

## 12. FINANCIAL INFORMATION

### 12.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated on 30 November 2020 to facilitate our Listing, and we completed the Acquisition on [•]. Coraza Systems has been under the common control of our Promoters throughout FYE 2018 to 2020 and is regarded as a continuing entity.

Our historical financial statements for FYE 2018 to 2020 were prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows.

#### 12.1.1 Combined statements of comprehensive income

The following table sets out a summary of our combined statements of comprehensive income for FYE 2018 to 2020 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Revenue	56,023	58,594	83,686
Cost of sales	(42,481)	(43,875)	(62,364)
<b>GP</b>	<b>13,542</b>	<b>14,719</b>	<b>21,322</b>
Other income	977	608	2,388
Administrative expenses	(5,593)	(6,508)	(8,617)
Selling and distribution expenses	(3,549)	(3,932)	(4,078)
<b>Profit from operations</b>	<b>5,377</b>	<b>4,887</b>	<b>11,015</b>
Finance costs	(461)	(526)	(515)
<b>PBT</b>	<b>4,916</b>	<b>4,361</b>	<b>10,500</b>
Taxation	(1,465)	(944)	(2,484)
<b>PAT/ Total comprehensive income</b>	<b>3,451</b>	<b>3,417</b>	<b>8,016</b>
Adjusted EBIT (RM'000) <sup>(1)(2)</sup>	5,281	4,803	9,062
Adjusted EBITDA (RM'000) <sup>(1) (2)</sup>	7,575	7,451	11,963
GP margin (%) <sup>(3)</sup>	24.2	25.1	25.5
Pre-tax margin (%) <sup>(4)</sup>	8.8	7.4	10.3
After tax margin (%) <sup>(4)</sup>	6.2	5.8	7.5
Basic EPS (sen) <sup>(5)</sup>	1.11	1.10	2.03
Diluted EPS (sen) <sup>(6)</sup>	0.81	0.80	1.47

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

- (1) Included in our other income in FYE 2020 is a gain from disposal of property which is non-recurring. Our adjusted PBT and PAT excluding the said other income in FYE 2020 are as follows:

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
PBT	4,916	4,361	10,500
Less: Non-recurring other income	-	-	(1,877)
Adjusted PBT	4,916	4,361	8,623
Adjusted tax expenses <sup>(a)</sup>	(1,465)	(944)	(2,318)
<b>Adjusted PAT</b>	<b>3,451</b>	<b>3,417</b>	<b>6,305</b>

- (a) After adjusting for the tax effect on the non-recurring other income, where relevant.

- (2) EBIT and EBITDA are calculated as follows:

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Adjusted PAT <sup>(a)</sup>	3,451	3,417	6,305
Less:			
Interest income	(96)	(84)	(76)
Add:			
Interest expense	461	526	515
Taxation	1,465	944	2,318
<b>EBIT</b>	<b>5,281</b>	<b>4,803</b>	<b>9,062</b>
Add:			
Depreciation	2,294	2,648	2,901
<b>EBITDA</b>	<b>7,575</b>	<b>7,451</b>	<b>11,963</b>

- (a) Based on the Adjusted PAT in Note (1) above.

- (3) Calculated based on GP over revenue.
- (4) Calculated based on Adjusted PBT or Adjusted PAT over revenue.
- (5) Calculated based on Adjusted PAT and share capital of 310,540,001 Shares in issue before Public Issue.
- (6) Calculated based on Adjusted PAT and enlarged share capital of 428,331,001 Shares after Public Issue.

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

The following table sets out the combined statements of financial position of our Group as at 31 December 2018, 2019 and 2020 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	21,363	20,787	22,934
Right-of-use asset <sup>(1)</sup>	-	-	411
	<u>21,363</u>	<u>20,787</u>	<u>23,345</u>
<b>Current assets</b>			
Inventories	8,177	11,523	10,815
Trade receivables	13,354	16,562	18,421
Other receivables, deposits and prepayments	1,073	1,187	1,133
Tax recoverable	1,039	253	185
Cash and bank balances	737	4,509	5,555
	<u>24,380</u>	<u>34,034</u>	<u>36,109</u>
<b>Total assets</b>	<b><u>45,743</u></b>	<b><u>54,821</u></b>	<b><u>59,454</u></b>
<b>Equity</b>			
Share capital	-	-	*-
Invested equity	2,500	2,500	2,500
Retained earnings	22,123	25,539	26,755
Total equity	<u>24,623</u>	<u>28,039</u>	<u>29,255</u>
<b>Non-current liabilities</b>			
Borrowings	7,351	9,814	8,436
Lease liability <sup>(1)</sup>	-	-	265
Deferred income <sup>(2)</sup>	2,466	2,130	1,794
Deferred tax liabilities	1,060	1,149	928
	<u>10,877</u>	<u>13,093</u>	<u>11,423</u>
<b>Current liabilities</b>			
Trade payables	5,191	6,854	5,599
Other payables and accruals	3,284	2,992	6,098
Refund liabilities <sup>(3)</sup>	-	75	195
Amount due to a director	-	-	3
Borrowings	1,768	3,768	6,732
Lease liability <sup>(1)</sup>	-	-	149
	<u>10,243</u>	<u>13,689</u>	<u>18,776</u>
Total liabilities	<u>21,120</u>	<u>26,782</u>	<u>30,199</u>
<b>Total equity and liabilities</b>	<b><u>45,743</u></b>	<b><u>54,821</u></b>	<b><u>59,454</u></b>

**Notes:**

\* Negligible

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

- (1) The adoption of MFRS 16 has no material financial impact to the combined financial statements of our Group save for a long-term lease of a premise entered into by our Group during FYE 2020 which warrants recognition on the combined statements of financial position.
- (2) Our Group was awarded government grants from MIDA for the reimbursement of capital expenditure on modernisation of specified machinery and equipment. Deferred income is released to profit or loss over the periods to match the related cost which the grant is intended to compensate, on a systematic basis.
- (3) Our Group provides retrospective volume rebates and prompt payment discounts to certain customers once the quantity of products sold during the period exceeds a threshold or when the customers make payment of outstanding invoices within a period specified in the contract. Rebates and discounts are offset against the transaction price. In this respect, our Group recognises a refund liability for expected future rebates.

**12.1.3 Combined statements of cash flows**

The following table sets out the combined statements of cash flows of our Group for FYE 2018 to 2020 which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 12.2 and 13 respectively.

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Cash flows from operating activities</b>			
PBT	4,916	4,361	10,500
Adjustments for:			
Depreciation of property, plant and equipment	2,294	2,648	2,850
Depreciation of right-of-use asset	-	-	51
Deferred income released	(561)	(336)	(336)
Gain on disposal of property, plant and equipment	(21)	(7)	(1,893)
Interest expense	461	526	515
Interest income	(96)	(84)	(76)
Unrealised (gain)/loss in foreign exchange	(187)	138	472
Operating profit before changes in working capital	6,806	7,246	12,083
Changes in working capital:			
(Increase)/decrease in inventories	(781)	(3,346)	708
Increase in receivables	(138)	(3,450)	(2,284)
(Decrease)/increase in payables	(2,609)	1,359	1,861
Increase in refund liabilities	-	75	120
Cash generated from operations	3,278	1,884	12,488
Income tax paid	(1,731)	(1,504)	(2,638)
Income tax refund	-	1,435	-
Interest paid	(461)	(526)	(508)
<b>Net cash from operating activities</b>	<b>1,086</b>	<b>1,289</b>	<b>9,342</b>

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

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest received	96	84	76
Proceeds from disposal of property, plant and equipment	21	7	2,816
Purchase of property, plant and equipment	(5,902)	(2,072)	(5,920)
<b>Net cash used in investing activities</b>	<b>(5,785)</b>	<b>(1,981)</b>	<b>(3,028)</b>
<b>Cash flows from financing activities</b>			
Proceed from issuance of share	-	-	*-
Grant received	2,250	-	-
Net drawdown of bankers' acceptance	452	1,686	2,828
Net (repayment)/drawdown of hire purchase loans	(597)	169	(407)
Net (repayment)/drawdown of term loans	(662)	2,585	(812)
Payment of lease liability	-	-	(55)
Changes in fixed deposit pledge to a licensed bank	-	(334)	(689)
Dividend paid	-	-	(6,800)
Net change in a director's account	-	-	3
Repayment of loan to former holding company	(3,041)	-	-
<b>Net cash (used in)/from financing activities</b>	<b>(1,598)</b>	<b>4,106</b>	<b>(5,932)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(6,297)</b>	<b>3,414</b>	<b>382</b>
<b>Cash and cash equivalents at beginning</b>	<b>7,034</b>	<b>737</b>	<b>4,151</b>
<b>Cash and cash equivalents at end</b>	<b>737</b>	<b>4,151</b>	<b>4,533</b>

**Note:**

\* Negligible

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

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**12.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION**

The following discussion and segmental analysis of our combined financial statements for FYE 2018 to 2020 should be read with the Accountants' Report included in Section 13.

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

Our Group is principally involved in the fabrication of sheet metal and precision machined components, as well as the provision of related services, such as D&D and value-added sub-module assembly services.

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

**(b) Revenue**

Our Group's revenue for the financial years under review was mainly derived from our fabrication of sheet metal and precision machining segment.

Revenue is recognised at a point in time when the transfer of control of the goods has been passed on to the customer, i.e. generally when the customer has acknowledged delivery of the goods. The amount of revenue recognised is adjusted for discounts and rebate given.

**(c) Cost of sales**

Our cost of sales comprises raw materials cost, direct labour cost and factory overheads:

**(i) Raw materials**

Our Group's direct raw materials mainly consist of LLM, which are various simpler materials used in sub-module assembly such as brackets, fasteners, hinges, rivets, washers as well as wiring and various electronic parts, and other base materials such as aluminium and stainless steel which are sourced from local and foreign suppliers.

**(ii) Direct labour**

Our direct labour comprises salaries, statutory contributions, wages and allowances for production workers which are employed directly by us.

**(iii) Factory overhead**

Factory overhead mainly includes depreciation of property, plant and equipment, subcontractors' costs, upkeep expenses, utilities charges and indirect staff cost relating to the production activities such as quality assurance, product development, store-keeping.

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

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**(d) Other income**

Other income mainly comprises interest income, gain on disposal of property, plant and equipment, gain on foreign exchange and deferred income released as a result of the government grants received for reimbursement of capital expenditure on modernisation of specific machinery and equipment.

**(e) Administrative expenses**

Administrative expenses mainly consist of overheads incurred to maintain our operations such as staff costs, directors' remuneration, depreciation of property, plant and equipment, professional fees, upkeep expenses, stamp duty, insurance and road tax.

**(f) Selling and distribution expenses**

Selling and distribution expenses consist of sales and marketing expenses, carriage outward, travelling and accommodation, courier and freight charges.

**(g) Finance cost**

Finance cost comprises interest on our bank borrowings and lease liabilities.

**(h) Recent developments**

Save for the Acquisition and the disruptions to our operations arising from the COVID-19 pandemic (details as set out in Section 7.8.1), there were no other significant events subsequent to our audited combined financial statements for FYE 2020.

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

There were no exceptional or extraordinary items during FYE 2018 to 2020. In addition, our audited combined financial statements for the financial years under review were not subject to any audit qualifications.

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

**12.2.2 Review of our results of operations**

**(a) Revenue**

**Analysis of revenue by segment**

	<b>Audited</b>					
	<b>FYE 2018</b>		<b>FYE 2019</b>		<b>FYE 2020</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Fabrication of sheet metal	53,658	95.8	53,012	90.5	72,157	86.2
Precision machining	2,365	4.2	5,582	9.5	11,529	13.8
	<b>56,023</b>	<b>100.0</b>	<b>58,594</b>	<b>100.0</b>	<b>83,686</b>	<b>100.0</b>

Our revenue for the financial years under review are mainly derived from the fabrication of sheet metal segment, which accounted for more than 85.0% of our revenue from FYE 2018 to 2020. Our precision machining segment steadily grew its revenue contribution from RM2.4 million in FYE 2018 to RM11.5 million in FYE 2020.

**Analysis of revenue by region**

	<b>FYE 2018</b>		<b>FYE 2019</b>		<b>FYE 2020</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Malaysia	41,646	74.4	41,357	70.6	59,179	70.7
Singapore	12,887	23.0	13,136	22.4	17,977	21.5
USA	515	0.9	1,210	2.1	3,986	4.8
China	77	0.1	85	0.2	1,640	1.9
Other Asian countries <sup>(1)</sup>	43	0.1	762	1.3	148	0.2
European countries <sup>(2)</sup>	855	1.5	2,044	3.5	756	0.9
<b>Total</b>	<b>56,023</b>	<b>100.0</b>	<b>58,594</b>	<b>100.0</b>	<b>83,686</b>	<b>100.0</b>



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

**Notes:**

- (1) Other Asian countries consists mainly of Vietnam and Japan
- (2) European countries consists mainly of Germany

**Comparison between FYE 2018 and FYE 2019**

Revenue for FYE 2019 grew by RM2.6 million or 4.6% from RM56.0 million to RM58.6 million. On a segmental basis, revenue from fabrication of sheet metals remained fairly consistent at RM53.0 million for FYE 2019, a marginal RM0.6 million drop from RM53.7 million in FYE 2018. The growth in revenue for FYE 2019 was driven by additional RM3.2 million from precision machining segment, from Customer J and Customer P as we produced higher volume of new semiconductor components which have been prototyped during previous years, which required our double column milling machine due to the components' size..

On a geographical basis, revenues remained fairly consistent, except for USA (growth of RM0.7 million or 135.0%) largely from new customers, other Asian countries (growth of RM0.7 million or 1,637.6%) largely from a new customer based in Vietnam and European countries (growth of RM1.2 million or 139.0%) largely from an existing customer. Such increase in export revenue is mainly due to higher demand for sheet metal parts.

**Comparison between FYE 2019 and FYE 2020**

Revenue for FYE 2020 grew by RM25.1 million or 42.8% from RM58.6 million to RM83.7 million, largely contributed by growth from the fabrication of sheet metal segment, which grew by RM19.1 million or 36.1%. The increase was largely from an incremental RM10.3 million revenue contributed by our major customer, Customer J, mainly for the semiconductor industry. Additionally, Customer P contributed an incremental of RM2.3 million, and a new customer, namely Customer M, who contributed about RM4.8 million incremental revenue due to the semiconductor industry boom. This was supported by RM5.9 million or 106.5% growth from the precision machining segment mainly contributed by Customer J (increase of RM5.0 million) for precision machined components used in the semiconductor industry.

On a geographical basis, Malaysia contributed the largest growth of RM17.8 million or 43.1%, mainly from Customer J and Customer P, due to the overall boom in the semiconductor industry. The same effect is seen from Singapore, which contributed incremental revenue of RM4.8 million or 36.9%, mainly from Customer M (increment of RM3.6 million) for the semiconductor industry, and Customer A (RM1.2 million increase) for the medical industry. USA saw growth of RM2.8 million or 229.4%, mainly from Customer M (RM1.2 million increment), 2 other existing customers in the semiconductor and telecommunication industries (RM1.1 million increment), and a new EMS customer in the medical industry (RM0.4 million). China's growth of RM1.6 million or 1,829.4% was mainly from new customers in the semiconductor industry.

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

	FYE 2018		Audited FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Raw materials	16,446	38.7	16,410	37.4	25,537	40.4
Direct labour	5,085	12.0	6,516	14.9	9,895	16.0
Factory overhead	20,950	49.3	20,949	47.7	26,932	43.6
	<b>42,481</b>	<b>100.0</b>	<b>43,875</b>	<b>100.0</b>	<b>62,364</b>	<b>100.0</b>

The major components of our cost of sales are raw materials and factory overhead, which collectively accounted for 84.0% to 88.0% of our cost of sales for FYE 2018 to 2020.

**(i) Raw materials**

Raw materials comprise mainly LLM, aluminium, cold rolled steel, stainless steel and copper. We also buy consumables for our production such as packaging materials to be provided to our finishing subcontractors. The increase in raw material costs during FYE 2020 was in line with the increase in total revenue for the same period. In addition, we also made a provision for slow moving stocks amounting to RM0.9 million. During FYE 2020, we also introduced new products, which involved higher materials usage due to learning.

**(ii) Direct labour**

Direct labour comprises salaries, wages and allowances as well as statutory contributions for production workers that we directly employ.

For FYE 2019, the increase in direct labour cost was mainly due to increase in monthly average production headcount from 134 in FYE 2018 to 164 in FYE 2019 in preparation for the business growth in sheet metal fabrication in FYE 2020. This involves more manpower for prototype qualification for sheet metal products, mainly for our major customers in the semiconductor industry, as well as training costs, for which revenue contribution only materialised in FYE 2020.

For FYE 2020, the increase in direct labour cost was a result of our increase in monthly average production headcount from 164 in FYE 2019 to 264 in FYE 2020, in line with our revenue growth. During FYE 2020, we also introduced new products, which involved higher labour utilisation due to learning.

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

(iii) Factory overhead

Factory overhead mainly comprises depreciation of property, plant and equipment, subcontractors' costs, upkeep expenses, utilities charges and indirect staff cost relating to the production activities such as quality assurance, product development and store-keeping.

For FYE 2018 and FYE 2019, factory overhead cost remains fairly consistent. For FYE 2020, the increase was mainly from subcontracting costs for finishing and machining, which increased by RM5.3 million to cater for the overall increase in demand. Despite the increase, we achieved economies of scale with respect to our factory overhead in FYE 2020 as it only increased by 28.6% compared to our revenue growth of 42.8%.

**Analysis of cost of sales by segment**

	Audited		
	FYE 2018	FYE 2019	FYE 2020
	RM'000	RM'000	RM'000
	40,638	39,522	53,506
	95.7	90.1	85.8
Fabrication of sheet metal	1,843	4,353	8,858
Precision machining	4.3	9.9	14.2
	<b>42,481</b>	<b>43,875</b>	<b>62,364</b>
	<b>100.0</b>	<b>100.0</b>	<b>100.0</b>

**Analysis of GP and GP margin by segment**

	Audited		
	FYE 2018	FYE 2019	FYE 2020
	GP	GP	GP
	RM'000	RM'000	RM'000
	13,022	13,491	18,651
	24.3	25.4	25.8
Fabrication of sheet metal	520	1,228	2,671
Precision machining	22.0	22.0	23.2
	<b>13,542</b>	<b>14,719</b>	<b>21,322</b>
	<b>24.2</b>	<b>25.1</b>	<b>25.5</b>

We do not practise any fixed pricing policy. The selling prices of our products and services are determined and negotiated on a case-to-case basis, and may vary according to various factors such as complexity, specifications and requirements, volume of order, raw material prices, delivery lead time as well as future prospects of new orders from our customers. As such, the margins derived from our products and services are not fixed.

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

**Comparison between FYE 2018 and FYE 2019**

For FYE 2019, our revenue increased by 4.6% however cost of sales only increased by 3.3%. This was due to relatively lower raw material consumption as a result of better utilisation in our fabrication of sheet metal segment, as well as achieving overall economies of scale in factory overhead. As a result, our GP margin from fabrication of sheet metal improved from 24.2% to 25.1%.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, our cost of sales increased by 42.1% in line with our revenue growth of 42.8%. Our GP margin remained relatively consistent at 25.5%.

**(c) Other income**

	<b>Audited</b>					
	<b>FYE 2018</b>	<b>FYE 2019</b>		<b>FYE 2020</b>		
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Gain on disposal of property, plant and equipment	21	2.1	7	1.2	1,893	79.3
Deferred income released <sup>(1)</sup>	561	57.4	336	55.3	336	14.1
Interest income	96	9.8	84	13.8	76	3.1
Miscellaneous income	4	0.4	-	-	2	0.1
Rental income	108	11.1	101	16.6	81	3.4
Realised gain on foreign exchange	-	-	80	13.1	-	-
Unrealised gain on foreign exchange	187	19.2	-	-	-	-
	<b>977</b>	<b>100.0</b>	<b>608</b>	<b>100.0</b>	<b>2,388</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> Our Group was awarded government grants from MIDA for the reimbursement of capital expenditure on modernisation of specified machinery and equipment. Deferred income is released to profit or loss over the periods to match the related cost which the grant is intended to compensate, on a systematic basis. In FYE 2018, deferred income for 2 years was released for the relevant machinery which we acquired in FYE 2017, as the grant money was only received in FYE 2018.

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

**Comparison between FYE 2018 and FYE 2019**

For FYE 2019, our other income decreased by RM0.4 million or 37.8% as compared to FYE 2018. The decrease was mainly attributable to lower deferred income released during FYE 2019 compared to FYE 2018 by RM0.2 million. Additionally, we recorded unrealised gain on foreign exchange of RM0.2 million, being gains due to the depreciation of RM against USD during FYE 2018.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, our other income increased by RM1.8 million or 292.8%, mainly due to a gain on disposal of the parcel of industrial land and factory to Coraza Holdings, further details of which are set out in Section 10.1.

**(d) Administrative expenses**

	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Depreciation	499	8.9	652	10.0	769	8.9
Directors' remuneration and fee	1,102	19.7	923	14.2	1,345	15.6
Insurance	157	2.8	179	2.8	247	2.9
Maintenance fees for building and office equipment	308	5.5	370	5.7	417	4.8
Printing and stationery	102	1.8	139	2.1	171	2.0
Realised loss on foreign exchange	68	1.2	-	-	395	4.6
Security fee	122	2.2	149	2.3	150	1.7
Staff costs <sup>(1)</sup>	2,280	40.8	3,087	47.4	3,933	45.6
Telephone, fax and internet charges	154	2.8	169	2.6	110	1.3
Unrealised loss on foreign exchanges	-	-	138	2.1	472	5.5
Others <sup>(2)</sup>	801	14.3	702	10.8	608	7.1
	<b>5,593</b>	<b>100.0</b>	<b>6,508</b>	<b>100.0</b>	<b>8,617</b>	<b>100.0</b>

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

**Notes:**

- (1) Includes salaries, bonuses, allowances, employees' provident fund contributions, employee insurance scheme, overtime and staff related expenses.
- (2) Mainly consists of advertisement, assessment and quit rent, audit fee, bank charges, consultancy fee, HDRF expenses, legal fee and medical fee.

**Comparison between FYE 2018 and FYE 2019**

For FYE 2019, administrative expenses increased by RM0.9 million or 16.4% as compared to FYE 2018. The increase was mainly due to the following:

- (a) Increase in staff costs by RM0.8 million due to hiring of additional staff in preparation for our business growth in FYE 2020, annual increment and bonus payment;
- (b) Increase in depreciation by RM0.2 million due to increase in our capital expenditure on furniture, fittings and office equipment in FYE 2019; and
- (c) Unrealised loss on foreign exchange of RM0.1 million, due to appreciation of RM against USD as at the reporting date of FYE 2019 which resulted in the translation of USD denominated financial assets to a lower RM amount compared against the recorded amount based on the prevailing rate of RM against USD on the transaction date.

The increase was offset by RM0.2 million decrease in directors' remuneration and fees. For FYE 2018, we accorded higher directors' fees to certain directors in view that their fees for FYE 2017 were only approved in FYE 2018.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, administrative expenses increased by RM2.1 million or 32.4% as compared to FYE 2019. The increase was mainly due to the following:

- (a) Increase in staff costs by RM0.8 million due to hiring of additional staff, mainly for planning and engineering, which is commensurate with our business growth;
- (b) Realised loss on foreign exchange of RM0.4 million due to appreciation of RM against USD which resulted in a lower RM amount recorded on receipts from our customer versus the prevailing rate of RM against USD on transaction date; and
- (c) Increase in unrealised loss on foreign exchange by RM0.3 million due to appreciation of RM against USD as explained above.

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

**(e) Selling and distribution expenses**

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Freight and forwarding charges	181	5.1	209	5.3	193	4.7
Maintenance of motor vehicles	48	1.3	55	1.4	87	2.1
Sales representative fee	228	6.4	213	5.4	87	2.1
Staff costs	2,822	79.5	3,212	81.7	3,560	87.3
Transportation	88	2.5	87	2.2	90	2.2
Others <sup>(1)</sup>	182	5.2	156	4.0	61	1.6
	<b>3,549</b>	<b>100.0</b>	<b>3,932</b>	<b>100.0</b>	<b>4,078</b>	<b>100.0</b>

**Note:**

<sup>(1)</sup> Mainly consists of entertainment, membership fee, telephone and handphones and travelling fees.

**Comparison between FYE 2018 and FYE 2019**

For FYE 2019, selling and distribution expenses increased by RM0.4 million or 10.8% as compared to FYE 2018, mainly due to increase in staff costs by RM0.4 million. This was mainly due to hiring of additional employees in preparation for our business growth in FYE 2020 and annual increment.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, selling and distribution expenses increased by RM0.1 million or 3.7% as compared to FYE 2019, mainly due to increase in staff costs by RM0.3 million. This was mainly due to hiring of additional employees and annual increment. This was offset by a decrease of RM0.1 million in other expenses comprising entertainment and traveling expenses as a result of the travel restriction due to the ongoing pandemic. In addition, we also recorded a decrease of RM0.1 million in sales representative fee due to termination of the services of our Singapore based sales representative, as we have established direct relationship with the customers in Singapore.

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

**(f) Finance costs**

	Audited					
	FYE 2018		FYE 2019		FYE 2020	
	RM'000	%	RM'000	%	RM'000	%
Bank overdraft	-	-	11	2.1	14	2.7
Bankers' acceptance	22	4.8	75	14.2	125	24.2
Hire purchase loans	122	26.4	112	21.3	53	10.3
Lease liability interest	-	-	-	-	7	1.4
Term loans	317	68.8	328	62.4	316	61.4
	<b>461</b>	<b>100.0</b>	<b>526</b>	<b>100.0</b>	<b>515</b>	<b>100.0</b>

**Comparison between FYE 2018 and FYE 2019**

For FYE 2019, finance cost increased by RM0.07 million or 14.1% as compared to FYE 2018, mainly due to additional finance cost as a result of new banking facilities of RM8.0 million for working capital and draw down of new term loans of RM2.6 million, mainly for the acquisition of land under Lot 2773 & 2776 in August 2019.

**Comparison between FYE 2019 and FYE 2020**

For FYE 2020, finance costs decreased by RM0.01 million or 2.1% due to lower interest on term loans by RM0.01 million as compared to FYE 2019 as a result of the decrease in base lending rate of a total of 100 basis points to 1.75% announced by BNM during FYE 2020. In addition, our finance costs on hire purchase loans also decreased by RM0.06 million or 52.7%, due to 6 months loan moratorium granted by the relevant financiers. The decrease in finance cost was partially offset by the increase in interest in bankers' acceptance of RM0.06 million due to higher utilisation of the said facilities.

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

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
Adjusted PBT (RM'000) <sup>(1)</sup>	4,916	4,361	8,623
Adjusted pre-tax margin (%)	8.8	7.4	10.3

**Note:**

- (1) Included in our other income in FYE 2020 is a gain from disposal of property, which is non-recurring. Our adjusted PBT for FYE 2020 exclude the said other income.

**Comparison between FYE 2018 and FYE 2019**

Our PBT decreased by RM0.6 million or 11.3% from RM4.9 million in FYE 2018 to RM4.4 million in FYE 2019. Our PBT margin reduced by 1.4%. Although we experienced slightly higher GP margin of 25.1% for FYE 2019, this was offset by increased administrative expenses of 16.4% as well as selling and distribution expenses of 10.8%, all of which largely relate to the hiring of additional headcount in preparation for our business growth in FYE 2020, and annual increment.

**Comparison between FYE 2019 and FYE 2020**

Our PBT increased by RM4.3 million or 97.7% from RM4.4 million in FYE 2019 to RM8.6 million in FYE 2020. PBT margin improved to 10.3%. Although our GP margin remained relatively consistent at 25.5%, we enjoyed economies of scale in our administrative expenses as well as selling and distribution expenses. Collectively, such expenses only increased by 21.6% compared to revenue growth of 42.8%.

**(h) Taxation**

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
Taxation (RM'000)	1,465	944	<sup>(1)</sup> 2,318
Statutory tax rate (%)	24.0	24.0	24.0
Effective tax rate (%) <sup>(2)</sup>	29.8	21.6	26.9

**Notes:**

- (1) Included in taxation in FYE 2020 is the real property gains tax arising from the disposal of the property which is non-recurring. Our tax expense for FYE 2020 has been adjusted to exclude the said tax.
- (2) Calculated based on the tax expense over PBT for each financial year. The PBT for FYE 2020 excludes gain from disposal of property, which is subject to real property gains tax and not income tax.

**FYE 2018**

For FYE 2018, the effective tax rate was higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes amounting to approximately RM0.3 million. In addition, we also recorded an under provision of tax in prior year amounting to approximately RM0.4 million due to recalculation of capital allowances as a result of a grant received in 2017. This was offset mainly by income not subject to tax amounting to RM0.1 million and utilisation of reinvestment allowance amounting to RM0.2 million.

**12. FINANCIAL INFORMATION (Cont'd)****FYE 2019**

For FYE 2019, the effective tax rate was lower than the statutory tax rate mainly due to utilisation of reinvestment allowance of RM0.3 million and income not subject to tax amounting to RM0.1 million. This was offset mainly by certain expenses which are not deductible for tax purposes amounting to RM0.3 million.

**FYE 2020**

For FYE 2020, the effective tax rate was higher than the statutory tax rate mainly due to certain expenses which are not deductible for tax purposes amounting to approximately RM0.1 million. In addition, we also recorded an under provision of tax in prior years amounting to approximately RM0.8 million due to recalculation of capital allowances as a result of a grant received in 2018. This was offset mainly from utilisation of reinvestment allowance amounting to RM0.5 million.

**12.2.3 Review of financial position****(a) Assets**

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current assets</b>			
Property, plant and equipment	21,363	20,787	22,934
Right-of-use asset	-	-	411
	<u>21,363</u>	<u>20,787</u>	<u>23,345</u>
<b>Current assets</b>			
Inventories	8,177	11,523	10,815
Trade receivables	13,354	16,562	18,421
Other receivables, deposits and prepayments	1,073	1,187	1,133
Tax recoverable	1,039	253	185
Cash and bank balances	737	4,509	5,555
	<u>24,380</u>	<u>34,034</u>	<u>36,109</u>
<b>Total assets</b>	<b><u>45,743</u></b>	<b><u>54,821</u></b>	<b><u>59,454</u></b>

**Comparison between FYE 2018 and FYE 2019****Non-current assets**

Our non-current assets decreased by RM0.6 million mainly due to RM2.6 million of depreciation, which is offset by the acquisition of RM1.5 million of machinery comprising 2 welding machines and 3 milling machines and an air cooling unit, and RM0.4 million of furniture, fittings and office equipment.

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

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**Current assets**

Current assets increased by RM9.7 million mainly from:

- (i) RM3.3 million increase in inventories to meet sales orders for the first quarter of FYE 2020;
- (ii) RM3.2 million increase in trade receivables due to higher sales generated in the last quarter of FYE 2019 compared to the corresponding period in FYE 2018; and
- (iii) Increased cash and bank balances of RM3.8 million, where in FYE 2018, we utilised most of our cash and bank balances to acquire Lot 2773 & 2776.

**Comparison between FYE 2019 and FYE 2020****Non-current assets**

Our non-current assets increased by RM2.6 million mainly due to acquisition of:

- (i) RM4.5 million of machinery, being mainly a punching and laser machine, 2 milling machines, 3 welding machines and a visual quality control machine;
- (ii) RM0.6 million of furniture, fittings and office equipment;
- (iii) RM0.4 million of motor vehicles, being 2 8-tonne lorries and a transportation van;
- (iv) RM0.3 million of capital work-in-progress in relation to clearing of land and building of a temporary storage at Lot 2773 & 2776; and
- (v) RM0.4 million of right-of-use assets being a new tenancy for our Kampung Jawa branch. This tenancy has been terminated.

The above was offset by:

- (i) RM2.9 million of depreciation; and
- (ii) RM0.9 million decrease in freehold buildings, being the disposal of a parcel of industrial land and factory to Coraza Holdings, further details of which are set out in Section 10.1.

**Current assets**

Current assets increased by RM2.1 million mainly from:

- (i) RM1.9 million increase in trade receivables in line with our overall higher sales revenue; and
- (ii) Increased cash and bank balances of RM1.0 million in line with our business growth.

The above was offset by RM0.7 million decrease in inventories, largely due to a RM0.9 million provision for slow moving stock.

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Non-current liabilities</b>			
Borrowings	7,351	9,814	8,436
Lease liability	-	-	265
Deferred income	2,466	2,130	1,794
Deferred tax liabilities	1,060	1,149	928
	<b>10,877</b>	<b>13,093</b>	<b>11,423</b>
<b>Current liabilities</b>			
Trade payables	5,191	6,854	5,599
Other payables and accruals	3,284	2,992	6,098
Refund liabilities	-	75	195
Amount due to a director	-	-	3
Borrowings	1,768	3,768	6,732
Lease liability	-	-	149
	<b>10,243</b>	<b>13,689</b>	<b>18,776</b>
<b>Total liabilities</b>	<b>21,120</b>	<b>26,782</b>	<b>30,199</b>

**Comparison between FYE 2018 and FYE 2019****Non-current liabilities**

Our non-current liabilities increased by RM2.2 million mainly due to RM2.5 million of term loan facilities undertaken for acquisition of Lot 2773 & 2776, which is offset by deferred income released of RM0.3 million as a result of the government grants received for reimbursement of capital expenditure on modernisation of specific machinery and equipment.

**Current liabilities**

Current liabilities increased by RM3.4 million mainly from higher trade payables of RM1.7 million as we ordered more supplies to cater to orders at that point in time and higher borrowings of RM2.0 million, being bankers' acceptance drawn down for working capital.

**Comparison between FYE 2019 and FYE 2020****Non-current liabilities**

Our non-current liabilities decreased by RM1.7 million mainly due to repayment of borrowings of RM1.4 million and decreased deferred income of RM0.3 million due to annual amortisation.

**Current liabilities**

Current liabilities increased by RM5.1 million, resulting from RM3.1 million increase in other payables mainly in relation to provision of bonus, and RM2.8 million increase in bankers' acceptance in line with our increased sales, as well as increase in refund liabilities of RM0.1 million given to Customer J and Customer P, in line with prompt payment and sales volume. This was offset by decrease in RM1.3 million in trade payables as we had available funds from our operations to repay our trade payables earlier.

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

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net cash from operating activities	1,086	1,289	9,342
Net cash used in investing activities	(5,785)	(1,981)	(3,028)
Net cash (used in)/from financing activities	(1,598)	4,106	(5,932)
Net (decrease)/increase in cash and cash equivalents	(6,297)	3,414	382
Cash and cash equivalents at the beginning of financial year	7,034	737	4,151
<b>Cash and cash equivalents at end of financial year</b>	<b>737</b>	<b>4,151</b>	<b>4,533</b>
<b>Represented by:</b>			
Cash and cash equivalents	737	4,509	5,555
Bank overdraft	-	(24)	-
Fixed deposit pledge to a licensed bank	-	(334)	(1,022)
	<b>737</b>	<b>4,151</b>	<b>4,533</b>

**FYE 2018****Net cash for operating activities**

In FYE 2018, our net cash used in operating activities amounted to RM1.0 million. Our collections of RM56.1 million were partially offset by payments of RM55.0 million. Such payments were mainly for:

- (a) Purchase of raw materials of RM21.7 million;
- (b) Direct labour costs of RM5.1 million;
- (c) Staff and directors' remuneration of RM10.1 million;
- (d) Payment of factory overheads, administrative and selling and distribution expenses of RM15.9 million; and
- (e) Payment of income tax of RM1.7 million and interest expense of RM0.5 million.

**Net cash for investing activities**

In FYE 2018, our net cash used in investing activities amounted to RM5.8 million, due to cash outflow for the purchase of property, plant and equipment of RM5.9 million comprising mainly:

- (a) 2 vacant industrial land under Lot 2773 & 2776 for RM3.6 million;
- (b) Machinery and equipment for RM1.0 million being mainly a milling machine, 2 laser welding machines, an oven and a forklift; and
- (c) Furniture, fittings and office equipment for RM0.8 million.

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

In FYE 2018, our net cash used in financing activities amounted to RM1.6 million. This was mainly attributable grant received of RM2.3 million and net drawdown of bankers' acceptance of RM0.5 million which was offset by net repayment of our hire purchase loans and term loans of RM0.6 million and RM0.7 million respectively. We also repaid RM3.0 million, being advances from our former holding company, Coraza Holdings for our working capital requirement prior to FYE 2018.

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

In FYE 2019, our net cash generated from operating activities amounted to RM1.3 million. Our collections of RM55.4 million were partially offset by payments of RM54.1 million. Such payments were mainly for:

- (a) Purchase of raw materials of RM18.1 million;
- (b) Direct labour costs of RM6.5 million;
- (c) Staff and directors' remuneration of RM10.8 million;
- (d) Payment of factory overheads, administrative and selling and distribution expenses of RM18.0 million; and
- (e) Payment of income tax of RM1.5 million and interest expense of RM0.5 million, which was partially offset by income tax refund of RM1.4 million.

**Net cash for investing activities**

In FYE 2019, our net cash used in investing activities amounted to RM2.0 million, due to cash outflow for the purchase of property, plant and equipment of RM2.1 million comprising mainly:

- (a) Machinery and equipment of RM1.5 million being mainly for 2 welding machines, 3 milling machines and an air cooling unit; and
- (b) Furniture, fittings and office equipment of RM0.4 million.

**Net cash for financing activities**

In FYE 2019, our net cash from financing activities amounted to RM4.1 million. This was mainly attributable to net drawdown of our bankers' acceptance, hire purchase loans and term loans of RM1.7 million, RM0.2 million and RM2.6 million respectively, which was offset by changes in fixed deposit pledge to a licensed bank of RM0.3 million.

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

In FYE 2020, our net cash generated from operating activities amounted to RM9.3 million. Our collections of RM81.8 million were partially offset by payments of RM72.5 million. Such payments were mainly for:

- (a) Purchase of raw materials of RM25.5 million;

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

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- (b) Direct labour costs of RM9.9 million;
- (c) Staff and directors' remuneration of RM13.1 million;
- (d) Payment of factory overheads, administrative and selling and distribution expenses of RM20.8 million; and
- (e) Payment of income tax of RM2.6 million and interest expense of RM0.5 million.

**Net cash for investing activities**

In FYE 2020, our net cash used in investing activities amounted to RM3.0 million due to cash outflow for the purchase of property, plant and equipment of RM5.9 million comprising mainly:

- (a) Machinery and equipment of RM4.5 million, being mainly a punching and laser machine, 2 milling machines, 3 welding machines and a visual quality control machine;
- (b) Furniture, fittings and office equipment of RM0.6 million;
- (c) Motor vehicles of RM0.4 million being 2 8-tonne lorries and a transportation van; and
- (d) Capital work-in-progress of RM0.3 million in relation to clearing of land and building of a temporary storage on Lot 2773 & 2776.

Net cash used in investing activities was partially offset by proceeds from disposal of a piece of industrial land together with factory to Coraza Holdings for a cash consideration of RM2.8 million, further details of which are set out in Section 10.1.

**Net cash for financing activities**

In FYE 2020, our net cash used in financing activities amounted to RM5.9 million. We declared dividend of RM6.8 million in FYE 2020. Additionally, we also repaid hire purchase loans and term loans of RM0.4 million and RM0.8 million respectively. There were also increase in fixed deposit pledge to a licensed bank by RM0.7 million. This was offset by net drawdown of our bankers' acceptance of RM2.8 million.

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

We finance our operations with cash generated from operations, supplier's credit, various credit facilities extended by financial institutions as well as existing cash and bank balances. Our credit facilities from financial institutions comprise term loans, bankers' acceptance, bank overdrafts as well as hire purchase.

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

- (a) Our cash and cash equivalent of approximately RM6.1 million as at LPD (of which RM2.9 million is pledged to financial institutions);

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

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- (b) Our expected future cash flows from operations, taking into account the expected revenue from our major customers, who provide us with forecast of their orders between 6 to 12 months in advance. In addition, as at LPD we also have outstanding purchase orders in hand to be fulfilled within the next 12 months. These forecasted orders generally materialise, coupled with our existing outstanding purchase orders, are converted to cash within the credit period given;
- (c) Our total trade financing facilities limit as at LPD of RM15.8 million (excluding term loans and hire purchase), of which RM5.0 million have been utilised; and
- (d) Our pro forma gearing level of [●] times, based on our pro forma statements of financial position as at 31 December 2020 after the Acquisition, Public Issue and utilisation of proceeds.

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

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

**12.4 BORROWINGS AND INDEBTEDNESS**

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings (bank borrowings and hire purchase loans) as at 31 December 2020 stood at RM15.2 million, details of which are set out below:

	Purpose	Security	Tenure of the facility	Effective interest rate	As at	
					31 December 2020	RM'000
<b>Interest bearing short-term borrowings, payable within 1 year:</b>						
Term loans	Purchase of freehold land and buildings	(a) First legal charge over the freehold land and buildings of Coraza Systems (b) Joint and several guarantees by our Directors and Promoters <sup>(3)</sup> (c) Corporate guarantee by Coraza Holdings <sup>(3)</sup>	5 years to 23 years	2.45 to 3.37		933
Bankers' acceptance	Working capital	(a) First legal charge over the freehold land and buildings of Coraza Systems (b) Joint and several guarantees by our Directors and Promoters <sup>(3)</sup> (c) Corporate guarantee by Coraza Holdings <sup>(3)</sup>	90 days	1.97 to 2.54		4,966
Hire purchase loans	Purchase of machinery and equipment	Asset purchased under the facility	5 years - 6 years	2.47		833
<b>Interest bearing long-term borrowings, payable after 1 year:</b>						
Term loans	Purchase of freehold land and buildings	(a) First legal charge over the freehold land and buildings of Coraza Systems (b) Joint and several guarantees by our Directors and Promoters <sup>(3)</sup> (c) Corporate guarantee by Coraza Holdings <sup>(3)</sup>	5 years to 23 years	2.45 to 3.37		7,052
						<b>6,732</b>

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

	<b>Purpose</b>	<b>Security</b>	<b>Tenure of the facility</b>	<b>Effective interest rate</b>	<b>As at 31 December 2020</b>
				<b>%</b>	<b>RM'000</b>
Hire purchase loans	Purchase of machinery and equipment and motor vehicles	Asset purchased under the facility	5 years - 6 years	2.47	1,384
					<b>8,436</b>
					<b>15,168</b>

**Total borrowings**

**Gearing (times)**

After Acquisition but before Public Issue and utilisation of proceeds<sup>(1)</sup>  
 After Acquisition and utilisation of proceeds<sup>(2)</sup>

0.26  
 [●]

**Notes:**

- (1) Computed based on our pro forma equity attributable to the owners of our Company of RM57.5 million in the pro forma statements of financial position after the Acquisition, but before Public Issue and utilisation of proceeds.
- (2) Computed based on our pro forma equity attributable to the owners of our Company of RM[●] million in the pro forma statements of financial position after adjusting for the Acquisition, Public Issue and utilisation of proceeds which includes repayment of bank borrowings of RM[●] million. In tandem with the utilisation of proceeds, we have assumed the undertaking of borrowings for the construction of our new factory of RM13.3 million, which is not funded from our Public Issue.
- (3) In conjunction with our Listing, we have obtained a conditional release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. Until such release and/or discharge are obtained from the respective financiers, our Directors, Promoters and Coraza Holdings will continue to guarantee the banking facilities extended to our Group.

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

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

We have not defaulted on payments of principal sums and/or interests in respect of any of our borrowings throughout FYE 2018 to 2020 and up to LPD.

As at LPD, neither our Company nor any of our subsidiary is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

During FYE 2018 to 2020, we did not experience any claw back or reduction in the facilities limit granted to us by our lenders.

Separately, we have also recognised the following lease liabilities on the right-of-use assets which are denominated in RM:

<b>Purpose</b>	<b>Tenure</b>	<b>As at 31 December 2020 RM'000</b>
Lease liabilities payable within 1 year	Rental obligations for premises used in our operations 12 to 36 months	149
Lease liabilities payable after 1 year	Rental obligations for premises used in our operations 12 to 36 months	265
		<b>414</b>

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

Save as disclosed in Section 12.4 above, we do not have or utilise any other financial instruments or have any other treasury policies. All our financial instruments are used for the purchase of property, plant and equipment and working capital requirements. As at 31 December 2020, save for hire purchase loans which are based on fixed rates, all our other facilities with licensed financial institutions are based on base rate plus or minus a rate which varies depending on the type of facility.

**12.6 MATERIAL CAPITAL COMMITMENTS**

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

	<u>RM'000</u>
<b>Approved and contracted for:</b>	
Purchase of the following machinery:	
- 2 bending machines and a sanding machine (to be funded from our Public Issue as set out in Section 4.9.1)	1,410
- A bending machine and 3 milling machines (internally funded)	1,191
Building extension	636
Construction of firewall (Completed, remaining payments according to monthly schedule)	120
Project consultant for construction of firewall	62
ERP software	362
<b>Approved but not contracted for:</b>	
Factory construction on Lot 2773 & 2776	15,800
ERP hardware (including consultation fees)	671
	<u><b>20,252</b></u>

**12.7 MATERIAL LITIGATION AND CONTINGENT LIABILITIES**

We are not engaged in any material litigation, claim or arbitration either as plaintiff or defendant and there is no proceeding pending or threatened or any fact likely to give rise to any proceeding which might materially or adversely affect our position or business as at LPD.

There are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary as at LPD.

**12.8 KEY FINANCIAL RATIOS**

The key financial ratios of our Group are as follows:

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Trade receivables turnover (days) <sup>(1)</sup>	87	93	76
Trade payables turnover (days) <sup>(2)</sup>	58	50	36

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
Inventory turnover (days) <sup>(3)</sup>	67	82	65
Current ratio (times) <sup>(4)</sup>	2.4	2.5	1.9
Gearing ratio (times) <sup>(5)</sup>	0.4	0.5	0.5

**Notes:**

- (1) Computed based on average opening and closing trade receivables over revenue for the year multiplied by 365 days for each financial year.
- (2) Computed based on average opening and closing trade payables over cost of sales for the year multiplied by 365 days for each financial year.
- (3) Computed based on average opening and closing inventory over cost of sales for the year multiplied by 365 days for each financial year.
- (4) Computed based on current assets over current liabilities as at each year end.
- (5) Computed based on total borrowings over total equity as at each year end.

**12.8.1 Trade receivables turnover**

The normal credit period granted by our Group to our customers is 30 to 90 days from the date of invoice. Other credit terms are assessed on a case by case basis.

Our trade receivables turnover of between 87 to 93 days for FYE 2018 and 2019 respectively was within the credit period granted to customers. The lower trade receivables turnover of 76 days for FYE 2020 was mainly due to prompt payments from our major customers, namely Customer J and Customer P.

The ageing analysis of our trade receivables as at 31 December 2020 is as follows:

	<b>As at 31 December 2020</b>		<b>Collected from 1 January 2021 up to LPD</b>	<b>Balance as at LPD</b>	
	<b>RM'000</b>	<b>Percentage of trade receivables (a)/total of (a)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Percentage of balance (c)/total of (c)</b>
	<b>(a)</b>	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a)- (b)</b>	<b>(c)</b>
Neither past due nor impaired	13,161	71.5	13,058	103	51.0
Past due but not impaired:					
- 1 to 30 days	4,686	25.4	4,667	19	9.4
- 31 to 60 days	208	1.1	201	7	3.5
- 61 to 90 days	343	1.9	276	67	33.1
- 91 to 120 days	18	0.1	12	6	3.0
- over 120 days	5	*	5	-	-
	<b>5,260</b>	<b>28.5</b>	<b>5,161</b>	<b>99</b>	<b>49.0</b>
	<b>18,421</b>	<b>100.0</b>	<b>18,219</b>	<b>202</b>	<b>100.0</b>

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

\* Negligible

Subsequent to 31 December 2020 and up to LPD, we collected RM18.2 million, representing 98.9% of the total trade receivables as at 31 December 2020. The balance trade receivables which have yet to be collected as at LPD of RM0.2 million relates to minor discrepancies which are pending rectification of works by us.

Our total trade receivables past due as at 31 December 2020 is RM5.3 million, representing 28.5% of our total trade receivables. As at LPD, we have substantially collected the amount outstanding, and the balance has been reduced to less than RM100,000.

Our Group has not encountered any major disputes with our trade receivables. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections after 31 December 2020.

Our Group has in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Credit evaluations are performed on all customers requiring credit over certain amount.

Financial assets are written off when there is no reasonable expectation of recovery, such as debtor failing to engage in a repayment plan with us. Where receivables have been written off, we will continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

An impairment analysis is performed at each reporting date using a provision matrix that measures expected credit losses for all trade receivables. There was no impairment loss on trade receivables recognised over the financial years under review.

**12.8.2 Trade payables turnover**

The ageing analysis of our trade payables as at 31 December 2020 is as follows:

	<b>As at 31 December 2020</b>		<b>Paid from 1 January 2021 up to LPD</b>	<b>Balance as at LPD</b>	
	<b>RM'000</b>	<b>Percentage of trade payables (a)/total of (a)</b>	<b>RM'000</b>	<b>RM'000</b>	<b>Percentage of balance (c)/total of (c)</b>
	<b>(a)</b>	<b>(a)</b>	<b>(b)</b>	<b>(c) = (a)- (b)</b>	<b>(c)</b>
Within credit period	2,865	51.2	2,865	-	-
Exceeding credit period:					
- 1 to 30 days	2,077	37.1	2,077	-	-
- 31 to 60 days	701	12.5	701	-	-
- 61 to 90 days	(51)	(0.9)	(51)	-	-
- 91 to 120 days	-	-	-	-	-
- over 120 days	7	0.1	7	-	-
	2,734	48.8	2,734	-	-
	<b>5,599</b>	<b>100.0</b>	<b>5,599</b>	-	-

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

The normal credit terms granted to us by our suppliers range from 30 to 90 days.

The trade payable turnover days for the financial years under review were within the normal credit terms granted by our creditors.

As at LPD, we have fully paid our trade payables as at 31 December 2020. As at LPD, there are no disputes in respect of our trade payables and we are not aware of any legal action initiated by our suppliers or subcontractors to demand for payment.

**12.8.3 Inventory turnover**

Our Group's inventories comprise raw materials used for our manufacturing activities, work-in-progress and finished goods:

	<b>Audited</b>					
	<b>FYE 2018</b>		<b>FYE 2019</b>		<b>FYE 2020</b>	
	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>	<b>RM'000</b>	<b>%</b>
Raw materials	3,959	48.5	5,255	45.6	4,252	39.3
Work-in-progress	2,367	28.9	4,311	37.4	3,400	31.4
Finished goods	1,851	22.6	1,957	17.0	3,163	29.3
	<b>8,177</b>	<b>100.0</b>	<b>11,523</b>	<b>100.0</b>	<b>10,815</b>	<b>100.0</b>

The largest component of our inventories comprises raw materials. This is because we are required to purchase certain LLM in minimum order quantities, which results in higher raw material inventory levels. These raw materials are mainly LLM, aluminium and stainless steel which are non-perishable in nature and commonly used in our production.

Our inventory turnover days increased from 67 days as at 31 December 2018 to 82 days as at 31 December 2019 mainly due to higher work-in-progress as at 31 December 2019 to cater for sales towards the first quarter of 2020. These work-in-progress were subsequently converted into finished goods and shipped out to customers. Subsequently, our inventory turnover days normalized to 65 days as at 31 December 2020.

The ageing analysis of our inventories as at 31 December 2020 (net of provision for slow moving inventories of RM0.9 million) is as follows:

	<b>Audited</b>
	<b>RM'000</b>
12 months or less	10,803
More than 12 months	12
	<b>10,815</b>

Inventories which are more than 12 months mainly consist of raw materials such as LLM, aluminium and stainless steel which are usable.

We assess whether inventories should be impaired by identifying damaged, obsolete and slow moving inventories during periodic stock count. Slow moving inventories are those more than 12 months from the date of purchase. Damaged and obsolete inventories will be written off while a provision will be made for slow moving inventories.

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

Details of the provision for slow moving inventories for FYE 2018 to 2020 are as follows:

	<b>Audited</b>		
	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Provision for slow moving raw materials	-	-	926

Despite the provision for slow moving inventories, such raw materials which are mainly LLM, aluminium and stainless steel are still usable.

**12.8.4 Current ratio**

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Current assets	24,380	34,034	36,109
Current liabilities	10,243	13,689	18,776
<b>Net current assets</b>	<b>14,137</b>	<b>20,345</b>	<b>17,333</b>
Current ratio (times)	2.4	2.5	1.9

Our current ratios range from 1.9 to 2.5 times for the financial years under review. The decrease in current ratio for FYE 2020 was mainly due to increase in current liabilities arising from bonuses accrued and bank borrowings drawn down as at 31 December 2020.

Our current ratios indicate that we are capable of meeting short term obligations as our current assets such as trade receivables and inventories, which can be readily converted to cash, together with our cash in bank are enough to meet our current liabilities.

**12.8.5 Gearing ratio**

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

	<b>Audited</b>		
	<b>As at 31 December</b>		
	<b>2018</b>	<b>2019</b>	<b>2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Total borrowings	9,119	13,582	15,168
Total equity	24,623	28,039	29,255
Gearing ratio (times)	0.4	0.5	0.5

The increase in gearing from 0.4 times in FYE 2018 to 0.5 times in FYE 2019 was mainly due to drawdown of term loan for the purchase of Lot 2773 & 2776 and hire purchase for machinery.



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

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**12.9 SIGNIFICANT FACTORS AFFECTING OUR REVENUE**

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

**(a) We are dependent on our major customers**

Although we enjoy a good working relationship with our major customers, there is no assurance that we will be able to retain these customers or maintain or increase the level of business activity that we have with them. Any adverse changes to the business relationship between our Group and our major customers such as cancellation of orders or a termination of the relationship may lead to a negative impact on our operations and financial performance.

**(b) We are dependent on skilled workers and production workers**

We are dependent on the supply of skilled workers and production workers. Although we have automated machinery and equipment in our manufacturing facility, we are still reliant on production workers. We are also dependent on the supply of skilled workers such as engineers who are involved in processes such as product D&D and programming of CNC machinery. In a tight skilled labour market, we face the risk of competing for our skilled workers among other companies involved in engineering supporting services. In the event that we are unable to retain or replace them, our business operations and financial performance may be negatively affected.

**(c) We are dependent on the availability, quality and price fluctuations of raw materials**

Our operations are dependent on consistent supply of raw materials that meet our quality standards. We must obtain raw materials on a timely basis in order for us to turn around and deliver our products on a timely basis to our customers. Any prolonged disruption in the supplies of these raw materials and/or raw materials that do not meet our quality standards will disrupt our business operations.

Our raw materials particularly steel and aluminium are also price sensitive and we face the risk of fluctuating prices. Although we can pass on such risks by increasing the selling price of our products to maintain our profit margin, such action would result in our products becoming less competitive in the market and this in turn may have a material and adverse effect on us.

**(d) We are dependent on our continuing ability to identify and deploy the latest technology**

The demand for our products is characterised by technological changes and advancement in industry standards. Our customers are continuously improving their products in order to keep up with technological demands of the market, and in turn, would require us to enhance our capabilities to meet their new product requirements.

If we are unable to keep up with the latest technological changes, or fund new capital expenditure required to upgrade our plant and machinery, our competitive position may be impaired and we could lose our customers to our competitors. This may have a material and adverse effect on us.

**12. FINANCIAL INFORMATION (Cont'd)****12.10 IMPACT OF GOVERNMENT, ECONOMIC, FISCAL OR MONETARY POLICIES**

There were no government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during FYE 2018 to 2020. Further to the government's announcement of the "Short-Term Economic Recovery Plan" or "PENJANA" on 5 June 2020, a special reinvestment allowance incentive will be given for manufacturing and selected agriculture activity as defined in Schedule 7A of the Income Tax Act 1967 for the years of assessment 2020 to 2022. We will be able to enjoy this special reinvestment allowance incentive.

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

**12.11 IMPACT OF INFLATION**

During FYE 2018 to 2020, our financial performance was not materially affected by the impact of inflation. However, there is no assurance that our financial performance will not be adversely affected by the impact of inflation moving forward.

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

Impact of foreign exchange rate to our Group as at 31 December 2020 is as follows:

	RM'000 equivalent of balances denominated			Total
	USD	SGD	Others	RM'000
<b>Financial assets</b>				
Cash and bank balances	1,075	-	-	1,075
Trade receivables	15,004	-	-	15,004
Other receivables, deposits and prepayments	468	57	3	528
	<b>16,547</b>	<b>57</b>	<b>3</b>	<b>16,607</b>
<b>Financial liabilities</b>				
Trade payables	623	-	21	644
Other payables and accruals	-	(1) <sub>-</sub>	-	(1) <sub>-</sub>
	<b>623</b>	<b>(1)<sub>-</sub></b>	<b>21</b>	<b>644</b>

**Note:**

(1) Less than RM1,000.

Based on the tables above:

- (a) Our foreign currency denominated trade and other receivables and deposits and prepayments represent 79.4% of our total trade and other receivables, deposits and prepayments of RM19.5 million as at 31 December 2020;

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

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- (b) Our foreign currency denominated cash and bank balances represent only 19.4% of our total cash and bank balances of RM5.6 million as at 31 December 2020; and
- (c) Our foreign currency denominated trade and other payables represent 5.5% of our total trade and other payables of RM11.7 million as at 31 December 2020.

As at LPD, we do not enter into forward exchange contracts to hedge foreign currency risks. However, we monitor foreign exchange fluctuations on an on-going basis to ensure that our net foreign currency exposure is at an acceptable level.

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 31 December 2020 indicates that our PBT for FYE 2020 would decrease or increase by approximately RM1.6 million, as a result of a 10% appreciation or depreciation of RM against USD.

**(b) Impact of interest rates**

Our exposure to changes in interest rate risk relates primarily to our borrowings from banks. We do not generally hedge interest rate risks.

A sensitivity analysis performed on our Group based on the outstanding floating rate of our bank borrowings as at 31 December 2020 indicates that our PBT for FYE 2020 would increase or decrease by approximately RM0.01 million, as a result of increase or decrease in interest rates by 25 basis points on these borrowings.

Our financial results for FYE 2018 to 2020 were not materially affected by fluctuations in interest rates.

**(c) Impact of commodity prices**

We were not materially affected by fluctuations in commodity prices for FYE 2018 to 2020. During FYE 2021, prices of raw materials have increased between 10% to 70% depending on the type of materials. We are in the midst of re quoting our selling prices to our customers to reflect the increased cost of raw materials.

**12.13 ORDER BOOK**

We currently have outstanding purchase orders of up to RM54.0 million to be fulfilled within the next 12 months. We do not maintain an order book as we generate our sales by way of purchase orders from our customers on an ongoing basis.

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

Our Board is of the opinion that:

- (a) Our revenue will remain sustainable with an upward growth trend, in line with the growth in the engineering support industry as set out in the IMR Report;
- (b) Our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our business strategies as stated in Section 7.19; and

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

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- (c) Our capital resources will strengthen, considering the proceeds to be raised from the Public Issue as well as internally generated funds. We may consider debt funding for our business expansion should the need arises.

In addition to the above, our Board is not aware of any circumstances which would result in a significant decline in our revenue and GP margins or know of any factors that are likely to have a material impact on our liquidity, revenue or profitability.

**12.15 TREND INFORMATION**

Based on our track record for FYE 2018 to 2020, the following trends may continue to affect our business:

- (a) More than 85.0% of our revenue was derived from our fabrication of sheet metal segment. We expect this segment to continue contributing significantly to our revenue in the future;
- (b) The main components of our cost of sales are raw materials and direct labour cost. Moving forward, our cost of sales is expected to fluctuate in tandem with our revenue segmentation. Our cost of sales is dependent on amongst others, the availability and price fluctuation of raw material and labour costs; and
- (c) We achieved a GP margin of 24.2%, 25.1% and 25.5% for FYE 2018, FYE 2019 and FYE 2020 respectively. We expect to maintain our GP margin within this range in the future. This would depend on, amongst others, our continued ability to manage our costs efficiently.

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

- (a) Known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations other than those discussed in Sections 7.9, 12.2, 12.9, 12.10, 12.11 and 12.12;
- (b) Material commitments for capital expenditure save as disclosed in Section 12.6;
- (c) Unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Sections 7.8, 12.2, 12.9, 12.10, 12.11 and 12.12;
- (d) Known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in Sections 7.9, 12.2, 12.9, 12.10, 12.11 and 12.12; and
- (e) Known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in Sections 7.9, 12.2, 12.9, 12.10, 12.11 and 12.12.

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

Although our Group temporarily suspended operations from 31 May 2021 to 7 June 2021 due to a directive from the MOH arising from positive COVID-19 cases detected among our employees, our financial performance in the immediate financial year up to LPD was only affected in terms of delayed revenue, for the periods where our production activities were halted. We did not experience any termination or cancellation of any of our orders as at LPD. None of our customers have imposed any penalty for delayed deliveries as at LPD, and we do not expect any such penalty.

Based on the above, our Board is optimistic about the future prospects of our Group given the positive outlook of the engineering support industry in Malaysia as set out in the IMR Report in Section 8, our Group's competitive strengths set out in Section 7.16 and our Group's intention to implement the business strategies as set out in Section 7.19.

**12.16 DIVIDEND POLICY**

As our Company is an investment holding company, our income and therefore our ability to pay dividends is dependent upon the dividends we receive from our subsidiaries, present or future. Our subsidiaries will require its financiers' consent as set out in the respective facility agreements to pay dividends to our Company. Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal, financial, or economic restrictions on the ability of our existing subsidiary to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board.

During FYE 2018 to 2020, we declared and paid the following dividend:

	<b>FYE 2018</b>	<b>FYE 2019</b>	<b>FYE 2020</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Dividend declared and paid	-	-	6,800

No dividend was declared and paid subsequent to FYE 2020 and up to LPD.

**12.17 CAPITALISATION AND INDEBTEDNESS**

The table below summarises our capitalisation and indebtedness:

- (a) Based on latest unaudited combined financial information of our Group as at 30 April 2021; and
- (b) After adjusting for the effects of the Public Issue and utilisation of proceeds.

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

	<u>I</u>	<u>II</u>	<u>III</u>
	<b>After</b>	<b>After I and</b>	<b>After II</b>
<b>As at 30</b>	<b>Acquisition</b>	<b>Public</b>	<b>and</b>
<b>April 2021</b>	<b>RM'000</b>	<b>Issue</b>	<b>utilisation</b>
<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>of proceeds</b>
			<b>RM'000</b>
<b>Capitalisation</b>			
Shareholders' equity	(8)	35,725	[•]
<b>Total capitalisation</b>	<b>(8)</b>	<b>35,725</b>	<b>[•]</b>
<b>Indebtedness <sup>(1)</sup></b>			
<b>Current</b>			
Bank overdrafts	-	8	[•]
Bankers' acceptance	-	5,021	[•]
Term loans	-	877	[•]
Hire purchase	-	1,191	[•]
Lease liabilities	-	152	[•]
<b>Non-current</b>			
Term loans	-	6,279	[•]
Hire purchase	-	4,516	[•]
Lease liabilities	-	214	[•]
<b>Total indebtedness</b>	<b>-</b>	<b>18,258</b>	<b>[•]</b>
<b>Total capitalisation and indebtedness</b>	<b>(8)</b>	<b>53,983</b>	<b>[•]</b>
<b>Gearing ratio (times) <sup>(2)</sup></b>	<b>-</b>	<b>0.51</b>	<b>[•]</b>

**Notes:**

- (1) All of our indebtedness are secured and/or guaranteed.
- (2) Calculated based on the total indebtedness divided by the total capitalisation.

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