 30 June 2022 to approximately RM25.70 million as at 30 June 2023 due mainly to our Group had started to buy and keep more key raw materials that requires longer lead time in the second half of FYE 30 June 2023 as we had forecasted a stronger demand in the second half of FYE 30 June 2024; and
- (b) Increase in finished goods by approximately RM10.76 million or approximately 124.32% from approximately RM8.66 million as at 30 June 2022 to approximately RM19.42 million as at 30 June 2023 due mainly to our Group keeping higher stock level to fulfil the expected demand in the following financial period. Apart from the finished goods produced based on purchase orders from our customers, our Group would also build a certain level of finished goods based on the anticipation of the demands from our major customers to reduce the lead time in delivery of the finished goods to them.

The ageing analysis of our inventories as at 30 June 2023 is as stated in the tables below.

11. FINANCIAL INFORMATION (CONT'D)

(a) Raw Materials

No.	Item	Amount
		RM'000
1.	12 months or less	14,594
2.	More than 12 months	11,929
3.	Provisions for raw materials	(825)
Total		25,698

(b) Work-in-progress

No.	Item	Amount
		RM'000
1.	12 months or less	6,722
2.	More than 12 months	2,160
3.	Provisions for work-in-progress	⁽¹⁾ (330)
Total		8,552

Note:-

⁽¹⁾ Our Group makes provision for work-in-progress based on an assessment of the realisability of work-in-progress. Provisions are recognised where events or changes in circumstances indicate that the carrying value of work-in-progress may not be realised. The provisions for our work-in-progress represent approximately 3.86% of our work-in-progress as at 30 June 2023.

(c) Finished Goods

No.	Item	Amount
		RM'000
1.	12 months or less	18,838
2.	More than 12 months	4,384
3.	Provisions for finished goods	⁽¹⁾ (3,805)
Total		19,417

Note:-

⁽¹⁾ Our Group makes provision for finished goods based on an assessment of the realisability of finished goods. Provisions are recognised where events or changes in circumstances indicate that the carrying value of finished goods may not be realised. The provisions for our finished goods represent approximately 19.60% of our finished goods as at 30 June 2023.

11. FINANCIAL INFORMATION (CONT'D)

(d) Total Inventories

No.	Item	Amount
		RM'000
1.	12 months or less	40,154
2.	More than 12 months	18,473
3.	Provisions for inventories	(4,960)
Total		53,667

Inventories which are more than 12 months mainly consist of raw materials and finished goods which are predominantly in the form of stainless steel, aluminium and brass. As the aged inventories mainly consist stainless steel, aluminium and brass, they do not have any lifespan/expiration and are still usable as their quality will not be degraded by their age.

We assess whether inventories should be impaired by identifying damaged, obsolete and slow-moving inventories during periodic stock count. Damaged inventories will be written off immediately upon identification to the provision for slow-moving and obsolete inventories if provision has been made previously or directly to the profit or loss if provision has not been made previously. Provision will be made for slow-moving and obsolete inventories once assessment has been made which include raw materials, work in progress and finished goods.

Not all inventories which are more than 12 months are considered slow-moving inventories. We shall take into consideration the criteria which include, but not limited to, the aging of the inventories, whether the said inventories are useable/saleable in the past 12 months and whether they are expected to be useable/saleable in the future in determining whether the inventories shall be classified as slow-moving inventories.

Details of the provision for slow-moving inventories for the Period Under Review are as shown in the table below.

Item	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Provision for slow-moving and obsolete inventories	3,446	4,090	4,361	4,664	4,960

There were no inventories written off during the Period Under Review.

(iv) Current ratio

A summary of our current ratios and adjusted current ratios as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 based on our audited consolidated financial statements for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021,

11. FINANCIAL INFORMATION (CONT'D)

FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively is as set out in the table below.

No.	Items	Unit/ Measurements	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
1.	Current assets	RM'000	70,033	74,770	82,436	96,482	128,338
2.	Amounts due from shareholders	RM'000	8,568	9,229	9,317	-	-
3.	Adjusted current assets	RM'000	⁽¹⁾ 61,465	⁽¹⁾ 65,541	⁽¹⁾ 73,119	96,482	128,338
4.	Current liabilities	RM'000	18,911	20,581	62,402	30,417	30,369
5.	Amounts due to shareholders	RM'000	-	-	45,638	-	-
6.	Adjusted current liabilities	RM'000	18,911	20,581	⁽²⁾ 16,764	30,417	30,369
7.	Current ratio ⁽³⁾	Times	3.70	3.63	1.32	3.17	4.23
8.	Adjusted current ratio ⁽⁴⁾	Times	3.25	3.18	4.36	3.17	4.23

Notes:-

⁽¹⁾ Excluding amounts due from shareholders. The amounts due from shareholders for the financial years from the FYE 30 June 2019 to FYE 30 June 2021 were attributable to the prepayments made by us on behalf of CPSM Holding pursuant to the HKEX IPO. On 12 August 2021, the said amounts were eventually offset by our Group via a dividend distribution of approximately RM9.32 million to our Promoters.

⁽²⁾ Excluding amounts due to the Promoters of approximately RM45.64 million pursuant to the Acquisitions of MY Subsidiary Companies as the said amounts have been capitalised pursuant to the Capitalisation of the Amount Owing by CPE Technology to the Promoters.

⁽³⁾ Computed as current assets divided by current liabilities.

⁽⁴⁾ Computed as adjusted current assets divided by adjusted current liabilities.

Our adjusted current ratios indicate that we are capable of meeting short term obligations as our current assets are enough to meet our current liabilities. As our adjusted current ratios are more reflective of our liquidity position during the Period Under Review, the commentaries below are based on our adjusted current ratios instead of our current ratios.

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our adjusted current ratios as at 30 June 2019 and as at 30 June 2020 have remained relatively consistent.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our adjusted current ratio increased by approximately 1.18 times or 37.11% from approximately 3.18 times as at 30 June 2020 to approximately 4.36 times as at 30 June 2021 due mainly to the following reasons:-

- (a) Increase in our adjusted current assets by approximately RM7.58 million or approximately 11.56% from approximately RM65.54 million as at 30 June 2020 to approximately RM73.12 million as at 30 June 2021 due mainly to the following reasons:-

11. FINANCIAL INFORMATION (CONT'D)

- (I) Increase in our inventories by approximately RM4.06 million or 27.55% from approximately RM14.73 million as at 30 June 2020 to approximately RM18.79 million as at 30 June 2021 due mainly to the reasons as explained in Section 11.4.8 (iii) of this Prospectus; and
- (II) Increase in our cash and cash equivalents by approximately RM3.02 million or approximately 9.41% from approximately RM32.07 million as at 30 June 2020 to approximately RM35.09 million as at 30 June 2021 due mainly to the reasons as explained in Section 11.4.2 of this Prospectus; and
- (b) Decrease in our adjusted current liabilities by approximately RM3.82 million or 18.54% from approximately RM20.58 million as at 30 June 2020 to approximately RM16.76 million as at 30 June 2021 due mainly to the following reasons:-
 - (I) Decrease in our other payables and accrued liabilities by approximately RM6.06 million or approximately 60.92% from approximately RM9.95 million as at 30 June 2020 to approximately RM3.89 million as at 30 June 2021 due mainly to the payables for our plant and equipment which amounted to approximately RM5.31 million had been converted to our hire purchase liabilities in the FYE 30 June 2021; and
 - (II) However, the effect of the decrease in our other payables was partially offset by the increase in current tax provision by approximately RM1.47 million or approximately 53.49% from approximately RM2.75 million as at 30 June 2020 to approximately RM4.22 million as at 30 June 2021 due mainly to higher tax provision made resulted from higher profit.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our adjusted current ratio decreased by approximately 1.19 times from approximately 4.36 times as at 30 June 2021 to approximately 3.17 times as at 30 June 2022 due mainly to the following:-

- (a) Increase in our adjusted current assets by approximately RM23.36 million or 31.95% from approximately RM73.12 million as at 30 June 2021 to approximately RM96.48 million as at 30 June 2022 due mainly to the following reasons:-
 - (I) Increase in our inventories by approximately RM21.82 million or 116.12% from approximately RM18.79 million as at 30 June 2021 to approximately RM40.61 million as at 30 June 2022 due mainly to the reasons as explained in Section 11.4.8 (iii) of this Prospectus; and
 - (II) Increase in our trade receivables by approximately RM9.26 million or 58.30% from approximately RM15.88 million as at 30 June 2021 to approximately RM25.14 million as at 30 June 2022 due mainly to the reasons as explained in Section 11.4.8(i) of this Prospectus; and
 - (III) However, the effects of the above were partially offset by the decrease in our cash and cash equivalents by approximately RM8.27 million or approximately 23.57% from approximately RM35.09 million as at 30 June 2021 to approximately RM26.82 million as at 30 June 2022 due mainly to the reasons as explained in Section 11.4.2 of this Prospectus; and
- (b) However, the effects of the above increase in our adjusted current assets were partially offset by the increase in our adjusted current liabilities by approximately RM13.65 million or approximately 81.44% from approximately RM16.76 million as

11. FINANCIAL INFORMATION (CONT'D)

at 30 June 2021 to approximately RM30.42 million as at 30 June 2022 due mainly to the following reasons:-

- (I) Increase in our current borrowings by approximately RM4.97 million or approximately 136.35% from approximately RM3.65 million as at 30 June 2021 to approximately RM8.62 million as at 30 June 2022 due mainly to the following reasons:-
 - (A) Increase in current portion of term loans pursuant to the drawdowns of the term loan for Plant 4 and the term loans and trade facilities for our working capital requirements; and
 - (B) Increase in current portion of our hire purchase facilities due mainly to our hire purchase facilities for the machinery newly acquired; and
- (II) Increase in our trade payables by approximately RM5.16 million or approximately 131.40% from approximately RM3.92 million as at 30 June 2021 to approximately RM9.08 million as at 30 June 2022 due mainly to the reasons as explained in Section 11.4.8(ii) of this Prospectus; and
- (III) Increase in accrued staff costs by approximately RM2.16 million or approximately 84.59% from approximately RM2.56 million as at 30 June 2021 to approximately RM4.72 million as at 30 June 2022 which was attributed mainly to increase in staff's salaries and their accrued bonuses; and
- (IV) Increase in our other payables by approximately RM0.95 million or approximately 292.88% from approximately RM0.32 million as at 30 June 2021 to approximately RM1.27 million as at 30 June 2022 as we had recognised other creditors for unbilled IPO expenses which amounted to approximately RM1.01 million as at 30 June 2022.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our adjusted current ratio increased by approximately 1.06 times from approximately 3.17 times as at 30 June 2022 to approximately 4.23 times as at 30 June 2023 due mainly to the following:-

- (a) Increase in our adjusted current assets by approximately RM31.86 million or 33.02% from approximately RM96.48 million as at 30 June 2022 to approximately RM128.34 million as at 30 June 2023 due mainly to the following reasons:-
 - (I) Increase in our cash and cash equivalents by approximately RM25.90 million or 96.60% from approximately RM26.82 million as at 30 June 2022 to approximately RM52.72 million as at 30 June 2023 due mainly to the reasons as explained in Section 11.4.2 of this Prospectus; and
 - (II) Increase in our inventories by approximately RM13.06 million or 32.17% from approximately RM40.61 million as at 30 June 2022 to approximately RM53.67 million as at 30 June 2023 due mainly to the reasons as explained in Section 11.4.8 (iii) of this Prospectus; and
 - (III) Increase in our tax receivable by approximately RM0.18 million or 511.11% from approximately RM0.04 million as at 30 June 2022 to approximately RM0.22 million as at 30 June 2023 due mainly to higher tax instalments paid; and

11. FINANCIAL INFORMATION (CONT'D)

- (IV) However, the effects of the above were partially offset by the decrease in our trade receivables by approximately RM6.98 million or approximately 27.75% from approximately RM25.14 million as at 30 June 2022 to approximately RM18.17 million as at 30 June 2023 due mainly to the reasons as explained in Section 11.4.8(i) of this Prospectus; and
- (b) Decrease in our adjusted current liabilities by approximately RM0.05 million or 0.16% from approximately RM30.42 million as at 30 June 2022 to approximately RM30.37 million as at 30 June 2023 due mainly to the following reasons:-
- (I) Decrease in our current borrowings by approximately RM0.96 million or approximately 11.18% from approximately RM8.62 million as at 30 June 2022 to approximately RM7.65 million as at 30 June 2023 due mainly to the following reasons:-
- (A) Decrease in current portion of trade facilities pursuant to the repayment of the trade facilities; and
- (B) However, the effects of the above were partially offset by the increase in current portion of our hire purchase facilities due mainly to our hire purchase facilities for the plant and machinery newly acquired; and
- (II) Decrease in our current tax provision by approximately RM0.86 million or approximately 16.24% from approximately RM5.30 million as at 30 June 2022 to approximately RM4.44 million as at 30 June 2023 which was attributed mainly to lower tax provision made resulted from lower profit; and
- (III) However, the effects of the above were partially offset by the increase in our trade payables by approximately RM0.76 million or approximately 8.37% from approximately RM9.08 million as at 30 June 2022 to approximately RM9.84 million as at 30 June 2023 due mainly to the reasons as explained in Section 11.4.8(ii) of this Prospectus.
- (v) Gearing ratio

We do not have any Board policy for gearing ratio however, we do review the gearing position whenever we foresee change in the gearing position of the Group at the end of our financial year. A summary of our gearing ratios as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 based on our audited consolidated financial statements for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 (Period Under Review) respectively is as set out in the table below.

No.	Items	Unit/ Measurements	As at 30 June 2019	As at 30 June 2020	As at 30 June 2021	As at 30 June 2022	As at 30 June 2023
1.	Total borrowings and lease liabilities	RM'000	21,976	19,143	18,806	34,913	34,067
2.	NA/(NL)	RM'000	84,436	94,827	56,997	103,590	137,688
3.	Gearing ratio ⁽¹⁾	Times	0.26	0.20	0.33	0.34	0.25

Note:-

⁽¹⁾ Computed by dividing the sum of total borrowings and lease liabilities with NA/(NL).

11. FINANCIAL INFORMATION (CONT'D)

Comparison between FYE 30 June 2019 and FYE 30 June 2020

Our gearing ratio decreased by approximately 0.06 times from approximately 0.26 times as at 30 June 2019 to approximately 0.20 times as at 30 June 2020, due mainly to the following factors:-

- (a) Decrease in our total borrowings and lease liabilities by approximately RM2.83 million or approximately 12.89% from approximately RM21.98 million as at 30 June 2019 to approximately RM19.14 million as at 30 June 2020, due mainly to the following factors:-
 - (I) Net repayment of the hire purchase facilities for our machinery and equipment which amounted to approximately RM6.72 million in the FYE 30 June 2020; and
 - (II) However, the effect of the above-mentioned net repayment of the hire purchase facilities for our machinery and equipment was partially offset by the following:-
 - (A) Increase in our term loans balance by approximately RM1.75 million or 14.72% from approximately RM11.87 million as at 30 June 2019 to approximately RM13.61 million as at 30 June 2020, due to the following factors:-
 - (aa) Net drawdown of a term loan facility which amounted to approximately RM1.90 million in the FYE 30 June 2020 to part-finance our working capital requirements; and
 - (bb) However, the effect of the above-mentioned net drawdown of a term loan was partially offset by the following factors:-
 - (AA) Part-repayment of the term loan facility for Plant 2 which amounted to approximately RM0.06 million in the FYE 30 June 2020; and
 - (BB) Part-repayment of the term loan facility for Plant 3 which amounted to approximately RM0.10 million in the FYE 30 June 2020; and
 - (B) Newly recognition of lease liabilities of approximately RM2.15 million for the FYE 30 June 2020 pursuant to the rental for the hostels in Malaysia and the rental for the premises in Singapore following the adoption of MFRS 16; and
- (b) Increase in our NA by approximately RM10.39 million or approximately 12.31% from approximately RM84.44 million as at 30 June 2019 to approximately RM94.83 million as at 30 June 2020, due mainly to registering of total comprehensive income which amounted to approximately RM10.39 million for the FYE 30 June 2020.

Comparison between FYE 30 June 2020 and FYE 30 June 2021

Our gearing ratio increased by approximately 0.13 times from approximately 0.20 times as at 30 June 2020 to approximately 0.33 times as at 30 June 2021, due mainly to the following factors:-

- (a) Decrease in our NA by approximately RM37.83 million or approximately 39.89%

11. FINANCIAL INFORMATION (CONT'D)

from approximately RM94.83 million as at 30 June 2020 to approximately RM57.00 million as at 30 June 2021, due mainly to the following reasons:-

- (I) Our capital reorganisation reserves of approximately RM45.64 million pursuant to the Acquisitions of MY Subsidiary Companies were reclassified from our equity as at 30 June 2020 to our current liabilities due to the implementation of the Acquisitions of MY Subsidiary Companies only took place in the FYE 30 June 2021 and the amounts due to the Promoters pursuant to the Acquisitions of MY Subsidiary Companies were expected to be settled within a year from 30 June 2021; and
 - (II) We had paid the dividends of approximately RM11.17 million to our Promoters in the FYE 30 June 2021; and
 - (III) However, the effects of the above-mentioned reclassification of our capital reorganisation reserves and payment of the dividends were partially offset by our Group registering total comprehensive income of approximately RM18.97 million for the FYE 30 June 2021; and
- (b) However, the effect of the decrease in our NA was partially offset by the decrease in our total borrowings and lease liabilities by approximately RM0.34 million or approximately 1.76% from approximately RM19.14 million as at 30 June 2020 to approximately RM18.81 million as at 30 June 2021, due mainly to the following factors:-
- (I) Part-repayment of a term loan facility for our working capital requirements which amounted to approximately RM2.24 million in the FYE 30 June 2021; and
 - (II) Part-repayment of the term loan facility for Plant 2 which amounted to approximately RM0.29 million in the FYE 30 June 2021; and
 - (III) Part-repayment of the term loan facility for Plant 3 which amounted to approximately RM0.34 million in the FYE 30 June 2021; and
 - (IV) However, the effect of the above-mentioned part-repayments was partially offset by the net drawdown from the hire purchase facilities for our machinery and equipment which amounted to approximately RM2.59 million in the FYE 30 June 2021.

Comparison between FYE 30 June 2021 and FYE 30 June 2022

Our gearing ratio increased by approximately 0.01 times from approximately 0.33 times as at 30 June 2021 to approximately 0.34 times as at 30 June 2022, due mainly to the following factors:-

- (a) Increase in our total borrowings and lease liabilities by approximately RM16.11 million or approximately 85.65% from approximately RM18.81 million as at 30 June 2021 to approximately RM34.91 million as at 30 June 2022, due mainly to the following factors:-
 - (I) Increase in our term loans balance by approximately RM9.00 million or approximately 83.75% from approximately RM10.74 million as at 30 June 2021 to approximately RM19.74 million as at 30 June 2022 due mainly to the following factors:-
 - (A) Drawdown of a term loan facility which amounted to approximately

11. FINANCIAL INFORMATION (CONT'D)

RM5.53 million in the FYE 30 June 2022 to part-finance the purchase consideration for Plant 4; and

- (B) Drawdown of the term loans facilities which amounted to approximately RM5.30 million in the FYE 30 June 2022 to part-finance our working capital requirements; and
 - (C) However, the effect of the above-mentioned drawdowns from the term loans facilities was partially offset by the part repayment of our term loan facilities for our Plant 2, Plant 3, Plant 4 and working capital which amounted to approximately RM1.83 million in the FYE 30 June 2022; and
- (II) Increase in hire purchase balance for our machinery and equipment by approximately RM6.28 million or approximately 105.12% from approximately RM5.98 million as at 30 June 2021 to approximately RM12.26 million as at 30 June 2022 due mainly to net drawdown of hire purchase facilities for our new machinery and equipment acquired in the FYE 30 June 2022; and
- (III) The net drawdown of our trust receipt facilities which amounted to approximately RM1.54 million as at 30 June 2022; and
- (b) However, the effect of the increase in our total borrowings and lease liabilities above was offset by the increase in our NA by approximately RM46.59 million or approximately 81.75% from approximately RM57.00 million as at 30 June 2021 to approximately RM103.59 million as at 30 June 2022, due mainly to the following reasons:-
- (I) Issuance of new Shares pursuant to the Pre-IPO Restructuring Exercise which amounted to approximately RM91.40 million; and
 - (II) Our Group recognised the total comprehensive income of approximately RM34.70 million for the FYE 30 June 2022; and
 - (III) However, the effects of the above were partially offset by the following reasons:-
 - (A) The recognition of capital reorganisation reserves of approximately RM45.76 million; and
 - (B) Dividend distribution of approximately RM33.74 million for the FYE 30 June 2022, of which approximately RM24.43 million were paid to our Promoters and approximately RM9.32 million were offset with the HKEX IPO expenses which were paid by our Group on behalf of CPSM Holding.

Comparison between FYE 30 June 2022 and FYE 30 June 2023

Our gearing ratio decreased by approximately 0.09 times from approximately 0.34 times as at 30 June 2022 to approximately 0.25 times as at 30 June 2023, due mainly to the following factors:-

- (a) Decrease in our total borrowings and lease liabilities by approximately RM0.85 million or approximately 2.42% from approximately RM34.91 million as at 30 June 2022 to approximately RM34.07 million as at 30 June 2023, due mainly to the following factors:-

11. FINANCIAL INFORMATION (CONT'D)

- (I) Net repayment of the hire purchase facilities for our machinery and equipment which amounted to approximately RM7.34 million in the FYE 30 June 2023; and
 - (II) Net repayment of the trust receipt facilities which amounted to approximately RM5.59 million in the FYE 30 June 2023; and
 - (III) Net repayment of the term loan facilities which amounted to approximately RM0.88 million in the FYE 30 June 2023; and
 - (IV) However, the effects of the above-mentioned net repayment of our term loan facilities, trust receipt facilities and hire purchase facilities were partially offset by the newly recognition of lease liabilities of approximately RM1.21 million for the FYE 30 June 2023 pursuant to the rental of Plant 5; and
- (b) Increase in our NA by approximately RM34.10 million or approximately 32.92% from approximately RM103.59 million as at 30 June 2022 to approximately RM137.69 million as at 30 June 2023, due mainly to the following factors:-
- (I) Our Group recognised the total comprehensive income of approximately RM30.29 million for the FYE 30 June 2023; and
 - (II) Our Group recognised currency translation reserves of approximately RM3.81 million for the FYE 30 June 2023.

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11. FINANCIAL INFORMATION (CONT'D)

11.5 ORDER BOOK

As at the LPD, our unbilled orders stood at approximately RM69.27 million. The details of the breakdown of our unbilled orders by business segment and the estimated timing of recognition are as summarised in the table below.

No.	Industry Segments	Unbilled Orders ⁽¹⁾							
		FYE 30 June 2024		FYE 30 June 2025		FYE 30 June 2029			
		RM'000	%	RM'000	%	RM'000	%		
1.	Semiconductor								
	- Confirmed purchase order	43,250	42.23	18,271	20,772	95.33	(2) 4,207	100.00	
	- Indicative purchase order ⁽³⁾	3,312	7.65	3,312	-	0.00	-	0.00	
	Subtotal	46,562	49.88	21,583	20,772	95.33	(2) 4,207	100.00	
2.	Life science and medical devices								
	- Indicative purchase order ⁽⁴⁾	16,913	37.20	16,099	814	3.74	-	0.00	
3.	Sport equipment								
	- Confirmed purchase order	935	2.16	935	-	0.00	-	0.00	
4.	Sensor equipment								
	- Confirmed purchase order	435	1.01	435	-	0.00	-	0.00	
5.	Security								
	- Confirmed purchase order	2,405	5.15	2,227	178	0.82	-	0.00	
6.	Opto-mechanical								
	- Confirmed purchase order	649	1.44	625	24	0.11	-	0.00	
7.	Aerospace								
	- Confirmed purchase order	237	0.55	237	-	0.00	-	0.00	
8.	Instrumentation								
	- Confirmed purchase order	857	1.98	857	-	0.00	-	0.00	

11. FINANCIAL INFORMATION (CONT'D)

No.	Industry Segments	Unbilled Orders ⁽¹⁾							
		Total RM'000	FYE 30 June 2024		FYE 30 June 2025		FYE 30 June 2029		
			RM'000	%	RM'000	%	RM'000	%	
9.	Automotive								
	- Confirmed purchase order	261	0.60	261	-	-	0.00	-	0.00
10.	General engineering industry								
	- Confirmed purchase order	12	0.03	12	-	-	0.00	-	0.00
11.	Oil and gas								
	- Confirmed purchase order	-	0.00	-	-	-	0.00	-	0.00
	Subtotal (confirmed purchase order)	49,041	55.15	23,860	20,974	96.26	4,207	100.00	
	Subtotal (indicative purchase order)	20,225	44.85	19,411	814	3.74	-	0.00	
	Total	69,266	100.00	43,271	21,788	100.00	4,207	100.00	

Notes:-

⁽¹⁾ There are no unbilled orders in the FYE 30 June 2026, FYE 30 June 2027 and FYE 30 June 2028.

⁽²⁾ With regard to the unbilled orders in the FYE 30 June 2029, it is in reference to Semiconductor Customer 2. Our unbilled orders contributed from Semiconductor Customer 2 as at the LPD stood at approximately RM20.98 million, which is part of the above stated RM69.27 million unbilled orders as at the LPD. It is a usual practice for Semiconductor Customer 2 to issue purchase orders for a long-term period but such amount in the said purchase orders is expected to be fully billed in the upcoming 2 to 3 years, an assumption based on our past experiences with Semiconductor Customer 2.

⁽³⁾ The indicative purchase orders are raised by Semiconductor Customer 1. The said purchase orders are deemed indicative in nature due to a variation/cancellation clause in the said purchase orders. However, we have included the said purchase orders as part of our unbilled orders after taking into consideration the conversion rate of the indicative purchase orders to actual purchases by Semiconductor Customer 1 during the Period Under Review and up to and including the LPD.

⁽⁴⁾ The indicative purchase orders are raised by Healthcare Customer Group 1. The said purchase orders are deemed indicative in nature due to a variation/cancellation clause in the said purchase orders. However, we have included the said purchase orders as part of our unbilled orders after taking into consideration the conversion rate of the indicative purchase orders to actual purchases by Healthcare Customer Group 1 during the Period Under Review and up to and including the LPD.

The conversion rates of the indicative purchase orders to actual purchases for Semiconductor Customer 1 and Healthcare Customer Group 1 for the Period Under Review are as shown in the table below.

11. FINANCIAL INFORMATION (CONT'D)

No.	Customers	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
1.	Semiconductor Customer 1	100.00%	87.41%	100.00%	100.00%	73.54%
2.	Healthcare Customer Group 1	99.50%	86.29%	96.72%	99.37%	99.19%

Note:-

The conversion rates above were computed based on the value of the completed sales orders divided by the total value of the completed and cancelled sales orders.

Point to note is that although we do not have any long-term contracts with committed quantity and/or contract values in the form of legal agreement with our customers, the order book is in the form of confirmed purchase orders and indicative purchase orders based on the delivery dates as stated in the respective purchase orders.

In addition, our Group does not foresee any issue on the sustainability of our revenue despite the absence of long-term contracts with our customers as we have managed to develop long-standing business relationships with our major customers by providing products that meet their specifications in a timely and consistent manner, however, due to the current conditions in the semiconductor industry as explained in the IMR Report, several purchase orders from our customers originally scheduled for fulfilment in the FYE 30 June 2023 are deferred to the FYE 30 June 2024. Nevertheless, we have maintained a good business relationship with these customers, some for more than 10 years as at the LPD.

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11. FINANCIAL INFORMATION (CONT'D)

11.6 TREND INFORMATION

As at the LPD, saved as disclosed in this Prospectus, our operations have not been or are not expected to be affected by any of the following:-

- (i) Known trends, uncertainties, demands, commitments or events that have material effect on our revenue, income from continuing operations, profitability, and liquidity or capital resources, save as set out in Sections 6, 7, 8 and 11 of this Prospectus; and
- (ii) Known factors which are likely to have a material effect on our financial condition and results of operations or that would cause our Group's financial statements to not be necessarily indicative of our future financial performance and position; and
- (iii) Known trends, uncertainties, demands, commitments or events that have material effect on the state of our order book since FYE 30 June 2023, save as set out in Sections 6, 7, 8 and 11 of this Prospectus; and
- (iv) Material commitment for capital expenditure, save as set out in Section 11.4.5 of this Prospectus; and
- (v) 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 set out in Sections 6, 7, 8 and 11 of this Prospectus.

11.7 DIVIDENDS AND DIVIDEND POLICY

Our ability to pay dividends is dependent upon various factors including, but not limited to, our financial performance, cash flow requirements and capital expenditure plans. Our Board intends to recommend and distribute a dividend of at least 25.00% to 50.00% of our annual audited consolidated PAT attributable to the owners of our Company after deducting non-operating income. Any dividend declared will be at the discretion of our Board and any final dividends declared will be subject to the approval of our shareholders at our AGM.

You should take note that this dividend policy merely describes our current intention and shall not constitute legally binding statements in respect of our future dividends that are subject to our Board's discretion.

When recommending the final dividends for approval by shareholders or when declaring any interim dividends, our Board will consider factors which include, but not limited to, the following:-

- (i) Our anticipated future operating conditions as well as future expansion, capital expenditure and investment plan; and
- (ii) Our operating cash flow requirements and financing commitments; and
- (iii) Our expected financial performance including return on equity and retained profits; and
- (iv) Any restrictive covenants contained in our current and future financing arrangements; and
- (v) The availability of adequate reserves and cash flows; and
- (vi) Any material impact of tax laws and regulatory requirements.

Actual dividends proposed and distributed may vary depending on our financial performance and cash flows, and may be waived if the payment of the dividends would adversely affect our

11. FINANCIAL INFORMATION (CONT'D)

cash flows and operations. There is no dividend restriction being imposed on our Group currently.

Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal business activity). No withholding tax is imposed on the above transactions. Potential investors are advised to consult their professional tax advisors if they are in any doubt as to the taxation implication of subscribing, holding or disposing of and dealing in our Shares.

The dividends distributed and paid by our Group to our Promoters for the Period Under Review are as summarised in the table below.

No.	Items	FYE 30 June 2019	FYE 30 June 2020	FYE 30 June 2021	FYE 30 June 2022	FYE 30 June 2023
		RM'000	RM'000	RM'000	RM'000	RM'000
1.	Dividends distributed	-	-	11,166	⁽¹⁾ 33,742	-
2.	Dividends paid	-	-	11,166	⁽¹⁾ 24,425	-

Note:-

⁽¹⁾ Out of approximately RM33.74 million for the FYE 30 June 2022, there was no actual payment of approximately RM9.32 million made by our Group as this dividend distribution was used to offset against the HKEX IPO expenses paid previously by our Group on behalf of CPSM Holding.

Apart from the dividends distributed and paid as disclosed above, we do not intend to distribute and pay any dividends prior to our Listing.

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11. FINANCIAL INFORMATION (CONT'D)

11.8 REPORTING ACCOUNTANTS' REPORT ON THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION



The Board of Directors
CPE Technology Berhad
No. 6, Jalan Indah Gemilang 5
Taman Perindustrian Gemilang
81800 Ulu Tiram
Johor

27 October 2023

PwC/SRO/LHK/WST/CW

Dear Sirs,

**CPE Technology Berhad
Reasonable Assurance Report on the Compilation of Pro-Forma Consolidated Statement
of Financial Position as at 30 June 2023**

We have completed our reasonable assurance engagement to report on the compilation of the Pro-Forma Consolidated Statement of Financial Position of CPE Technology Berhad (“the Company”) and its subsidiaries (“the Group”) as at 30 June 2023 together with the notes thereon (“the Pro-Forma Consolidated Statement of Financial Position”). The Pro-Forma Consolidated Statement of Financial Position (which we have stamped for the purpose of identification), has been compiled by the directors of the Company for inclusion in the Prospectus of the Company approved by the Board of Directors of the Company on 27 October 2023 in connection with the initial public offering (“IPO”) of the ordinary shares of the Company and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad (the “Listing”).

The applicable criteria on the basis of which the directors have compiled the Pro-Forma Consolidated Statement of Financial Position are described in the notes thereon to the Pro-Forma Consolidated Statement of Financial Position and are specified in paragraph 9.18 of Chapter 9 Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia (“SC”) (“Prospectus Guidelines”).

The Pro-Forma Consolidated Statement of Financial Position has been compiled by the directors of the Company, for illustrative purposes only, to show the effects of the events or transactions as set out in the notes thereon to the Pro-Forma Consolidated Statement of Financial Position on the Company’s Consolidated Statement of Financial Position as at 30 June 2023 presented had the events and transactions been effected at that date, 30 June 2023. As part of this process, information about the Company’s Consolidated Financial Position as at 30 June 2023 has been extracted by the directors of the Company from the Company’s audited historical consolidated financial statements for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 as contained in the Company’s Accountants’ Report dated 27 October 2023, on which an audit opinion has been issued.

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11. FINANCIAL INFORMATION (CONT'D)



**The Board of Directors
CPE Technology Berhad
PwC/SRO/LHK/WST/CW
27 October 2023**

**CPE Technology Berhad
Reasonable Assurance Report on the Compilation of Pro-Forma Consolidated Statement
of Financial Position as at 30 June 2023 (continued)**

**Directors' Responsibilities for the Pro-Forma Consolidated Statement of Financial
Position**

The directors are responsible for compiling the Pro-Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro-Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the Malaysian Institute of Accountants' ("MIA") Guidance Note for Issuers of Pro-Forma Financial Information.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion as required by the Prospectus Guidelines, about whether the Pro-Forma Consolidated Statement of Financial Position has been compiled, in all material respects, by the directors of the Company on the basis set out in the notes thereon to the Pro-Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the MIA's Guidance Note for Issuers of Pro-Forma Financial Information.

We conducted our engagement in accordance with the approved standard on assurance engagements in Malaysia, International Standard on Assurance Engagements 3420 "*Assurance Engagements to Report on the Compilation of Pro-Forma Financial Information Included in a Prospectus*" ("ISAE 3420"), issued by the MIA. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the directors of the Company have compiled, in all material respects, the Pro-Forma Consolidated Statement of Financial Position on the basis set out in the notes thereon to the Pro-Forma Consolidated Statement of Financial Position in accordance with the requirements of the Prospectus Guidelines and with the MIA's Guidance Note for Issuers of Pro-Forma Financial Information.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro-Forma Consolidated Statement 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 Statement of Financial Position. In providing this opinion, we do not accept any responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

The purpose of the Pro-Forma Consolidated Statement of Financial Position included in the Prospectus is solely to illustrate the impact of significant events or transactions on the unadjusted audited Consolidated Statement of Financial Position of the Company as at 30 June 2023 ("Unadjusted Financial Information") as if the events had occurred or the transactions had been undertaken as at 30 June 2023 for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions at that date would have been as presented.

11. FINANCIAL INFORMATION (CONT'D)



**The Board of Directors
CPE Technology Berhad
PwC/SRO/LHK/WST/CW
27 October 2023**

**CPE Technology Berhad
Reasonable Assurance Report on the Compilation of Pro-Forma Consolidated Statement
of Financial Position as at 30 June 2023 (continued)**

Reporting Accountants' Responsibilities (continued)

A reasonable assurance engagement to report on whether the Pro-Forma Consolidated Statement of Financial Position has been compiled, in all material respects, on the basis of the applicable criteria, involves performing procedures to assess whether the applicable criteria as disclosed in the notes thereon used by the directors of the Company in the compilation of the Pro-Forma Consolidated Statement of Financial Position provides 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 Statement 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 Company and its subsidiaries, the events or transactions in respect of which the Pro-Forma Consolidated Statement of Financial Position has been compiled, and other relevant engagement circumstances. The engagement also involves evaluating the overall presentation of the Pro-Forma Consolidated Statement of Financial Position.

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

Independence and Quality Management

We have complied with the independence and ethical requirements of the By-Laws (on Professional Ethics, Conduct and Practice) of the MIA and the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code"), which are founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality, and professional behaviour.

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

11. FINANCIAL INFORMATION (CONT'D)



**The Board of Directors
CPE Technology Berhad
PwC/SRO/LHK/WST/CW
27 October 2023**

**CPE Technology Berhad
Reasonable Assurance Report on the Compilation of Pro-Forma Consolidated Statement
of Financial Position as at 30 June 2023 (continued)**

Our Opinion

In our opinion, the Pro-Forma Consolidated Statement of Financial Position as at 30 June 2023 has been compiled, in all material respects, on the basis set out in the notes thereon to the Pro-Forma Consolidated Statement of Financial Position and in accordance with the requirements of the Prospectus Guidelines and the MIA's Guidance Note for Issuers of Pro Forma Financial Information.

Restriction on Distribution and Use

This report is issued for the sole purpose of inclusion in the Prospectus of the Company in connection with the IPO and the Listing and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our report is shown or into whose hands it may come.

Yours faithfully,

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Johor Bahru

LIM HUCK KHAM
03192/06/2025 J
Chartered Accountant

11. FINANCIAL INFORMATION (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023

11. FINANCIAL INFORMATION (CONT'D)

CPE TECHNOLOGY BERHAD PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

1. INTRODUCTION

The Pro-Forma Consolidated Statement of Financial Position of CPE Technology Berhad (“the Company”) and its subsidiaries, (“the Group”) as at 30 June 2023, together with the Notes thereon (“Pro-Forma Consolidated SOFP”), of which the directors of the Company are solely responsible, have been prepared solely for illustrative purposes for inclusion in the Prospectus of the Company approved by the Board of Directors of the Company on 27 October 2023 in connection with the initial public offering (“IPO”) comprising a public issue of new ordinary shares of the Company (“Shares”) (“Public Issue”) and an offer for sale of existing Shares (“Offer for Sale”), in conjunction with the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) (“Listing”).

The Pro-Forma Consolidated SOFP has been prepared in accordance with Paragraph 9.18 of Chapter 9 Part II Division I: Equity of the Prospectus Guidelines issued by Securities Commission Malaysia (“SC”) (“Prospectus Guidelines”) and the Malaysian Institute of Accountants’ Guidance Note for Issuers of Pro-Forma Financial Information, for illustrative purposes only to show the effects of the transactions as set out in Note 1.1(a) and 1.1(c) below on the audited Consolidated Statement of Financial Position of the Company as at 30 June 2023 had the events or transactions been effected on 30 June 2023 and should be read in conjunction with the Notes to the Pro-Forma Consolidated SOFP.

The Pro-Forma Consolidated SOFP has been prepared for illustrative purposes only to show the effects of the following transactions based on the assumption that the Public Issue as set out in Note 1.1(a) and Utilisation of Proceeds from the Public Issue as set out in Note 1.1(c) had been effected on 30 June 2023.

1.1 Initial Public Offering, Offer of Sale and Utilisation of Proceeds

The Company will undertake the following transactions in conjunction with and as an integral part of the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities. For purposes of the Pro-Forma Consolidated SOFP, it is assumed that these transactions were completed on 30 June 2023.

(a) IPO - Public Issue

The Company will undertake a Public Issue comprising an issuance of 167,828,700 new Shares (“Issue Shares”), representing approximately 25.00% of the Company’s enlarged issued share capital at the indicative issue price of RM1.07 per Issue Share (“Issue Price”). Based on the Issue Price, the total gross proceeds to be raised from the Public Issue is RM179,576,709.

Upon completion of the Public Issue, the issued share capital of the Company will increase from RM91,397,009 comprising 503,486,091 ordinary shares to approximately RM263,949,000 comprising 671,314,791 ordinary shares after taking into effect the net of fees and expenses directly attributable to the Public Issue as set out in Note 1.1(c) below.

(b) IPO - Offer for Sale

The existing shareholders of the Company (“Selling Shareholders”) will undertake an offer for sale of up to 67,131,000 Shares (“Offer Shares”), representing approximately 10.01% of the Company’s enlarged issued share capital at the indicative issue price of RM1.07 per Offer Share (“Offer Price”).

The Company will not receive any proceeds from the Offer for Sale. Based on the indicative Offer Price, the total gross proceeds raised from the Offer for Sale of up to RM71,830,170 will accrue entirely to the Selling Shareholders and will be utilised by the Selling Shareholders. All fees and expenses relating to the Offer for Sale will be fully borne by the Selling Shareholders.

The Offer for Sale is not illustrated as it has no impact on the Pro-Forma Consolidated SOFP.

11. FINANCIAL INFORMATION (CONT'D)

**CPE TECHNOLOGY BERHAD
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

1. INTRODUCTION (CONTINUED)

1.1 Initial Public Offering, Offer of Sale and Utilisation of Proceeds (continued)

(c) Utilisation of proceeds

For purposes of illustration in the Pro-Forma Consolidated SOFP, the gross proceeds from the Public Issue of RM179,576,709 is expected to be utilised as follows:

No	Details of Utilisation	Amount	Percentage of gross proceeds
		RM'million	%
1.	Acquisition of industrial land and construction of two (2) new factories ⁽¹⁾	69.6	38.8
2.	Purchase of new machineries and equipment and relocation of machines ⁽¹⁾	32.9	18.3
3.	Repayment of bank borrowings ⁽²⁾	18.2	10.1
4.	Part financing other capital expenditure requirements ⁽¹⁾	1.4	0.8
5.	Working capital ⁽¹⁾	46.2	25.7
6.	Defray fees and expenses for the Public Issue and Listing ⁽³⁾	11.3	6.3
Total		179.6	100.0

Notes:

- (1) As the planned utilisation of proceeds for acquisitions are still in a discussion phase and the Group has yet to enter into any definitive agreements with any parties, the proceeds earmarked for expansion of the Group's manufacturing facilities which includes acquisition of industrial land, construction of two (2) new factories, purchase of new machineries and equipment and other capital expenditure (i.e. purchasing of new laptops/desktops and upgrading of IT system/server) together with proceeds earmarked for working capital expenditure purposes, have been included in the deposits, cash and bank balances for purposes of illustration in the Pro-Forma Consolidated SOFP.
- (2) Part of the proceeds will be utilised to (i) fully repay the total balance of the Group's three (3) term loans drawn down to partly finance the construction of the factories with total outstanding balance of RM14.8 million as at 30 June 2023; and (ii) the remaining balance of RM3.4 million is used to partially repay the Group's three (3) term loans with redrawing feature to finance the working capital requirements of the Group with a total outstanding balance of RM4.1 million as at 30 June 2023. All term loans of the Group are not impacted by any penalty on early repayment except for one of the term loans.
- (3) Comprises placement fee, brokerage fees, underwriting commission, professional fees, regulatory fees and miscellaneous expenses. As at 30 June 2023, out of the estimated expenses of approximately RM11.31 million, RM4.28 million has already been incurred of which RM1.19 million are directly attributable to the issuance of new shares and recorded as deferred listing expenses under 'Receivables, deposits and prepayments' as at 30 June 2023 and will be debited against the equity of the Group upon completion of the IPO. The remaining RM2.29 million and RM0.80 million have already been charged to the profit or loss for the financial years ended 30 June 2022 and 2023 respectively. Out of the remaining estimated expenses of RM7.03 million yet to be incurred as at 30 June 2023, RM5.83 million which are directly attributable to the issuance of new ordinary shares will be debited against the share capital of the Company upon completion of the IPO whereas the remaining IPO expenses of approximately RM1.20 million will be charged to the profit or loss.

The IPO and utilisation of proceeds are only illustrated in the Pro-Forma Consolidated SOFP in accordance with Paragraph 9.18 of Chapter 9, Part II Division 1: Equity of the Prospectus Guidelines.

11. FINANCIAL INFORMATION (CONT'D)

**CPE TECHNOLOGY BERHAD
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

2. PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION

The Pro-Forma Consolidated SOFP has been prepared for illustrative purposes only to show the effects on the audited consolidated statement of financial position of the Company as at 30 June 2023 based on the assumption that the transactions set out in Notes 1.1(a) and 1.1(c) had been effected on that date, and should be read in conjunction with the Notes in this section.

	Note	Audited	Pro-Forma Adjustments		Pro-Forma
		Consolidated SOFP as at 30.06.2023	Public Issue (1.1(a))	Utilisation of Proceeds (1.1(c))	Consolidated SOFP as at 30.06.2023
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment		62,639	-	-	62,639
Right-of-use ("ROU") assets		3,460	-	-	3,460
Deferred tax assets		276	-	-	276
Deposits with licensed banks		872	-	-	872
		67,247	-	-	67,247
CURRENT ASSETS					
Inventories		53,667	-	-	53,667
Receivables, deposits and prepayments	2.2(a)	21,586	-	(1,189)	20,397
Contract assets		146	-	-	146
Current tax receivable		220	-	-	220
Deposits, cash and bank balances	2.2(b)	52,719	179,577	(25,220)	207,076
		128,338	179,577	(26,409)	281,506
CURRENT LIABILITIES					
Payables and accrued liabilities		17,101	-	-	17,101
Current tax provision		4,437	-	-	4,437
Borrowings	2.2(c)	7,652	-	(915)	6,737
Lease liabilities		1,179	-	-	1,179
		30,369	-	(915)	29,454
NET CURRENT ASSETS					
		97,969	179,577	(25,494)	252,052
		165,216	179,577	(25,494)	319,299
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	2.2(d)	91,397	179,577	(7,025)	263,949
Capital reorganisation reserves		(86,215)	-	-	(86,215)
Currency translation reserves		5,233	-	-	5,233
Retained profits	2.2(e)	127,273	-	(1,197)	126,076
		137,688	179,577	(8,222)	309,043
NON-CURRENT LIABILITIES					
Borrowings	2.2(c)	23,091	-	(17,272)	5,819
Lease liabilities		2,145	-	-	2,145
Deferred tax liabilities		2,292	-	-	2,292
		27,528	-	(17,272)	10,256
		165,216	179,577	(25,494)	319,299

11. FINANCIAL INFORMATION (CONT'D)

CPE TECHNOLOGY BERHAD PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023

2. PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Note	Audited	Pro-Forma Adjustments		Pro-Forma
		Consolidated SOFP as at 30.06.2023	Public Issue (1.1(a))	Utilisation of Proceeds (1.1(c))	Consolidated SOFP as at 30.06.2023
Supplementary information:					
No. of ordinary shares in issue ('000)	1.1(a)	503,486	167,829	-	671,315
Total assets ⁽¹⁾ (RM'000)		195,585	179,577	(26,409)	348,753
Total liabilities ⁽²⁾ (RM'000)		57,897	-	(18,187)	39,710
Net assets ("NA") ⁽³⁾ (RM'000)		137,688	179,577	(8,222)	309,043
NA per ordinary share (RM)		0.27	N/A	N/A	0.46

Notes:

- 1 - Computed by adding non-current assets with current assets.
2 - Computed by adding non-current liabilities with current liabilities.
3 - Computed by subtracting total assets with total liabilities.

2.1 Basis of preparation

The Pro-Forma Consolidated SOFP as at 30 June 2023 has been prepared based on the audited consolidated SOFP as at 30 June 2023 as contained in the Company's Accountants' Report for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 dated 27 October 2023 ("Accountants' Report") on which an unmodified audit opinion has been issued. The Accountants' Report was prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and Chapter 10 Part II Division 1: Equity of the Prospectus Guidelines issued by the SC.

The Pro-Forma Consolidated SOFP has also been prepared in a manner consistent with the format of audited consolidated SOFP as at 30 June 2023 and accounting policies of the Group.

The Pro-Forma Consolidated SOFP as at 30 June 2023 has been prepared in accordance with the requirements of the Prospectus Guidelines and the Malaysian Institute of Accountants ("MIA")'s Guidance Note for Issuers of Pro-Forma Financial Information, for illustrative purposes only to show the effects of the transactions as set out in Notes 1.1(a) and 1.1(c) on the audited consolidated SOFP of the Company as at 30 June 2023 had the transactions been effected on 30 June 2023, and should be read in conjunction with the Notes to the Pro-Forma Consolidated SOFP. Such information, because of its hypothetical nature, does not give a true picture of the actual effects of the transactions or events on the financial information presented had the transaction or event occurred on 30 June 2023. Further, such information does not purport to predict the Group's future financial position.

2.2 Notes to the Pro-Forma Consolidated Statement of Financial Position

The movement in selected assets and liabilities of the Group are as follows:

(a) Receivables, deposits and prepayments

The movement in receivables, deposits and prepayments is as follows:

	Note	Total RM'000
Audited as at 30 June 2023		21,586
Reclassification of prepayment of directly attributable share issuance costs as a reduction of share capital upon issuance of the new Shares	1.1(c)	(1,189)
As per Pro-Forma Consolidated SOFP		20,397

11. FINANCIAL INFORMATION (CONT'D)

**CPE TECHNOLOGY BERHAD
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

2. PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.2 Notes to the Pro-Forma Consolidated Statement of Financial Position (continued)

(b) Deposits, cash and bank balances

The movements in deposits, cash and bank balances within current assets are as follows:

	Note	Total RM'000
Audited as at 30 June 2023		52,719
Proceeds from Public Issue	1.1(a)	179,577
Repayment of term loans	1.1(c)	(18,187)
Estimated listing expenses	1.1(c)	(7,033)
As per Pro-Forma Consolidated SOFP		207,076

(c) Borrowings

The movements in borrowings are as follows:

	Note	Current RM'000	Non- current RM'000	Total RM'000
Audited as at 30 June 2023		7,652	23,091	30,743
Repayment of term loans	1.1(c)	(915)	(17,272)	(18,187)
As per Pro-Forma Consolidated SOFP		6,737	5,819	12,556

(d) Share capital

The movements in share capital are as follows:

	Note	Number of shares '000	RM'000
Audited as at 30 June 2023		503,486	91,397
Proceeds from Public Issue	1.1(a)	167,829	179,577
Estimated listing expenses which are directly attributable to issuance of new Shares	1.1(c)	-	(5,836)
Reclassification of prepayment of directly attributable share issuance costs as a reduction of share capital upon issuance of the new Shares	1.1(c)	-	(1,189)
As per Pro-Forma Consolidated SOFP		671,315	263,949

11. FINANCIAL INFORMATION (CONT'D)

**CPE TECHNOLOGY BERHAD
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

2. PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

2.2 Notes to the Pro-Forma Consolidated Statement of Financial Position (continued)

(e) Retained profits

The movement in retained profits is as follows:

	Note	RM'000
Audited as at 30 June 2023		127,273
Estimated listing expenses which are not directly attributable to issuance of new Shares	1.1(c)	(1,197)
As per Pro-Forma Consolidated SOFP		126,076

11. FINANCIAL INFORMATION (CONT'D)

**CPE TECHNOLOGY BERHAD
PRO-FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2023**

3 APPROVAL BY BOARD OF DIRECTORS

The Pro-Forma Consolidated SOFP as at 30 June 2023 has been approved for issue in accordance with a resolution of the Board of Directors of CPE Technology Berhad on **27 OCT 2023**

Signed on behalf of the Board of Directors.


LEE CHEN YEONG
DIRECTOR


MU WOON CHAI
DIRECTOR

12. ACCOUNTANTS' REPORT



The Board of Directors
CPE Technology Berhad
No. 6, Jalan Indah Gemilang 5
Taman Perindustrian Gemilang
81800 Ulu Tiram
Johor

27 October 2023

PwC/SRO/CPETB/LHK/WST/CW

Dear Sirs,

Reporting Accountants' Opinion on the Historical Consolidated Financial Statements for the Financial Years Ended 30 June 2019, 2020, 2021, 2022 and 2023 contained in the Accountants' Report of CPE Technology Berhad

Our Opinion

We have audited the accompanying historical consolidated financial statements of CPE Technology Berhad ("the Company") and its subsidiaries ("the Group") which comprise the consolidated statements of financial position as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023, and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "Historical Consolidated Financial Statements"), as set out on pages 5 to 84. The Historical Consolidated Financial Statements have been prepared for purposes of inclusion in the prospectus approved by the Board of Directors of the Company on 27 October 2023 in connection with the initial public offering ("IPO") of the ordinary shares of the Company and the listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing").

In our opinion, the accompanying Historical Consolidated Financial Statements give a true and fair view of the financial position of the Group as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 and of its financial performance and cash flows for each of the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Basis for Opinion

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

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12. ACCOUNTANTS' REPORT (CONT'D)



Reporting Accountants' Opinion on the Historical Consolidated Financial Statements for the Financial Years Ended 30 June 2019, 2020, 2021, 2022 and 2023 contained in the Accountants' Report of CPE Technology Berhad (continued)

Basis for Opinion (continued)

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 Historical Consolidated Financial Statements

The directors of the Company are responsible for the preparation of the Historical Consolidated Financial Statements for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of the Historical Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Historical Consolidated Financial Statements, 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 the Historical Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the Historical Consolidated Financial Statements 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 Historical Consolidated Financial Statements.

12. ACCOUNTANTS' REPORT (CONT'D)



Reporting Accountants' Opinion on the Historical Consolidated Financial Statements for the Financial Years Ended 30 June 2019, 2020, 2021, 2022 and 2023 contained in the Accountants' Report of CPE Technology Berhad (continued)

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

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 skepticism throughout the audit. We also:

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

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

12. ACCOUNTANTS' REPORT (CONT'D)

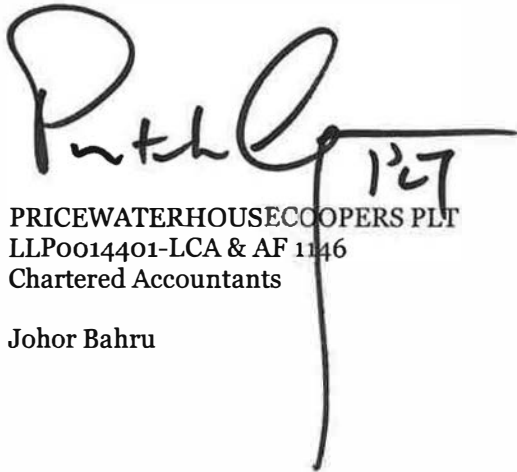


Reporting Accountants' Opinion on the Historical Consolidated Financial Statements for the Financial Years Ended 30 June 2019, 2020, 2021, 2022 and 2023 contained in the Accountants' Report of CPE Technology Berhad (continued)

Restriction on Distribution and Use

This opinion is issued for the sole purpose of inclusion in the prospectus of the Company in connection with the IPO and Listing and should not be used or relied upon for any other purpose. Accordingly, we will not accept any liability or responsibility to any other party to whom our opinion is shown or into whose hands it may come.

Yours faithfully,



PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

Johor Bahru



LIM HUCK KHAM
03192/06/2025 J
Chartered Accountant

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS

1.1 General information, the internal restructuring exercise and basis of presentation

1.1.1 General information

CPE Technology Sdn. Bhd. ("the Company") was incorporated as a private company limited by shares in Malaysia on 26 April 2021. The Company was incorporated to undertake an Internal Restructuring (the "Internal Restructuring"), as described in the Note 1.1.2 to the Historical Consolidated Financial Statements, for the purpose of the initial public offering ("IPO") of the ordinary shares of the Company and the listing of and quotation for the entire enlarged share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") (the "Listing"). On 13 April 2022, the Company converted its private company status to public limited liability company and assumed the name of CPE Technology Berhad.

The Company is an investment holding company. The Company, together with its subsidiaries (as listed in Note 2.20.1) (collectively referred to as "the Group") are principally engaged in the manufacturing and sales/trading of precision machined parts and components using the computer numerical control ("CNC") turning and milling technology and provision of CNC turning and milling services (the "Listing Business"). There have been no significant changes in the nature of these activities during the financial years presented in the historical consolidated financial statements .

The Company's shareholders are Mr. Lee Chen Yeong ("Mr. Lee"), Mr. Foo Ming ("Mr. Foo") and Mr. Mu Woon Chai ("Mr. Mu") who each holds 50%, 30% and 20% shareholding in the Company respectively. Pursuant to the Deed of Confirmation signed on 20 April 2022, the Company's shareholders, Mr. Lee, Mr. Foo and Mr. Mu, have all confirmed that Mr. Lee is the controlling shareholder of the Group throughout the reporting periods covered in the Accountants' Report and after the completion of the Internal Restructuring as disclosed in the Note 1.1.2(a) and 1.1.2(c) to the historical consolidated financial statements.

The addresses of the principal places of business and registered office of the Group are as follows:

Principal places of business

- No. 18, Jalan Istimewa 4, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor, Malaysia.
- No. 4, 5 & 6, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor, Malaysia.
- No. 2, Jalan Indah Gemilang 3, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor, Malaysia.
- No. 5B, Gambas Crescent Nordcom I, Singapore 757038.

Registered office

Up to 30 December 2021

No. 32, Jalan Tanjong 2, Taman Desa Cemerlang, 81800 Ulu Tiram, Johor, Malaysia.

From 31 December 2021

Suite 13.01, 13.02 & 13.03, 13th Floor, City Plaza, Jalan Tebrau, 80300 Johor Bahru, Johor, Malaysia.

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.1 General information, the internal restructuring exercise and basis of presentation (continued)

1.1.2 Internal restructuring exercise

In preparation for the Listing of the Company's ordinary shares on the Main Market of Bursa Securities, the Group underwent the Internal Restructuring exercise as described below:

(a) Transfer of ordinary shares in the MY Subsidiaries (as defined herein) to the Company

On 31 May 2021 and 16 June 2021, the Board of Directors of Platinum Success Holdings Limited ("Platinum Success"), a corporation incorporated in British Virgin Island, controlled by Mr. Lee and owned by Mr. Lee, Mr. Foo and Mr. Mu, resolved to transfer the entire issued and paid-up share capital of Champion Precision Technology Sdn. Bhd. ("Champion PT"), Champion Component Sdn. Bhd. ("Champion C") and Champion Oil Tool Sdn. Bhd. ("Champion Oil") held by Platinum Success to the Company for a total sales consideration in cash of RM45,638,000.

Simultaneously, on 16 June 2021, the Board of Directors of Platinum Success also resolved to novate and assign Platinum Success's rights to the abovementioned cash consideration to its shareholders, Mr. Lee, Mr. Foo and Mr. Mu, who are also the shareholders of the Company, based on their proportion of shareholdings in Platinum Success. However, the cash consideration was not paid by the Company during the financial year ended 30 June 2021. As a result, the cash consideration owed to the shareholders of RM45,638,000 was recorded as the amounts owing to shareholders in the consolidated statement of financial position of the Group as at 30 June 2021.

The transfer of ordinary shares in Champion PT to the Company was completed on 31 May 2021 whereas the transfers of ordinary shares in Champion C and Champion Oil to the Company were completed on 16 June 2021, and resulting thereof, Champion PT, Champion C and Champion Oil became wholly-owned subsidiaries of the Company (hereafter collectively referred to as the MY Subsidiaries).

(b) Issuance of ordinary shares to settle the amounts owing to shareholders

On 13 January 2022, the Company entered into an agreement with the shareholders of the Company and resolved to settle the amounts owing to shareholders of RM45,638,000 by the allotment and issuance of an aggregate total of 198,426,081 ordinary shares of the Company at an issue price of RM0.23 per share to Mr. Lee, Mr. Foo and Mr. Mu based on the respective amounts owing to them as at 31 December 2021. The acquisition of the MY Subsidiaries via cash consideration and the issuance of ordinary shares to settle the purchase consideration are not inter-conditional.

(c) Acquisition of Singapore Subsidiary, Champion PE

On 31 March 2022, the Board of Directors of Platinum Success resolved to transfer the entire issued and paid-up share capital of Platinum Success's wholly-owned subsidiary, Champion Precision Engineering Pte. Ltd. ("Champion PE" or "Singapore Subsidiary"), a private limited liability corporation incorporated in Singapore, to the Company for a sales consideration of RM45,759,000. The purchase consideration was settled by the allotment and issuance of 305,060,000 ordinary shares of the Company at an issue price of RM0.15 each to Mr. Lee, Mr. Foo and Mr. Mu based on their respective shareholdings in Platinum Success following Platinum Success's novation and assignment of its rights to the ordinary shares in Champion PE to its shareholders, who are also the shareholders of the Company. Upon completion of the transfer of ordinary shares of Champion PE to the Company on 31 March 2022, Champion PE became a wholly-owned subsidiary of the Company.

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.1 General information, the internal restructuring exercise and basis of presentation (continued)

1.1.2 Internal restructuring exercise (continued)

The acquisition of the MY Subsidiaries as set out in Note 1.1.2(a) to the historical consolidated financial statements and the acquisition of Champion PE are not inter-conditional.

With the completion of the Internal Restructuring on 31 March 2022, the issued share capital of the Company increased from RM10 comprising 10 ordinary shares to RM91,397,009 comprising 503,486,091 ordinary shares as set out in Note 2.25 to the historical consolidated financial statements.

1.1.3 Basis of presentation

The Historical Consolidated Financial Statements of the Company and its subsidiaries ("the Group") comprise the consolidated statements of financial position of the Group as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 and the consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023, and a summary of significant accounting policies and other explanatory notes (collectively referred to as the "Historical Consolidated Financial Statements").

Prior to the completion of the Internal Restructuring exercise, the MY Subsidiaries and Singapore Subsidiary (collectively referred to as the "Operating Companies") are operating separately. Pursuant to the Internal Restructuring exercise, the Operating Companies were transferred to the Company. The Company has not been involved in any other business prior to the Internal Restructuring exercise. As Mr. Lee has been the ultimate controlling shareholder of the Operating Companies before and after the Internal Restructuring exercise, accordingly, the Internal Restructuring exercise was accounted for as a business combination under common control whereby the predecessor method of accounting as set out in Note 2.2.1 to the historical consolidated financial statements was applied.

Consequently, the Company prepared the Historical Consolidated Financial Statements by combining the financial information of the Company and the Operating Companies as if the group structure upon the completion of the Internal Restructuring exercise had been in existence throughout the periods presented or since the date when the affected entities first came under control of Mr. Lee, whichever is earlier.

The Historical Consolidated Financial Statements for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 reflect:

- The total carrying amount of assets and liabilities of the Company and Operating Companies as of 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023;
- The financial results and cash flows of the Company and Operating Companies for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023; and
- Net of the eliminations of the transactions among the Operating Companies.

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.2 Consolidated statements of comprehensive income

	Note	Financial years ended				
		30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2023 RM'000
REVENUE	2.5	78,352	79,013	93,444	138,846	145,275
COST OF SALES		(54,728)	(58,307)	(58,603)	(83,020)	(93,768)
GROSS PROFIT		23,624	20,706	34,841	55,826	51,507
Other income		856	748	866	676	1,050
Other gains/(losses) - net	2.6	40	730	(1,507)	1,075	1,259
Selling and marketing expenses		(1,417)	(925)	(783)	(1,810)	(2,300)
General and administrative expenses		(7,524)	(7,771)	(7,800)	(11,327)	(10,866)
OPERATING PROFIT	2.7	15,579	13,488	25,617	44,440	40,650
Finance costs	2.9	(1,430)	(1,109)	(783)	(1,073)	(1,590)
Finance income	2.9	14	35	46	48	41
Finance cost - net		(1,416)	(1,074)	(737)	(1,025)	(1,549)
PROFIT BEFORE TAX		14,163	12,414	24,880	43,415	39,101
Tax expenses	2.10	(3,048)	(2,244)	(6,205)	(9,501)	(8,808)
NET PROFIT FOR THE FINANCIAL YEAR		11,115	10,170	18,675	33,914	30,293
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR, NET OF TAX						
Item that may be reclassified to the profit or loss:						
- Currency translation differences		125	221	299	783	3,805
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		11,240	10,391	18,974	34,697	34,098
Earnings per share:						
- Basic and diluted (sen)	2.11	2.21	2.02	3.71	6.74	6.02

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

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.3 Consolidated statements of financial position

		As at				
	Note	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
		RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS						
Property, plant and equipment	2.12	45,153	52,072	48,743	62,452	62,639
Right-of-use assets	2.13	-	2,192	2,097	1,455	3,460
Investment properties	2.14	-	-	-	-	-
Deferred tax assets	2.15	707	180	-	184	276
Prepayments	2.16	267	476	871	-	-
Deposits with licensed banks	2.17	500	719	769	793	872
		<u>46,627</u>	<u>55,639</u>	<u>52,480</u>	<u>64,884</u>	<u>67,247</u>
CURRENT ASSETS						
Inventories	2.18	23,246	14,730	18,788	40,605	53,667
Receivables, deposits and prepayments	2.16	14,059	17,722	18,244	28,741	21,586
Contract assets	2.19	42	42	427	285	146
Amounts due from shareholders	2.20	8,568	9,229	9,317	-	-
Current tax receivable		384	979	575	36	220
Deposits, cash and bank balances	2.17	23,734	32,068	35,085	26,815	52,719
		<u>70,033</u>	<u>74,770</u>	<u>82,436</u>	<u>96,482</u>	<u>128,338</u>
CURRENT LIABILITIES						
Payables and accrued liabilities	2.21	6,443	13,551	7,811	15,811	17,101
Amounts owing to shareholders	2.20	-	-	45,638	-	-
Current tax provision		3,667	2,748	4,218	5,297	4,437
Borrowings	2.22	8,801	3,279	3,645	8,615	7,652
Lease liabilities	2.23	-	1,003	1,090	694	1,179
		<u>18,911</u>	<u>20,581</u>	<u>62,402</u>	<u>30,417</u>	<u>30,369</u>
NET CURRENT ASSETS		<u>51,122</u>	<u>54,189</u>	<u>20,034</u>	<u>66,065</u>	<u>97,969</u>
		<u>97,749</u>	<u>109,828</u>	<u>72,514</u>	<u>130,949</u>	<u>165,216</u>
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY						
Share capital	2.25	-	-	-	91,397	91,397
Capital reorganisation reserves	2.26	5,182	5,182	(40,456)	(86,215)	(86,215)
Currency translation reserves	2.27	125	346	645	1,428	5,233
Retained profits	2.28	79,129	89,299	96,808	96,980	127,273
Shareholders' equity		<u>84,436</u>	<u>94,827</u>	<u>56,997</u>	<u>103,590</u>	<u>137,688</u>
NON-CURRENT LIABILITIES						
Borrowings	2.22	13,175	13,719	13,077	24,932	23,091
Lease liabilities	2.23	-	1,142	994	672	2,145
Deferred tax liabilities	2.15	138	140	1,446	1,755	2,292
		<u>13,313</u>	<u>15,001</u>	<u>15,517</u>	<u>27,359</u>	<u>27,528</u>
		<u>97,749</u>	<u>109,828</u>	<u>72,514</u>	<u>130,949</u>	<u>165,216</u>

* This denotes RM10.

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

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 Consolidated statements of changes in equity

	Share capital RM'000	Capital reorgani- sation reserves RM'000	Currency translation reserves RM'000	Retained profits RM'000	Total RM'000
As at 1 July 2018	-	5,182	-	68,014	73,196
Total comprehensive income:					
- Net profit for the financial year	-	-	-	11,115	11,115
- Other comprehensive income for the financial year, net of tax	-	-	125	-	125
	-	-	125	11,115	11,240
As at 30 June 2019	-	5,182	125	79,129	84,436
As at 1 July 2019	-	5,182	125	79,129	84,436
Total comprehensive income:					
- Net profit for the financial year	-	-	-	10,170	10,170
- Other comprehensive income for the financial year, net of tax	-	-	221	-	221
	-	-	221	10,170	10,391
As at 30 June 2020	-	5,182	346	89,299	94,827
As at 1 July 2020	-	5,182	346	89,299	94,827
Total comprehensive income:					
- Net profit for the financial year	-	-	-	18,675	18,675
- Other comprehensive income for the financial year, net of tax	-	-	299	-	299
	-	-	299	18,675	18,974
Transaction with owners:					
- Issuance of ordinary shares (Note 2.25)	-*	-	-	-	-*
- Capital reorganisation reserve arising from the acquisition of MY Subsidiaries (Note 1.1.2(b))	-	(45,638)	-	-	(45,638)
	-*	(45,638)	-	-	(45,638)
- Dividend paid (Note 2.29)	-	-	-	(11,166)	(11,166)
As at 30 June 2021	-*	(40,456)	645	96,808	56,997

* This denotes RM10.

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.4 Consolidated statements of changes in equity (continued)

	Share capital RM'000	Capital reorgani- sation reserves RM'000	Currency translation reserves RM'000	Retained profits RM'000	Total RM'000
As at 1 July 2021	-*	(40,456)	645	96,808	56,997
Total comprehensive income:					
- Net profit for the financial year	-	-	-	33,914	33,914
- Other comprehensive income for the financial year, net of tax	-	-	783	-	783
	-	-	783	33,914	34,697
Transaction with owners:					
- Issuance of ordinary shares:					
- Settlement of amounts owing to shareholders (Note 1.1.2(b) & 2.20.2)	45,638	-	-	-	45,638
- Acquisition of a subsidiary, Champion Precision Engineering Pte. Ltd. (Note 1.1.2(c))	45,759	(45,759)	-	-	-
	91,397	(45,759)	-	-	45,638
- Dividend paid (Note 2.29)	-	-	-	(33,742)	(33,742)
As at 30 June 2022	<u>91,397</u>	<u>(86,215)</u>	<u>1,428</u>	<u>96,980</u>	<u>103,590</u>
As at 1 July 2022	91,397	(86,215)	1,428	96,980	103,590
Total comprehensive income:					
- Net profit for the financial year	-	-	-	30,293	30,293
- Other comprehensive income for the financial year, net of tax	-	-	3,805	-	3,805
	-	-	3,805	30,293	34,098
As at 30 June 2023	<u>91,397</u>	<u>(86,215)</u>	<u>5,233</u>	<u>127,273</u>	<u>137,688</u>

* This denotes RM10.

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

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 Consolidated statements of cash flows

	Note	Financial years ended				
		30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
		RM'000	RM'000	RM'000	RM'000	RM'000
OPERATING CASH FLOWS						
Net profit for the financial year		11,115	10,170	18,675	33,914	30,293
Adjustments for:						
Property, plant and equipment:						
- depreciation	2.7	4,104	4,622	5,618	6,464	7,453
- loss/(gain) on disposals	2.6	24	(23)	(7)	(257)	(131)
- written-off	2.7	-	19	-	2	81
Depreciation of investment properties	2.7	32	-	-	-	-
Amortisation of right-of-use assets	2.7	-	1,374	1,089	1,003	1,031
Gain on early termination of lease liabilities	2.6	-	-	-	(12)	-
(Reversal of)/additional allowance for slow-moving and obsolete inventories	2.7	(223)	634	263	272	296
Interest income	2.9	(14)	(35)	(46)	(48)	(41)
Interest expenses	2.9	1,430	1,109	783	1,073	1,590
Unrealised foreign currency exchange (gains)/losses	2.6	243	(427)	(77)	64	347
Tax expenses	2.10	3,048	2,244	6,205	9,501	8,808
		19,759	19,687	32,503	51,976	49,727
Changes in working capital:						
Inventories		481	7,779	(4,340)	(22,089)	(12,385)
Receivables		6,926	(4,412)	(873)	(10,426)	9,724
Payables		(6,056)	2,519	(927)	7,351	1,162
		21,110	25,573	26,363	26,812	48,228
Income tax paid		(5,873)	(3,798)	(2,330)	(7,758)	(9,662)
Net operating cash flow		15,237	21,775	24,033	19,054	38,566
INVESTING CASH FLOWS						
Property, plant and equipment						
- purchases	2.12	(923)	(5,031)	(918)	(2,387)	(1,531)
- proceeds from disposals	2.12	37	257	7	279	131
Interest income received		14	35	46	48	41
Additional fixed deposits pledged		(500)	(219)	(50)	(24)	(79)
Net investing cash flow		(1,372)	(4,958)	(915)	(2,084)	(1,438)
FINANCING CASH FLOWS						
Drawn down of term loans	2.24	2,500	2,949	-	5,300	-
Drawn down of trust receipts	2.24	-	-	-	3,318	4,287
Interest expenses paid	2.24	(1,430)	(1,109)	(783)	(1,073)	(1,590)
Repayments of term loans	2.24	(3,405)	(1,203)	(2,867)	(1,827)	(882)
Repayments of trust receipts	2.24	-	-	-	(1,773)	(5,588)
Repayments of hire-purchase liabilities	2.24	(9,109)	(8,386)	(4,457)	(4,668)	(7,337)
Repayments of lease liabilities	2.24	-	(1,419)	(1,063)	(933)	(1,044)
Dividends paid	2.29	-	-	(11,166)	(24,425)	-
Net financing cash flow		(11,444)	(9,168)	(20,336)	(26,081)	(12,154)

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

1 HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

1.5 Consolidated statements of cash flows (continued)

	Note	Financial years ended				
		30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2023 RM'000
NET CHANGE IN CASH AND CASH EQUIVALENTS		2,421	7,649	2,782	(9,111)	24,974
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR		21,612	23,734	32,068	35,085	26,815
EFFECT OF CHANGES IN EXCHANGE RATES ON CASH AND CASH EQUIVALENTS		(299)	685	235	841	930
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR	2.17	<u>23,734</u>	<u>32,068</u>	<u>35,085</u>	<u>26,815</u>	<u>52,719</u>

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

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS

2.1 Basis of preparation

The Historical Consolidated Financial Statements of the Company and its subsidiaries ("the Group") for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia for the purpose of inclusion in the Prospectus of the Company in connection with the IPO of the ordinary shares of the Company and the Listing of the Company on the Main Market of Bursa Securities.

The Historical Consolidated Financial Statements of the Company have been prepared under the historical cost convention except as disclosed in the individual policy statements under the Summary of Significant Accounting Policies as set out in Note 2.2 to the historical consolidated financial statements.

The preparation of the Historical Consolidated Financial Statements of the Company in conformity with MFRS and IFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during each reported period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgements are based on the directors' best knowledge of current events and actions, actual results may differ from these estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Consolidated Financial Statements are disclosed in Note 2.4 to the historical consolidated financial statements.

2.1.1 New standards, amendments to published standards and Issues Committee ("IC") interpretations to existing standards that are applicable to the Group and are effective

The new accounting standards, amendments and improvements to published standards and IC interpretations to existing standards that are effective for the Group's following financial years are as follows:

Financial year beginning on or after 1 July 2018

- Amendments to MFRS 140 'Investment Property – Transfers of Investment Property'
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of the amendments to published standards and IC interpretation to existing standards listed above did not have any impact on the amounts recognised in financial year ended 30 June 2019 or any prior financial periods.

Financial year beginning on or after 1 July 2019

- MFRS 16 'Leases'
- Amendments to MFRS 9 'Prepayment Features with Negative Compensation'
- IC Interpretation 23 'Uncertainty over Income Tax Treatments'
- Annual Improvements to MFRSs 2015-2017 Cycle: Amendments to MFRS 3 'Business Combinations', Amendments to MFRS 112 'Income Taxes' and Amendments to MFRS 123 'Borrowing Costs'

12. ACCOUNTANTS' REPORT (CONT'D)

CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New standards, amendments to published standards and Issues Committee ("IC") interpretations to existing standards that are applicable to the Group and are effective (continued)

Financial year beginning on or after 1 July 2019 (continued)

(i) MFRS 16 'Lease': Simplified retrospective transition method

The Group has applied MFRS 16 'Leases' ("MFRS 16") for the first time in the financial year ended 30 June 2020, with the date of initial application ("DIA") of 1 July 2019 by using the simplified retrospective transition method. Under the simplified retrospective transition method, the 2019 comparative information was not restated and the cumulative effect of initial application of MFRS 16 where the Group is a lessee was recognised as an adjustment to the opening balance of retained profits as at 1 July 2019. The comparative information continued to be reported under previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 'Determining whether an Arrangement Contains a Lease'. The details of the accounting policies on leases are disclosed separately in Note 2.2.14 to the historical consolidated financial statements.

In addition, the Group has elected the practical expedient for not to reassess whether a contract is, or contains a lease at the DIA. Instead, for contracts entered into before the transition date the Group relied on its assessment made when applying MFRS 117 and IC Interpretation 4.

The detailed impact of the change in accounting policies are set out in Note 2.32 to the historical consolidated financial statements.

(ii) IFRS Interpretation Committee ("IFRIC") agenda decisions that are conducted and published

In view that MFRS is fully converged with IFRS, the Group considers all agenda decisions published by the IFRIC. Where relevant, the Group may change its accounting policy to be aligned with the agenda decision. There is no such instance in the financial year ended 30 June 2020.

Other than as disclosed above, the adoption of other amendments to published standards and IC interpretation to existing standards listed above did not have any impact on the amounts recognised in the financial year ended 30 June 2020 or any prior financial periods.

Financial year beginning on or after 1 July 2020

- The Conceptual Framework for Financial Reporting (Revised 2018)
- Amendments to MFRS 3 'Definition of a Business'
- Amendments to MFRS 9, MFRS 139 and MFRS 7 'Interest Rate Benchmark Reform'
- Amendments to MFRS 16 'COVID-19-Related Rent Concessions' (effective 1 June 2020)
- Amendments to MFRS 101 and MFRS 108 'Definition of Material'

The adoption of the conceptual framework and amendments to published standards listed above did not have any impact on the amounts recognised in the financial year ended 30 June 2021 or any prior financial periods.

Financial year beginning on or after 1 July 2021

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions' beyond 30 June 2021 (2021 Amendment) (effective 1 April 2021)
- Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16 'Interest Rate Benchmark Reform—Phase 2'
- IFRIC agenda decision on 'Over Time Transfer of Consumed Goods and Supply Chain Financing Arrangements – Reverse Factoring'

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (continued)

2.1.1 New standards, amendments to published standards and Issues Committee ("IC") interpretations to existing standards that are applicable to the Group and are effective (continued)

The adoption of the amendments to published standards and IFRIC agenda decisions listed above did not have any impact on the amounts recognised in the financial year ended 30 June 2022 or any prior financial periods.

Financial year beginning on or after 1 July 2022

- Amendments to MFRS 3 'Reference to Conceptual Framework'
- Amendments to MFRS 116 Property, Plant and Equipment: 'Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRSs 2018 – 2020: Amendment to MFRS 9 'Fees in the '10 per cent' Test for Derecognition of Financial Liabilities' and Amendments to Illustrative Example 13 accompanying MFRS 16 Leases: 'Lease Incentives'
- IFRIC agenda decision on 'Demand Deposits with Restrictions on Use Arising from a Contract with a Third Party'

The adoption of the amendments to published standards and IFRIC agenda decisions listed above did not have any impact on the amounts recognised in the financial year ended 30 June 2023 or any prior financial periods.

2.1.2 New standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group

There were no new standards, amendments to published standards and IC interpretations to existing standards early adopted by the Group.

2.1.3 New standards, amendments to published standards and IC Interpretation to existing standards that are applicable to the Group but not yet effective and not early adopted

The Group will apply the new standards, amendments to published standards and IC interpretations to existing standards in the following financial periods:

Financial year beginning on or after 1 July 2023

- MFRS 17 'Insurance Contracts' (effective 1 January 2023)
- Amendments to MFRS 17 'Insurance Contracts' (effective 1 January 2023)
- Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS Practice Statement 2 on 'Disclosure of Accounting Policies' (effective 1 January 2023)
- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' and 'Definition of Accounting Estimates' (effective 1 January 2023)
- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities Arising from a Single Transaction' (effective 1 January 2023)
- Amendments to MFRS 112 on 'International Tax Reform – Pillar Two Model Rules' (effective immediate and on 1 January 2023)

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New standards, amendments to published standards and IC Interpretation to existing standards that are applicable to the Group but not yet effective and not early adopted (continued)

Financial year beginning on or after 1 July 2024

- Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current Liabilities and Deferral of Effective Date (2021 Amendments)' and 'Non-current Liabilities with Covenants (2022 Amendments)' (effective 1 January 2024)
- Amendments to MFRS 16 'Leases' on 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024)
- Amendments to MFRS 107 and MFRS 7 on 'Supplier Finance Arrangement' (effective 1 January 2024)

None of these is expected to have a significant effect on the consolidated financial statements of the Group in the financial year of initial application.

- MFRS 17 'Insurance Contracts' replaces MFRS 4 'Insurance Contracts' (effective 1 January 2023). MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 "Revenue from Contracts with Customers". An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.
- Amendments to MFRS 17 and Amendments to MFRS 4 – Extension of the Temporary Exemption from Applying MPFRS 9 (effective 1 January 2023). The amendments defer the effective date of MFRS 17 (incorporating the amendments) and extend the temporary exemptions for MFRS 9.
- Amendments to MFRS 101 'Presentation of Financial Statements' and 'MFRS Practice Statement 2' on 'Disclosure of Accounting Policies' (effective 1 January 2023) requires entities to disclose material accounting policy information rather than their significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosure on MFRS applications.

The amendment explains an accounting policy is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements.

Also, accounting policy information is expected to be material if, without it, the users of the financial statements would be unable to understand other material information in the financial statements. Accordingly, immaterial accounting policy information need not be disclosed. However, if it is disclosed, it should not obscure material accounting policy information.

MFRS Practice Statement 2 was amended to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

No transition requirements.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New standards, amendments to published standards and IC Interpretation to existing standards that are applicable to the Group but not yet effective and not early adopted (continued)

- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' on 'Definition of Accounting Estimates' (effective 1 January 2023) redefined accounting estimates "as monetary amounts in financial statements that are subject to measurement uncertainty". To distinguish from changes in accounting policies, the amendments clarify that effects of a change in an input or measurement technique used to develop an accounting estimate is a change in accounting estimate, if they do not arise from prior financial period errors.

Examples of accounting estimates include:

- (a) a loss allowance for expected credit losses, applying MFRS 9 'Financial Instruments';
- (b) the net realisable value of an item of inventory, applying MFRS 102 'Inventories';
- (c) the fair value of an asset or liability, applying MFRS 13 'Fair Value Measurement';
- (d) the depreciation expense for an item of property, plant and equipment, applying MFRS 116 'Property, Plant and Equipment'; and
- (e) a provision for warranty obligations, applying MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets'.

The amendments shall be applied prospectively.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.
- Amendments to MFRS 112 on 'International Tax Reform – Pillar Two Model Rules' (effective immediate and on 1 January 2023) provide a mandatory temporary exception from the MFRS 112 requirement to recognise and disclose deferred taxes arising from enacted or substantively enacted tax law that implements the Pillar Two Model Rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. This effectively means affected entities do not need to recognise deferred tax arising from the top-up tax due to the Pillar Two Model Rules.

The amendments also introduced the following disclosure requirements for affected companies, and they require entities to disclose:

- (a) the fact that they have applied the exception to recognising and disclosing information about the deferred tax assets and liabilities related to Pillar Two Model Rules;
- (b) their current tax expense (if any) related to the Pillar Two Model Rules; and
- (c) during the period between the legislation being enacted or substantially enacted and the legislation becoming effective, entities will be required to disclose known or reasonably estimable information that would help users of financial statements to understand an entity's exposure to Pillar Two Model Rules arising from that legislation. If this information is not known or reasonably estimable, entities are instead required to disclose a statement to that effect and information about their progress in assessing the exposure.

The amendments on the mandatory exception rule and the requirement to disclose the fact that the exception has been applied are effective immediately and are applied retrospectively in accordance with MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors'.

However, the disclosures on current tax expense and known or reasonably estimated exposure to Pillar Two Model Rules are effective for financial statements with annual reporting periods beginning on or after 1 January 2023, but these disclosures are not required to be disclosed in the interim financial reports for any interim period ending on or before 31 December 2023.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.1 Basis of preparation (continued)

2.1.3 New standards, amendments to published standards and IC Interpretation to existing standards that are applicable to the Group but not yet effective and not early adopted (continued)

- There are two amendments to MFRS 101 'Presentations of Financial Statements' (effective 1 January 2024). The first amendments, 'Classification of Liabilities as Current or Non-current Liabilities' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

The second amendments, 'Non-current Liabilities with Covenants' specify that covenants of loan arrangements which an entity must comply with only after the reporting date would not affect classification of a liability as current or non-current at the reporting date. However, those covenants that an entity is required to comply with on or before the reporting date would affect classification of a liability as current or non-current, even if the covenant is only assessed after the reporting date.

The amendments shall be applied retrospectively.

- Amendments to MFRS 16 'Lease' on 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024) specify the measurement of the lease liability arises in a sale and leaseback transaction that satisfies the requirements in MFRS 15 'Revenue from Contracts with Customers' to be accounted for as a sale. In accordance with the amendments, the seller-lessee shall determine the 'lease payments' or 'revised lease payments' in a way that it does not result in the seller-lessee recognising any amount of the gain or loss that relates to the right of use it retains.

The amendments shall be applied retrospectively to sale and leaseback transactions entered into after the date when the seller-lessee initially applied MFRS 16.

- Amendments to MFRS 107 and MFRS 7 on 'Supplier Finance Arrangements' (effective 1 January 2024) require entities to disclose additional information about supplier finance arrangements ("SFAs") to enhance the transparency of SFAs and their effect on an entity's liabilities, cash flows and exposure to liquidity risk.

New disclosures under the amendments to MFRS 107 and MFRS 7 include:

- (a) the terms and conditions of SFAs;
- (b) the carrying amount of financial liabilities that are part of SFAs and the line items in which those liabilities are presented;
- (c) the carrying amount of the financial liabilities in (b) above for which suppliers have already received payment from the finance providers;
- (d) the range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements;
- (e) the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of SFAs; and
- (f) liquidity risk information (e.g. concentration of risks; access to SFA facilities for liquidity requirement).

New processes and controls may be required to ensure the complete and accurate gathering of relevant information for the disclosures above.

The amendments provided the following transition reliefs in the first year of application:

- (a) Comparative information is not recognised during the first year the entity applies the amendments;
- (b) Entities are not recognised to disclose information as shown in (c) and (d) in the above paragraph; and
- (c) The new disclosure are not recognised in the interim financial statements during the first year of application.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these Historical Consolidated Financial Statements are set out below. Unless otherwise stated, the following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Historical Consolidated Financial Statements.

2.2.1 Basis of consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has the right to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the predecessor method of accounting to account for business combinations under common control. Under the predecessor method of accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts in the respective financial statements of the group entities and adjusted to ensure uniform accounting policies within the Group. The difference between the consideration paid to acquire the Operating Companies and the carrying amount of the net assets acquired (as of the date of the transaction) is included in capital reorganisation reserves. In addition, the legal share capital of the Operating Companies prior to the incorporation of the Company is also included in the capital reorganisation reserves. No additional goodwill is recognised.

The Operating Companies' results (including the retained profits) are included in the consolidated financial statements of the Group retrospectively since the day when the Company gained control of the Operating Companies. Comparative amounts in the consolidated financial statements of the Group are presented as if the entities had been consolidated at the previous reporting date.

Inter-company transactions, balances and unrealised gains on transactions between Group entities are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Company.

(c) Disposals of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.1 Basis of consolidation (continued)

(c) Disposals of subsidiaries (continued)

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill (if any) relating to the subsidiaries sold.

2.2.2 Property, plant and equipment

Property plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. See Note 2.2.13 to the historical consolidated financial statements for the accounting policy on borrowings and borrowing costs.

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is de-recognised. The subsequent costs that are included in an asset's carrying amount are depreciated over the revised useful life of the related asset. All other repairs and maintenance are recognised as expenses in the profit or loss during the financial period in which they are incurred.

Gains and losses on disposals are determined by comparing net disposal proceeds with the carrying amount of the assets and are included in the 'other gains/(losses) - net' in the profit or loss.

Freehold land is not depreciated as it has an infinite life. All other property, plant and equipment are depreciated on the straight-line method to allocate the costs of assets to their residual values over their estimated useful lives. The estimated useful lives are as follows:

Buildings	33 years
Renovations	5 years
Plant and machinery	10 years
Furniture, fittings and office equipment	3 - 10 years
Motor vehicles	5 years

Assets under construction are carried as 'capital work-in-progress' and depreciation only commences when the assets are ready for their intended use.

Depreciation continues through idle periods and ceases at earlier of when asset is disposed or classified as non-current assets (or disposal groups) held-for-sale.

Residual values and useful life of assets are reviewed, and adjusted if appropriate, at the end of each reporting period.

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 2.2.4 to the historical consolidated financial statements on accounting policy for impairment of non-financial assets.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.3 Investment properties

Investment properties, comprising principally land and office building, is held for long term rental yields or for capital appreciation or both, and are not occupied by the Group.

Investment property is measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of a qualifying asset.

After initial recognition, investment property is stated at cost less any accumulated depreciation and impairment losses. Investment property is depreciated on the straight-line basis to allocate the cost to its residual value over its estimated useful life of 33 years.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is de-recognised.

Investment property is de-recognised either when it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Gains or losses on disposals are determined by comparing net disposal proceeds with the carrying amount and are included in the profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its cost at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, the carrying amount of the property does not change.

As of 30 June 2018, Champion PT has an investment property with carrying value of RM6,812,000 which was subsequently reclassified as property, plant and equipment at the carrying amount of RM6,812,000 during the financial year ended 30 June 2019 as Champion PT had ceased renting to a third party and subsequently utilised for its own principal activities.

2.2.4 Impairment of non-financial assets

Non-current and non-financial assets that have an indefinite useful life, for example freehold land and intangible assets not ready to use, are not subject to amortisation and tested annually for impairment. Non-current and non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-current and non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss. In respect of other non-current and non-financial assets that are subject to depreciation or amortisation, any subsequent increase in recoverable amount is recognised in the profit or loss. The reversal is recognised to the extent of the carrying amount of the affected asset that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.5 Financial assets

(a) Classification

The Group classifies its non-derivative financial assets under the 'amortised cost' measurement category. The classification of debt instruments depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at 'fair value through profit or loss' ("FVTPL"), transaction costs that are directly attributable to the acquisition of the financial asset.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are 'solely payments of principal and interest' ("SPPI").

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flows characteristics of the affected asset. The Group reclassifies debt instruments when and only when its business model for managing those assets changes. The Group classifies its debt instruments under the 'amortised cost' measurement category.

- 'Amortised cost'

Assets that are held for collection of contractual cash flows where those cash flows represent SPPI are measured at 'amortised cost'. Interest income from these financial assets is included in interest income using the effective interest rate method. Any gain or loss arising on de-recognition is recognised directly in the profit or loss and presented in 'other gains/(losses) - net' together with foreign currency exchange gains and losses. Impairment losses are presented as separate line item in the profit or loss.

(d) Subsequent measurement - Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Impairment for debt instruments

The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instruments carried at 'amortised cost'. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Group has two types of financial instruments that are subject to the ECL model:

- Trade receivables and contract assets; and
- Other receivables (including non-trade amounts due from related parties) and deposits.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.5 Financial assets (continued)

(d) Subsequent measurement - Impairment of financial assets (continued)

(i) Impairment for debt instruments (continued)

While cash and cash equivalents are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial.

ECL represents a probability-weighted estimate of the difference between the present value of cash flows according to contract and the present value of cash flows the Group expects to receive, over the remaining life of the financial instrument.

The measurement of ECL reflects:

- an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- the time value of money; and
- reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecast of future economic conditions.

Simplified approach for trade receivables and contract assets

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets. Note 2.3.1(b)(i) to the historical consolidated financial statements sets out the measurement details of ECL.

General 3-stage approach for other receivables (including non-trade amounts due from related parties) and deposits

At each reporting date, the Group measures ECL through loss allowance for impairment at an amount equal to 12 months ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance for impairment at an amount equal to lifetime ECL is required. Note 2.3.1(b)(i) to the historical consolidated financial statements sets out the measurement details of ECL.

(ii) Significant increase in credit risk of financial assets

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

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; or
- significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor in the group and changes in the operating results of the debtor.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.5 Financial assets (continued)

(d) Subsequent measurement - Impairment of financial assets (continued)

(ii) Significant increase in credit risk of financial assets (continued)

Macroeconomic information such as the expected Gross Domestic Product ("GDP") growth rates is incorporated when assessing whether there is a significant increase in credit risk.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

(iii) Definition of default and credit-impaired financial assets

The Group defines a financial instrument as default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria

The Group considers a financial instrument as default, when the counterparty fails to make contractual payment within 90 days when they fall due based on historical collection trend.

Qualitative criteria

The debtor meets unlikeliness to pay criteria, which indicates the debtor is in significant financial difficulty. The Group considers the following instances:

- the debtor is in breach of financial covenants;
- concessions have been made by the lender relating to the debtor's financial difficulty;
- it is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the debtor is insolvent.

Financial instruments that are credit-impaired are assessed on individual basis.

(iv) Groupings of instruments for ECL measured on collective basis

Collective assessment

To measure ECL, trade receivables and contract assets have been grouped together based on their shared credit risk characteristics (i.e. customers' geographical location and/or industry segment) and the days past due. The contract assets relate to unbilled work-in-progress and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the credit loss rates for the contract assets.

Individual assessment

Trade receivables and contract assets which are in default or credit-impaired are assessed individually. Other receivables (including non-trade amounts due from related parties) and deposits are assessed on individual basis for ECL measurement as credit risk information is obtained and monitored separately.

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2.2 Summary of significant accounting policies (continued)

2.2.5 Financial assets (continued)

(d) Subsequent measurement - Impairment of financial assets (continued)

(v) Write-off

Trade receivables and contract assets

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, the debtors are insolvent, or the Group has exhausted all reasonable recovery action (including legal action).

Loss allowance for impairment of trade receivables and contract assets are presented as a separate line item in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables (including non-trade amounts due from related parties) and deposits

The Group write-off financial assets, in whole or in part, when they have exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. The assessment of no reasonable expectation of recovery is based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. The Group may write-off financial assets that are still subject to enforcement activity. Subsequent recoveries of amounts previously written off will result in impairment gains.

2.2.6 Financial liabilities

(a) Classification

The Group classifies its non-derivative financial liabilities measured at 'amortised cost' under the 'other financial liabilities' measurement category. Management determines the classification of its financial liabilities at initial recognition.

'Other financial liabilities'

'Other financial liabilities' are non-derivative financial liabilities with fixed or determinable payments that are not quoted in an active market. 'Other financial liabilities' are recognised as current liabilities unless the Group has an unconditional right to defer payment of the liabilities for at least 12 months after the reporting date. The Group's 'other financial liabilities' comprise 'payables and accrued liabilities', 'amounts owing to shareholders' and 'borrowings' in the consolidated statements of financial position.

(b) Recognition and initial measurement

Financial liabilities are recognised in the consolidated statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

Financial liabilities are initially recognised at fair value, minus, in the case of non-derivative financial liability not at FVTPL, directly attributable transactions costs.

(c) Subsequent measurement

Subsequent to initial recognition, 'other financial liabilities' are measured at amortised cost using the effective interest method.

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2.2 Summary of significant accounting policies (continued)

2.2.6 Financial liabilities (continued)

(d) De-recognition

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another one from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the profit or loss.

2.2.7 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

2.2.8 Inventories

Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, slow-moving or obsolete inventories. Cost is determined on the weighted average basis. Cost of raw materials comprises the purchase price and any other costs that are directly attributable to bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates, discounts, import duties and non-refundable taxes.

The cost of work-in-progress and finished goods consists of raw materials, direct labour, other direct costs and an appropriate proportion of variable and fixed production overhead expenditures, the latter being allocated on the basis of normal production capacity. It excludes borrowing costs (if any).

During the financial year ended 30 June 2023, the Group changed its cost driver in computing the proportion of the variable and fixed production overhead cost for the work-in-progress and finished goods from the machining hours to the specific cost driver at each production process. The revision was accounted for as a change in an accounting estimate and accounted for prospectively. As a result, the cost of work-in-progress and finished goods as at 30 June 2023 has decreased by approximately RM355,000 and increased by approximately RM1,459,000 respectively with corresponding increase in profit after tax of RM839,000 for the financial year ended 30 June 2023.

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

2.2.9 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services rendered in the ordinary course of business. Other receivables generally arise from transactions outside the ordinary course of business of the Group. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, where they are recognised at fair value plus transaction costs. Other receivables are recognised initially at fair value plus transaction costs. Transaction costs include non-refundable taxes and duties.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.9 Trade and other receivables (continued)

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance for impairment. See Notes 2.2.5(d) to the historical consolidated financial statements on the accounting policy for impairment of financial assets.

2.2.10 Contract assets and contract liabilities

Contract asset is the right to consideration for goods or services transferred to the customers, when the right to consideration is conditional on something other than the passage of time. Contract asset is the excess of cumulative revenue earned over the billings to-date. The balance is classified as 'contract assets' under current assets in the consolidated statements of financial position. A contract asset will be reclassified to 'receivables, deposits and prepayments' when the Group's right to consideration is unconditional.

Contract liability is the obligation to transfer goods or services to customer for which the Group has received the consideration or has billed the customer. Contract liability is the excess of the billings to-date over the cumulative revenue earned. Contract liabilities include the other deferred income where the Group has billed or has collected the payment before the goods are delivered or services are provided to the customers. The balance is classified as 'contract liabilities' under current liabilities in the consolidated statements of financial position.

2.2.11 Cash and cash equivalents

For the purpose of the consolidate statements of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Bank overdrafts (if any) which are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents in the consolidated statements of cash flows. In the consolidated statements of financial position, bank overdrafts (if any) are shown within borrowings in current liabilities.

2.2.12 Trade and other payables

Trade payables represent liabilities for goods or services provided to the Group prior to the end of the financial year which are unpaid. Other payables generally arise from transactions outside the ordinary course of businesses of the Group. Trade and other payables are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value net of transaction costs incurred, which include non-refundable taxes and duties.

Trade and other payables are subsequently measured at 'amortised cost' using the effective interest method.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.13 Borrowings and borrowing costs

(a) Borrowings

Borrowings are recognised initially at fair values, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are removed from the consolidated statements of financial position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in the profit or loss within 'finance costs'.

Where the terms of a financial liability are renegotiated and the Group issues equity instruments to a creditor to extinguish all or part of the liability (debt for equity swap), a gain or loss is recognised in the profit or loss, which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

When borrowings measured at amortised cost is modified without this resulting in de-recognition, any gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, shall be recognised immediately in the profit or loss within 'finance costs'.

(b) Borrowing costs

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

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

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

2.2.14 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.14 Leases (continued)

(a) Accounting by lessee

Accounting policies applied from 1 July 2019

From 1 July 2019 upon adoption of MFRS 16, leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group (i.e., the commencement date).

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices in accordance with the principles in MFRS 15 'Revenue from Contracts with Customers'. However, for leases of properties for which the Group is a lessee, it has elected the practical expedient provided in MFRS 16 not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(i) Lease term

In determining the lease term, the Group considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group reassesses the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and affects whether the Group is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities. See accounting policy below on reassessment of lease liabilities.

(ii) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs, if any.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of assets' useful lives or the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the term of the lease. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

The ROU assets are depreciated over the underlying assets' useful life ranging from 2 to 6 years with an extension option included.

ROU assets are presented as a separate line item in the consolidated statements of financial position.

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2.2 Summary of significant accounting policies (continued)

2.2.14 Leases

(a) Accounting by lessee (continued)

Accounting policies applied from 1 July 2019 (continued)

(iii) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase and extension options if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar terms, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The Group presents the lease liabilities as a separate line item in the consolidated statements of financial position. Interest expense on the lease liability is presented within the 'finance cost' in the profit or loss.

(iv) Short-term leases and leases of low value assets

Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise IT equipment and small items of office furniture and equipment with individual value of RM20,000 and below. Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line bases as an expense in the profit or loss.

Accounting policies applied until 30 June 2019

(v) Finance lease

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased assets and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in finance lease liabilities within the borrowings.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.14 Leases (continued)

(a) Accounting by lessee (continued)

Accounting policies applied until 30 June 2019 (continued)

(v) Finance lease (continued)

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate of interest on the remaining balance of the liability. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each financial period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the assets and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease expense.

(vi) Operating lease

Leases of assets where a significant portion of risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred in negotiating and arranging operating leases are capitalised as prepayments and recognised in the profit or loss on a straight-line basis over the lease period.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the financial period in which termination takes place.

(b) Accounting by lessor

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

(i) Operating leases

The Company classifies a lease as an operating lease if the lease does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee. The Group recognises lease payments received under operating lease as lease income under other operating income on a straight-line basis over the lease term.

When assets are leased out under an operating lease, the asset is included in the consolidated statements of financial position based on the nature of the asset. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of underlying asset and recognised as an expense over the lease term on the same basis as lease income.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.14 Leases (continued)

(b) Accounting by lessor (continued)

(ii) Sub-lease classification

When the Group was an intermediate lessor, the subleases were classified as operating leases by reference to the underlying assets.

2.2.15 Current and deferred taxes

Tax expenses for the financial period comprises current and deferred taxes. The income tax expense or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate for each jurisdiction where the entities within the Group operate and generate taxable income adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and unused tax losses, if any. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in 'other comprehensive income' or directly in equity. In this case, the tax is also recognised in 'other comprehensive income' or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date in the countries where the group entities operate and generate taxable income.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is provided in full, using the liability method, on temporary differences arising between the amounts attributed to assets and liabilities for tax purposes (i.e. tax bases) and their carrying amounts in the financial statements. However, deferred tax is not recognised if they arise from the initial recognition of goodwill. Deferred tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply in the financial period when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and unused tax losses, if any, can be utilised.

Deferred tax liability is recognised for all taxable temporary differences associated with investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the parent and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised on deductible temporary differences arising from investments in subsidiaries only to the extent that it is probable the temporary difference will reverse in the future and there is sufficient future taxable profit available against which the deductible temporary difference can be utilised.

Current and deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to taxes levied by the same tax authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.16 Government grants

Grants from the government are recognised as income or offset to expenses at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions. Grants received before the Group complies with all attached conditions are recognised as a liability owing to the government (and included in deferred income within 'payables and accrued liabilities').

Government grants relating to expenses are recognised net of the related expenditure in the profit or loss over the financial periods to match the related expenses for which the grants are intended to compensate. The Group has opted to present on the net basis between the government grants and the related expenses incurred.

Government grants relating to purchase of assets are presented as a reduction of the carrying amount of the related assets. The government grant is recognised in the profit or loss over the life of a depreciable asset as a reduced depreciation expense.

2.2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as 'finance costs' in the profit or loss.

2.2.18 Contingent assets and liabilities

The Group does not recognise contingent assets and liabilities other than those arising from business combinations, but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group, or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts. A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise contingent assets but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.18 Contingent assets and liabilities (continued)

The Group recognises separately the contingent liabilities of the acquiree as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provisions of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with MFRS 15 'Revenue from Contracts with Customers'.

2.2.19 Share capital

(a) Classification

Ordinary shares are classified as equity.

(b) Share issue costs

Incremental costs directly attributable to the issue of new shares are deducted against equity. Incremental costs directly attributable to the issue of new shares that were incurred prior to the completion of the issuance of the new ordinary shares are recognised as a prepayment in consolidated statements of financial position. Costs that relate to the stock market listing (if any), or are otherwise not incremental and directly attributable to issuing new shares, are charged to the profit or loss.

(c) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group or the Company, on or before the end of the reporting period but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are recognised directly in equity.

(d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the number of ordinary shares in issue upon completion of the Internal Restructuring exercise.

Diluted earnings per share

Diluted earnings per share adjusts the figures in the determination of basic earnings per share to take into account:

- the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.20 Revenue

Revenue from contracts with customers

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities.

If contracts involve the sale of multiple elements, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

Revenue is recognised when or as the control of the goods or service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the goods or service may be transferred over time or at a point in time.

Control of the goods or service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the goods or services transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the goods or service. Specific criteria where revenue is recognised are described below.

(a) Sales of precision machined parts and components

The Group's revenue is mainly generated from sale of goods, i.e. precision machined parts and components that are enhanced with computer numerical control ("CNC") turning and milling process.

Revenue from sales of goods is recognised when the Group has transferred the control over the products to the customer, the customer has accepted the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the customer, and either the customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Group has objective evidence that all criteria for acceptance have been satisfied. Past experiences are used to estimate the likelihood and provide for sales return for the goods sold at the time of sale.

Although there are arrangements to deliver the products to the customers, they are not considered as a separate performance obligation but a fulfilment activity as the control of goods does not transfer to the customers before delivery.

No element of financing is deemed present as the sales are made with a credit term of 30 to 90 days, which is consistent with market practice.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.20 Revenue (continued)

Revenue from contracts with customers (continued)

(b) Rendering of service

Revenue from providing CNC turning and milling services is recognised over the financial period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the financial period as a proportion of the total services to be provided.

This allocation method is determined based on the actual machining hours spent relative to the total budgeted machine hours. The revenue for the CNC turning and milling services is recognised over time using the input method. Revenue is recognised over the period of the contract with reference to the progress towards complete satisfaction of that performance obligation. The Group produces or enhances an asset that the customer controls as the asset is produced or enhanced.

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in the profit or loss in the financial period in which the circumstances that give rise to the revision become known by management.

In the case of fixed-price contracts, the customer pays the fixed amount based on a payment schedule. If the services rendered by the Group exceeds the payment made by the customer, a contract asset is recognised. If the payments made by the customer exceed the services rendered, a contract liability is recognised.

A liquidated and ascertained damages will be recognised for any expected non-conformity within and or arising from the Group's products and parts and the service.

2.2.21 Other income

The following items are included under 'other income' or 'finance income' in the profit or loss; where appropriate:

(a) Interest income

Interest income is recognised using the effective interest method. Interest income on financial assets at 'amortised cost' calculated using the effective interest method is recognised in the profit or loss as part of 'finance income'.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance for impairment).

(b) Rental income

Rental income is recognised on an accrual basis in the profit or loss on a straight-line basis over the term of the leases in accordance with the terms of rental agreement or contract. Refer to Note 2.2.14(b) to the historical consolidated financial statements for the accounting policy on lessor accounting.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.21 Other income (continued)

(c) Other income

Any other income is recognised on an accrual basis unless collectability is uncertain.

2.2.22 Employee benefits

(a) Short-term employee benefits

Wages, salaries, social security contributions, paid annual leave and sick leave, bonuses, other employee benefits and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the financial period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as part of 'payables and accrued liabilities' in the consolidated statements of financial position.

The Group recognises a liability and an expense for bonuses, based on the performance of the employees and a formula that takes into consideration the profit attributable to the shareholder(s) of the entities within the Group after certain adjustments. The entities within the Group recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

(b) Post-employment benefits – Defined contribution plans

The Group's post-employment benefit scheme comprises only the defined contribution plan. A defined contribution plan is a pension plan under which the entities within the Group pay fixed contributions into a separate entity (a fund) on a mandatory, contractual or voluntary basis and the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees benefits relating to employee service in the current and prior financial periods.

Certain entities within the Group in Malaysia contribute to the Employee Provident Fund, the national defined contribution plan in Malaysia. The contributions to the said defined contribution plan are charged to the profit or loss in the financial period to which they relate. Once the contributions have been paid to the said defined contribution plan, the entities within the Group have no further payment obligations.

Subsidiary in Singapore

A subsidiary in Singapore contributes to Central Provident Fund, the national defined contribution plan in Singapore. The contributions by the subsidiary range from 7.5% to 17.0% of the employees' monthly basic salary for all the reported financial years, which are determinable by reference to the subsidiary's Human Resource Policy. Once the contributions have been paid, the subsidiary has no further payment obligations.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.23 Foreign currency

(a) Functional and Presentation Currency

Items included in the financial statements of each of the Group entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The functional currency of the Company is Ringgit Malaysia ("RM"). The Historical Consolidated Financial Statements are presented in RM, which is the Company's presentation currency as required by the provisions of the Companies Act 2016 in Malaysia.

(b) Foreign currency transactions and balances

Foreign currency transactions are translated into the functional currency using the foreign currency exchange rates approximating those prevailing at the dates of the transactions or valuation where items are re-measured. Foreign currency exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the end of the financial period using the foreign currency exchange rates approximating those prevailing at the reporting date, are recognised in the profit or loss. All foreign currency exchange gains and losses are presented on net basis in the profit or loss under 'other gains/(losses) – net'.

(c) Group entities

The financial results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Company are translated from their functional currency into the presentation currency of the Company as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing foreign currency exchange rates approximating those prevailing at the reporting date;
- income and expenses for each profit or loss are translated at average foreign currency exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the foreign currency exchange rates prevailing on the transaction dates, in which case income and expenses are translated at the foreign currency exchange rates on the dates of the transactions); and
- all resulting foreign currency exchange differences are recognised as a separate component of 'other comprehensive income'.

Goodwill and fair value adjustments arising on the acquisitions of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing foreign currency exchange rates approximating those prevailing on that date. Foreign currency exchange differences arising are recognised in 'other comprehensive income'.

On consolidation, foreign currency exchange differences arising from the translation of any net investment in foreign entities and borrowings are recognised in 'other comprehensive income'.

On the disposal of a foreign operation, that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, all of the foreign currency exchange differences relating to that foreign operation recognised in 'other comprehensive income' and accumulated in the separate component of equity are reclassified to the profit or loss, as part of the gain or loss on disposal. In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated foreign currency exchange differences is re-attributed to non-controlling interests and is not recognised in the profit or loss.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.2 Summary of significant accounting policies (continued)

2.2.24 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The Group only has one operating segment qualified as reporting segment under MFRS 8, because the operating results of the Group are regularly reviewed by the Group's Chief Operating Decision Maker ("CODM") to make decisions about resources allocation and assessment of performance as a single segment. The Group's CODM has been identified as the Group's Chief Executive Officer, who makes strategic decisions and also holds the position as the executive director of the Company.

2.3 Financial risk management

2.3.1 Financial risk factors

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

Risk management is carried out by the finance department headed by the Chief Financial Officer of the Group (the "Finance Department"). The Finance Department identifies and evaluates financial risks in close co-operation with the entities within the Group for the overall risk management, as well as specific areas, such as foreign currency exchange risk, cash flows and fair value interest rate risk, credit risk and liquidity risk.

(a) Market risk

Market risk is the risk that changes in market prices, such as foreign currency exchange rates, interest rates and other rates/prices will affect the fair value or future cash flows of financial instruments of the Group. The Group is not subject to significant exposure to other price risks apart from those described below:

(i) Price risk

Price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate as a result of changes in market prices (other than interest or foreign currency exchange rates).

The Group's exposure to price risk arises mainly from fluctuation in the prices of key raw materials. The Group manages its price risk by monitoring the prices quoted by various vendors closely and may source from alternate vendors if the price is not competitive.

As at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023, the Group is not exposed to price risk as there is no outstanding purchase contract with variable purchase price.

(ii) Foreign currency exchange risk

Foreign currency exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign currency exchange rates.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency exchange risk (continued)

Foreign currency exchange risks arise from future commercial transactions, and recognised assets and liabilities which are denominated in a currency that is not the functional currency of the entities within the Group. The Group uses natural hedge to the extent possible that payments for foreign currency denominated payables are matched against receivables denominated in the same foreign currency.

The Group's exposure to foreign currency exchange risk, based on the carrying amounts as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 were as follows:

	Functional currencies of group entities		Currencies other than financial currencies of the group entities				Total RM'000
	RM RM'000	SGD RM'000	USD RM'000	EUR RM'000	SGD RM'000	Others RM'000	
<u>As at 30.06.2019</u>							
FINANCIAL ASSETS							
Receivables and deposits (excluding VAT)	1,889	2,833	5,465	2,545	-	-	12,732
Contract assets	42	-	-	-	-	-	42
Amounts due from shareholders	8,568	-	-	-	-	-	8,568
Deposits, cash and bank balances	3,988	4,012	5,295	10,733	197	9	24,234
	<u>14,487</u>	<u>6,845</u>	<u>10,760</u>	<u>13,278</u>	<u>197</u>	<u>9</u>	<u>45,576</u>
FINANCIAL LIABILITIES							
Payables and accrued liabilities (excluding accrued payroll liabilities)	(1,965)	(627)	(510)	(364)	(276)	-	(3,742)
Borrowings	(21,900)	(76)	-	-	-	-	(21,976)
	<u>(23,865)</u>	<u>(703)</u>	<u>(510)</u>	<u>(364)</u>	<u>(276)</u>	<u>-</u>	<u>(25,718)</u>
Net exposure in the statements of financial position	<u>(9,378)</u>	<u>6,142</u>	<u>10,250</u>	<u>12,914</u>	<u>(79)</u>	<u>9</u>	<u>19,858</u>

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency exchange risk (continued)

The Group's exposure to foreign currency exchange risk, based on the carrying amounts as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 were as follows (continued):

	Functional currencies of group entities		Currencies other than functional currencies of the group entities				Total RM'000
	RM RM'000	SGD RM'000	USD RM'000	EUR RM'000	SGD RM'000	Others RM'000	
<u>As at 30.06.2020</u>							
FINANCIAL ASSETS							
Receivables and deposits (excluding VAT)	2,252	1,362	12,150	625	-	-	16,389
Contract assets	42	-	-	-	-	-	42
Amounts due from shareholders	9,229	-	-	-	-	-	9,229
Deposits, cash and bank balances	4,421	12,210	14,545	1,093	512	6	32,787
	<u>15,944</u>	<u>13,572</u>	<u>26,695</u>	<u>1,718</u>	<u>512</u>	<u>6</u>	<u>58,447</u>
FINANCIAL LIABILITIES							
Payables and accrued liabilities (excluding accrued payroll liabilities)	(8,286)	(575)	(154)	(120)	(1,123)	-	(10,258)
Borrowings	(16,946)	(52)	-	-	-	-	(16,998)
Lease liabilities	(1,761)	(384)	-	-	-	-	(2,145)
	<u>(26,993)</u>	<u>(1,011)</u>	<u>(154)</u>	<u>(120)</u>	<u>(1,123)</u>	<u>-</u>	<u>(29,401)</u>
Net exposure in the statements of financial position	<u>(11,049)</u>	<u>12,561</u>	<u>26,541</u>	<u>1,598</u>	<u>(611)</u>	<u>6</u>	<u>29,046</u>
<u>As at 30.06.2021</u>							
FINANCIAL ASSETS							
Receivables and deposits (excluding VAT)	1,242	913	13,698	624	-	-	16,477
Contract assets	427	-	-	-	-	-	427
Amounts due from shareholders	9,317	-	-	-	-	-	9,317
Deposits, cash and bank balances	4,187	6,907	18,856	5,165	733	6	35,854
	<u>15,173</u>	<u>7,820</u>	<u>32,554</u>	<u>5,789</u>	<u>733</u>	<u>6</u>	<u>62,075</u>
FINANCIAL LIABILITIES							
Payables and accrued liabilities (excluding accrued payroll liabilities)	(2,598)	(1,371)	(306)	-	(979)	-	(5,254)
Amounts owing to shareholders	(45,638)	-	-	-	-	-	(45,638)
Borrowings	(16,694)	(28)	-	-	-	-	(16,722)
Lease liabilities	(1,108)	(976)	-	-	-	-	(2,084)
	<u>(66,038)</u>	<u>(2,375)</u>	<u>(306)</u>	<u>-</u>	<u>(979)</u>	<u>-</u>	<u>(69,698)</u>
Net exposure in the statements of financial position	<u>(50,865)</u>	<u>5,445</u>	<u>32,248</u>	<u>5,789</u>	<u>(246)</u>	<u>6</u>	<u>(7,623)</u>

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency exchange risk (continued)

The Group's exposure to foreign currency exchange risk, based on the carrying amounts as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 were as follows (continued):

	Functional currencies of group entities		Currencies other than functional currencies of the group entities				Total
	RM	SGD	USD	EUR	SGD	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>As at 30.06.2022</u>							
FINANCIAL ASSETS							
Receivables and deposits (excluding VAT)	2,441	1,438	20,833	923	43	-	25,678
Contract assets	285	-	-	-	-	-	285
Deposits, cash and bank balances	4,079	3,691	16,133	2,601	1,098	6	27,608
	<u>6,805</u>	<u>5,129</u>	<u>36,966</u>	<u>3,524</u>	<u>1,141</u>	<u>6</u>	<u>53,571</u>
FINANCIAL LIABILITIES							
Payables and accrued liabilities (excluding accrued payroll liabilities)	(4,808)	(443)	(5,012)	-	(828)	-	(11,091)
Borrowings	(32,003)	(1,544)	-	-	-	-	(33,547)
Lease liabilities	(575)	(791)	-	-	-	-	(1,366)
	<u>(37,386)</u>	<u>(2,778)</u>	<u>(5,012)</u>	<u>-</u>	<u>(828)</u>	<u>-</u>	<u>(46,004)</u>
Net exposure in the statements of financial position	<u>(30,581)</u>	<u>2,351</u>	<u>31,954</u>	<u>3,524</u>	<u>313</u>	<u>6</u>	<u>7,567</u>
<u>As at 30.06.2023</u>							
FINANCIAL ASSETS							
Receivables and deposits (excluding VAT)	1,985	789	15,008	574	466	-	18,822
Contract assets	146	-	-	-	-	-	146
Deposits, cash and bank balances	4,140	16,336	28,027	4,571	511	6	53,591
	<u>6,271</u>	<u>17,125</u>	<u>43,035</u>	<u>5,145</u>	<u>977</u>	<u>6</u>	<u>72,559</u>
FINANCIAL LIABILITIES							
Payables and accrued liabilities (excluding accrued payroll liabilities)	(3,260)	(790)	(6,900)	-	(859)	-	(11,809)
Borrowings	(30,416)	(327)	-	-	-	-	(30,743)
Lease liabilities	(1,716)	(1,608)	-	-	-	-	(3,324)
	<u>(35,392)</u>	<u>(2,725)</u>	<u>(6,900)</u>	<u>-</u>	<u>(859)</u>	<u>-</u>	<u>(45,876)</u>
Net exposure in the statements of financial position	<u>(29,121)</u>	<u>14,400</u>	<u>36,135</u>	<u>5,145</u>	<u>(118)</u>	<u>6</u>	<u>26,683</u>

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(a) Market risk (continued)

(ii) Foreign currency exchange risk (continued)

Sensitivity analysis

The following table details the sensitivity analysis when USD, EUR and SGD strengthens/weakens by 5%/10% against the respective functional currencies of the entities within the Group. With all other variables held constant, profit after tax for the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023, and equity of the Group would have been higher/(lower) by approximately:

	30.06.2019	30.06.2020	30.06.2021	30.06.2022	As at 30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
SGD/MYR					
- strengthened 5% (2023: 10%)	(3)	(23)	(9)	12	(27)
- weakened 5% (2023: 10%)	3	23	9	(12)	27
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
USD/MYR					
- strengthened 5%	5	5	52	188	106
- weakened 5%	(5)	(5)	(52)	(188)	(106)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EUR/MYR					
- strengthened 5%	12	2	16	12	7
- weakened 5%	(12)	(2)	(16)	(12)	(7)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
USD/SGD					
- strengthened 5%	384	1,004	1,173	1,026	1,268
- weakened 5%	(384)	(1,004)	(1,173)	(1,026)	(1,268)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
EUR /SGD					
- strengthened 5%	479	58	204	122	378
- weakened 5%	(479)	(58)	(204)	(122)	(378)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

(iii) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rate.

The Group's exposure to interest rate risk is mainly arising from interest earning financial assets and liabilities such as bank balances and fixed deposits with licensed banks, hire-purchase liabilities, trust receipts, term loans and lease liabilities. The Group's fixed interest rate borrowings, which are hire-purchase liabilities are exposed to risk of change in fair value due to changes in interest rates. The Group's floating interest rate borrowings, which are term loans and trust receipts, are exposed to cash flows interest risk due to changes in interest rates. As the Group's fixed interest rate financial assets and financial liabilities are carried at amortised cost, the fair value interest rate risk has no financial impact on the profit or loss of the Group. The Group monitors interest rates at inception to ensure that they are established at favourable rates.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Interest rate risk (continued)

The interest rate profile of the Group's interest-bearing borrowings based on their carrying amounts as of the end of the reporting period was as follows:

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Floating interest rate borrowings	11,865	13,611	10,744	21,286	19,187
Fixed interest rate borrowings	10,111	3,387	5,978	12,261	11,556
	<u>21,976</u>	<u>16,998</u>	<u>16,722</u>	<u>33,547</u>	<u>30,743</u>

Sensitivity analysis

The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment. As at reporting date, in respect of the borrowings which are at the floating interest rate, if the market interest rates had been 50 basis points higher/lower, with all other variables held constant, the net effect on the total equity/profit after tax for the financial years would have been (lower)/higher as follows.

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Impact on profit after tax / total equity:					
- increased by 50 basis points	(45)	(59)	(48)	(86)	(73)
- decreased by 50 basis points	45	59	48	86	73
	<u>45</u>	<u>59</u>	<u>48</u>	<u>86</u>	<u>73</u>

The Group is not exposed to fair value interest rate risk as the fixed interest rate borrowings are not subject to any contractual repricing.

(b) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial assets should a counterparty default on its obligations, as and when they fall due.

The credit risk of the Group mainly arises outstanding receivables from 'receivables and deposits', 'contract assets', 'amounts due from shareholders' and 'deposits, cash and bank balances', where applicable.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant and there was no bad debt incurred throughout the financial years.

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(b) Credit risk (continued)

Management considers the Group to have limited credit risk with its banks as they are licensed, established and reputable banks and are assessed as having low credit risk. The Group's fixed deposits and bank balances are only maintained with licensed and established banks in Malaysia and Singapore. The Group has not incurred significant loss from non-performance by these counterparties in the past and management does not expect so in the future.

(i) Measurement of expected credit losses ("ECL")

The Group's financial assets that are subject to the ECL model are trade receivables, contract assets, other receivables (including non-trade amounts due from related parties) and deposits, fixed deposits and bank balances. While fixed deposits and bank balances placed with banks are also subject to the impairment requirements of MFRS 9, the loss allowance for impairment (if any) is expected to be immaterial as the fixed deposits and bank balances are placed with credit-worthy licensed banks in Malaysia and Singapore.

Trade receivables and contract assets using simplified approach

The Group applies the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables and contract assets.

The Group applies a provision matrix (i.e. net flow rate method) to derive the expected credit loss rates for each ageing band to be applied to trade receivables and contract assets as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023. The expected credit loss rates are based on the payment profiles of sales over a period of 36 months before each reporting date and the corresponding historical credit losses experienced within these periods. The historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomics factors affecting the ability of the customers to settle the receivables if they are expected to have a material impact. The Group has identified the expected GDP growth rate of the countries where its customers operate in to be the most relevant factor, and accordingly adjust the historical credit loss rates based on expected changes in the GDP growth rate. No significant changes to estimation techniques or assumptions were made during the financial years presented.

Based on management assessment, the loss allowance for impairment of trade receivables and contract assets as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 were immaterial.

Other receivables (including non-trade amounts due from related parties) and deposits using general 3-stage approach

The Group uses three (3) categories for other receivables (including non-trade amounts due from related parties) and deposits which reflect the credit risk and how the loss allowance for impairment is determined for each of these categories. A summary of the assumptions underpinning the Group's 3-stage ECL model is as follows:

CATEGORY	GROUP'S DEFINITION OF CATEGORY	BASIS FOR RECOGNISING ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Measurement of expected credit losses ("ECL") (continued)

Other receivables (including non-trade amounts due from related parties) and deposits using general 3-stage approach (continued)

CATEGORY	GROUP'S DEFINITION OF CATEGORY	BASIS FOR RECOGNISING ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due. See Note 2.2.5(d)(ii) to the historical consolidated financial statements.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired. See Note 2.2.5(d)(iii) to the historical consolidated financial statements.	Lifetime ECL (credit-impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of the debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. See Note 2.2.5(d)(v) to the historical consolidated financial statements.	Asset is written off

Based on the above, loss allowance for impairment is measured on either 12-month ECL or lifetime ECL using a PD x LGD x EAD methodology as follows:

- PD ('probability of default') - the likelihood that the debtor would not be able to repay during the contractual period (12-month or lifetime depending on category);
- LGD ('loss given default') - the percentage of contractual cash flows that will not be collected if default happens; and
- EAD ('exposure at default') - the outstanding amount that is exposed to default risk.

In deriving the PD and LGD, the Group considers historical data by each debtor by category and adjusts for forward-looking macroeconomic data. The Group has identified the expected GDP growth rates in the country where the debtor operates in to be the most relevant factor, and accordingly adjusts the historical credit loss rates based on expected changes in GDP growth rates. Loss allowance for impairment is measured at a probability-weighted amount that reflects the possibility that a credit loss occurs and the possibility that no credit loss occurs. No significant changes to estimation techniques or assumptions were made during the financial years presented.

Based on the assessment performed above, all other receivables (including non-trade amounts due from related parties) and deposits of the Group are classified under the performing category and are evaluated for ECL based on 12-month ECL.

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2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(b) Credit risk (continued)

(i) Measurement of expected credit losses ("ECL") (continued)

Other receivables (including non-trade amounts due from related parties) and deposits using general 3-stage approach (continued)

Based on management assessment, the identified loss allowance for impairment of other receivables (including non-trade amounts due from related parties) and deposits as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 were immaterial.

(ii) Information on the Group's credit risk exposure and significant credit risk concentrations

Trade receivables and contract assets using simplified approach

The following table contains an analysis of the credit risk exposure of financial instruments for which no ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

	Expected loss rate	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	As at 30.06.2023 RM'000
Gross carrying amount:						
- Trade receivables:						
- current	0%	11,373	14,685	15,777	24,055	18,016
- overdue – less than 30 days	0%	618	688	102	1,062	149
- overdue – between 31 to 90 days	0%	-	197	3	25	-
- overdue – between 91 to 365 days	0%	9	199	-	-	-
		12,000	15,769	15,882	25,142	18,165
- Contract assets - current	0%	42	42	427	285	146
		12,042	15,811	16,309	25,427	18,311
Loss allowance for impairment		-	-	-	-	-
Net carrying amount		12,042	15,811	16,309	25,427	18,311

Concentration of credit risk arises when a number of customers are engaged in similar business activities or activities within the same geographic region, or when they have similar risk characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions. The Group continuously monitors its portfolios to identify and assess significant concentration of credit risk. The Group considers individual trade receivables balances exceeding 10% of the total trade receivable balances for the analysis of significant concentration of credit risk.

As at 30 June 2019

The Group was exposed to concentration of credit risk on trade receivables from the Group's 4 major external customers amounting to approximately RM7,382,000, which accounted for 62% of the total trade receivables balance.

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2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(b) Credit risk (continued)

- (ii) Information on the Group's credit risk exposure and significant credit risk concentrations (continued)

Trade receivables and contract assets using simplified approach (continued)

As at 30 June 2020

The Group was exposed to concentration of credit risk on trade receivables from the Group's 2 major external customers amounting to approximately RM8,361,000, which accounted for 53% of the total trade receivables balance.

As at 30 June 2021

The Group was exposed to concentration of credit risk on trade receivables from the Group's 4 major external customers amounting to approximately RM9,550,000 which accounted for 60% of the total trade receivables balance.

As at 30 June 2022

The Group was exposed to concentration of credit risk on trade receivables from the Group's 4 major external customers amounting to approximately RM16,602,000 which accounted for 67% of total trade receivables balance.

As at 30 June 2023

The Group was exposed to concentration of credit risk on trade receivables from the Group's 4 major external customers amounting to approximately RM10,814,000 which accounted for 58% of total trade receivables balance.

The Group's major customers are established organisations which have good payment history and long-term business relationship with the Group.

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2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(b) Credit risk (continued)

- (ii) Information on the Group's credit risk exposure and significant credit risk concentrations (continued)

Other receivables (including non-trade amounts due from related parties) and deposits using general 3-stage approach

The following table contains an analysis of the credit risk exposure of other receivables (including non-trade amounts due from related parties) and deposits, for which no ECL allowance is recognised. The gross carrying amount disclosed below represents the Group's maximum exposure to credit risk on these assets:

Group's internal credit rating	Performing RM'000	Under- performing RM'000	Non- Performing RM'000	Written-off RM'000	Total RM'000
Internal rating	A	B	C	D	
ECL rates	0%*	50%	100%	100%	
Basis of recognition of ECL allowance	12 months ECL	Lifetime ECL	Lifetime ECL (credit-impaired)	Assets is written off	
<u>As at 30 June 2019</u>					
Gross carrying amount					
- Amounts due from shareholders	8,568	-	-	-	8,568
- Deposits	732	-	-	-	732
	9,300	-	-	-	9,300
Loss allowance for impairment	-	-	-	-	-
Carrying amount (net of loss allowance)	9,300	-	-	-	9,300
<u>As at 30 June 2020</u>					
Gross carrying amount					
- Other receivables	69	-	-	-	69
- Amounts due from shareholders	9,229	-	-	-	9,229
- Deposits	551	-	-	-	551
	9,849	-	-	-	9,849
Loss allowance for impairment	-	-	-	-	-
Carrying amount (net of loss allowance)	9,849	-	-	-	9,849
<u>As at 30 June 2021</u>					
Gross carrying amount					
- Other receivables	3	-	-	-	3
- Amounts due from shareholders	9,317	-	-	-	9,317
- Deposits	592	-	-	-	592
	9,912	-	-	-	9,912
Loss allowance for impairment	-	-	-	-	-
Carrying amount (net of loss allowance)	9,912	-	-	-	9,912

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2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(b) Credit risk (continued)

- (ii) Information on the Group's credit risk exposure and significant credit risk concentrations (continued)

Other receivables (including non-trade amounts due from related parties) and deposits using general 3-stage approach (continued)

Group's internal credit rating	Performing RM'000	Under- performing RM'000	Non- Performing RM'000	Written-off RM'000	Total RM'000
Internal rating	A	B	C	D	
ECL rates	0%*	50%	100%	100%	
Basis of recognition of ECL allowance	12 months ECL	Lifetime ECL	Lifetime ECL (credit-impaired)	Assets is written off	
<u>As at 30 June 2022</u>					
Gross carrying amount					
- Deposits	536	-	-	-	536
Loss allowance for impairment	-	-	-	-	-
Carrying amount (net of loss allowance)	536	-	-	-	536
<u>As at 30 June 2023</u>					
Gross carrying amount					
- Other receivables	11	-	-	-	11
- Deposits	646	-	-	-	646
Loss allowance for impairment	-	-	-	-	-
Carrying amount (net of loss allowance)	657	-	-	-	657

* Less than 0.5%.

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting its obligations due to shortage of funds.

The Group maintains sufficient level of cash and cash equivalents to meet the operational needs by continuously monitoring actual cash flows. The Group also maintains adequate amount of committed credit facilities with different licensed banks in Malaysia and Singapore. Excess cash may be placed in fixed deposits with reputable government approved licensed banks in the country where the Group entities operate.

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2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

The table below summarises the maturity profile of the Group's financial liabilities based on the remaining period at the respective reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Contractual undiscounted cash flows					Carrying amount RM'000
	Within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000	
<u>As at 30.06.2019</u>						
Payable and accrued liabilities (excluding accrued payroll liabilities)	3,742	-	-	-	3,742	3,742
Borrowings	9,782	2,896	2,706	13,209	28,593	21,976
	<u>13,524</u>	<u>2,896</u>	<u>2,706</u>	<u>13,209</u>	<u>32,335</u>	<u>25,718</u>
<u>As at 30.06.2020</u>						
Payable and accrued liabilities (excluding accrued payroll liabilities)	10,258	-	-	-	10,258	10,258
Borrowings	3,799	1,639	3,540	12,144	21,122	16,998
Lease liabilities	1,077	1,165	-	-	2,242	2,145
	<u>15,134</u>	<u>2,804</u>	<u>3,540</u>	<u>12,144</u>	<u>33,622</u>	<u>29,401</u>
<u>As at 30.06.2021</u>						
Payable and accrued liabilities (excluding accrued payroll liabilities)	5,254	-	-	-	5,254	5,254
Amounts owing to shareholders	45,638	-	-	-	45,638	45,638
Borrowings	4,210	3,518	2,986	9,363	20,077	16,722
Lease liabilities	1,149	1,046	-	-	2,195	2,084
	<u>56,251</u>	<u>4,564</u>	<u>2,986</u>	<u>9,363</u>	<u>73,164</u>	<u>69,698</u>
<u>As at 30.06.2022</u>						
Payable and accrued liabilities (excluding accrued payroll liabilities)	11,091	-	-	-	11,091	11,091
Borrowings	9,756	6,084	6,763	17,805	40,408	33,547
Lease liabilities	754	752	-	-	1,506	1,366
	<u>21,601</u>	<u>6,836</u>	<u>6,763</u>	<u>17,805</u>	<u>53,005</u>	<u>46,004</u>

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2.3 Financial risk management (continued)

2.3.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

	Contractual undiscounted cash flows					Carrying amount RM'000
	Within 1 year RM'000	Between 1 and 2 years RM'000	Between 2 and 5 years RM'000	Over 5 years RM'000	Total RM'000	
<u>As at 30.06.2023</u>						
Payables and accrued liabilities (excluding accrued payroll liabilities)	11,809	-	-	-	11,809	11,809
Borrowings	8,947	6,045	6,249	17,389	38,630	30,743
Lease liabilities	1,295	1,169	1,089	-	3,553	3,324
	<u>22,051</u>	<u>7,214</u>	<u>7,338</u>	<u>17,389</u>	<u>53,992</u>	<u>45,876</u>

2.3.2 Capital risk management

The Group considers its equity as capital as presented in the consolidated statements of financial position. The Group's capital management objectives are to safeguard the Group's ability to continue as a going concern in order to provide returns to the shareholders and to repay/settle the amounts owed to stakeholders, as well as maintaining an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholder(s), issue new shares, return capital to shareholder(s), sell assets to reduce debt, or secure additional debts.

The Group monitors its capital on the basis of gearing ratio. This ratio is calculated as borrowings and lease liabilities divided by total equity.

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at</u> <u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Borrowings and lease liabilities (Note 2.22 & 2.23)	21,976	19,143	18,806	34,913	34,067
Amounts owing to shareholders (Note 2.20.2)	-	-	45,638	-	-
	<u>21,976</u>	<u>19,143</u>	<u>64,444</u>	<u>34,913</u>	<u>34,067</u>
Total equity	<u>84,436</u>	<u>94,827</u>	<u>56,997</u>	<u>103,590</u>	<u>137,688</u>
Gearing ratio	<u>26.0%</u>	<u>20.2%</u>	<u>113.1%</u>	<u>33.7%</u>	<u>24.7%</u>

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2.3 Financial risk management (continued)

2.3.3 Fair value estimation

The Group adopted MFRS 13 'Fair Value Measurement' for financial instruments that are measured in the consolidated statements of financial position at fair values. This requires disclosure of fair value measurements by the level of following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that is not based on observable market data (that is, unobservable inputs) (level 3).

The fair value of financial instruments traded in active markets (i.e. 'financial assets at fair value through profit or loss') is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The Group uses the current bid price as the quoted market price to fair value its financial assets and financial liabilities, where applicable. These instruments are included in Level 1.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) will be determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

(i) Fair value of assets and liabilities that are carried at fair value

As at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023, none of the assets and liabilities of the Group were measured at fair value which required classification under fair value measurement hierarchy in accordance with MFRS 13.

(ii) Fair value of assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of their fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

<u>Financial instruments not carried at fair value</u>	<u>Note</u>
Receivables and deposits	2.16
Deposits, cash and bank balances	2.17
Contract assets	2.19
Amounts due from or owing to shareholders	2.20
Payables and accrued liabilities	2.21
Borrowings – current	2.22

The carrying amounts of the current financial assets and financial liabilities of the Group that are not carried at fair value at the reporting date approximate their fair values because they are mostly short term in nature or are repaid frequently, except for the borrowings.

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2.3 Financial risk management (continued)

2.3.3 Fair value estimation (continued)

- (ii) Fair value of assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of their fair value (continued)

The fair value of the borrowings which are carried at floating interest rate (i.e. term loans and trust receipts), approximate their carrying amount in the consolidated statements of financial position at the reporting date.

The fair value of the borrowings which are carried at fixed interest rate (i.e. hire-purchase liabilities), approximate its carrying amounts in the consolidated statements of financial position at the reporting date as the effect of discounting is not material.

2.4 Critical accounting estimates and judgement

Estimates and judgements are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. The estimate and assumption that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year is outlined as below.

2.4.1 Allowance for slow-moving and obsolete inventories

Allowance for slow-moving and obsolete inventories is made mostly for slow-moving and obsolete work-in-progress and finished goods based on the management's evaluation of the inventory ageing profile and taking into account the consumption and sales patterns of individual item held in inventory estimated based on customer demand. The evaluation requires considerable amount of judgement.

In assessing the adequacy of the allowance for slow-moving and obsolete inventories, management takes into consideration the contractual agreements in place with the customers, historical experience as well as the forward looking forecast on the performance of the industries of its key customers which impact the demand and the timing of delivery of the finished goods. Specifically, the allowance for slow moving and obsolete inventories made as at 30 June 2023 has incorporated the softening of demand during the calendar year 2023 as noted in the industry forecast for its key customers in the semiconductor industry due to geopolitical tensions affecting the global semiconductor industry.

2.5 Revenue

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contracts with customers</u>					
Sales of goods	69,188	63,723	81,063	125,701	131,692
Rendering of services	9,164	15,290	12,381	13,145	13,583
	78,352	79,013	93,444	138,846	145,275
<u>Timing of revenue recognition</u>					
At a point in time	69,188	63,723	81,063	125,701	131,692
Over time	9,164	15,290	12,381	13,145	13,583
	78,352	79,013	93,444	138,846	145,275

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2.5 Revenue (continued)

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Revenue from contracts with customers by geographical locations:</u>					
United States of America	26,483	30,687	42,260	66,189	77,766
Singapore	19,087	25,160	28,019	49,621	46,825
Malaysia	14,054	14,485	17,978	17,702	16,893
Germany	2,616	1,551	2,153	1,267	1,251
Japan	16	95	126	268	1,071
Thailand	-	-	-	549	502
Italy	16,030	6,290	1,961	1,841	495
Portugal	-	-	-	272	263
Switzerland	36	316	331	376	195
Romania	18	13	9	13	10
China	12	2	11	3	4
Vietnam	-	414	596	745	-
	78,352	79,013	93,444	138,846	145,275
	78,352	79,013	93,444	138,846	145,275
<u>Revenue from the major customers contributing over 10% of the total revenue of the Group in any of the financial years are as follows:</u>					
Customer A (Life science and medical devices)	20,717	22,329	23,962	27,858	28,522
Customer B (Semi-Conductor)	150*	1,947*	6,480*	25,399	28,237
Customer C (Semi-Conductor)	6,631*	13,239	16,637	25,153	22,838
Customer D (Semi-Conductor)	-	102*	1,454*	16,115	18,550
Customer E (Sport Equipment)	12,024	13,533	16,077	15,595	15,588
Customer F (Automotive)	16,030	6,290*	1,961*	1,841*	495
	55,552	57,440	66,571	111,961	114,230
	55,552	57,440	66,571	111,961	114,230

* The numbers are presented in the table as their balance were more than 10% in one or more than one of the financial years presented.

Aggregated amounts of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) which will be recognized as revenue in the next 12 months as at 30 June 2021, 30 June 2022 and 30 June 2023 are approximately RM37,270,000, RM85,368,000 and RM50,585,000 respectively.

2.6 Other gains/(losses) – net

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Net foreign currency exchange gain/(loss)					
- realised	307	280	(1,591)	870	1,475
- unrealised	(243)	427	77	(64)	(347)
- gains/(losses) on disposals of property, plant and equipment	(24)	23	7	257	131
- gain on early termination of lease liabilities	-	-	-	12	-
	40	730	(1,507)	1,075	1,259
	40	730	(1,507)	1,075	1,259

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2.7 Operating profit

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Operating profit is arrived at after charging/(crediting):					
Auditors' remuneration					
- statutory audit	226	219	220	327	476
Costs of material consumed	14,552	9,685	15,704	25,162	27,962
Changes in inventories of work-in-progress and finished goods	(492)	(6,012)	2,817	4,775	7,892
(Reversal of)/additional allowance for slow-moving and obsolete inventories	(223)	634	263	272	296
Employee benefit costs (Note 2.8)	22,880	24,491	24,395	30,748	36,660
Government grants (Note 2.8)	(224)	(439)	(402)	(38)	(9)
Depreciation:					
- property, plant and equipment (Note 2.12)	4,104	4,622	5,618	6,464	7,453
- investment properties (Note 2.14)	32	-	-	-	-
Property, plant and equipment written off	-	19	-	2	81
Upkeep, repairs and maintenance	1,818	2,490	1,800	2,750	3,266
Amortisation of right-of-use assets (Note 2.13)	-	1,374	1,089	1,003	1,031
Leases of low value assets and short-term leases	-	114	110	173	197
Rental for:					
- premises	294	-	-	-	-
- equipment	13	-	-	-	-
Utilities	4,034	3,837	3,845	4,440	5,017
Scrap sales*	(514)	(141)	(302)	(523)	(791)
Listing expenses	-	-	-	2,291	802
Reversal on provision of reinstatement	-	-	-	(158)	-
Penalty	-	-	7	135	-

* Under other operating income.

2.8 Employee benefit costs

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Directors' remuneration and emolument:					
Directors' fees	109	110	111	167	385
Salaries and bonus	1,664	1,668	1,675	1,688	1,743
Defined contribution benefit plans	140	140	139	134	142
	1,913	1,918	1,925	1,989	2,270
Other employees:					
Salaries, bonus and other allowances	18,388	20,134	20,044	25,713	30,867
Contribution to defined contribution plans	1,107	1,145	1,238	1,453	1,799
Other employee benefits	1,472	1,294	1,188	1,593	1,724
	20,967	22,573	22,470	28,759	34,390
Total employee benefit costs	22,880	24,491	24,395	30,748	36,660
Government grants	(224)	(439)	(402)	(38)	(9)
Total employee benefit costs, net of government grants	22,656	24,052	23,993	30,710	36,651

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2.8 Employee benefit costs (continued)

Government grants of the Group during the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 are related to various subsidies received by Singapore subsidiary from the Singapore Government, which aims to assist employers in adjusting to the rising labour costs in Singapore. These subsidies include the following schemes:

- (a) 'Wage Credit Scheme' where the Singapore Government will co-fund the wage increases that are given to Singaporean employees with the aim to help employers adjust to the rising wages in the Singapore labour market;
- (b) 'Special Employment Credit' where subsidies are given to enhance the employability of older Singaporeans;
- (c) 'Temporary Employment Credit' where employers receive wage subsidies to offset against the increase in the Central Provident Fund contribution rate;
- (d) 'Productivity and Innovation Credit Scheme' represents the cash pay out to encourage productivity and innovation activities in Singapore; and
- (e) 'Job support scheme' represents the wage support provided to employers to help them retain their local employees (Singapore Citizens and Permanent Residents) during this period of economic uncertainty.

2.9 Finance costs/(income)

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Interest expenses on:					
- Term loans	620	543	365	535	790
- Hire-purchase liabilities	810	486	360	477	668
- Lease liabilities	-	80	58	52	110
- Trust receipts	-	-	-	9	22
	1,430	1,109	783	1,073	1,590
Interest income on:					
- Bank deposits	(14)	(35)	(46)	(48)	(41)
	1,416	1,074	737	1,025	1,549

2.10 Tax expenses

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current income tax					
- Malaysian income tax	(135)	(12)	(3,215)	(6,514)	(5,833)
- foreign income tax	(1,716)	(1,626)	(1,475)	(2,717)	(2,563)
- under/(over) accrual in previous financial year	185	(77)	(29)	(145)	33
	(1,666)	(1,715)	(4,719)	(9,376)	(8,363)
Deferred tax (Note 2.15)					
- current financial year	(1,260)	(348)	(1,687)	(276)	(340)
- (over)/under accrual in previous financial year	(122)	(181)	201	151	(105)
	(1,382)	(529)	(1,486)	(125)	(445)
Tax expenses	(3,048)	(2,244)	(6,205)	(9,501)	(8,808)

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2.10 Tax expenses (continued)

The numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian income tax rate is as follows:

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Profit before tax	14,163	12,414	24,880	43,415	39,101
Tax at statutory income tax rate of 24% for all financial years	(3,399)	(2,979)	(5,971)	(10,420)	(9,384)
Tax effects of:					
- different tax rate in Singapore	770	749	615	1,184	1,082
- different tax rates applied to different levels of taxable income	51	152	70	-	-
- expenses not deductible for tax purposes	(509)	(64)	(1,155)	(271)	(655)
- income not subject to tax	93	156	64	-	-
- reversal of previously recognised temporary differences	(117)	-	-	-	-
- utilisation of previously unrecognised temporary differences	-	-	-	-	221
- over/(under) accrual of current tax in previous financial years	185	(77)	(29)	(145)	33
- (under)/over accrual of deferred tax in previous financial years	(122)	(181)	201	151	(105)
	(3,048)	(2,244)	(6,205)	(9,501)	(8,808)

Subject to confirmation by the Inland Revenue Board of Malaysia, the Malaysian subsidiaries have unused tax losses, unabsorbed capital allowances and other deductible temporary differences as at the following reporting date.

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Unused tax losses	(273)	-	-	-	-
Unabsorbed capital allowances	(142)	-	-	-	-
Other deductible temporary differences	(73)	-	-	-	-
	(488)	-	-	-	-

Deferred tax assets have not been recognised in respect of these items because the criteria to recognise deferred tax assets are not met. The unabsorbed capital allowances and other deductible temporary differences do not have an expiry date under current tax legislation. As announced in Malaysia National Budget 2022, effective from year of assessment 2019, the unused tax losses can now be carried forward up to 10 years as compared to the previous 7 years.

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
- Expiring in 2029	(273)	-	-	-	-

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2.10 Tax expenses (continued)

(a) Malaysia corporate income tax

For the financial years ended 30 June 2019, 30 June 2020 and 30 June 2021, the Malaysian Subsidiaries with a paid-up capital of ordinary shares of RM2.5 million or less at the beginning of the year of assessment enjoys a 17% tax rate on chargeable income of up to RM500,000 under the Income Tax Act 1967 in Malaysia. Any subsequent chargeable income is taxed at 24%.

(b) Singapore Subsidiary corporate income tax

Under the Singapore Income Tax Act, the applicable income tax rate for the Singapore Subsidiary is 17%.

Partial tax exemption scheme in Singapore

Under the Income Tax Act 1947 in Singapore, the entity in Singapore entitled for the partial tax exemption scheme are supported to build their capabilities via the following incentives:

For year of assessment 2019 and before

- 75% exemption on the first SGD10,000 of normal chargeable income; and
- A further 50% exemption on the next SGD290,000 of normal chargeable income.

For year of assessment 2020 onwards

- 75% exemption on the first SGD 10,000 of normal chargeable income; and
- A further 50% exemption on the next SGD190,000 of normal chargeable income.

2.11 Earnings Per Share ("EPS")

Basic EPS of the Group is calculated by dividing the net profit for the financial year attributable to the owners of the Company by the number of ordinary shares in issue upon completion of the Internal Restructuring exercise and applied to all the financial years presented.

	Financial years ended				
	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Net profit for the financial year attributable to owners of the Company (RM'000)	11,115	10,170	18,675	33,914	30,293
Number of ordinary shares in issue upon completion of the Internal Restructuring exercise ('000)	503,486	503,486	503,486	503,486	503,486
Basic earnings per share (sen)	<u>2.21</u>	<u>2.02</u>	<u>3.71</u>	<u>6.74</u>	<u>6.02</u>

Diluted EPS is similar to Basic EPS as the Company does not have any potential dilutive ordinary shares.



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2.12 Property, plant and equipment

	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Plant and machinery RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2019							
Cost							
As at 01.07.2018	5,393	6,891	2,146	81,026	2,563	328	98,347
Additions	-	-	334	34	175	113	656
Disposals	-	(26)	(321)	(921)	(354)	(50)	(1,672)
Transfer	3,829	3,133	-	-	-	-	6,962
Currency translation differences	-	-	10	35	20	-	65
As at 30.06.2019	9,222	9,998	2,169	80,174	2,404	391	104,358
Accumulated depreciation							
As at 01.07.2018	-	1,377	1,599	51,410	1,906	209	56,501
Depreciation	-	269	212	3,381	188	54	4,104
Disposals	-	-	(321)	(921)	(319)	(50)	(1,611)
Transfer	-	150	-	-	-	-	150
Currency translation differences	-	-	12	33	16	-	61
As at 30.06.2019	-	1,796	1,502	53,903	1,791	213	59,205
Carrying amount							
As at 30.06.2019	9,222	8,202	667	26,271	613	178	45,153
2020							
Cost							
As at 01.07.2019	9,222	9,998	2,169	80,174	2,404	391	104,358
Additions	-	-	2,854	8,500	440	-	11,794
Disposals	-	-	-	(7,128)	(76)	-	(7,204)
Written off	-	-	(378)	(450)	(66)	-	(894)
Currency translation differences	-	-	1	-	2	1	4
As at 30.06.2020	9,222	9,998	4,646	81,096	2,704	392	108,058
Accumulated depreciation							
As at 01.07.2019	-	1,796	1,502	53,903	1,791	213	59,205
Depreciation	-	299	587	3,546	138	52	4,622
Disposals	-	-	-	(6,916)	(54)	-	(6,970)
Written off	-	-	(369)	(448)	(58)	-	(875)
Currency translation differences	-	-	1	1	1	1	4
As at 30.06.2020	-	2,095	1,721	50,086	1,818	266	55,986
Carrying amount							
As at 30.06.2020	9,222	7,903	2,925	31,010	886	126	52,072

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2.12 Property, plant and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Plant and machinery RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2021							
Cost							
As at 01.07.2020	9,222	9,998	4,646	81,096	2,704	392	108,058
Additions	-	-	15	2,203	68	-	2,286
Disposal	-	-	-	(54)	-	-	(54)
Currency translation differences	-	-	2	1	2	1	6
As at 30.06.2021	9,222	9,998	4,663	83,246	2,774	393	110,296
Accumulated depreciation							
As at 01.07.2020	-	2,095	1,721	50,086	1,818	266	55,986
Depreciation	-	300	755	4,301	217	45	5,618
Disposal	-	-	-	(54)	-	-	(54)
Reclassification	-	-	-	52	(52)	-	-
Currency translation differences	-	-	-	-	2	1	3
As at 30.06.2021	-	2,395	2,476	54,385	1,985	312	61,553
Carrying amount							
As at 30.06.2021	9,222	7,603	2,187	28,861	789	81	48,743
2022							
Cost							
As at 01.07.2021	9,222	9,998	4,663	83,246	2,774	393	110,296
Additions	2,431	4,404	146	12,903	86	223	20,193
Disposals	-	-	-	(747)	(111)	(84)	(942)
Written off	-	-	(572)	(517)	(876)	-	(1,965)
Currency translation differences	-	-	7	1	11	2	21
As at 30.06.2022	11,653	14,402	4,244	94,886	1,884	534	127,603
Accumulated depreciation							
As at 01.07.2021	-	2,395	2,476	54,385	1,985	312	61,553
Depreciation	-	377	759	5,068	188	72	6,464
Disposals	-	-	-	(747)	(89)	(84)	(920)
Written off	-	-	(572)	(515)	(876)	-	(1,963)
Currency translation differences	-	-	5	2	10	-	17
As at 30.06.2022	-	2,772	2,668	58,193	1,218	300	65,151
Carrying amount							
As at 30.06.2022	11,653	11,630	1,576	36,693	666	234	62,452

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2.12 Property, plant and equipment (continued)

	Freehold land RM'000	Buildings RM'000	Renovations RM'000	Plant and machinery RM'000	Furniture and office equipment RM'000	Motor vehicles RM'000	Total RM'000
2023							
Cost							
As at 01.07.2022	11,653	14,402	4,244	94,886	1,884	534	127,603
Additions	-	-	61	7,556	85	-	7,702
Disposals	-	-	-	(1,431)	(3)	-	(1,434)
Written off	-	-	-	(347)	(136)	-	(483)
Currency translation differences	-	-	28	9	32	21	90
As at 30.06.2023	11,653	14,402	4,333	100,673	1,862	555	133,478
Accumulated depreciation							
As at 01.07.2022	-	2,772	2,668	58,193	1,218	300	65,151
Depreciation	-	432	704	6,066	175	76	7,453
Disposals	-	-	-	(1,431)	(3)	-	(1,434)
Written off	-	-	-	(284)	(118)	-	(402)
Currency translation differences	-	-	24	9	27	11	71
As at 30.06.2023	-	3,204	3,396	62,553	1,299	387	70,839
Carrying amount							
As at 30.06.2023	11,653	11,198	937	38,120	563	168	62,639

The net cash outflow for the acquisition of property, plant and equipment are as follows:

	Financial years ended				
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2023 RM'000
Acquisition during the financial year (Less)/add:	(656)	(11,794)	(2,286)	(20,193)	(7,702)
- Advances made to suppliers during the financial year	(267)	(476)	(871)	-	-
- Repayment to other payables	-	-	-	-	(461)
- Acquisition under hire-purchase liabilities	-	1,662	1,763	10,949	6,632
- Acquisition under term loan	-	-	-	5,525	-
- Advances made to suppliers in the previous financial year	-	267	476	871	-
- Outstanding amounts remain unpaid in other payables	-	5,310	-	461	-
Net cash outflow for the acquisition	(923)	(5,031)	(918)	(2,387)	(1,531)

For the purpose of the consolidated statements of cash flows, the net proceeds from disposals of property, plant and equipment are as follows:

	Financial years ended				
	30.06.2019 RM'000	30.06.2020 RM'000	30.06.2021 RM'000	30.06.2022 RM'000	30.06.2023 RM'000
Net carrying amount of disposed assets (Loss)/gain on disposals of property, plant and equipment (Note 2.6)	61	234	-	22	-
	(24)	23	7	257	131
Proceeds from disposals of property, plant and equipment	37	257	7	279	131

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2.12 Property, plant and equipment (continued)

As at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023, the carrying amounts of freehold land and buildings acquired under term loans (please refer to Note 2.22 for details) and pledged as securities by the two subsidiaries in Malaysia are as follows:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at</u> <u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Freehold land	9,222	9,222	9,222	11,653	11,653
Buildings	8,202	7,903	7,603	11,630	11,198
	<u>17,424</u>	<u>17,125</u>	<u>16,825</u>	<u>23,283</u>	<u>22,851</u>

The carrying amount of the assets (i.e. machines and motor vehicles) acquired under hire-purchase arrangement as at 30 June 2023 amounted to approximately RM17,497,000 (2022: RM18,034,000, 2021: RM8,300,000, 2020: RM14,404,000, 2019: RM16,723,000).

2.13 Right-of-use assets

	<u>Factory lot</u>	<u>Residential</u>	<u>Total</u>
	RM'000	units RM'000	RM'000
2020			
Cost			
As at 01.07.2019	-	-	-
- as previously reported			
- effects of adoption of MFRS 16 (Note 2.32)	2,356	1,208	3,564
- as restated	2,356	1,208	3,564
Currency translation differences	4	-	4
As at 30.06.2020	<u>2,360</u>	<u>1,208</u>	<u>3,568</u>
Accumulated amortisation			
As at 01.07.2019	-	-	-
Amortisation	1,020	354	1,374
Currency translation differences	2	-	2
As at 30.06.2020	<u>1,022</u>	<u>354</u>	<u>1,376</u>
Carrying amount			
As at 30.06.2020	<u>1,338</u>	<u>854</u>	<u>2,192</u>

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2.13 Right-of-use assets (continued)

<u>2021</u>	<u>Factory lot</u>	Residential	<u>Total</u>
Cost	RM'000	units RM'000	RM'000
As at 01.07.2020	2,360	1,208	3,568
Additions – lease liabilities (Note 2.24)	902	213	1,115
Early termination	-	(218)	(218)
Currency translation differences	7	-	7
As at 30.06.2021	3,269	1,203	4,472
Accumulated amortisation			
As at 01.07.2020	1,022	354	1,376
Amortisation	709	380	1,089
Early termination	-	(93)	(93)
Currency translation differences	3	-	3
As at 30.06.2021	1,734	641	2,375
Carrying amount			
As at 30.06.2021	1,535	562	2,097
<u>2022</u>	<u>Factory lot</u>	Residential	<u>Total</u>
Cost	RM'000	units RM'000	RM'000
As at 01.07.2021	3,269	1,203	4,472
Additions – lease liabilities (Note 2.24)	159	573	865
Early termination	(1,236)	(460)	(1,696)
Currency translation differences	49	-	49
As at 30.06.2022	2,241	1,316	3,690
Accumulated amortisation			
As at 01.07.2021	1,734	641	2,375
Amortisation	536	454	1,002
Early termination	(874)	(300)	(1,174)
Currency translation differences	31	-	32
As at 30.06.2022	1,427	795	2,235
Carrying amount			
As at 30.06.2022	814	521	1,455

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2.13 Right-of-use assets (continued)

<u>2023</u>	<u>Factory lot</u>	Residential	Copier	<u>Total</u>
	RM'000	units RM'000	machines RM'000	RM'000
Cost				
As at 01.07.2022	2,241	1,316	133	3,690
Additions – lease liabilities (Note 2.24)	2,694	703	-	3,397
Derecognition of expired lease	-	(658)	-	(658)
Early termination	(1,805)	-	-	(1,805)
Currency translation differences	193	-	13	206
As at 30.06.2023	<u>3,323</u>	<u>1,361</u>	<u>146</u>	<u>4,830</u>
Accumulated amortisation				
As at 01.07.2022	1,427	795	13	2,235
Amortisation	601	407	23	1,031
Derecognition of expired lease	-	(624)	-	(624)
Early termination	(1,363)	-	-	(1,363)
Currency translation differences	90	-	1	91
As at 30.06.2023	<u>755</u>	<u>578</u>	<u>37</u>	<u>1,370</u>
Carrying amount				
As at 30.06.2023	<u><u>2,568</u></u>	<u><u>783</u></u>	<u><u>109</u></u>	<u><u>3,460</u></u>

2.14 Investment properties

<u>2019</u>	Freehold <u>land</u>	<u>Building</u>	<u>Total</u>
	RM'000	RM'000	RM'000
Cost			
As at 01.07.2018	3,829	3,133	6,962
Transfer to property, plant and equipment	(3,829)	(3,133)	(6,962)
As at 30.06.2019	<u>-</u>	<u>-</u>	<u>-</u>
Accumulated depreciation			
As at 01.07.2018	-	118	118
Depreciation	-	32	32
Transfer to property, plant and equipment	-	(150)	(150)
As at 30.06.2019	<u>-</u>	<u>-</u>	<u>-</u>
Carrying amount			
As at 30.06.2019	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>

The Group has no investment properties as of 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023.

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2.15 Deferred tax assets/(liabilities)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the consolidated statements of financial position:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Subject to income tax:					
Deferred tax assets	707	180	-	184	276
Deferred tax liabilities	(138)	(140)	(1,446)	(1,755)	(2,292)
	<u>569</u>	<u>40</u>	<u>(1,446)</u>	<u>(1,571)</u>	<u>(2,016)</u>

The movements in deferred tax during the financial year are as follows:

At beginning of the financial year	1,951	569	40	(1,446)	(1,571)
(Charged)/credited to the profit or loss (Note 2.10):					
- Property, plant and equipment	973	1,108	(2,154)	(1,894)	(600)
- Right-of-use assets	-	(413)	155	(23)	(409)
- Hire-purchase liabilities	(2,181)	(1,605)	620	1,514	(169)
- Lease liabilities	-	423	(157)	3	405
- Accrued payroll liabilities	(16)	(11)	63	168	35
- Contract assets	-	-	(95)	85	(7)
- Inventories	(108)	(50)	119	6	445
- Unrealised foreign currency exchange difference	(50)	19	(37)	16	(145)
	<u>(1,382)</u>	<u>(529)</u>	<u>(1,486)</u>	<u>(125)</u>	<u>(445)</u>
At end of the financial year	<u>569</u>	<u>40</u>	<u>(1,446)</u>	<u>(1,571)</u>	<u>(2,016)</u>

The deferred tax assets and liabilities as at the end of the reporting period are as follows:

Subject to income tax:					
Deferred tax assets (before offsetting):					
- Hire-purchase liabilities	2,408	803	1,423	2,937	2,768
- Accrued payroll liabilities	192	181	244	412	447
- Inventories	660	610	729	735	1,180
- Lease liabilities	-	423	266	269	674
	<u>3,260</u>	<u>2,017</u>	<u>2,662</u>	<u>4,353</u>	<u>5,069</u>
Offsetting	(2,553)	(1,837)	(2,662)	(4,169)	(4,793)
Deferred tax assets (after offsetting)	<u>707</u>	<u>180</u>	<u>-</u>	<u>184</u>	<u>276</u>
Subject to income tax:					
Deferred tax liabilities (before offsetting):					
- Property, plant and equipment	(2,665)	(1,557)	(3,711)	(5,605)	(6,205)
- Right-of-use assets	-	(413)	(258)	(281)	(690)
- Contract assets	-	-	(95)	(10)	(17)
- Unrealised foreign currency exchange losses	(26)	(7)	(44)	(28)	(173)
	<u>(2,691)</u>	<u>(1,977)</u>	<u>(4,108)</u>	<u>(5,924)</u>	<u>(7,085)</u>
Offsetting	2,553	1,837	2,662	4,169	4,793
Deferred tax liabilities (after offsetting)	<u>(138)</u>	<u>(140)</u>	<u>(1,446)</u>	<u>(1,755)</u>	<u>(2,292)</u>

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2.16 Receivables, deposits and prepayments

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
NON-CURRENT:					
Prepayments	267	476	871	-	-
CURRENT:					
Trade receivables	12,000	15,769	15,882	25,142	18,165
Other receivables	-	69	3	-	11
Deposits	732	551	592	536	646
Prepayment	173	876	695	729	286
Value added tax ("VAT") receivable	1,154	457	1,072	1,453	1,289
	2,059	1,953	2,362	2,718	2,232
	14,059	17,722	18,244	27,860	20,397
Deferred listing expenses	-	-	-	881	1,189
	14,059	17,722	18,244	28,741	21,586
Total receivables, deposits and prepayments	14,326	18,198	19,115	28,741	21,586

Deferred listing expenses represent transaction costs incurred up to 30 June 2023 that are directly attributable to the new ordinary shares of the Company to be issued upon IPO and Listing of the Company on Bursa Securities. These transaction costs will subsequently be reclassified as a deduction from equity upon completion of the issuance of the new ordinary shares of the Company.

Credit term of trade and other receivables is 60 days (2022: 60 days, 2021: 60 days, 2020: 60 days, 2019: 60 days) from the invoice date.

The currency exposure profile of trade receivables, other receivables and deposits is as follows:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
US Dollar	5,465	12,150	13,698	20,833	15,008
Ringgit Malaysia	1,889	2,252	1,242	2,441	1,985
Singapore Dollar	2,833	1,362	913	1,481	1,255
Euro Dollar	2,545	625	624	923	574
Total	12,732	16,389	16,477	25,678	18,822

As at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023, included in prepayment are advances paid to suppliers. They are as follows:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Plant and equipment	267	476	871	-	-
Raw materials	55	68	34	443	17
	322	544	905	443	17

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.17 Deposits, cash and bank balances

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT:					
Cash on hand	30	30	32	40	38
Bank balances	23,704	32,038	35,053	26,775	52,681
	<u>23,734</u>	<u>32,068</u>	<u>35,085</u>	<u>26,815</u>	<u>52,719</u>
NON-CURRENT:					
Fixed deposits (pledged)	500	719	769	793	872
Deposits, cash and bank balances	<u>24,234</u>	<u>32,787</u>	<u>35,854</u>	<u>27,608</u>	<u>53,591</u>

Bank balances are deposits held at call with licensed bank and earns minimal interest.

Fixed deposits as at 30 June 2023 carry a weighted effective interest rate of 2.46% (2022: 1.5%, 2021: 2.95%, 2020: 1.95%, 2019: 2.95%) per annum. The maturity period of fixed deposits of the Company is one month (2022: one month, 2021: one month, 2020: one month, 2019: one month). These fixed deposits are pledged as security for custom duties and electricity supply.

The currency exposure profile of deposits, cash and bank balances is as follows:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
US Dollars	5,295	14,545	18,856	16,133	28,027
Singapore Dollar	4,209	12,722	7,640	4,789	16,847
Euro Dollar	10,733	1,093	5,165	2,601	4,571
Ringgit Malaysia	3,988	4,421	4,187	4,079	4,140
Others	9	6	6	6	6
	<u>24,234</u>	<u>32,787</u>	<u>35,854</u>	<u>27,608</u>	<u>53,591</u>

2.18 Inventories

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Raw materials	4,512	2,652	4,144	21,489	26,523
Work-in-progress	4,837	5,110	7,482	11,487	8,882
Finished goods	17,343	11,058	11,523	12,293	23,222
	<u>26,692</u>	<u>18,820</u>	<u>23,149</u>	<u>45,269</u>	<u>58,627</u>
Less: Allowance for slow-moving and obsolete inventories*					
- raw materials	(705)	(620)	(825)	(825)	(825)
- work-in-progress	(18)	(10)	(96)	(202)	(330)
- finished goods	(2,723)	(3,460)	(3,440)	(3,637)	(3,805)
	<u>(3,446)</u>	<u>(4,090)</u>	<u>(4,361)</u>	<u>(4,664)</u>	<u>(4,960)</u>
	<u>23,246</u>	<u>14,730</u>	<u>18,788</u>	<u>40,605</u>	<u>53,667</u>

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2.18 Inventories (continued)

* Included the allowance for write-down of inventories to net reliable value amounting to approximately RM329,000 (2022: RM194,000, 2021: RMNil, 2020: RMNil, 2019: RMNil).

Movement in the allowance for slow-moving and obsolete inventories of the Group are as follows:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 July	3,667	3,446	4,090	4,361	4,664
Additional	336	733	682	797	580
Reversal of allowance	(559)	(99)	(419)	(525)	(393)
Currency translation differences	2	10	8	31	109
Balance as at 30 June	<u>3,446</u>	<u>4,090</u>	<u>4,361</u>	<u>4,664</u>	<u>4,960</u>

The reversal of allowance is due to new orders on these products from the affected customers.

For the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023, the cost of inventories recognised as expense and included in cost of sales amounted to approximately RM54,728,000, RM58,307,000, RM58,603,000, RM83,020,000 and RM93,768,000 respectively.

2.19 Contract assets

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Contract assets	<u>42</u>	<u>42</u>	<u>427</u>	<u>285</u>	<u>146</u>
Movement in contract assets are as follows:					
At beginning of the financial year	54	42	42	427	285
Transfer to trade receivables	(54)	(42)	(42)	(427)	(285)
Increases as a result of changes in the measure of progress	42	42	427	285	146
At the end of the financial year	<u>42</u>	<u>42</u>	<u>427</u>	<u>285</u>	<u>146</u>

The contract assets at end of the financial year is denominated in Ringgit Malaysia.

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2.20 Related party disclosures

2.20.1 Related parties and relationships

The related parties are as follows:

<u>Related parties</u>	<u>Country of Incorporation/citizenship</u>	<u>Relationships</u>
Mr. Lee Chen Yeong ("Mr Lee")	Malaysian	Ultimate controlling shareholder/Director
Mr. Foo Ming ("Mr Foo")	Malaysian	Shareholder/Director
Mr. Mu Woon Chai ("Mr Mu")	Singaporean	Shareholder/Director
Infinite Power International Limited	British Virgin Island	Controlled by Mr. Lee and owned by Mr. Lee, Mr. Foo and Mr. Mu
Platinum Success Holdings Limited	British Virgin Island	Controlled by Mr. Lee and owned by Mr. Lee, Mr. Foo and Mr. Mu
Champion Precision Engineering Sdn. Bhd. ("Champion PE")	Singapore	Subsidiary
Champion Precision Technology Sdn. Bhd. ("Champion T")	Malaysia	Subsidiary
Champion Component Sdn. Bhd. ("Champion C")	Malaysia	Subsidiary
Champion Oil Tools Sdn. Bhd. ("Champion Oil")	Malaysia	Subsidiary

A key management personnel is a person who has responsibility for planning, directing and controlling the activities of the Group and of the Company directly or indirectly. The Group and the Company regard the directors of the Company and senior management of Champion PT and Champion PE as their key management personnel.

2.20.2 Related party balances

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Amounts due from shareholders	8,568	9,229	9,317	-	-
Amounts owing to shareholders	-	-	(45,638)	-	-

Amount due from/(owing to) shareholders are denominated in Ringgit Malaysia.

Amounts due from shareholders are expenses incurred in 2018 during a proposed Initial Public Offering ("IPO") listing exercise in the Hong Kong Exchanges and Clearing Limited ("HKEX"). On 12 August 2021, the amount was eventually settled by the Group via a dividend declaration of RM9,347,000 to offset against the amounts due from shareholders of RM9,347,000 as at 12 August 2021. The amounts due from shareholders are non-trade in nature, denominated in Ringgit Malaysia, unsecured, interest free and repayable on demand.

As at 30 June 2021, the amounts due to shareholders are non-trade in nature, denominated in Ringgit Malaysia, unsecured, interest free and repayable on demand.

On 13 January 2022, the amounts owing to shareholders of RM45,638,000 were fully settled by way of issuance of an aggregate 198,426,081 ordinary shares of the Company at an issue price of RM0.23 per share to Mr. Lee, Mr. Foo and Mr. Mu.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.20 Related party disclosures (continued)

2.20.2 Related party balances (continued)

Directors' financial guarantees

Term loans and trust receipts

Certain directors (i.e. Mr Lee, Mr Foo and Mr Mu) have jointly and severally guaranteed for all liabilities in respect of the banking facilities including bank borrowings (i.e. term loans and trust receipts) of the subsidiaries (i.e. Champion PT, Champion C and Champion PE). These guarantees are financial guarantees which require the affected directors to reimburse the bank if any of the affected subsidiaries fail to make principal or interest payments when due in accordance with the terms of the bank borrowings which are included in their respective letter of guarantee.

Hire-purchase liabilities

Certain directors (i.e. Mr Lee and Mr Mu) have jointly, severally, irrevocably and unconditionally guaranteed for all liabilities in respect of certain hire-purchase agreements of the subsidiaries (i.e. Champion PT and Champion C). These guarantees are financial guarantees which require the affected directors to reimburse the financial institutions if any of the affected subsidiaries fail to make principal or interest payments when due in accordance with the terms of the hire purchase agreements which are included in their respective letter of guarantee.

2.20.3 Related party transactions

The significant transactions with related parties are as follows:

	Financial years ended				
	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Settlement of the amounts due from shareholders via offset against dividends payable to them	-	-	-	(9,317)	-
Settlement of the amounts owing to shareholders via issuance of ordinary shares	-	-	-	45,638	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The above transactions were established based on terms and rates agreed between the Group with its related parties.

2.20.4 Key management compensation

Included in the employee benefit costs are compensations paid to key management personnel as follows:

	Financial years ended				
	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Salaries, bonus and other allowances	3,071	3,069	3,304	4,078	4,417
Defined benefit contribution plans	298	294	274	271	300
Directors' fees	109	110	111	167	385
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	<u>3,478</u>	<u>3,473</u>	<u>3,689</u>	<u>4,516</u>	<u>5,102</u>

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2.21 Payables and accrued liabilities

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Trade payables	2,501	3,604	3,924	9,080	9,840
Other payables	291	707	323	1,269	535
Accrued liabilities:					
- payroll liabilities	2,701	3,293	2,557	4,720	5,292
- purchases of property, plant and equipment	-	5,310	-	-	-
- others	950	637	1,007	742	1,434
	3,651	9,240	3,564	5,462	6,726
Total other payables and accrued liabilities	3,942	9,947	3,887	6,731	7,261
Total payables and accrued liabilities	6,443	13,551	7,811	15,811	17,101

Trade payables are non-interest bearing and with credit terms of 30 days (2022: 30 days, 2021: 30 days, 2020: 30 days, 2019: 30 days) from invoice date.

The currency exposure profile of payables and accrued liabilities (excluding accrued payroll liabilities) is as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
US Dollar	510	154	306	5,012	6,900
Ringgit Malaysia	1,965	8,286	2,598	4,808	3,260
Singapore Dollar	903	1,698	2,350	1,271	1,649
Euro Dollar	364	120	-	-	-
	3,742	10,258	5,254	11,091	11,809

2.22 Borrowings

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Current – secured					
Term loans	522	861	704	943	915
Hire-purchase liabilities	8,279	2,418	2,941	6,128	6,410
Trust receipts	-	-	-	1,544	327
	8,801	3,279	3,645	8,615	7,652
Non-current – secured					
Term loans	11,343	12,750	10,040	18,799	17,945
Hire-purchase liabilities	1,832	969	3,037	6,133	5,146
	13,175	13,719	13,077	24,932	23,091
Total borrowings	21,976	16,998	16,722	33,547	30,743

12. ACCOUNTANTS' REPORT (CONT'D)

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.22 Borrowings (continued)

The currency exposure profile of borrowings is as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	21,900	16,946	16,694	32,003	30,416
Singapore Dollar	76	52	28	1,544	327
Total	21,976	16,998	16,722	33,547	30,743

2.22.1 Term loans

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Maturity period of the term loans:					
- within 1 year	1,042	1,287	1,042	1,614	1,740
- between 1 and 2 years	1,042	1,042	864	1,616	1,740
- between 2 and 5 years	2,706	3,125	2,515	4,848	5,222
- over 5 years	13,209	12,144	9,363	17,805	17,389
Total minimum term loan payments	17,999	17,598	13,784	25,883	26,091
Less: Future finance charges	(6,134)	(3,987)	(3,040)	(6,141)	(7,231)
Present value of the term loan liabilities	11,865	13,611	10,744	19,742	18,860

The term loans were secured by the followings:

- (i) legal charges over certain freehold land and buildings of the Group (Note 2.12); and
- (ii) jointly and severally guaranteed by the certain directors, namely Mr. Lee Chen Yeong, Mr. Foo Ming and Mr. Mu Woon Chai.

As of 30 June 2023, the Group has obtained conditional consents from all the respective financiers to release the above personal guarantees by substituting the same with corporate guarantees to be provided by the Company upon its successful listing on the Main Market of Bursa Securities.

The term loans are repayable in equal monthly instalments over a range from 20 years to 25 years with a maturity in December 2035, June 2037, October 2041 and August 2042 respectively.

The term loans are carried at floating interest rates based on the base lending rate plus a margin determined at inception. The effective interest rates are as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	%	%	%	%	%
Term loans (% per annum)	4.40 – 4.80	3.40 – 4.60	3.20 – 3.60	3.30 – 3.40	4.40 – 4.57

2.22.2 Trust receipts

The trust receipts are carried at floating interest rates based on the base lending rate plus a margin determined at inception. The effective interest rates are as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	% per annum	% per annum	% per annum	% per annum	% per annum
Trust receipts (% per annum)	-	-	-	4.16 – 4.85	4.38 – 7.60

As at the reporting date, the directors of the Company have assessed and concluded that the Group is in compliance with covenants for trust receipts. There are no loan covenants for term loans.

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2.22 Borrowings (continued)

2.22.3 Hire-purchase liabilities

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross instalments payable:					
- within 1 year	8,740	2,512	3,168	6,598	6,880
- between 1 and 2 years	1,854	597	2,654	4,468	4,305
- between 2 and 5 years	-	415	471	1,915	1,027
Total minimum hire-purchase payments	10,594	3,524	6,293	12,981	12,212
Less: Future finance charges	(483)	(137)	(315)	(720)	(656)
Present value of the hire-purchase liabilities	<u>10,111</u>	<u>3,387</u>	<u>5,978</u>	<u>12,261</u>	<u>11,556</u>
Repayable at net present value:					
Current	8,279	2,418	2,941	6,128	6,410
Non-current	1,832	969	3,037	6,133	5,146
	<u>10,111</u>	<u>3,387</u>	<u>5,978</u>	<u>12,261</u>	<u>11,556</u>

The hire-purchase liabilities are denominated in Ringgit Malaysia.

Hire-purchase liabilities are effectively secured as the rights to the hire purchased assets revert to the lessors in the event of default. Certain hire-purchase agreements (17 out of 18) amounting to RM10,961,000 as at 30 June 2023 are jointly, severally, irrevocably and unconditionally guaranteed by certain directors, namely Mr. Lee Chen Yeong and Mr. Mu Woon Chai. The remaining one hire-purchase agreement is covered under a corporate guarantee agreement issued by the Company.

On 21 August 2023, the Group has obtained consents from one out of three financiers and discharged personal guarantees by the affected directors, namely Mr. Lee Chen Yeong and Mr. Mu Woon Chai on certain hire-purchase liabilities with carrying amount of RM2,938,000 as at 30 June 2023 and substituted the same with corporate guarantee issued by the Company.

The hire-purchase liabilities are carried at fixed interest rates. The range of effective interest rates are as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	%	%	%	%	%
Hire-purchase liabilities (% per annum)	<u>5.30 - 5.60</u>	<u>4.80 - 5.50</u>	<u>4.40 - 5.40</u>	<u>4.40 - 5.70</u>	<u>4.38 - 6.05</u>

2.23 Lease liabilities

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Gross lease payable:					
- within 1 year	-	1,077	1,149	754	1,295
- between 1 and 2 years	-	1,165	1,046	752	1,169
- between 2 to 5 years	-	-	-	-	1,089
Total minimum lease payments	-	2,242	2,195	1,506	3,553
Less: Future finance charges	-	(97)	(111)	(140)	(229)
Present value of the lease	<u>-</u>	<u>2,145</u>	<u>2,084</u>	<u>1,366</u>	<u>3,324</u>
Repayable at net present value:					
Current	-	1,003	1,090	694	1,179
Non-current	-	1,142	994	672	2,145
	<u>-</u>	<u>2,145</u>	<u>2,084</u>	<u>1,366</u>	<u>3,324</u>

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2.23 Lease liabilities (continued)

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Lease payment within financing activities	-	1,027	1,072	984	1,154
Cash flows relating to (included in administrative expenses):					
- short-term leases and leases of low value assets	-	114	110	173	197
Total cash outflows for leases	-	1,141	1,182	1,157	1,351

The currency exposure profile of borrowings is as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	-	1,762	1,108	575	1,716
Singapore Dollars	-	383	976	791	1,608
Total	-	2,145	2,084	1,366	3,324

The Group leases office equipment, residential units (as hostel for employees) and factory buildings for the purpose of its business operations. Rental agreements are made for fixed periods including extension options as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
Lease periods (Years)	1 - 2	1 - 2	1 - 2	2 - 6	2 - 6

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as a security for borrowing purposes.

During the financial year ended 30 June 2022, the Group has early determined a lease of a factory building as they have signed an agreement on 1 December 2021 to acquire the said factory building.

During the financial year ended 30 June 2023, the Group had early terminated a factory building and de-recognised certain of its lease of residential units which are used as hostel for its employees upon expiry of the lease terms and entered into new lease agreements.

2.24 The analysis of movements in liabilities arising from financing activities

	As at 01.07.2018 RM'000	Cash flows movements			Non-cash movements			As at 30.06.2019 RM'000
		Principal paid RM'000	Interest paid RM'000	Drawn down RM'000	Interest expenses RM'000	Currency translation differences RM'000	Addition RM'000	
Term loans	12,770	(3,405)	(620)	2,500	620	-	-	11,865
Hire-purchase liabilities	19,218	(9,109)	(810)	-	810	2	-	10,111
	31,988	(12,514)	(1,430)	2,500	1,430	2	-	21,976

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2.24 The analysis of movements in liabilities arising from financing activities (continued)

<u>2020</u>	As at 01.07.2019 RM'000	Cash flows movements			Non-cash movements			As at 30.06.2020 RM'000
		Principal paid RM'000	Interest paid RM'000	Drawn down RM'000	Interest expenses RM'000	Currency translation differences RM'000	Addition RM'000	
Term loans	11,865	(1,203)	(543)	2,949	543	-	-	13,611
Hire-purchase liabilities	10,111	(8,386)	(486)	-	486	-	1,662	3,387
Lease liabilities	3,564*	(1,419)	(80)	-	80	-	-	2,145
	<u>25,540</u>	<u>(11,008)</u>	<u>(1,109)</u>	<u>2,949</u>	<u>1,109</u>	<u>-</u>	<u>1,662</u>	<u>19,143</u>

* Restated upon adoption of MFRS16 as disclosed in Note 2.32.2 to the historical consolidated financial statements.

<u>2021</u>	As at 01.07.2020 RM'000	Cash flow movements			Non-cash movements			As at 30.06.2021 RM'000
		Principal paid RM'000	Interest paid RM'000	Drawn down RM'000	Interest expenses RM'000	Currency translation differences RM'000	Termi- nation RM'000	
Term loan	13,611	(2,867)	(365)	-	365	-	-	10,744
Hire-purchase liabilities	3,387	(4,457)	(360)	-	360	-	7,048	5,978
Lease liabilities	2,145	(1,063)	(58)	-	58	-	1,115	2,084
	<u>19,143</u>	<u>(8,387)</u>	<u>(783)</u>	<u>-</u>	<u>783</u>	<u>-</u>	<u>8,163</u>	<u>18,806</u>

<u>2022</u>	As at 01.07.2021 RM'000	Cash flow movements			Non-cash movements			As at 30.06.2022 RM'000
		Principal paid RM'000	Interest paid RM'000	Drawn down RM'000	Interest expenses RM'000	Currency translation differences RM'000	Addition RM'000	
Trust receipts	-	(1,773)	(9)	3,318	9	(1)	-	1,544
Term loans	10,744	(1,827)	(535)	5,300	535	-	5,525	19,742
Hire-purchase liabilities	5,978	(4,668)	(477)	-	477	2	10,949	12,261
Lease liabilities	2,084	(933)	(52)	-	52	(140)	865	1,366
	<u>18,806</u>	<u>(9,201)</u>	<u>(1,073)</u>	<u>8,618</u>	<u>1,073</u>	<u>(139)</u>	<u>17,339</u>	<u>34,913</u>

<u>2023</u>	As at 01.07.2022 RM'000	Cash flow movements			Non-cash movements			As at 30.06.2023 RM'000
		Principal paid RM'000	Interest paid RM'000	Drawn down RM'000	Interest expenses RM'000	Currency translation differences RM'000	Addition RM'000	
Trust receipts	1,544	(5,588)	(22)	4,287	22	84	-	327
Term loans	19,742	(882)	(790)	-	790	-	-	18,860
Hire-purchase liabilities	12,261	(7,337)	(668)	-	668	-	6,632	11,556
Lease liabilities	1,366	(1,044)	(110)	-	110	188	3,397	3,324
	<u>34,913</u>	<u>(14,851)</u>	<u>(1,590)</u>	<u>4,287</u>	<u>1,590</u>	<u>272</u>	<u>10,029</u>	<u>34,067</u>

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2.25 Share capital

	As at				
	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
ISSUED AND FULLY PAID-UP:					
Ordinary shares with no par value:					
At beginning of the financial year/26.04.2021 (date of incorporation of the Company)	-	-	-*	-*	91,397
Issuance of ordinary shares during the financial year:					
- Settlement of amounts owing to shareholders arising from acquisition of MY Subsidiaries (Note 1.1.2 (a))	-	-	-	45,638	-
- Acquisition of Singapore Subsidiary (Note 1.1.2 (c))	-	-	-	45,759	-
At end of the financial year	<u>-</u>	<u>-</u>	<u>-*</u>	<u>91,397</u>	<u>91,397</u>
ISSUED AND FULLY PAID-UP:					
Ordinary shares with no par value:					
At beginning of the financial year//26.04.2021 (date of incorporation of the Company)	-	-	-*	-*	503,486
Issuance of ordinary shares during the financial year:					
- Settlement of amounts owing to shareholders arising from acquisition of MY Subsidiaries	-	-	-	198,426	-
- Acquisition of Singapore Subsidiary	-	-	-	305,060	-
At end of the financial year	<u>-</u>	<u>-</u>	<u>-*</u>	<u>503,486</u>	<u>503,486</u>

* This represent RM10 comprised of 10 ordinary shares with an issue price of RM1 each.

The Company was incorporated as a private company limited by shares in Malaysia on 26 April 2021 with share capital of RM10 comprised of 10 ordinary shares.

2.26 Capital reorganisation reserves

The capital reorganisation reserves comprise of:

- (i) The difference between the consideration paid to acquire the Operating Companies, i.e. the subsidiaries under common control of the ultimate controlling shareholder (i.e. the acquirees) and the issued share capital of the acquirees acquired on the date of the transaction; and
- (ii) The legal share capital of the Operating Companies prior to the incorporation of the Company.

2.27 Currency translation reserves

The foreign currency translation reserves comprise all foreign currency exchange differences arising from the translation of the financial statements from the functional currency of the subsidiaries to the presentation currency of the Company. See Note 2.2.23 to the historical consolidated financial statements on accounting policy for foreign currency translation.

2.28 Retained profits

Dividends paid out of retained profits of the entities within the Group are single-tier dividends which are tax exempt in the hands of shareholder(s) of the respective entities.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.17 Deposits, cash and bank balances

Cash and cash equivalents included in the consolidated statements of cash flows comprise the following:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
CURRENT:					
Cash on hand	30	30	32	40	38
Bank balances	23,704	32,038	35,053	26,775	52,681
Cash and cash equivalents	<u>23,734</u>	<u>32,068</u>	<u>35,085</u>	<u>26,815</u>	<u>52,719</u>
NON-CURRENT:					
Fixed deposits (pledged)	500	719	769	793	872
Deposits, cash and bank balances	<u>24,234</u>	<u>32,787</u>	<u>35,854</u>	<u>27,608</u>	<u>53,591</u>

Bank balances are deposits held at call with licensed bank and earns minimal interest.

Fixed deposits as at 30 June 2023 carry a weighted effective interest rate of 2.46% (2022: 1.5%, 2021: 2.95%, 2020: 1.95%, 2019: 2.95%) per annum. The maturity period of fixed deposits of the Company is one month (2022: one month, 2021: one month, 2020: one month, 2019: one month). These fixed deposits are pledged as security for custom duties and electricity supply.

The currency exposure profile of deposits, cash and bank balances is as follows:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
US Dollars	5,295	14,545	18,856	16,133	28,027
Singapore Dollar	4,209	12,722	7,640	4,789	16,847
Euro Dollar	10,733	1,093	5,165	2,601	4,571
Ringgit Malaysia	3,988	4,421	4,187	4,079	4,140
Others	9	6	6	6	6
	<u>24,234</u>	<u>32,787</u>	<u>35,854</u>	<u>27,608</u>	<u>53,591</u>

2.18 Inventories

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Raw materials	4,512	2,652	4,144	21,489	26,523
Work-in-progress	4,837	5,110	7,482	11,487	8,882
Finished goods	17,343	11,058	11,523	12,293	23,222
	<u>26,692</u>	<u>18,820</u>	<u>23,149</u>	<u>45,269</u>	<u>58,627</u>
Less: Allowance for slow-moving and obsolete inventories*					
- raw materials	(705)	(620)	(825)	(825)	(825)
- work-in-progress	(18)	(10)	(96)	(202)	(330)
- finished goods	(2,723)	(3,460)	(3,440)	(3,637)	(3,805)
	<u>(3,446)</u>	<u>(4,090)</u>	<u>(4,361)</u>	<u>(4,664)</u>	<u>(4,960)</u>
	<u>23,246</u>	<u>14,730</u>	<u>18,788</u>	<u>40,605</u>	<u>53,667</u>

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2.30 Segment Information (continued)

Analysis of sales by customer segment is as follows:

	Financial years ended				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Semiconductor	8,036	20,521	37,678	79,285	86,079
Life science and medical devices	20,307	22,649	24,293	28,235	28,719
Sport equipment	12,024	13,533	16,077	15,595	15,588
Sensor equipment	4,883	1,978	2,243	4,364	3,866
Security	2,877	4,812	92	530	3,012
Opto-mechanical	5,767	4,506	5,598	4,428	2,753
Aerospace	-	116	723	1,563	2,618
Instrumentation	6,458	2,284	3,278	2,306	1,834
Automotive	17,305	6,714	2,629	2,329	732
General engineering industry	5	128	74	112	74
Oil and gas	690	1,772	759	99	-
	<u>78,352</u>	<u>79,013</u>	<u>93,444</u>	<u>138,846</u>	<u>145,275</u>

The Group's property, plant and equipment and right-of-use assets by geographical location, which is determined by the country in which the asset is located, is as follows:

	As at				
	30.06.2019	30.06.2020	30.06.2021	30.06.2022	30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Property, plant and equipment:</u>					
Malaysia	44,571	51,633	48,422	62,186	62,508
Singapore	582	439	321	266	131
	<u>45,153</u>	<u>52,072</u>	<u>48,743</u>	<u>62,452</u>	<u>62,639</u>
<u>Right-of-use assets:</u>					
Malaysia	-	1,728	1,074	521	1,695
Singapore	-	464	1,023	934	1,765
	<u>-</u>	<u>2,192</u>	<u>2,097</u>	<u>1,455</u>	<u>3,460</u>
	<u>45,153</u>	<u>54,264</u>	<u>50,840</u>	<u>63,907</u>	<u>66,099</u>

Refer to Note 2.5 to the historical consolidated financial statements for the analysis on the Group's revenue by geographical location and information about major customers.

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2.31 Financial Instruments

2.31.1 Classification of financial instruments

	30.06.2019	30.06.2020	30.06.2021	30.06.2022	As at 30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Financial assets measured at amortised cost</u>					
Receivables and deposits	12,732	16,389	16,477	25,678	18,822
Contract assets	42	42	427	285	146
Amounts due from shareholders	8,568	9,229	9,317	-	-
Deposits, cash and bank balances	24,234	32,787	35,854	27,608	53,591
Total	45,576	58,447	62,075	53,571	72,559
<u>Financial liabilities measured at amortised cost</u>					
Payables and accrued liabilities (excluding accrued payroll liabilities)	3,742	10,258	5,254	11,091	11,809
Amounts owing to shareholders	-	-	45,638	-	-
Borrowings	21,976	16,998	16,722	33,547	30,743
Total	25,718	27,256	67,614	44,638	42,552

2.31.2 Fair value of financial instruments

See details of fair value of financial instruments as disclosed in Note 2.3.3 to the historical consolidated financial statements.

2.32 Effects of adoption of MFRS 16 "Leases"

2.32.1 Leases classified as operating leases under MFRS 117

The Group as a lessee

On adoption of MFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 July 2019. The right-of-use ("ROU") assets were measured at the amount equal to the lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the statement of financial position immediately before the date of initial application ("DIA") (i.e.as at 1 July 2019).

The Group's accounting policies on lease after the adoption of MFRS 16 are as disclosed in Note 2.2.14 to the historical consolidated financial statements.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.32 Effects of adoption of MFRS 16 "Leases" (continued)

2.32.1 Leases classified as operating leases under MFRS 117 (continued)

The Group as a lessee (continued)

In applying MFRS 16 for the first time, the Group has applied the following practical expedients permitted by the Standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 July 2019 as short-term leases;
- the exclusion of initial direct costs for the measurement of the ROU asset at the DIA; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2.32.2 Effects on the consolidated statements of financial position as at 1 July 2019

The effects of adoption of MFRS 16 on the Group's consolidated statement of financial position as at 1 July 2019 are as follows:

	Note	As at 30.06.2019 RM'000	Effect on adoption of MFRS 16 RM'000	As at 01.07.2019 RM'000
NON-CURRENT ASSETS				
Right-of-use assets	2.13	-	3,564	3,564
NON-CURRENT LIABILITIES				
Leases		-	(2,561)	(2,561)
CURRENT LIABILITIES				
Leases		-	(1,003)	(1,003)

The adoption of MFRS 16 has no impact on retained profits of the Group on 1 July 2019 and its net cash flows for the financial year ended 30 June 2019 is RM Nil.

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2 NOTES TO THE HISTORICAL CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2.32 Effects of adoption of MFRS 16 "Leases" (continued)

2.32.3 Measurement of lease liabilities on 1 July 2019

The weighted average lessee's incremental borrowing rate applied to the lease liabilities by two of its subsidiaries on 1 July 2019 were 3.27% and 5.25% per annum respectively.

The reconciliation between the operating lease commitments disclosed in Note 2.32 to the historical consolidated financial statements as at 30 June 2019 by applying MFRS 117 to the lease liabilities recognised at 1 July 2019 is as follows:

	RM'000
Operating lease commitments as at 30 June 2019	741
Discounted using incremental borrowing rate per annum at DIA	(134)
Less:	
- Short-term leases recognised on a straight-line basis as expense	(294)
- Low-value leases recognised on a straight-line basis as expense	(13)
Add:	
Adjustments as a result of a different accounting treatment for extension options	3,264
Lease liabilities as at 1 July 2019	3,564
Current liabilities	1,003
Non-current liabilities	2,561
	3,564

2.33 Operating lease commitments (2019 only)

The Group leases factories, hostels and office equipment under non-cancellable operating lease agreements. The lease terms range from 2 to 5 years lease period. The lease agreements are renewable at the end of the lease period at market rate.

Rentals due under non-cancellable operating leases entered into in respect of the above assets from the reporting date to the expiry of the leases are as follows:

	30.06.2019	30.06.2020	30.06.2021	30.06.2022	As at 30.06.2023
	RM'000	RM'000	RM'000	RM'000	RM'000
Within 1 year	653	-	-	-	-
Between 1 and 2 years	88	-	-	-	-
	741	-	-	-	-

Upon adoption of MFRS 16 with effect of 1 July 2019, the previous accounting policies on leases based on the principles of MFRS 117 and IC Interpretation 4 is not applicable for the subsequent financial years.

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2.34 Capital commitments

Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:

	<u>30.06.2019</u>	<u>30.06.2020</u>	<u>30.06.2021</u>	<u>30.06.2022</u>	<u>As at 30.06.2023</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Capital expenditure commitment:					
Contracted but not provided	-	-	10,445	2,931	-
	-	-	10,445	2,931	-

2.35 Events which occurred during and subsequent to the financial year

Proposed listing

The Securities Commission Malaysia and Bursa Securities have on 11 July 2023 and 29 August 2023 respectively, conditionally approved the Company's proposed listing of and quotation for the entire enlarged issued share capital of the Company on the Main Market of Bursa Securities.

2.36 Approval of Historical Consolidated Financial Statements

The Historical Consolidated Financial Statements have been approved for issue in accordance with a resolution of the Board of Directors on 27 October 2023.

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CPE TECHNOLOGY BERHAD
(Registration No.: 202101015732 (1416032-X))
(Incorporated in Malaysia)

3 STATEMENT BY DIRECTORS

We, Lee Chen Yeong and Mu Woon Chai, being two of the directors of CPE Technology Berhad (the "Company"), state that, in the opinion of the directors, the Historical Consolidated Financial Statements set out on pages 5 to 84 are drawn up so as to give a true and fair view of the financial position of the Group as at 30 June 2019, 30 June 2020, 30 June 2021, 30 June 2022 and 30 June 2023 and its financial performance and cash flows for each of the financial years ended 30 June 2019, 2020, 2021, 2022 and 2023 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and Chapter 10, Part II Division 1: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Signed on behalf of the Board of Directors in accordance with their resolution dated **27 OCT 2023**


LEE CHEN YEONG
DIRECTOR


MU WOON CHAI
DIRECTOR

13. ADDITIONAL INFORMATION

13.1 SHARE CAPITAL

- (i) 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.
- (ii) As at the LPD, 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.
- (iii) Save as disclosed in Sections 3.2.1 and 3.2.2 of this Prospectus, our Company has not issued or proposed to issue any shares, stocks or debentures as fully or partly paid-up in cash or otherwise, within the 2 years immediately preceding the date of this Prospectus.
- (iv) As at the date of this Prospectus, there is no scheme involving our employees and directors in the share capital of our Company or any of our Subsidiary Companies.
- (v) We have not agreed, conditionally or unconditionally, to put the share capital of our Company or any of our Subsidiary Companies under option.
- (vi) As at the date of this Prospectus, neither we nor our Subsidiary Companies have any outstanding warrants, options, convertible securities or uncalled capital.
- (vii) Save as disclosed in this Prospectus, and save as provided for under our Constitution and the Act, there are no other restrictions upon the holding or voting or transfer of our Shares or the interests in any of our Company or our Subsidiary Companies or upon the declaration or payment of any dividend or distribution thereon.

13.2 EXTRACT OF OUR CONSTITUTION

The following provisions are reproduced from our Constitution and are qualified in its entirety by reference to our Constitution and by applicable law. The words, terms and express appearing in the following provisions will bear the same meanings used in our Constitution unless they are otherwise defined herein or the context otherwise requires.

Words	Meaning
“Act”	: Means the Companies Act 2016 and any statutory modification, amendment or re-enactment thereof and any and every other legislation for the time being in force made thereunder and any written law for the time being in force concerning companies and affecting the Company.
“Authorised Nominee”	: Means an authorised nominee defined under the Central Depositories Act and the Rules.
“Annual General Meeting”	: Means a meeting of the Company required to be held pursuant to Section 340 of the Act.
“Auditors”	: Means the auditors of the Company.
“Board” or “Board of Directors”	: Means the board of directors for the time being of the Company.
“Board Meeting”	: Means a meeting of the Directors of the Company.
“Bursa Securities”	: Means Bursa Malaysia Securities Berhad.

13. ADDITIONAL INFORMATION (CONT'D)

Words	Meaning
"Central Depositories Act"	: Means the Securities Industry (Central Depositories) Act 1991 and regulations made thereunder, as amended or re-enacted from time to time.
"Company"	: Means CPE Technology Berhad (Registration No. 202101015732 (1416032-X) or including such names as may be changed from time to time.
"Company's Documents"	: Including, but not limited to any of the following documents that may be issued by the Company from time to time:- (a) In respect of a Member and person entitled to a Security in consequence of an Event of Transmission:- (i) Notices relating to General Meetings, instrument appointing a proxy (including electronic proxy appointment and voting manner), annual reports, audited financial statements, circular to shareholders, notices to holders of Securities, prospectus, information memorandum, notice of resolution, statement and other documents relating thereto; (ii) All other documents as required under the Act, the Listing Requirements, applicable laws, guidelines, practice directives etc; (iii) Other publication concerning the Company; and/or (iv) All written communications. (b) In respect of a Director:- (i) Notices relating to meetings of Board and Board committees and other documents relating thereto; (ii) Notices relating to General Meetings, annual reports, audited financial statements, circular to shareholders, and other documents relating thereto; (iii) All other documents as required under the Act, the Listing Requirements, applicable laws, guidelines, practice directives etc; (iv) Other publication concerning the Company; and/or (v) All written communications. (c) In respect of the Auditors:- (i) Notices relating to General Meetings, audited financial statements, and other documents relating thereto; (ii) All other documents as required under the Act, the Listing Requirements, applicable laws, guidelines, practice directives etc; and/or (iii) All written communications. (d) In respect of a holder of Debt Securities:-

13. ADDITIONAL INFORMATION (CONT'D)

Words	Meaning
	<p>(i) Notices relating to meeting of Debt Securities holders, audited financial statements, notices to Debt Securities holders and other documents relating thereto;</p> <p>(ii) All other documents as required under the trust deed governing an issue of Debt Securities, Act, the Listing Requirements, applicable laws, guidelines, practice directives etc; and/or</p> <p>(iii) All written communications.</p>
"Constitution"	: The constitution of the Company as constituted by this document, or as altered from time to time by a special resolution.
"Debt Securities"	: Means debentures, loan stocks or other similar instruments representing or evidencing indebtedness, whether secured or unsecured, and whether convertible or not.
"Deposited Security"	: Means a security standing to the credit of a Securities Account and includes a security in a Securities Account that is in suspense.
"Depositor"	: Means a holder of a Securities Account.
"Depository"	: Means the Bursa Malaysia Depository Sdn Bhd or its nominees.
"Directors"	: Means the directors holding office for the time being of the Company (inclusive of alternate or nominee directors).
"Electronic Address"	: Means electronic mail address or mobile or contact number last maintained with the Secretary or the Depository for the purposes of sending or receiving documents or information by electronic.
"Electronic Communication"	: Means a communication of information or document sent by electronic means, including but not limited to electronic posting to the Company's website, transmission to the electronic designated address, any number or address or other electronic delivery methods as otherwise decided and approved by the Directors.
"Event of Transmission"	: Means the death, bankruptcy or insolvency of a Member or debenture holder which would result in the Member or debenture holder being unable to remain as the registered holder of a share or debenture or such other transmission by operation of law.
"Exempt Authorised Nominee"	: Means an authorised nominee, as defined under the Central Depositories Act, which is exempted from compliance with the provisions of subsection 25A(1) of the Central Depositories Act.
"General Meeting"	: Means a meeting of Members of the Company.
"Joint Holder"	: In respect of a Security (other than Deposited Security), means two (2) or more persons are jointly entitled to any Security in the Company.
"Jumbo Certificate"	: In relation to a Deposited Security, means a certificate comprising not less than fifty thousand (50,000) units of Securities of the Company or such denominations as may be directed by the Depository which is registered in the name of the Depository or its nominee company, as nominee for Depositors.

13. ADDITIONAL INFORMATION (CONT'D)

Words	Meaning
"Listed Deposited Security"	: Means a Deposited Security quoted on the official list of Bursa Securities.
"Listing Requirements"	: Means Main Market Listing Requirements of Bursa Securities, including any amendment that may be made from time to time.
"Members"	: Means:- (a) A person whose name is entered in the Register of Members as the holder for the time being of one or more shares in the Company; and/or (b) A Depositor whose name appears in the Record of Depositors as the holder for the time being of one or more shares in the Company. Shares include ordinary shares, preference shares or other type of shares that may be issued and allotted by the Company from time to time.
"Office"	: Means the registered office of the Company.
"Officer"	: Means any Director, Secretary or employee of the Company.
"Record of Depositors"	: Means of record provided by the Depository to the Company under Chapter 24.0 of the Rules.
"Register of Members"	: Means the record of members of the Company kept and maintained pursuant to Section 50 of the Act.
"Registrar"	: Means the Registrar of Companies designated under Section 20A(1) of the Companies Commission of Malaysia Act 2001.
"Representative of Member"	: Includes any of the following persons:- (a) Representative appointed by a corporation which is a Member; or (b) Attorney appointed by the Member by a power of attorney.
"Rules"	: Means the Rules of Depository, including any amendment that may be made from time to time.
"Seal"	: Means the common seal of the Company.
"Secretary"	: Means a secretary of the Company appointed under Section 236 of the Act.
"Security" or "Securities"	: Has the meaning given in Section 2(1) of the Capital Markets and Services Act 2007, or any modification, amendment or re-enactment thereof for the time being in force.
"Securities Account"	: Means an account established by the Depository for a Depositor for the recording of deposit of Securities and for dealing in such Securities by the Depositor, as defined in the Central Depositories Act and/or the Rules.
"Shareholder"	: Means a holder of one or more share(s) in the Company.

13. ADDITIONAL INFORMATION (CONT'D)

Words	Meaning
“Unlisted Deposited Security”	: Means a Deposited Security other than Listed Deposited Security.

13.2.1 Transfer of Shares

Clause 14 – Transfer of Securities

“Subject to the restriction imposed by this Constitution, the Listing Requirements, the Central Depositories Act and the Rules (with respect to transfer of any Deposited Security) or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.”

Clause 20 – Closing the Register of Members or Register of Debenture Holders

“On giving at least fourteen (14) days’ notice to the Registrar to close the Register of Members or register of debenture holders, the Company may close the Register of Members or register for any class of members or register of debenture holders (collectively, the “Registers”) for the purpose of updating the Registers. The registration of transfer may be suspended at such time and for such period as the Directors may from time to time determine, provided that no part of the relevant Register(s) be closed for more than thirty (30) days in aggregate in any calendar year.”

13.2.2 Remuneration of Directors

Clauses 93(1), 93(2), 93(3) and 93(5) – Remuneration of Directors

- “(1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders’ approval at a General Meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year’s fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.”

Clause 93(4) – Expenses

- “(4) The following expenses shall be determined by the Directors:-

13. ADDITIONAL INFORMATION (CONT'D)

- (a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and
- (b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.”

13.2.3 Voting and Borrowing Power of Directors

Clause 95 – Borrowing, Mortgage, Issue Debentures and Lending or Advancing of Money

“Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:-

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4)
 - (a) lend and advance money or give credit to any person or company;
 - (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.”

Clause 105 – Directors’ Interest in Contracts

- “(a) A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.
- (b) Subject to Section 221 of the Act, a Director shall not participate in any discussion or vote in respect of 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. Every Director shall observe the provisions of Sections 221 and 222 of the Act relating to the disclosure of the interest of the Directors in contracts or proposed contracts with the Company or of any office or property held by the Directors which might create duties or interest in conflict with their duties or interest as Directors and participation in discussion and voting. Such disclosure of material personal interest by the Directors shall be in the form of a notice. Such notice shall be in the form and manner prescribed under Section 221 of the Act.”

13. ADDITIONAL INFORMATION (CONT'D)

Clause 118 – Voting at Board Meetings

- “(1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.
- (2) Each Director is entitled to cast one (1) vote on each matter for determination.”

Clause 119 – Casting Vote

“In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.”

Clauses 12(1) and 12(2) – Issue of Securities

- “(1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:-
- (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.
- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Members' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
- (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
 - (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
 - (c) for such consideration as the Directors may determine.”

13.2.4 Changes to Share Capital

Clauses 46(1), 46(2) and 46(3) – Alteration of Capital

- “(1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:-
- (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.

13. ADDITIONAL INFORMATION (CONT'D)

- (2) The Company may from time to time by special resolution and subject to other applicable requirements:
- (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.
- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.”

13.2.5 Rights, Preferences and Restrictions Attached to Each Class of Securities Relating to Voting, Dividend, Liquidation and any Special Rights.

Clauses 8(1) and 8(3) – Variation of Rights

- (1) If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:-
- (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
 - (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.
- (3) The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:
- (a) the terms of the issue of the existing preference shares; or
 - (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clauses 12(1) and 12(2) - Issues of Securities

- (1) Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares but subject always to the Act, the Listing Requirements and this Constitution, the Directors have the right to:-
- (a) issue and allot shares in the Company; and
 - (b) grant rights to subscribe for shares or options over unissued shares in the Company.

13. ADDITIONAL INFORMATION (CONT'D)

- (2) Subject to the Act, the Listing Requirements, this Constitution and the relevant Members' approval being obtained, the Directors may issue any shares (including rights or options over subscription of such shares):
- (a) with such preferred, deferred, or other special rights or such restrictions, whether with regard to dividend, voting, return of capital, or otherwise, as the Directors may determine;
 - (b) to any person, whether a Member or not, in such numbers or proportions as the Directors may determine; and
 - (c) for such consideration as the Directors may determine.

Clause 142 (1) - Dividend

- (1) Subject to the rights of persons (if any) entitled to shares with special rights or conditions as to dividend entitlement or to any provisions in this Constitution, all dividends must be declared and paid according to the amounts paid or credited as paid on the shares in respect of which the dividend is paid.

13.3 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. and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected 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.

13.4 LIMITATION ON THE RIGHT TO HOLD SECURITIES AND/OR EXERCISE VOTING RIGHTS

Subject to Section 13.3 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.

13.5 REPATRIATION OF CAPITAL, REMITTANCE OF PROFIT AND TAXATION**13.5.1 Malaysia**

All corporations in Malaysia are required to adopt a single-tier dividend. All dividends distributed by Malaysian resident companies under a single-tier dividend are not taxable. Further, the Government does not levy withholding tax on dividend payment. Therefore, there is no withholding tax imposed on dividends paid to non-residents by Malaysian resident companies. There is no Malaysian capital gains tax arising from the disposal of listed shares.

13. ADDITIONAL INFORMATION (CONT'D)

13.5.2 Singapore

Singapore adopts the one-tier corporate tax systems, the tax paid by a Singapore tax resident company is a final tax and after-tax profits of the Singapore tax resident company can be distributed to its shareholders as tax-exempt dividends. Such dividends are exempt in the hands of all shareholders, regardless of the tax residency status of the shareholders. Singapore does not impose taxes on capital gains. There is no Singapore withholding tax on dividends paid to resident and non-resident shareholders.

13.6 MATERIAL CONTRACTS

Save as disclosed below, our Group has not entered into any material contracts that are not in the ordinary course of our Group's business within the period covered by the historical financial information as disclosed in this Prospectus and up to the date of this Prospectus.

13.6.1 SPA dated 30 June 2021 in respect of the Acquisition of a Piece of Freehold Industrial Land together with a Single Storey Factory cum 3-storey Office Building (Plant 4)

Champion PT had, on 30 June 2021, entered into a SPA with Spring Maple Sdn. Bhd. for the acquisition of a piece of freehold industrial land held under HS(D) 506800, PTD 212911, Mukim Plentong, Daerah Johor Bahru, Negeri Johor measuring approximately 0.4039 hectare whereupon one single storey factory cum 3-storey office building is erected and bearing postal address of No. 5, Jalan Indah Gemilang 5, Taman Perindustrian Gemilang, 81800 Ulu Tiram, Johor (Plant 4), for a purchase consideration of RM6,500,000.00. This transaction has been completed and Champion PT was registered as the legal owner of the said property on 29 November 2021.

13.6.2 Underwriting Agreement dated 6 October 2023 Entered into by Our Company and Underwriter

Pursuant to the Underwriting Agreement dated 6 October 2023, our Underwriter has agreed to underwrite up to 33,566,000 IPO Shares made available for application under the Retail Offering for an underwriting commission of up to 3.00% of the total value of the underwritten IPO Shares at the IPO Price in accordance with the terms of the Underwriting Agreement.

13.7 MATERIAL LITIGATIONS

As at the LPD, our Group is not engaged in any material litigation, claim or arbitration, either as plaintiff or defendant, 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 or business position.

13.8 CONSENTS

The written consents of the Principal Adviser, Underwriter and Placement Agent, Company Secretaries, Solicitors for our IPO, Tax Advisors for our IPO, Internal Control Reviewer, Share Registrar and Issuing House as listed in the Corporate Directory of this Prospectus for the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of the Auditors and Reporting Accountants for the inclusion of its name, opinion on our historical consolidated financial statements for the FYE 30 June 2019, FYE 30

13. ADDITIONAL INFORMATION (CONT'D)

June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023 contained in the Accountants' Report and Report on the Pro Forma Consolidated Statement of Financial Position, and all references thereto in the form and context in which they are included in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Independent Market Researcher for the inclusion of its name and all references thereto, and the IMR Report in the form and context in which they are included in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Independent DOE Consultant for the inclusion of its name and all references in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Independent DOSH Consultant for the inclusion of its name and all references in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of Bloomberg for the inclusion of its name and all references in this Prospectus, has been given before the issue of this Prospectus and has not subsequently been withdrawn.

13.9 DOCUMENTS AVAILABLE 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:-

- (i) Our Constitution; and
- (ii) Our material contracts as referred to in Section 13.6 of this Prospectus; and
- (iii) Our audited consolidated financial statements for the FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023; and
- (iv) Audited financial statements of each of our Subsidiary Companies for the FYE 30 June 2019, FYE 30 June 2020, FYE 30 June 2021, FYE 30 June 2022 and FYE 30 June 2023; and
- (v) Reporting Accountants' Report on the Pro Forma Consolidated Statement of Financial Position as included in Section 11.8 of this Prospectus; and
- (vi) Accountants' Report as included in Section 12 of this Prospectus; and
- (vii) IMR Report as included in Section 7 of this Prospectus; and
- (viii) Letters of consent referred to in Section 13.8 of this Prospectus.

13. ADDITIONAL INFORMATION (CONT'D)

13.10 RESPONSIBILITY STATEMENTS

Our Directors, our Promoters and our Offerors have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

KAF IB being the Principal Adviser, Underwriter and Placement Agent acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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14. 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 OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used in this Section shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 OPENING AND CLOSING OF APPLICATION

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 20 November 2023

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 24 November 2023

Application for the Issue Shares will open and close at the times and dates stated above.

In the event there is any changes to the dates or time stated above, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspapers within Malaysia.

Late Applications will not be accepted.

14.2 METHODS OF APPLICATIONS

14.2.1 Application for Our Issue Shares by the Malaysian Public

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and Category of Investors	Application Method
Applications by the Malaysian Public:-	
(i) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(ii) Non-Individuals	White Application Form only

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14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

14.2.2 Application by Selected Investors and Identified Bumiputera Investors approved by the MITI via Private Placement

Types of Application and Category of Investors	Application Method
Applications by:-	
(i) Selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
(ii) Selected Bumiputera investors approved by the MITI	The MITI will contact the Bumiputera investors directly. They should follow the MITI's instructions.

Selected investors and Bumiputera investors approved by the MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

14.3 ELIGIBILITY

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in the list of ADAs accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. **Invalid, nominee or third party CDS accounts** will not be accepted for the Applications.

Only **ONE** 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 CONSENTS, 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.

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:-

- (i) You must be one of the following:-
 - (a) A Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares; or

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (b) A corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) A superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
 - (iii) You must submit Applications by using only one of the following methods:-
 - (a) White Application Form; or
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

14.4 PROCEDURES FOR APPLICATION BY WAY OF APPLICATION FORMS

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM1.07 for each Issue Share.

Payment must be made out in favour of “**TIIH SHARE ISSUE ACCOUNT NO. 732**” and crossed “**[A/C PAYEE ONLY]**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:-

- (i) Despatch by **ORDINARY POST** in the official envelopes provided, to the following address:-

Tricor Investor & Issuing House Services Sdn Bhd
(Registration No. 197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

- (ii) **DELIVER BY HAND AND DEPOSITED** in the drop-in boxes provided at Tricor Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur,

so as to arrive not later than 5.00 p.m. on 24 November 2023 or such other time and date as specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

of your Application Forms or Application monies. Please direct all enquiries in respect of the Application Forms to the Issuing House.

Please refer to the detailed procedures and terms and conditions of the Application Forms set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the Issuing House for further enquiries.

14.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATIONS

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are as set out on the ATM screen of the respective Participating Financial Institutions.

Please refer to the detailed procedure and terms and conditions of Electronic Share Application as set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Participating Financial Institution for further enquiries.

14.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATIONS

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn. Bhd., Malayan Banking Berhad and Public Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are as set out on the internet financial services website of the respective Internet Participating Financial Institutions.

Please refer to the detailed procedures and terms and conditions of Internet Share Application as set out in the “**Detailed Procedures for Application and Acceptance**” accompanying the electronic copy of this Prospectus on the website of Bursa Securities or contact the relevant Internet Participating Financial Institution for further enquiries.

14.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:-

- (i) Reject the Applications which:-

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

- (a) Do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) Are illegible, incomplete or inaccurate; or
 - (c) Are accompanied by an improperly drawn up, or improper form of, remittance; or
- (ii) Reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
 - (iii) Bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 14.9 of this Prospectus.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 OVER/UNDER-SUBSCRIPTION

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The basis of allocation of shares and the balloting results in connection therewith will be furnished by the Issuing House to Bursa Securities, all major Bahasa Malaysia and English newspapers as well as posted on the Issuing House's website at <https://tjih.online> within 1 Market Day after the balloting event.

Pursuant to the Listing Requirements we are required to have a minimum of 25.00% of our Company's issued share capital to be held by at least 1,000 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. If 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).

In the event of an under-subscription of our IPO Shares by the Malaysian Public, subject to the underwriting arrangements and clawback and reallocation as set out in Sections 3.2.5 and 3.2.6 of our Prospectus, any of the above-mentioned IPO Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

14.9 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.

14.9.1 For Applications by Way of White Application Forms

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.

- (ii) If your Application is rejected because you did not provide a CDS account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the National Registration Identity Card (NRIC) or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above, as the case may be.

14.9.2 For Applications by way of Electronic Share Applications and Internet Share Applications

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

14. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (CONT'D)

14.10 SUCCESSFUL APPLICANTS

If you are successful in your Application:-

- (i) Our IPO Shares allotted to you will be credited into your CDS account.
- (ii) A notice of allotment will be dispatched to you at the last address maintained with Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our IPO Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:-

No.	Mode of Application	Parties to Direct the Enquiries
1.	Application Form	Issuing House Enquiry Services at telephone no. +6 03 2783 9299
2.	Electronic Share Application	Participating Financial Institutions
3.	Internet Share Application	Internet Participating Financial Institutions and Authorised Financial Institutions

The results of the allocation of Issue Shares derived from successful balloting will be made available to the public at our Issuing House website <https://tiih.online>, **1 Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in the Detailed Procedures for Application and Acceptance accompanying the electronic copy of this Prospectus on the website of Bursa Securities.

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