

MCE HOLDINGS BERHAD (Registration No: 201501033021 (1158341-K))*(Incorporated In Malaysia)***CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**
(THE FIGURES HAVE NOT BEEN AUDITED)

	As at 31.01.2022 Unaudited RM'000	As at 31.07.2021 Audited RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	66,435	63,816
Right-of-use assets	19,585	20,675
Investment property	1,281	1,290
Investment in an associate	1,135	1,185
Deferred tax assets	615	615
	<u>89,051</u>	<u>87,581</u>
Current Assets		
Inventories	22,140	19,101
Trade receivables	12,611	4,487
Other receivables	2,245	1,516
Tax recoverable	181	177
Short-term investments	35	1,415
Cash and bank balances	5,965	4,491
	<u>43,177</u>	<u>31,187</u>
TOTAL ASSETS	<u>132,228</u>	<u>118,768</u>
EQUITY AND LIABILITIES		
Equity attributable to equity holders of the company		
Share capital	55,383	46,625
Reserves	33,373	31,804
	<u>88,756</u>	<u>78,429</u>
Non-controlling Interests	-	-
Total Equity	<u>88,756</u>	<u>78,429</u>
Non-Current Liabilities		
Lease liability	815	1,018
Borrowings	12,451	13,381
Deferred tax liabilities	137	73
	<u>13,403</u>	<u>14,472</u>
Current Liabilities		
Lease liability	1,008	1,149
Borrowings	3,793	7,897
Trade payables	17,026	10,472
Other payables	7,427	5,108
Provision for warranties	815	1,241
	<u>30,069</u>	<u>25,867</u>
Total Liabilities	<u>43,472</u>	<u>40,339</u>
TOTAL EQUITY AND LIABILITIES	<u>132,228</u>	<u>118,768</u>
Net assets per stock unit attributable to ordinary equity holders of the company (RM)	<u>1.5803</u>	<u>1.6057</u>

The condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the year ended 31 July 2021.

MCE HOLDINGS BERHAD (Registration No: 201501033021 (1158341-K))
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE QUARTER ENDED 31 JANUARY 2022**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 Months Ended		6 Months Ended	
	31-Jan-22	31-Jan-21	31-Jan-22	31-Jan-21
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	26,585	24,063	43,393	52,959
Cost of sales	(21,281)	(20,750)	(37,392)	(45,299)
Gross profit	5,304	3,313	6,001	7,660
Other income	588	96	649	145
Selling and administrative expenses	(2,252)	(2,002)	(4,437)	(4,383)
Finance costs	(224)	(254)	(485)	(512)
Share of loss of associate	(24)	(109)	(49)	(139)
Profit before tax	3,392	1,044	1,679	2,771
Taxation	(124)	(61)	(110)	(140)
Profit for the period	3,268	983	1,569	2,631
Other comprehensive (loss)/ income:				
Other comprehensive (loss)/ income for the period	-	-	-	-
Total comprehensive (loss)/ income for the period	3,268	983	1,569	2,631
Profit attributable to:				
Equity holders of the company	3,268	983	1,569	2,631
Total comprehensive income attributable to:				
Equity holders of the company	3,268	983	1,569	2,631
Earnings per share attributable to equity holders of the company:				
Basic and diluted (sen)	5.85	2.01	2.91	5.47

The condensed consolidated statement of comprehensive income should be read in conjunction with the audited financial statements for the year ended 31 July 2021.

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NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

The following amounts have been charged/ (credited) in arriving at (loss)/ profit before tax:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTERS	
	3 Months Ended		6 Months Ended	
	31-Jan-22	31-Jan-21	31-Jan-22	31-Jan-21
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Interest income	(20)	(32)	(36)	(50)
Interest expenses	224	254	485	512
Depreciation	1,094	1,079	2,119	2,076
Impairment of golf club membership	1	1	1	1
Provision/ (reversal) for warranties	213	618	(177)	815
Loss/ (gain) on disposal of plant and equipment	(3)	-	56	-
Loss/ (gain) on foreign exchange				
- realised	115	(8)	59	37
- unrealised	75	21	45	48
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Save as disclosed above and in the Condensed Consolidated Statement of Comprehensive Income, the other items required by Bursa Malaysia Securities Berhad Main Market Listing Requirements, Chapter 9, Appendix 9B are not applicable to the Group.

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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 JANUARY 2022**

(The figures have not been audited)

	← Attributable to Equity Holders of the Company →			
	Non-distributable		← Distributable →	
	Share capital RM'000	Capital reserve RM'000	Retained profits RM'000	Total RM'000
At 1 Aug 2021	46,625	1,006	30,798	78,429
Issuance of new share	8,758	-	-	8,758
Other comprehensive income/ (loss)	-	-	-	-
Profit for the period	-	-	1,569	1,569
Total comprehensive income for the period	-	-	1,569	1,569
At 31 January 2022	55,383	1,006	32,367	88,756
At 1 Aug 2020	44,405	1,006	31,633	77,044
Issuance of new share	2,220	-	-	2,220
Other comprehensive income/ (loss)	-	-	-	-
(Loss) for the period	-	-	2,631	2,631
Total comprehensive (loss) for the period	-	-	2,631	2,631
At 31 Jan 2021	46,625	1,006	34,264	81,895

The condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the year ended 31 July 2020.

MCE HOLDINGS BERHAD (Registration No: 201501033021 (1158341-K))
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CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE QUARTER ENDED 31 JANUARY 2022
(The figures have not been audited)

	6 months ended 31-Jan-22 RM'000 (Unaudited)	6 months ended 31-Jan-21 RM'000 (Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,679	2,771
Adjustments for :		
Depreciation	2,119	2,076
Impairment of golf club membership	1	1
Share of loss of associate	49	139
Interest income	(36)	(50)
Interest expense	485	512
Short term accumulated compensated absences	131	103
Obsolete inventories written off	-	-
Inventories written down to net realisable value	-	-
Provision/ (reversal) for warranties	(177)	815
Loss on disposal of plant and equipment	56	-
Unrealised (gain)/ loss on foreign exchange	45	48
	4,352	6,415
Operating profit before working capital changes	4,352	6,415
Receivables	(8,853)	557
Inventories	(3,039)	(3,069)
Payables	8,450	450
	910	4,353
Cash generated from operations	910	4,353
Tax paid	(52)	(69)
Tax refund	-	250
Interest paid	(485)	(512)
	373	4,022
Net cash generated from operating activities	373	4,022
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	36	50
Purchase of property, plant and equipment	(3,517)	(54)
Proceeds from disposal of plant and equipment	155	-
Acquisition of an associate	-	(500)
	(3,326)	(504)
Net cash used in investing activities	(3,326)	(504)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceed from issuance of ordinary share	8,758	2,220
Repayment of bankers' acceptance	(12,100)	(35,069)
Drawdown of bankers' acceptance	7,400	29,768
Repayment of hire purchase obligations	(677)	(646)
Drawdown of term loan	568	4,000
Repayment of term loan	(902)	(440)
	3,047	(167)
Net cash generated from/ (used in) financing activities	3,047	(167)
NET INCREASE IN CASH AND CASH EQUIVALENTS	94	3,351
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	5,906	4,422
CASH AND CASH EQUIVALENTS AT END OF THE PERIOD	6,000	7,773
CASH AND CASH EQUIVALENTS COMPRISE:		
Cash and bank balances	5,965	7,773
Short-term investments	35	-
	6,000	7,773

The condensed consolidated statement of cash flow should be read in conjunction with the audited financial statements for the year ended 31 July 2021.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. Basis of Preparation

This condensed consolidated interim financial statement (Condensed Report) has been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Condensed Report should be read in conjunction with the audited financial statements of MCE Holdings Berhad (‘The Group’) for the financial year ended 31 July 2021. These explanatory notes attached to the Condensed Report provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2021.

A2. Significant Accounting Policies

The accounting policies and presentation adopted for the interim financial statements are consistent with those adopted for the annual financial statements of the Group for the year ended 31 July 2021.

The adoption of the following new MFRSs, Amendments to MFRSs and IC Interpretation that came into effect and did not have any significant impact on the unaudited consolidated financial statements upon their initial application.

- Amendments to MFRS 3: Definition of a Business (effective from 1 January 2020)
- Amendments to MFRS 9, MFRS 139 and MFRS 7: Interest Rate Benchmark Reform (effective from 1 January 2020)
- Amendments to MFRS 16: COVID-19-Related Rent Concessions (effective from 1 June 2020)
- Amendments to MFRS 101 and MFRS 108: Definition of Material (effective from 1 January 2020)
- Amendments to References to the Conceptual Framework in MFRS Standards (effective from 1 January 2020)

The Group has not early adopted the following new or revised standards, amendments or IC Interpretations which are applicable to the Group that have been issued by the MASB but are not yet effective for the Group’s current financial period ended 31 January 2022:

MFRS, Amendments to MFRS and IC Interpretation	Effective for annual periods beginning on or after
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendment to MFRS 16: Covid-19-Related Rent Concessions beyond 30 June 2021	1 April 2021
Amendments to MFRS 17 Insurance Contracts	1 January 2023

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. Significant Accounting Policies (Cont'd)

MFRS, Amendments to MFRS and IC Interpretation	Effective for annual periods beginning on or after
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018-2020	1 January 2022
Amendments to MFRS 10 and MFRS 128	Deferred until further notice
Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	

The adoption of the above pronouncements will not have any financial impact to the Group.

A3. Disclosure of Audit Report Qualification

The auditors' report of the Group's most recent audited financial statements for the financial year ended 31 July 2021 did not contain any qualification.

A4. Seasonal or Cyclical Factors Affecting Operations

The principal business operations of the Group are not significantly affected by any seasonal or cyclical factors.

A5. Unusual Items Affecting the Assets, Liabilities, Equity, Net Income or Cash Flows

There were no unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group for the financial period ended 31 January 2022.

A6. Material Changes in Estimates

There were no changes in estimates that have a material effect in the current quarter.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. Segmental Reporting (Cont'd)

<u>Assets & liabilities as at 31 January 2022</u>	Automotive Parts	Healthcare Services	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000

Assets & liabilities

Segmental assets	135,044	33,694	(46,437)	122,301
Unallocated assets				9,927
Consolidated total assets				<u>132,228</u>

Segmental liabilities	52,189	6,053	(16,437)	41,805
Unallocated liabilities				1,667
Consolidated total liabilities				<u>43,472</u>

Other information

Capital expenditure	3,517	-	-	3,517
Depreciation and amortisation	2,120	-	-	2,120

No segmental information is provided on a geographical basis as the Group's activities are conducted primarily in Malaysia.

A10. Material Events Subsequent to the end of the Reporting Period

There were no material events subsequent to the end of the current financial period that have not been reflected in the interim financial reports for the said period as at the date of this report.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART A – EXPLANATORY NOTES PURSUANT TO MFRS 134

A11. Changes in the Composition of the Group

There were no changes in the composition of the Group during the current financial period under review.

A12. Contingent Liabilities and Contingent Assets

The Group has no material contingent liabilities and assets as at 31 January 2022.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1 Review of Performance

Comparison to preceding year corresponding quarter

For the second quarter ended 31 January 2022, the Group achieved consolidated revenue of RM26.585 million which was approximately 10.48% higher than the preceding year corresponding quarter. The increase in revenue was mainly due to higher demand for Original Equipment Manufacturer (“OEM”) products in the current quarter.

The Group recorded a profit after tax of RM3.268 million for the current quarter as compared to profit after tax of RM0.983 million in the preceding year corresponding quarter mainly due to the higher revenue generated and improved in operating efficiency.

B2 Material Changes in Profit/ (Loss) before Taxation for the Current Quarter with Immediate Preceding Quarter

	Current Quarter 31 January 2022 RM'000	Preceding Quarter 31 October 2021 RM'000
Revenue	26,585	16,808
Pre-tax profit/ (loss)	3,392	(1,713)
Pre-tax profit/ (loss) margin	11.96%	(10.19%)

For the current quarter, the Group achieved revenue of RM26.585 million, representing increase of 58.17% as compared to the preceding quarter ended 31 October 2021. The increase was attributable to higher demand from car makers to meet sales backlog accumulated during Full Movement Control Order imposed by Malaysian government since 1 June 2021 until end-August 2021. This has enabled the Group to recover and recorded a pre-tax profit of RM3,392 million for the quarter under review as compared to pre-tax loss of RM1.713 million for the preceding quarter. Pre-tax margin has turned from loss to profit i.e. (10.19%) to 11.96% as compared to the preceding quarter.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B3 Prospects Commentary

Malaysia will enter into endemic phase starting 1st April 2022 with border reopen and commercial activities resume back to normal. The Group is cautiously optimistic that automotive industry will have stronger recovery in view of Malaysian Automotive Association’s (MAA) Total Industry Volume (TIV) forecast of 600,000 for the year 2022 (an increase of 17.9% compared to 2021 actual unit of 508,911 units).

The Board remains vigilant but cautious in facing challenges that may arise from the unfolding war in Ukraine which is already being reflected in rising oil prices, disruptions to supply chain and other market uncertainties, combined with extended labour and electronic components shortages, escalating raw material prices, unfavorable fluctuation of foreign exchange rate. The Board will continue to strive to navigate through these difficult times by constantly monitoring the situation and taking appropriate measures and strategies to safeguard and insulate its operations and business.

These strategies implemented include strengthening and implementing key initiatives to optimize its costs and enhancing its existing business network, seeking out new collaborations and business opportunities to grow and broaden its product mix and earning base.

B4 Variance of Actual Profit from Forecast Profit & Shortfall on Profit Guarantee

There is no profit forecast prepared for public release and no profit guarantee provided by the Group for the current financial period.

B5 Taxation

	Individual Quarter		Cumulative Quarter	
	3 months ended		6 months ended	
	31.01.22	31.01.21	31.01.22	31.01.21
	RM'000	RM'000	RM'000	RM'000
Income tax:				
- current year	47	69	47	54
- Over provision in prior years	-	-	-	-
	<u>47</u>	<u>69</u>	<u>47</u>	<u>54</u>
Deferred tax:				
- current year	77	(8)	63	86
- Under provision in prior years	-	-	-	-
Tax expense	<u>124</u>	<u>61</u>	<u>110</u>	<u>140</u>

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B6 Status of Corporate Proposals

On 9 July 2021, Bursa Securities approved the listing and quotation of up to 9,769,000 new ordinary shares (“Placement Shares”), representing approximately 20% of the total number of issued shares of the Company.

On 16 December 2021, the Private Placement has been completed following the listing and quotation for 7,317,400 Placement Shares on the Main Market of Bursa Securities.

There were no other corporate proposals not announced or outstanding as at the date of this report.

B7 Group Borrowings and Debt Securities

Group borrowings as at 31 January 2022:

	<u>RM'000</u>
(a) Secured borrowings	17,571
Unsecured borrowings	496
	<u>18,067</u>
(b) Short term	
- lease liability	1,008
- term loan	2,493
- banker acceptance	1,300
	<u>4,801</u>
Long term	
- lease liability	815
- term loan	12,451
	<u>13,266</u>
Total borrowings	<u>18,067</u>

All the above borrowings are denominated in Ringgit Malaysia.

B8 Financial Instruments

The Group enters into forward foreign exchange currencies contracts to hedge its exposure to fluctuations in foreign currency arising from purchases.

The Group has no outstanding derivative financial instruments as at 31 January 2022.

B9 Changes in Material Litigation

There was no pending material litigation as at 22 March 2022 being a date not earlier than 7 days from the date of this quarterly report.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B10 Dividends

No dividend is recommended for the current quarter (Q1-FY2022: Nil).

B11 Earnings per Share

The basic and diluted earnings per share are calculated as follows:

	3 months ended		6 months ended	
	31.1.2022	31.1.2021	31.1.2022	31.1.2021
Profit for the period attributable to ordinary equity holders of the company (RM'000)	3,268	983	1,569	2,631
Number of ordinary shares in issue ('000)	55,837	48,845	53,969	48,105
Basic and diluted earnings per share (sen)	5.85	2.01	2.91	5.47

B12 Memorandum of Understanding (“MOU”)

i) The Group had entered into Memorandum of Understandings (“MOU”) with the following strategic partner with the intention to enhance its’ product technology, penetrate into global market and expand its’ existing product range:

- a) MALAYSIA AUTOMOTIVE ROBOTICS AND IoT INSTITUTE (“MARii”) on 9 June 2020 to collaborate on the development of Malaysian Intelligent Transport System (ITS) and other automotive technological systems that is in line with the National Automotive Policy 2020. The major elements in such collaboration include the development of various technological components that enable autonomous driving and other advanced driving capabilities for automotive and non-automotive application e.g. agricultural and consumer sector. The technological components involved are camera, sensor, Light Detection and Ranging (LIDAR), Radio Detection and Ranging (RADAR), recorder, and other electronic and mechatronic components tat make up of Advanced Driver Assistance System (ADAS), automatic parking, and all kind of autonomous technology module and system. Other than the autonomous driving system, the collaboration also covers the development of various automotive technological systems and components that include functional switches, electronic control modules, digital meter cluster, and other components that are deemed crucial and strategic in the promotion of local industrial technological enhancement.

The MOU will be beneficial and will enhance the Group’s position and standing in the Industry and enable the Group to play a leading role as the preferred vendor for these technological components to be developed which is in the best interest of the Group.

As at the date of this report, there were no further development to-date.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART B – ADDITIONAL EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

- b) SOUNDING AUDIO INDUSTRIAL LIMITED (“SA”) on 16 June 2021 with an intention of setting forth a framework for the consultation and exchange of information and technology. The parties have agreed to enter into a definitive agreement on the development, production, marketing and supply of automotive in-vehicle infotainment system for the automotive industries located in Malaysia using the technology and technical assistance provided by SA from China. This MOU shall remain in force for duration of one (1) year and shall automatically be extended on a yearly basis.

As at the date of this report, there were no further development to-date.

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NOTES TO THE INTERIM FINANCIAL REPORT – 2nd QUARTER ENDED 31 JANUARY 2022

PART C – DISCLOSURE OF COVID-19 RELATED IMPACTS PURSUANT TO 9.03 OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

C1 Impact on the group’s cash-flows, liquidity, financial position and financial performance

The following summarize key financial performance of the Group:

	31.01.2022	31.10.2021
Trade debtors turnover days	54	61
Trade creditors turnover days	84	66
Working capital ratio	1.44	1.33
Debt-to-capital ratio	0.14	0.21

Trade debtor turnover days decreased from preceding quarter due to the faster repayment from debtors in this quarter.

Trade creditor turnover days has increased from 66 days to 84 days as a result of increased in purchases towards quarter end. The Group’s closing inventories has increased from RM17.8mil to RM22.14mil as compared to the preceding quarter due to increase in customers’ demand for OEM products.

The Group’s working capital ratio and debt-to-capital ratio are 1.44 and 0.14 as compared to the preceding quarter 1.33 and 0.21. The Group is able to fulfil its financial obligations to meet the operating expenditure and has sufficient working capital to sustain the business in the foreseeable future.

C2 Authorized for issue

The interim financial statements were authorized by the Board of Directors in accordance with the resolution of the Directors on 28 March 2022.

By Order of the Board,

Lee Wee Hee (MAICSA 0773340)
SSM Practicing Certificate No. 201908004010
Company Secretary
Johor Bahru
Date: 28 March 2022