

CNERGENZ

CNERGENZ BERHAD
Registration No. 202101026123 (1426423-D)

Leading Through Innovation



annual report 2022

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Leading Through Innovation

A robotic arm clutching the globe symbolises the pivotal role automation will have in the future of humanity as innovations in technologies continue to shape the world. The icons representing engineering processes, smart automation solutions, engineers, equipment and knowledge reflect the Group's core competencies. The visual imagery and the tagline "Leading through Innovation" bear witness to Cnergenz's strengths that place Cnergenz as solutions provider of choice to a wide-ranging industries.

Corporate Information

BOARD OF DIRECTORS

Dato' Azman Bin Mahmud

Independent Non-Executive Chairman

Lye Yhin Choy

Chief Executive Officer/ Executive Director

Kong Chia Liang

Chief Operating Officer/ Executive Director

Lye Thim Loong

Chief Corporate Officer/ Executive Director

Ooi Ley Ching

Independent Non-Executive Director

Alwizah Al-Yafii Binti Ahmad Kamal

Independent Non-Executive Director

Yeat Soo Ching

Independent Non-Executive Director

AUDIT AND RISK MANAGEMENT COMMITTEE

Ooi Ley Ching

Chairman

Alwizah Al-Yafii Binti Ahmad Kamal
Yeat Soo Ching

Member

REMUNERATION COMMITTEE

Yeat Soo Ching

Chairman

Ooi Ley Ching
Alwizah Al-Yafii Binti Ahmad Kamal

Member

NOMINATION COMMITTEE

Alwizah Al-Yafii Binti Ahmad Kamal

Chairman

Ooi Ley Ching
Yeat Soo Ching

Member

COMPANY SECRETARY

Ong Tze-En

MAICSA: 7026537

SSM PC No.: 202008003397

HEAD OFFICE/ PRINCIPAL PLACE OF BUSINESS

No 34, 36, 38 & 40, Lorong IKS Bukit Tengah
Taman IKS Bukit Tengah
14000 Pulau Pinang

Tel : (604) 508 8318

Fax : (604) 508 0318

Website: <https://cnergenz.com>

Email: ir@cnergenz.com

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd

(Registration No. 199601006647 (378993-D))

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13

46200 Petaling Jaya, Selangor

Tel : (603) 7890 4700

Fax : (603) 7890 4670

AUDITORS

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)

Chartered Accountants

Bangunan KWSP

16th Floor, Jalan Sultan Ahmad Shah

10050 Pulau Pinang

Tel : (604) 238 9188

Fax : (604) 238 9288

PRINCIPAL BANKER

Malayan Banking Berhad

REGISTERED OFFICE

170-09-01, Livingston Tower

Jalan Argyll

10050 George Town

Pulau Pinang

Tel : (604) 229 4390

Fax : (604) 226 5860

SPONSOR

UOB Kay Hian Securities (M) Sdn. Bhd.

(199001003423 (194990-K))

Suite 19.03, 19th Floor Menara Keck Seng

203 Jalan Bukit Bintang

55100 Kuala Lumpur

Tel : (603) 2147 1900

Fax : (603) 2147 1950

STOCK EXCHANGE LISTING

ACE Market of Bursa Malaysia Securities Berhad

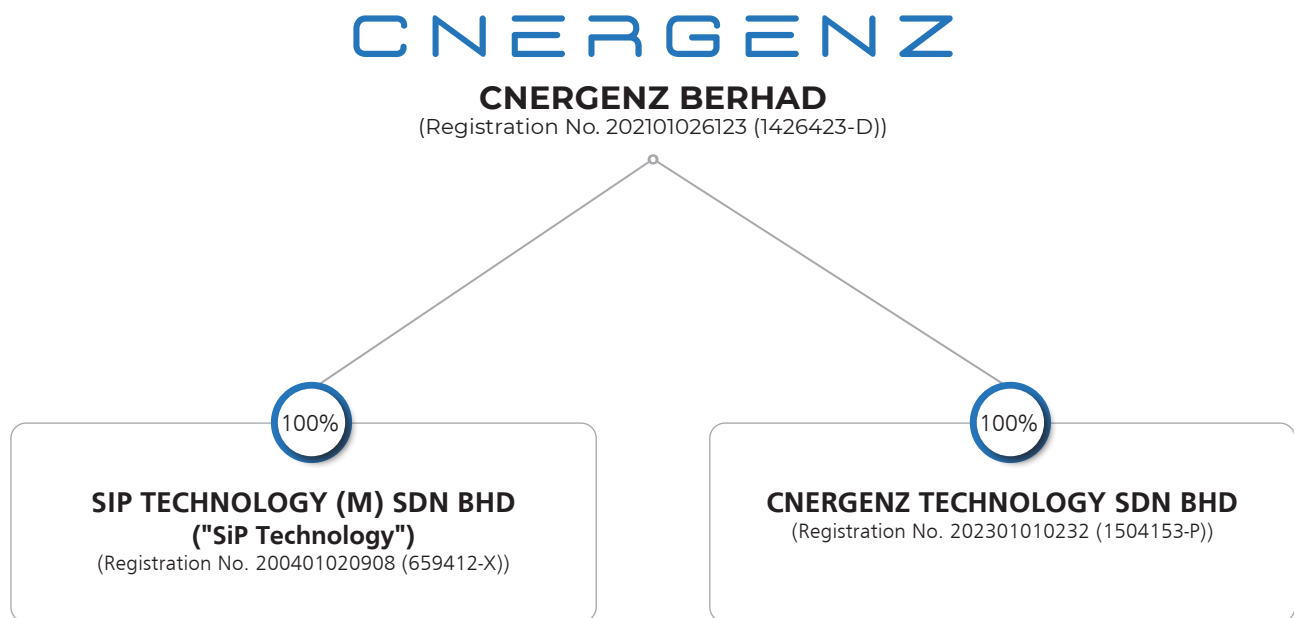
Stock Name : CNERGEN

Stock Code : 0246

Sector : Technology

Corporate Structure

AS AT 31 MARCH 2023



Vision

To position ourselves as a global player in the electronics manufacturing solutions industry and a key provider of smart factory total solutions, by accelerating our customers' transition towards high tech electronics assembly equipment and smart factory automation



Mission

To provide high quality electronics assembly equipment and smart factory automation solutions and services, enhancing the technological growth and exceeding the expectations of our customers

Media Highlights

THE EDGE MARKETS - 04 April 2022

Electronics manufacturing solutions provider Cnergenz inks underwriting agreement for ACE Market IPO



UOB Kay Hian Securities (M) Sdn Bhd chief executive officer (CEO) David Lim (left) and Cnergenz Bhd CEO Lye Yhin Choy at the underwriting agreement signing ceremony on Monday (April 4).

KUALA LUMPUR (April 4): Penang-based electronics manufacturing solutions provider Cnergenz Bhd has entered into an underwriting agreement with UOB Kay Hian Securities (M) Sdn Bhd for its upcoming initial public offering (IPO) on Bursa Malaysia's ACE Market.

In a statement, Cnergenz said the IPO exercise involves the public issue of 100 million issue shares and an offer for sale of 50 million offer shares by way of private placement.

From the public issue, 25 million issue shares will be made available for application by the Malaysian public, 10 million shares will be allocated for application by eligible directors and employees as well as persons who have contributed to the success of the group (eligible persons).

Meanwhile, 52.75 million shares will be reserved for private placement to identified investors and 12.25 million shares will be reserved for private placement to identified bumiputera investors approved by the Ministry of International Trade and Industry.

Cnergenz chief executive officer Lye Yhin Choy said the listing will enable the group to strengthen its name as a leading electronics manufacturing solutions provider in Malaysia while deepening its presence in Thailand and Vietnam, countries that are benefiting from strong investment flows into the electronics and semiconductor industries.

The company said it is targeting to launch its prospectus in April 2022.

Cnergenz specialises in surface mount technology manufacturing solutions for the electronics and semiconductor industries. It mainly serves electronics and semiconductor companies that carry out the assembly of advanced semiconductor packaging products as well as assembly and testing of printed circuit board assembly.

THE STAR - 29 April 2022

Cnergenz launches IPO prospectus



Left to right: David Lim, CEO of UOB Kay Hian Securities (M) Sdn Bhd; Kong Chia Liang, chief operating officer and executive director of Cnergenz Bhd; Datuk Azman Mahmud, independent non-executive chairman; Lye Yhin Choy, CEO and executive director; Lye Thim Loong, chief corporate officer and executive director

KUALA LUMPUR: Cnergenz Bhd has launched the prospectus for its initial public offering (IPO) on the ACE Market of Bursa Malaysia.

In a statement, the electronics manufacturing solutions provider said the IPO has been open for applications since 10am on April 29, 2022, and will close on May 11, 2022.

"We are elated to have reached a new milestone with the Prospectus launch today, bringing us a step closer towards becoming a listed entity on the ACE Market of Bursa Securities.

"Having been in the E&S space since 2004, our listing is in line with our growth plans and strategies to scale up our operations, expand our integrated solutions and smart factory solutions offerings and develop our own proprietary range of solutions," said Cnergenz CEO Lye Yhin Choy.

The IPO involves the public issue of 100 million issue shares and an offer for sale of 50 million offer shares by way of private placement at the IPO price of 58 sen per share.

From the public issue, 25 million issue shares will be made available for application to the Malaysian public, 10 million shares will be allocated for application by eligible directors and employees as well as persons who have contributed to the success of Cnergenz Group, 52.75 million shares will be reserved for private placement to identified investors and 12.25 million shares will be reserved for private placement to identified Bumiputera investors.

The issue price has been set at 58 sen per share, which will give the company a market capitalisation of RM288.84mil.

The IPO is expected to raise gross proceeds of RM58mil and will go mainly towards the group's expansion of its operational facility, as well as research and development expenditure and working capital.

Cnergenz is targeting a listing date of May 24, 2022, on the ACE Market.

UOB Kay Hian is the principal adviser, sponsor, underwriter and placement agent for the IPO.

Media Highlights (Cont'd)

THE STAR - 24 May 2022

Cnergenz makes debut on ACE Market at 60.5c a share

KUALA LUMPUR: Electronics manufacturer Cnergenz Bhd made its debut on the ACE Market of Bursa Malaysia at 60.5 sen a share, which was a 2.5 sen or 4.31% premium over the initial public offering (IPO) price of 58 sen a share.

"I am confident that Cnergenz will continue its growth trajectory, enhancing its market presence and operations through its future expansion and development plans.

"We believe that the introduction of CNERGENZ to the stock exchange will bring greater visibility to investors, and highlights the importance of electronics manufacturing solutions in building up an advanced and efficient manufacturing ecosystem in the country, further strengthening Malaysia's position as a global electronics and semiconductor hub," said Cnergenz chairman Datuk Azman Mahmud in a statement issued in conjunction with the listing ceremony.

Cnergenz raised RM58mil in funds from the IPO, which will go towards its facility expansion plans, R&D activities and general working capital purposes.

The company specialises in surface mount technology manufacturing solutions for the electronics and semiconductor industries.

According to the statement, Cnergenz offers its solutions, ranging from integrated solutions such as production line systems and smart factory solutions, to individual machinery, equipment and tools, to its network of over 100 customers operating within the E&S Industries, such as IDMs, OSATs, EMS and electronic products brand owners.

Based in Penang, the company's market base is primarily in Malaysia (save for Melaka and Johor), contributing 71.9% to the group's revenue in the recent financial year ended Dec 31, 2021, and extends to the Company's overseas markets in Vietnam and Thailand.

UOB Kay Hian is the principal adviser, sponsor, underwriter, and placement agent for the IPO.

THE EDGE MARKETS - 24 May 2022

Cnergenz opens 4.3% higher on debut but closes unchanged

KUALA LUMPUR (May 24): Penang-based electronics manufacturing solutions provider Cnergenz Bhd closed unchanged on its debut on the ACE Market on Tuesday (May 24) after opening 4.31% higher at 60.5 sen, or 2.5 sen over its initial public offering (IPO) price of 58 sen.

The stock hit an intraday high of 61.5 sen before paring gains and closed unchanged at 58 sen, translating into a market capitalisation of RM288.84 million.

It was one of the most actively traded stocks with a total of 109.87 million shares changing hands.

Commenting on the group's IPO, Cnergenz independent non-executive chairman Datuk Azman Mahmud said he is confident that the group will continue its growth trajectory, and enhance its market presence and operations through its future expansion and development plans.

"We believe that the introduction of Cnergenz to the stock exchange will bring greater visibility to investors, and highlight the importance of electronics manufacturing solutions in building up an advanced and efficient manufacturing ecosystem in the country, further strengthening Malaysia's position as a global electronics and semiconductor hub."

The IPO raised gross proceeds of RM58 million, which will primarily be channelled towards the group's expansion of its operational facilities, as well as research and development expenditure and working capital purposes.

Touching on the company's dividend policy, chief executive officer and executive director Lye Yhin Choy said Cnergenz is now in a growth phase and will only finalise its dividend policy after the completion of a new factory in Penang.

The group has earmarked RM36 million for the smart automation factory, which is slated to be completed by the second half of next year and Lye anticipates that more factories will be built in the country, especially in Penang, in order to address the global semiconductor shortage.

"The timeline for them to start up the [new] factories and turn them into production mode would take probably another year. So, the issue would not be addressed in this short time.

"Usually, for small and medium enterprises in the electronics sector, it will probably take a few quarters after that to see the flow-down effect of the semiconductor expansion," Lye explained.

He also pointed out that the group expects to benefit from strong growth in the semiconductor industry as demand for electronic gadgets remained strong during the Covid-19 pandemic.

Incorporated in 2004, Cnergenz is an electronics manufacturing solutions provider specialising in surface-mount technology catering to the electronics and semiconductor industries in Malaysia, Thailand and Vietnam.

For the financial year ended Dec 31, 2020 (FY20), Cnergenz registered a net profit of RM16.07 million, 47.39% lower than RM30.55 million for FY19, as revenue fell to RM132.82 million from RM255.98 million.

For FY18, the group posted a net profit of RM23.29 million on a revenue of RM187.75 million.

UOB Kay Hian was the principal adviser, sponsor, underwriter and placement agent for Cnergenz's IPO.



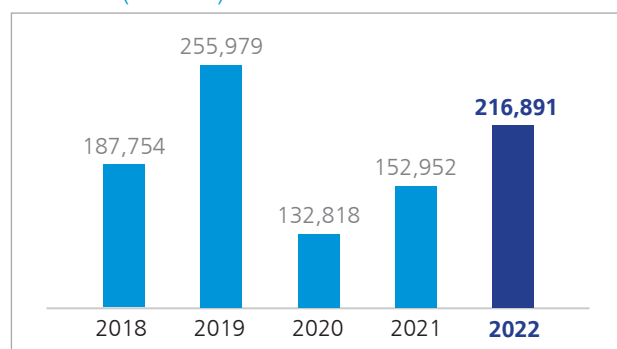
From left: Cnergenz independent non-executive director Yeat Soo Ching, independent non-executive director Alwizah Al-Yafii Ahmad Kamal, UOB Kay Hian Securities CEO David Lim, Cnergenz CEO and executive director Lye Yhin Choy, COO and executive director Kong Chia Liang, independent non-executive chairman Datuk Azman Mahmud, chief corporate officer and executive director Lye Thim Loong and independent non-executive director Ooi Ley Ching

Financial Highlights

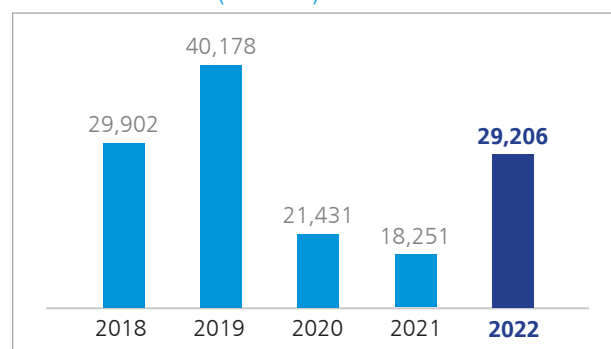
	2018 RM'000	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000
Revenue	187,754	255,979	132,818	152,952	216,891
Profit before tax	29,902	40,178	21,431	18,251	29,206
Profit after tax	23,293	30,549	16,072	13,057	21,717
Total assets	127,441	117,171	106,839	128,755	202,163
Total equity	54,018	78,153	66,020	71,106	148,439
Weighted average number of ordinary shares in issue ('000)	458,822	458,822	458,822	458,822	458,822
Basic earnings per share ("EPS") (sen) *	5.08	6.66	3.50	2.85	4.73
Net assets per share (sen) *	11.77	17.03	14.39	15.50	32.35

* EPS and Net assets per share are computed based on weighted average number of ordinary shares as at 31 December 2022

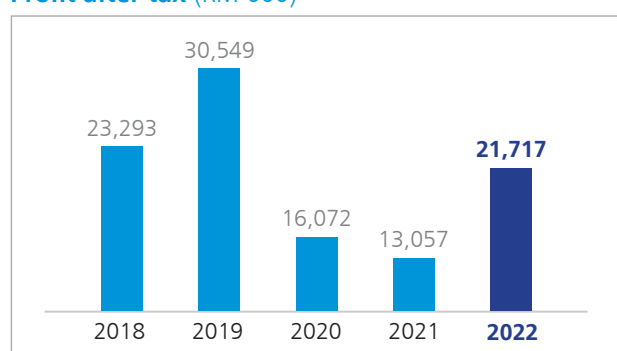
Revenue (RM'000)



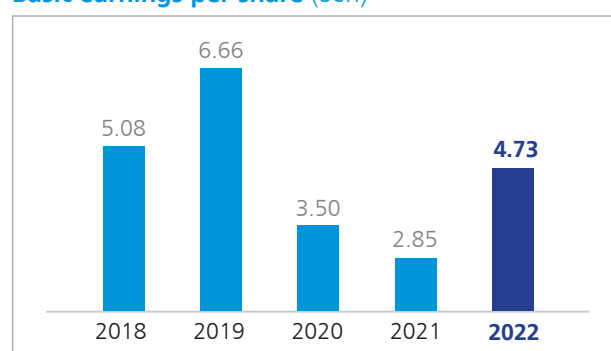
Profit before tax (RM'000)



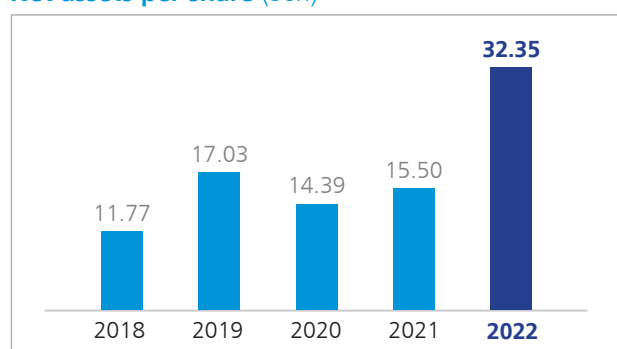
Profit after tax (RM'000)



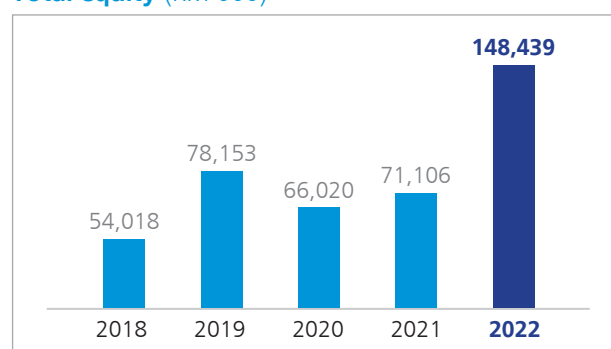
Basic earnings per share (Sen)



Net assets per share (Sen)



Total equity (RM'000)



Chairman's Statement



Dato' Azman Bin Mahmud
Independent Non-Executive Chairman

Dear Shareholders,

On behalf of the Board of Directors ("**Board**"), it is with great pleasure that I present to you the inaugural Annual Report of Cnergenz Berhad ("**Cnergenz**") together with the Audited Financial Statements of Cnergenz and its subsidiary ("**Cnergenz Group**" or "**Group**") for the financial year ended 31 December 2022 ("**FYE 2022**").

SUCCESSFUL LISTING

Year 2022 marked a significant milestone for Cnergenz for its successful listing on the ACE Market of Bursa Malaysia Securities Berhad on 24 May 2022. Through the initial public offering ("**IPO**") public portion (which was oversubscribed by 40.32 times), Cnergenz had successfully raised proceeds of RM58.0 million, the bulk of which is earmarked towards ongoing and future business activities of the Group.

The IPO was a testament to the accomplishment of Cnergenz Group, our dedication towards excellence, commitment to customers and suppliers as well as the Group's capabilities over the years having been in the electronic and semiconductor sector since 2004. The IPO was also a timely milestone as the Group have grown from a provider of integration services for surface mount technology ("**SMT**") machinery and equipment in the early years to the full scale integrated solutions provider that the Group is today.

With the IPO, Cnergenz has embarked on a new journey as a newly public listed company with aspirations to reach greater heights as we move forward with our plans and strategies to scale up our operations, expand on integrated solutions and smart factory solutions offerings, as well as develop our own proprietary range of solutions.

Chairman's Statement (Cont'd)

FINANCIAL AND OPERATIONAL PERFORMANCE

I am pleased to announce that Cnergenz registered total revenue of RM216.89 million in FYE 2022, representing an increase of 41.80% compared to total revenue of RM152.95 million recorded in financial year ended 31 December 2021 ("FYE 2021"). The profit before tax of Cnergenz had increased by 60.02% to RM29.21million in FYE 2022 as compared to RM18.25 million in FYE 2021.

The Group continues to have a healthy financial position and as at 31 December 2022, has secured purchase orders totalling RM 68.53 million for our integrated solutions and sales of individual machinery, equipment and tool which are expected to be fulfilled by year 2023.

PROSPECTS

The Group has outlined its future plans and strategies to scale up operations by relocating to a new expanded facility with the acquisition of a piece of land from Penang Development Corporation ("PDC") located in Plot 31, Penang Science Park North with a total land size of 1.3877 acres (approximately 60,448 square feet) for a total consideration of RM3,022,410.50. The land acquisition was completed on 30 January 2023. The Group intends to build a new facility on the land with a built-up area of 130,000 sq ft., which will house a larger floor area of 66,000 sq ft workshop and assembly area (for modifications, customizations, refurbishment works, prototype development, testing, and trial runs), a fully equipped training and application center, and a demonstration center for showcasing automated SMT production lines, smart factory solutions, and new machinery and equipment. We envisaged that the new facility will be fully constructed by year 2024.

The Group also intends to continue to grow its smart factory solutions. With the knowledge and understanding of SMT manufacturing processes and smart factory implementation experience that the Group has gained over the years, we understand our customers' operational needs for smart factory solutions. Thus, the Group intend to leverage on this knowledge and understanding to design and develop our proprietary range of smart factory solutions. By doing so, we will be able to tap upon the growing market trend in the electronics and semiconductor industries to shift towards smart factories.

The Group will also continue to leverage on our good track record and solid reputation to expand our business, supported by the proceeds raised from our Initial Public Offering. We will continue to enhance our order book, at the same time, we will focus on delivering our existing order book. We remained optimistic in our outlook as we try to capitalize on the trade diversion into the 3 markets that we operate in namely Malaysia, Thailand and Vietnam but remain prudent due to the global economic uncertainties.

APPRECIATION

On behalf of the Board, I wish to extend our appreciation to our management team and employees for their hard work, dedication, perseverance, undivided support and commitment to Cnergenz's success. I also wish to extend our appreciation to our esteemed customers, suppliers and business associates who supported us in this journey and it is truly an honour to have your continued trust in us.

Our sincere gratitude also to our stakeholders including shareholders, bankers, advisors, auditors and the regulatory authorities for their confidence and support to the Board and Management.

Finally, to my fellow Board members, thank you for your contributions, support and constructive advice in making the Board more effective and efficient.

DATO' AZMAN BIN MAHMUD

Independent Non-Executive Chairman

20 April 2023

Management Discussion and Analysis (“MDNA”)

The information in this MDNA should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022 (“**FYE 2022**”) as set out in the Reports and Statutory Financial Statements on pages 48 to 119 of the Annual Report.

Overview

Cnergenz Berhad (“**Cnergenz**” or the “**Company**”) was listed on the ACE Market of Bursa Malaysia Securities Berhad (“**Bursa Securities**”) on 24 May 2022. Through our initial public offering (“**IPO**”), we successfully raised proceeds of RM58.0 million, which are to be channelled towards our ongoing and future business activities.

Business and Operational Overview

We are an electronics manufacturing solutions provider, specialising in surface mount technology (“**SMT**”) manufacturing solutions for the electronics and semiconductor industries (“**E&S Industries**”). We primarily provide our solutions and services to electronics and semiconductor companies, who are looking to:-

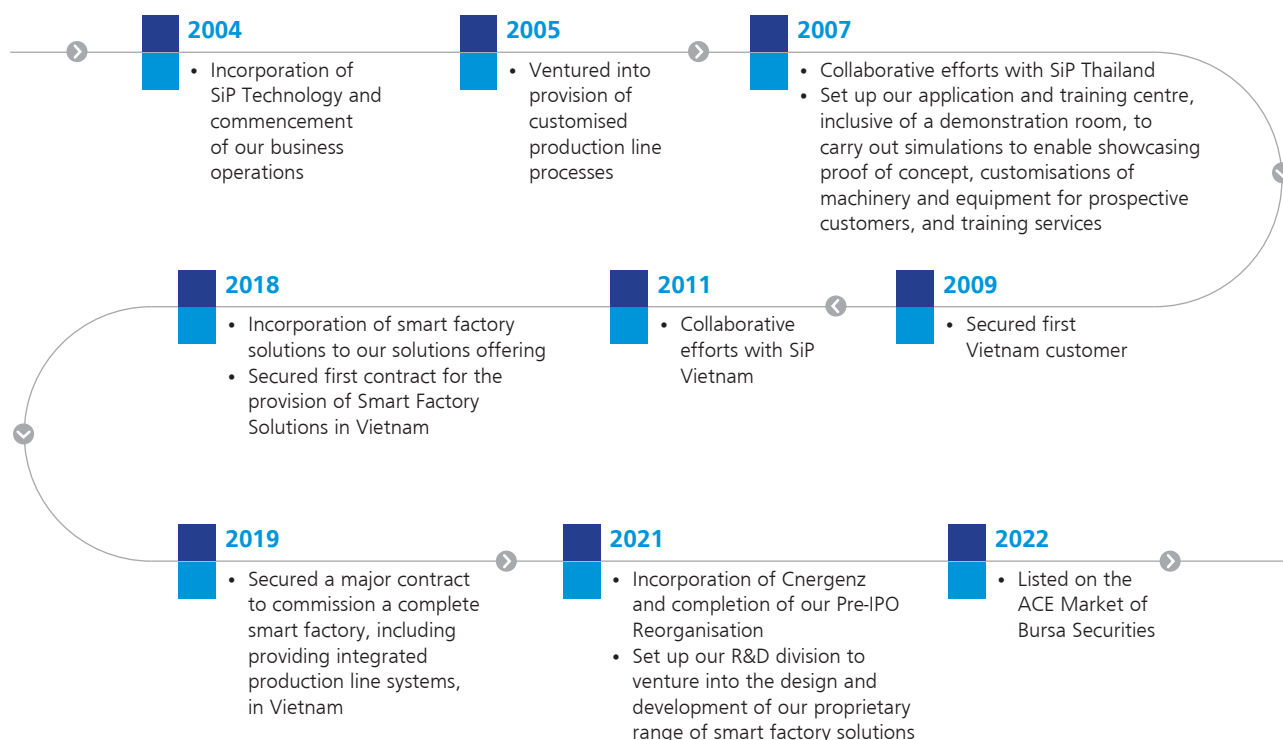
- i. commission new integrated production lines for their production facilities. This involves the design and planning of production line systems, sourcing of individual machinery, equipment, tools and software, as well as the assembly, configuration and integration of the processes and hardware into the integrated production lines; and
- ii. automate their production facilities. This involves incorporating smart factory solutions that integrate and connect the processes within the facility, including the remote management and monitoring of production processes, and management of materials and finished products,

(collectively, the “**integrated solutions**”).

In addition to the abovementioned integrated solutions, we are involved in the followings:-

- i. sales of individual machinery, equipment and tools to electronics and semiconductor companies who are looking to upgrade and/or modify their existing production line systems; and
- ii. provision of after-sales technical support and training services for our integrated solutions.

Key Milestones



Management Discussion and Analysis (Cont'd)

Financial Performance Review

	FYE 2022	FYE 2021	Change	
	RM'000	RM'000	RM'000	%
Revenue	216,891	152,952	63,939	41.80
Gross profit ("GP")	37,083	24,955	12,128	48.60
Profit before tax ("PBT")	29,206	18,251	10,955	60.02
Profit after tax ("PAT")	21,717	13,057	8,660	66.32
GP margin (%)	17.10	16.32	0.78	4.79
PBT margin (%)	13.47	11.93	1.53	12.85
PAT margin (%)	10.01	8.54	1.47	17.29
Basic EPS (sen)	4.73	2.85	1.74	66.41
Weighted average number of ordinary shares in issue ('000)	458,822	458,822	-	-

Revenue

The revenue analysis by product segments is illustrated in the table below:

	FYE 2022	FYE 2021	Change	
	RM'000	RM'000	RM'000	%
Provision of integrated solutions for SMT manufacturing line	83,517	59,739	23,778	39.80
Sales of standalone SMT machinery and equipment, comprising:-				
- SMT equipment	105,081	76,927	28,154	36.60
- Spare parts and consumables	18,055	14,063	3,992	28.39
	123,136	90,990	32,146	35.33
Other	10,238	2,223	8,015	360.55
Total Revenue	216,891	152,952	63,939	41.80

We recorded revenue of RM216.89 million in the FYE 2022, representing an increase of 41.80% compared to FYE 2021 of RM152.95 million, primarily attributed to the following factors:

- Revenue from our provision of integrated solutions for SMT manufacturing line increased by 39.80% to RM83.52 million (FYE 2021: RM59.74 million), as we delivered integration production line systems for new customers based in Malaysia and Thailand. We also continued to develop new production line systems for our existing customers, primarily based in Malaysia, which has contributed to the growth in revenue for our provision of integrated solution for SMT manufacturing line; and
- Our sales of standalone SMT equipment, spare parts and consumables had increased by 35.33% to RM123.14 million in FYE 2022 (FYE 2021: RM90.99 million), contributed by continued sales of SMT equipment, spare parts and consumables to our existing customers, primarily for upgrading and modification purposes.

GP & GP Margin

Our overall GP increased by 48.60% to RM37.08 million in the FYE 2022 (FYE 2021: RM 24.96 million), in line with our increase in revenue. Meanwhile, our overall GP margin increased to 17.10% in the FYE 2022 (FYE 2021: 16.32%), primarily attributed to our sales mix of machinery and equipment.

Management Discussion and Analysis (Cont'd)

PBT and PBT margin

Our PBT increased by 60.02% to RM29.21 million in the FYE 2022 (FYE 2021: RM18.25 million), whilst our PBT margin increased by 12.85% to 13.47% in the FYE 2022 (FYE 2021: 11.93%). The increases in both our PBT and PBT margin were primarily due to the increase in our revenue and GP Margin, as well as an increase in interest income from fixed deposits amounting to RM1.45 million in the FYE 2022 (FYE 2021: RM0.41 million).

Financial Position

	FYE 2022	FYE 2021	Change	
	RM'000	RM'000	RM'000	%
Non-current assets	22,219	16,228	5,991	36.92
Current assets	179,944	112,527	67,417	59.91
Total assets	202,163	128,755	73,408	57.01
Non-current liabilities	(1,167)	(1,166)	1	0.09
Current liabilities	(52,557)	(56,483)	(3,926)	(6.95)
Total liabilities	(53,724)	(57,649)	(3,925)	(6.81)
Shareholders' equity/Net assets	148,439	71,106	77,333	108.76
Current ratio (times)	3.4	2.0	-	-

Our non-current assets increased by 36.92% to RM22.22 million in the FYE 2022 (FYE 2021: RM16.23 million) primarily due to the purchase of additional tools and machinery amounting to RM5.84 million.

Meanwhile, our current assets increased by 59.91% to RM179.94 million in the FYE 2022 (FYE 2021: RM112.53 million) mainly due to:-

- Increase in cash and bank balances by RM46.55 million or 78.86% to RM105.57 million primarily comprising proceeds raised from our IPO; and
- Increased in trade receivables by RM23.79 million or 83.27% to RM52.35 million concurrent to higher sales.

Our non-current liabilities mainly consist of lease liabilities, hire purchases liabilities and deferred tax liabilities, and remained consistent throughout the FYE 2022 and FYE 2021.

Further, our current liabilities decreased by 6.95% to RM52.56 million in the FYE 2022 (FYE 2021: RM56.48 million) primarily due a decrease in contract liabilities by RM6.64 million in FYE 2022 from lower non-refundable deposits placed by our customers for our integrated production line systems and standalone SMT machinery and equipment.

In addition, our net assets also grew by RM77.33 million or 108.76% attributed to higher share capital resulting from our IPO and higher retained earnings attributed to higher profitability recorded in the FYE 2022.

Liquidity and Capital Reserves

Our Group maintains a healthy cash position, recording positive net cash from operating activities of RM16.45 million for the FYE 2022. In addition:-

- we have a healthy current ratio, which improved from 2.0 times in the FYE 2021 to 3.4 times in the FYE 2022; and
- our cash and cash equivalents stood at RM105.57 million as at 31 December 2022.

Management Discussion and Analysis (Cont'd)

Risk Exposures

i. We are dependent on our ability to secure new projects

We generally do not enter into long term contractual agreements with our customers, as our orders are primarily secured via individual purchase orders issued by our customers on a project-to-project basis. Further, the need to enter into long term contractual arrangements would typically be determined by our customers based on their internal policies, and will also depend on the type of projects rendered by our Group, location of such project and the country in which our customers are based in. The absence of a long term contractual arrangements may result in the fluctuation of our Group's sales and overall business performance. Our ability to maintain and strengthen our existing business relationships and establish relationships with new customers to expand our customer base is dependent on our ability to keep abreast of technological developments, cater our solutions to meet our customers' operational requirements, budget and capital expenditure, and competitive pricing and timely delivery of our solutions, machinery and equipment, and related services. Any failure on our part to meet the operational and technical requirements of our customers may subsequently impact our business relationship with our customers, and adversely affect our business, financial conditions and results of operations.

ii. Our business is subject to rapid evolution of technology, and evolving industry and market standards

While we keep abreast with the latest technological changes relevant to our industry and building on our established knowledge and expertise in electronics manufacturing solutions, there is no guarantee that we will be able to develop or design competitive solutions for our customers that meet the on-going technological evolution, evolving industry and market standards, or our customers' expectations in a timely manner. Such circumstances may adversely affect our business, financial conditions and results of operations.

iii. We are subject to the risk of termination, non-renewal and exclusivity of our distributorships

We have entered into distribution agreements with our suppliers, whereby we are the appointed distributor for the sale of certain machinery, equipment and tools in our territories (i.e. Malaysia (save for Melaka and Johor), Thailand and Vietnam). We may face the risk of termination or non-renewal of our distributorships if we are unable to meet our obligations under these agreements, or we are unable to competitively market our products and solutions amongst other industry players. We may also face an increased level of competition in our industry if our suppliers grant new distributorships within our territories to other players in the market.

iv. We operate in a competitive industry

We face competition from other international and local industry players of various scales that are capable of offering similar solutions, machinery and equipment, and related services. Our competitors comprise established electronics manufacturing service providers, who have the resources to conduct large scale sales and marketing activities, and fund research and development activities to further develop their solutions, products and services offerings. There can be no assurance that we will be able to compete effectively or maintain our competitiveness in the industry. This in turn may have an adverse impact on our business, financial condition and results of operations.

Dividends

Our total dividends declared in respect of the FYE 2022 is set out as follows:-

	(RM)
First interim single-tier tax exempt dividend of RM0.006 per ordinary share in respect of the FYE 2022, declared on 17 November 2022 and paid on 22 December 2022	2,988,000
Second interim tax exempt (single-tier) dividend of RM0.008 per ordinary share in respect of the FYE 2022, declared on 23 February 2023 and paid on 22 March 2023	3,984,000

The total dividend amounting to RM6,972,000 represented 32.1% of our Group's net profit for the FYE 2022.

Management Discussion and Analysis (Cont'd)

Future prospects

The successful listing of our Company on the ACE Market of Bursa Securities marked a new chapter in the 19-year history of our Group. Following our listing, we aimed to carry out the implementation of our expansionary growth plans through the channelling of our IPO proceeds in the following manner with update as at FYE 2022:-

Utilisation of proceeds	Estimated timeframe for utilisation upon Listing	Amount raised (RM'000)	%	Balance unutilised (RM'000)
Expansion of our Group's facility	Within 24 months	37,800	65.17	36,289
Research and development ("R&D") expenditure	Within 24 months	6,000	10.35	4,883
Working capital	Within 12 months	10,000	17.24	8,531
Estimated listing expenses	Within 3 months	4,200	7.24	-
Total		58,000	100.00	49,703

We have commenced the first stage of our expansion plans through the acquisition of a piece of land in Penang Science Park North. Vacant possession of the land has been delivered to our Group on 30 January 2023, and we are in the midst of preparing the building plans and obtaining the necessary planning permissions for the construction of our new 130,000 sq ft facility. Through the scaling up of our operations, we are hopeful that the new facility will enable us to develop and market a wider range of manufacturing solution offerings, by developing new integrated systems and solutions, running multiple modification, customisations and refurbishment works, conducting specialised machinery and equipment training, and showcase our full range of integrated solutions through demonstration units.

We are also continue investing resources into our R&D activities, leveraging on our knowledge and understanding of SMT manufacturing processes and smart factory implementation experience to design and develop our proprietary range of smart factory solutions. By doing so, we will be able to tap into the growing market trend in the E&S industries to shift towards smart factories.

As set out in our Prospectus dated 29 April 2022, the SMT manufacturing solutions industry in Southeast Asia is expected to recover and register a compound annual growth rate ("CAGR") of 8.0% between years 2022 to 2024, driven by, amongst others, the following factors:-

- emergence of a new wave of final electronic products to allow for technologies such as smart factories, autonomous cars and smart home devices as a result of technological revolution;
- rapid technological advancements in the E&S Industries as there are constant introductions of new products due to advancements and innovations; and
- shift towards smart factories to fully automate operations will create demand for electronics manufacturing solutions that enable smart factories.

Further, the industry size for SMT manufacturing solutions in Malaysia, Vietnam and Thailand, where Cnergenz presently operates, are forecasted to grow at CAGRs of 7.2%, 8.0% and 8.0%, respectively, between years 2022 to 2024. Global and regional E&S industries are embracing smart factory solutions as these corporations aim to achieve higher production yield, minimise human dependency, optimise resource allocation and enhance cost competitiveness. Such requirements and aspirations pose opportunities for electronics manufacturing solution providers to expand their operations in providing smart factory solutions.

As we are expecting this growth trend to continue due to trade diversion from China to South East Asia, we view that the upgrading of our service offerings and continued investments in our operations will enable us to benefit from the positive outlook of the electronics manufacturing industry in Southeast Asia, particularly Malaysia, Vietnam and Thailand.

Board of Directors



From Left To Right

- | | |
|---|---|
| <p>1 Ooi Ley Ching
Independent Non-Executive Director</p> | <p>5 Lye Thim Loong
Chief Corporate Officer/ Executive Director</p> |
| <p>2 Kong Chia Liang
Chief Operating Officer/ Executive Director</p> | <p>6 Alwizah Al-Yafii Binti Ahmad Kamal
Independent Non-Executive Director</p> |
| <p>3 Lye Yhin Choy
Chief Executive Officer/ Executive Director</p> | <p>7 Yeat Soo Ching
Independent Non-Executive Director</p> |
| <p>4 Dato' Azman Bin Mahmud
Independent Non-Executive Chairman</p> | |

Profile of Directors



Dato' Azman Bin Mahmud
Independent Non-Executive Chairman
Malaysian
aged 62, male

Dato' Azman Bin Mahmud ("Dato' Azman") was appointed to the Board of Cnergenz as Independent Non-Executive Chairman on 23 September 2021.

Dato' Azman, who holds a Bachelor degree in Agricultural Engineering from University Putra Malaysia, was formerly the chief executive officer ("CEO") of the Malaysian Investment Development Authority ("MIDA"), after having served for over three decades and retired in April 2021. As the CEO, he had the enviable responsibility to drive investments into the country and lead the team in advising, formulating and recommending strategies, policies, investment and industry development programmes in the manufacturing and services sectors to the government of Malaysia. He was also pivotal in attracting foreign investments into the country, in addition to being instrumental in driving domestic investments in various industries and sectors.

Now helming the stewardship of EXIM Bank as Independent Non-Executive Chairman, Dato' Azman is enthusiastic about using his vast industry and investment know-how in driving and positioning Malaysian businesses from all over the country in their global business ventures, as per the Government's mandate.

He also helms the Chairmanship of the boards of directors of the following companies and organisations: Panasonic Malaysia Sdn Bhd, Panasonic Manufacturing Malaysia Berhad, UPM Holdings Sdn Bhd, SME Aerospace Sdn Bhd and Privasia Technology Bhd. He also holds various other Board positions in GDEX Berhad and Kulim Technology Park Corporation, in addition to being a member of several organisations related to the development of businesses and investments and as an investment panel member for Penjana Kapital (an entity established by the Ministry of Finance in July 2020). He is also the Board of charitable organisation Akademi Transformasi Asnaf Perlis MAIPs Sdn Bhd.

Dato' Azman has also attended several leadership and professional development courses from renowned training institutes such as 'A Cutting Edge of Development Thinking', Harvard Kennedy School, John F. Kennedy School of Government, USA; 'Leading Change & Organisation Renewal', Harvard Business School, USA; Strategy Execution Programme, INSEAD France; APAC Government Leadership Programme (AGLP) in Crotonville, New York, USA; and Temasek Foundation International Asia Leader's Connect, Singapore.

He attended all three (3) Board of Directors' Meetings held during the financial year ended 31 December 2022.

Profile of Directors (Cont'd)



Lye Yhin Choy

Chief Executive Officer / Executive Director

Malaysian

aged 51, male

Lye Yhin Choy was appointed to the Board of Cnergenz as Chief Executive Officer/Executive Director on 6 August 2021.

As the co-founder of the Group, he is primarily responsible for the overall strategy and corporate direction of our Group, pursuing new international business leads and overseeing the supply chain management.

He graduated with a Diploma in Computer Studies from the National Centre for Information Technology, the United Kingdom in 1991.

He has over 26 years of experience in the provision of SMT manufacturing solutions. He began his career in 1992 as a Sales Engineer with Automation Industry & Systems (M) Sdn Bhd, where he carried out sales activities, technical support services and design conceptualisation for automated solutions catered towards electronics and semiconductor industries. He joined Dai-Ichi Jitsugyo (M) Sdn Bhd in 1995 as a Sales Engineer and was involved in the sales of SMT equipment and plastic injection moulding equipment. In 1998, he joined Niche Tech (M) Sdn Bhd as a Sales Manager. He was subsequently promoted to Branch Manager in 2000, and his job scope and responsibilities were extended to overseeing the overall operations of the company, including the financial planning and budget management, business development, sales and marketing, technical support and maintenance services in the country, amongst others. He left and joined Eonly Resources Sdn Bhd, as Marketing Manager. Having built his experience and expertise in SMT manufacturing solutions for electronics and semiconductor industries, he saw the potential of the industry and the opportunity to leverage on his experience and network of suppliers and customers by acquiring 50.0% equity interest in Eonly Resources Sdn Bhd in 2004 and subsequently setting up SiP Technology in the same year. The business of Eonly Resources Sdn Bhd was then progressively transferred to SiP Technology as part of his efforts to reorganise and consolidate his business ventures. Eonly Resources Sdn Bhd was subsequently dissolved in 2006.

He sits on the board of subsidiary of Cnergenz.

He attended all three (3) Board of Directors' Meetings held during the financial year ended 31 December 2022.

Profile of Directors (Cont'd)



Kong Chia Liang

Chief Operating Officer / Executive Director
Malaysian
aged 54, male

Kong Chia Liang was appointed to the Board of Cnergenz as Chief Operating Officer/Executive Director on 6 August 2021.

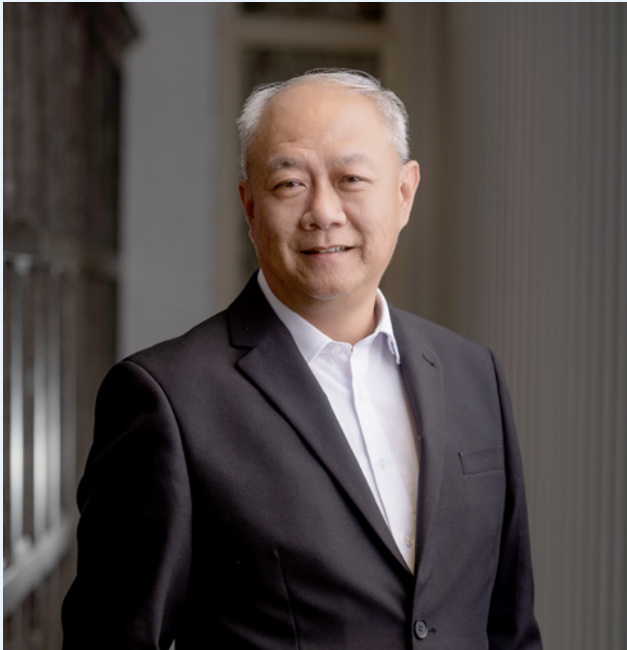
He is a co-founder and substantial shareholder of our Group. He is responsible for leading our sales division and overseeing all local sales activities as well as maintaining customer relationships.

He graduated with a Bachelor of Engineering (Electrical and Electronic) from University of Leicester, United Kingdom in 1993, and subsequently obtained a Master of Science (Manufacturing Systems Engineering) from the Queen's University Belfast, the United Kingdom in 1994.

He has over 26 years of experience in SMT manufacturing solutions. He began his career in 1995 as a Sales Engineer with CJF Electronics Sdn Bhd (a subsidiary of a TransTechnology Pte Ltd) and was subsequently promoted to Assistant Sales Manager in 1998. During his tenure, he was involved in the sales of SMT equipment and had built a network of suppliers and customers in the segment. He resigned and joined Hardware Specialty Co. Inc in 2004 as a Director, tasked to oversee the company's operations in Malaysia in the supply of hardware parts to the electronics industry. In the same year, he set up Hardware Specialty (M) Sdn Bhd to facilitate the sales of hardware parts to the electronics industry. He subsequently left Hardware Specialty Co. Inc in 2006 and became a non-executive Director and shareholder in Hardware Specialty (M) Sdn Bhd in 2007. He sold off his entire equity interest in the company and resigned as Director of Hardware Specialty (M) Sdn Bhd in 2021. In 2006, he joined SiP Technology as Sales Director. He assumed his present role as Chief Operating Officer/Executive Director of our Company upon its incorporation on 6 August 2021.

He attended all three (3) Board of Directors' Meetings held during the financial year ended 31 December 2022.

Profile of Directors (Cont'd)



Lye Thim Loong

Chief Corporate Officer / Executive Director
Malaysian
aged 59, male

Lye Thim Loong was appointed to the Board of Cnergenz as Chief Corporate Officer/Executive Director on 1 February 2022.

He is primarily responsible for managing our corporate affairs and investor relations activities.

He obtained his certification for banking from the Institute of Bankers Malaysia in 1988, and subsequently obtained the Certified Financial Planner license from the Financial Planning Association of Malaysia in 2003. He also obtained a Capital Markets Services Representative's License from the Securities Commission Malaysia, which has ceased since 1 February 2022.

He began his career in 1987 with Southern Bank Berhad as a Dealing Clerk for the International Banking Group division, and was subsequently promoted to Corporate Dealer in 1988. During his tenure with Southern Bank Berhad, he was involved in managing foreign exchange trading activities for corporate clients. He left and joined Chung Khiaw Bank Ltd in 1991 as Foreign Exchange Dealer. He subsequently joined Perwira Affin Bank Berhad as Senior Corporate Dealer. Later in 1995, he joined Allied Bank (Malaysia) Berhad as Chief Dealer, where he was involved in managing the bank's money market and foreign exchange trading activities. In 2000, he was promoted to Acting Head of the Treasury department and oversaw the bank's overall funding and daily operations. In 2001, he joined Phileo Asset Management Sdn Bhd as a Fund Manager, where he managed equity unit trusts and private mandates in both foreign and local funds. Phileo Asset Management Sdn Bhd was then acquired by Avenue Assets Berhad (now known as ECM Libra Group Berhad) ("Avenue") in 2002, and changed its name to Avenue Asset Management Services Sdn Bhd. Subsequent to the acquisition, Lye Thim Loong maintained his role as Fund Manager and was later appointed as director in Avenue Asset Management Services (Labuan) Ltd in 2003. Lye Thim Loong transitioned as Fund Manager in Avenue Asset Management to Fund Manager in Avenue Invest Berhad (now known as Libra Invest Berhad). In 2011, he was promoted to Deputy Chief Investment Officer in Libra Invest Berhad, overseeing the investment processes and implementation of investment policies and guidelines. He resigned and joined HL Bank Singapore as Head of Execution and Product Development in 2013, tasked to oversee the execution team for equity, fixed income, foreign exchange and derivatives trading activities. He subsequently joined Hong Leong Asset Management Berhad as Senior Fund Manager in 2014, tasked to manage equity unit trusts and private mandates of both local and foreign funds. He was promoted to Head of Investment in 2017 and later moved to Hong Leong Islamic Asset Management Sdn Bhd in 2020 as the Executive Director, Fund Management. He resigned and was appointed as Chief Corporate Officer/Executive Director of our Company on 1 February 2022.

He attended all three (3) Board of Directors' Meetings held during the financial year ended 31 December 2022.

Profile of Directors (Cont'd)



Ooi Ley Ching

Independent Non-Executive Director
Malaysian
aged 41, female

Ooi Ley Ching was appointed to the Board of Cnergenz as Independent Non-Executive Director on 23 September 2021.

She is the Chairman of Audit and Risk Management Committee. She is also a member of Remuneration Committee and Nomination Committee.

She graduated with a Diploma in Business Studies (Accounting) from Tunku Abdul Rahman College in 2003, and later obtained her Bachelor of Science in Applied Accounting from Oxford Brookes University, United Kingdom in 2005. She completed her Association of Chartered Certified Accountants (ACCA) qualification exams in 2007. She is a member of the Malaysian Institute of Accountants and ACCA since 2011.

She began her career in 2003 with HB Tiong & Partners as an Audit Assistant. She joined GW Soon & Partners in 2005, and was involved in financial and statutory audit, preparation of financial statements, and tax computations for companies involved in various industries including manufacturing, trading and service, property development and construction. She later joined Daxon Technology Sdn Bhd in 2007 as an Accountant and was responsible for managing the financial affairs of the company. She subsequently joined Amlex Technology Sdn Bhd, which is presently a subsidiary of Amlex Holdings Berhad (listed on the LEAP Market of Bursa Securities), in 2009 as Accountant. She was promoted to Finance Section Manager in 2010 and subsequently to Financial Controller in 2011. In 2013, she left and joined Southern Steel Berhad (listed on the Main Market of Bursa Securities) as Assistant Manager where she was responsible for managing the financial and accounting functions of the company. She later joined Ken Prima Cosmeceuticals Sdn Bhd as Accountant in 2013. In 2016, she re-joined Amlex Technology Sdn Bhd as Financial Controller. She left Amlex Holdings Berhad and founded Prominent Business Solution in March 2021, which is principally involved in accounting services, financing arrangements and general insurance services, where she presently oversees the overall operations and management of the company. In October 2021, she joined Critical M&E Engineering Sdn Bhd as Financial Controller.

She attended all three (3) Board of Directors' Meetings held during the financial year ended 31 December 2022.

Profile of Directors (Cont'd)



Alwizah Al-Yafii Binti Ahmad Kamal

Independent Non-Executive Director

Malaysian

aged 49, female

Alwizah Al-Yafii Binti Ahmad Kamal was appointed to the Board of Cnergenz as Independent Non-Executive Director on 23 September 2021.

She is the Chairman of Nomination Committee. She is also a member of Audit and Risk Management Committee and Remuneration Committee.

She graduated with Bachelor of Law LLB (Honours) from University of Bristol, United Kingdom in 1997, and completed post-graduate studies in the Institute of Chartered Secretaries & Administrators at Kensington School of Business, London, United Kingdom in 1999. She was admitted as an Advocate & Solicitor of the High Court of Malaya in 2000. She was an Associate member of the Malaysian Institute of Chartered Secretaries and Administrators (MAICSA) in 2007, and was elected to the Fellowship in 2016. She is also a licenced secretary under the Companies Commission of Malaysia since 2020.

Upon her graduation in 1997, she began her pupillage at Zaid Ibrahim & Co. (now known as ZICO Law) in 1998 and thereafter commenced her practice as a Legal Associate in the capital markets and banking departments. During her tenure, she was involved in various corporate exercises, including mergers and acquisitions, legal due-diligence exercises, securitisation transactions and corporate finance. She joined Zul Rafique & Partners as a Legal Associate in 2003. During her tenure, she represented local and international financial institutions in restructuring exercises involving public listed companies as well as provided legal advisory services on compliance with capital markets regulations and related activities. She joined Intellectual Property Services Sdn Bhd (now known as ZICO Corporate Services Sdn Bhd) in 2006 as a Manager, and was promoted to Executive Director in 2010. In 2014, she left the firm and founded AKAL Corporate Advisors Sdn Bhd. She presently provides advisory services via AKAL Corporate Advisors Sdn Bhd on corporate secretarial, human resource and accounting matters to private limited companies, public companies, financial institutions and foundations. She subsequently founded AKAL Advisors PLT in 2014 to facilitate the provision of accounting and payroll services, and related training courses and seminars.

She is presently an Independent Non-Executive Director of Infoline Tec Group Berhad (listed on the ACE Market of Bursa Securities), and a Director of ETC Technology (Malaysia) Sdn Bhd. In 2022, she was appointed as the Independent Non-Executive Director of Revenue Group Berhad (listed on the Main Market of Bursa Securities) and Independent Non-Executive Chairperson of Minox International Group Berhad. In March 2023, she resigned as the Independent Non-Executive Director of Revenue Group Berhad (listed on the Main Market of Bursa Securities). She is also a member of the Board of Trustees of Tun Suffian Foundation Incorporated, a not-for-profit organisation which awards Tun Suffian Scholarships to Malaysian students pursuing degrees and post graduate studies.

She attended all three (3) Board of Directors' Meetings during held in the financial year ended 31 December 2022.

Profile of Directors (Cont'd)



Yeat Soo Ching

Independent Non-Executive Director
Malaysian
aged 47, female

Yeat Soo Ching was appointed to the Board of Cnergenz as Independent Non-Executive Director on 23 September 2021.

She is the Chairman of Remuneration Committee. She is also a member of Audit and Risk Management Committee and Nomination Committee.

Yeat Soo Ching is an Independent Non-Executive Director of our Company. She is the Chairman of our Remuneration Committee, and a member of our Audit and Risk Management Committee and Nomination Committee. She graduated from University of Sheffield, the United Kingdom with a Bachelor of Law in 1998 and was called to the Malaysia Bar in 2000. Soo Ching started her career with Messrs Cheang & Ariff as a legal associate in 2000 and was subsequently made a partner in 2007. She practices in the areas of corporate and securities laws as well as banking and finance. On capital market transactions, she has advised companies on fund raising exercises such as initial public offerings, rights issues and private placements. She has also been advising general partners of private equity/venture capital funds on the setting up of funds in Malaysia and offshore. Her banking and financing experience includes acting for lenders and major corporations on various domestic and international financing transactions.

She attended all three (3) Board of Directors' Meetings held during the financial year ended 31 December 2022.

Notes:

1. Other than Mr. Lye Yhin Choy and Mr. Lye Thim Loong being siblings, none of the other Directors has any family relationship, as defined under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, with any other Directors and/or major shareholders of the Company.
2. None of the Directors has been convicted of any offences, other than traffic offences, within the past 5 years.
3. None of the Directors has public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management



Goh Mu Xuan, Malaysian, aged 35, male, Chief Financial Officer

Goh Mu Xuan was appointed on 6 August 2021 as Chief Financial Officer. He is responsible for overseeing our Group's overall finance, accounting, tax and human resources functions.

He graduated with a Diploma in Business Studies (Accounting) from Tunku Abdul Rahman College in 2008 and subsequently obtained an Advanced Diploma in Business Studies (Accounting) in 2010. He completed his Association of Chartered Certified Accountants (ACCA) qualification examination in 2012 and was admitted as a Member with the ACCA in 2014. He was admitted as a Member with the Malaysian Institute of Accountants in 2015. In 2019, he was registered as an ASEAN Chartered Professional Accountant with the ASEAN Chartered Professional Accountants. He is presently a Fellow with the ACCA.

He began his career in 2011 when he joined BDO Malaysia (presently known as BDO PLT) as an Audit Associate, and was later promoted to Senior Audit Associate in 2012 and Assistant Manager in 2015. During his tenure, he was involved in conducting audit for companies involved in a diverse range of industries including trading, manufacturing, property development, and construction. He left BDO Malaysia in 2015 to join United Oil Palm Industries Sdn Bhd as Group Accountant, and was subsequently promoted to Chief Financial Officer in 2019. During his tenure, he was responsible for overseeing the finance, accounting, tax, human resources and administrative functions of the group. In 2020, he left United Oil Palm Industries Sdn Bhd and joined SiP Technology as Financial Controller in February 2021. He assumed his present position as Chief Financial Officer of our Company upon its incorporation on 6 August 2021.



Jerry Tan Kok Seong, Malaysian, aged 52, male, Senior Service Manager

Jerry Tan Kok Seong was appointed on 1 July 2022 as Senior Service Manager.

He is primarily responsible for leading SiP Technology's engineering division and overseeing all operational activities relating to the assembly, integration and configuration of solutions, and technical support, maintenance, upgrade and calibration services.

He graduated with a Diploma in Electronic Engineering from Institut Teknologi Dan Pengurusan Lebu Victoria, Penang, Malaysia in December 1993.

Upon graduation, he joined Canon Marketing (M) Sdn Bhd in 1994 as a Service Technician, providing technical support services for office automation equipment. He left Canon Marketing (Malaysia) Sdn Bhd in 1998 to join Niche Tech (M) Sdn Bhd as Service Engineer, where he was involved in carrying out technical support and maintenance services for SMT manufacturing solutions. He joined SiP Technology upon its incorporation in 2004 as a Service Engineer. He subsequently left SiP Technology in February 2005, and rejoined SiP Technology as an Assistant Service Manager in May 2005. He was later promoted to Service Manager in 2006, and Senior Service Manager in July 2022.

Profile of Key Senior Management (Cont'd)



Teoh Jit Heng, Malaysian, aged 42, male, Training and Application Manager

Teoh Jit Heng was appointed on 1 April 2021 as Training and Application Manager.

He is primarily responsible for developing training materials and conducting product training for our Group's solutions as well as overseeing product study and simulation processes.

He graduated with a Business and Technology Education Council (BTEC) Higher National Diploma in Mechanical Engineering from Penang Skills Development Centre, Malaysia, in 2004. He has completed his Masters of Quality Management in Open University Malaysia in November 2022.

He began his career with OTEC Solution as a Technician in 2003, where he was involved in the assembly of electrical and electronic components and wiring works. He left to join Hock Lee Industrial Sdn Bhd as a Senior Service Technician in 2006, tasked with installation, technical support and maintenance of automotive equipment. He resigned and joined Jabil Circuit Sdn Bhd as a Process Technician in 2009, overseeing the production line systems to carry out surface mount technology (SMT) processes. In 2011, he joined SiP Technology as a Service Engineer and was responsible for undertaking the assembly, integration and configuration of our solutions, and technical support, maintenance, upgrade and calibration services. He was subsequently promoted to Senior Service Engineer in 2019. In October 2020, he resigned from SiP Technology and joined Micron (M) Sdn Bhd as Senior Process Engineer. He resigned in April 2021 and rejoined SiP Technology as Training and Application Manager.

Notes:

1. None of the Key Senior Management holds any other directorship in public companies of listed issuers.
2. None of the Key Senior Management has any family relationship, as defined under the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad, with any other Director and/or major shareholder the Company.
3. None of the Key Senior Management has any conflict of interest with Cnergiz Group.
4. None of the Key Senior Management has been convicted of any offences, other than traffic offences, within the past 5 years.
5. None of the Key Senior Management has public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Corporate Governance Overview Statement

The Board of Directors of Cnergenz Berhad ("**Cnergenz**" or "**the Company**") ("**Board**") is committed to ensure good corporate governance practices ("**CG Practices**") are observed and practiced throughout the Company and its subsidiaries (collectively referred to as "**Group**") for business growth and enhancement of shareholders' value. As a newly listed company, the Group is poised to instil a good corporate governance environment to achieve the Group's long-term objectives, protecting and enhancing shareholders' value as well as safeguarding stakeholders' interests.

This Corporate Governance Overview Statement ("**CG Statement**") provides shareholders and investors with an overview of the application of the CG Practices as set out in the Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia ("**SC**") on 28 April 2021 ("**MCCG**") by the Company throughout the financial year ended 31 December 2022 ("**FYE 2022**"), and should be read together with the Corporate Governance Report 2022 ("**CG Report**") of the Company which provides the details on how the Company has applied each CG Practices.

The CG Report is available on the Company's website at www.cnergenz.com as well as Bursa Malaysia Securities Berhad's ("**Bursa Securities**") website.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1. Board of Directors

The Board comprised of seven (7) members; one (1) Independent Non-Executive Chairman, three (3) Executive Directors and three (3) Independent Non-Executive Directors, as at the date of this Annual Report as follows:-

Position	Name
Independent Non-Executive Chairman	Dato' Azman Bin Mahmud
Chief Executive Officer/ Executive Director	Lye Yhin Choy
Chief Operating Officer/ Executive Director	Kong Chia Liang
Chief Corporate Officer/ Executive Director	Lye Thim Loong
Independent Non-Executive Director	Ooi Ley Ching
Independent Non-Executive Director	Alwizah Al-Yafii Binti Ahmad Kamal
Independent Non-Executive Director	Yeat Soo Ching

The brief profile of each Board member is presented under Profile of Directors in this Annual Report.

All concerns regarding the Group can be conveyed to any one of the Directors and/or will be deliberated by all Directors during board meetings. As such, the Board had not appointed a Senior Independent Director to whom concerns regarding the Group may be conveyed.

The Board scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings with sufficient notice. During FYE 2022, the Board held three (3) meetings to deliberate and decide on various issues including the Group's financial results, land acquisition, policies and procedures, forecasts and projections, approval of increments and bonus as well as sustainability.

The major deliberation, in terms of issues discussed and the conclusion arrived by the Board during the meetings, are recorded by the Company Secretary with the minutes signed by the Chairman of the meetings.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board of Directors (cont'd)

Detail of attendance of each Director at the meetings of the Board and Board Committees held during the financial year under review is as tabulated.

Directors	Board	Audit and Risk Management	Nomination Committee	Remuneration Committee
Dato' Azman Bin Mahmud	3/3	-	-	-
Lye Yhin Choy	3/3	-	-	-
Kong Chia Liang	3/3	-	-	-
Lye Thim Loong	3/3	-	-	-
Ooi Ley Ching	3/3	3/3	-	1/1
Alwizah Al-Yafii Binti Ahmad Kamal	3/3	3/3	-	1/1
Yeat Soo Ching	3/3	3/3	-	1/1

Board meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the meeting agenda.

Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda to facilitate informed decision-making.

The Board is satisfied with the time commitment given by the Directors as demonstrated by their full attendance (as applicable) at the meetings of the Board and Board Committees.

In addition, all Directors do not hold more than 5 directorships in other public listed companies as required under Rule 15.06 of the ACE Market Listing Requirements of Bursa Securities ("AMLR") to enable the Directors to discharge their duties effectively by ensuring that their commitment, resources and time are more focused. The Board members must notify the Board or the Chairman before accepting any new directorship in other public listed companies.

The Board acknowledges the importance of continuous education and training to enable effective discharge of its duties and the Directors are encouraged to attend talks, training programmes and seminars to update themselves on new developments in the business environment. The Board will through the Nomination Committee evaluate and determine the training needs of its Directors on an annual basis.

All Directors have attended and successfully completed the Mandatory Accreditation Programme ("MAP") as prescribed under the ACLR. In compliance with Rule 15.08, the Directors had attended the following training programmes / webinars/ conference / seminars during FYE 2022:-

Name	Organiser	Title of the Training Programmes/ Webinars/ Conferences/ Seminars
Dato' Azman Bin Mahmud (Chairman)	EXIM Bank	Bebas rasuah
	INCEIF	Islamic finance for board of directors
	Asia School of Business	Climate change impact on banks & role of the board
	FIDE	Fide core program module A
	FIDE	Fide core program module B
Lye Yhin Choy	Institute of Corporate Directors Malaysia	Bursa Malaysia Mandatory Accreditation Programme (MAP)
	WITSA GBX	World Congress on Innovation & Technology (WCIT) 2022
	Koh Young	Koh Young Future Forum 2022

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board of Directors (cont'd)

Name	Organiser	Title of the Training Programmes/ Webinars/ Conferences/ Seminars
Kong Chia Liang	Institute of Corporate Directors Malaysia	Bursa Malaysia Mandatory Accreditation Programme (MAP)
	WITSA GBX	World Congress on Innovation & Technology (WCIT) 2022
	Koh Young	Koh Young Future Forum 2022
Lye Thim Loong	Financial Planning Association of Malaysia	Prevention of Insider Trading and Chinese Wall Requirements
	WITSA GBX	World Congress on Innovation & Technology (WCIT) 2022
	Koh Young	Koh Young Future Forum 2022
	Financial Planning Association of Malaysia	Training Materials for How to Manage and Equity Portfolio using Both Fundamental Analysis (FA) and Technical Analysis (TA)
	Malaysian Investor Relations Association	What Should Investor Relations Know About Section 17A -MACC ACT 2009
	Institute of Corporate Directors Malaysia	Characteristics of ESG & Sustainability Leadership
	Institute of Corporate Directors Malaysia	Climate Change and Carbon: From the Financial Risk & Reporting Perspectives
	Malaysian Investor Relations Association	Webinar: ESG Risk Management and Due Diligence - Understanding ESG Risks
	Malaysian Investor Relations Association	The 2H2022 Outlook And Beyond - In The Eye Of The Storm
	Institute of Corporate Directors Malaysia	Bursa Malaysia Mandatory Accreditation Programme (MAP)
Yeat Soo Ching	Securities Commission, Audit Oversight Board	How the Audit Committees and Auditors can work together towards reliable audited financial statements
	Institute of Corporate Directors Malaysia	Bursa Malaysia Mandatory Accreditation Programme (MAP)
Alwizah Al-Yafii Binti Ahmad Kamal	Institute of Corporate Directors Malaysia	Bursa Malaysia Mandatory Accreditation Programme (MAP)
	Eventbrite	Rising to the ESG Challenge
	Malaysian Institute of Chartered Secretaries and Administrators (MAICSA)	Minute Writing – How to write effectively
Ooi Ley Ching	Institute of Corporate Directors Malaysia	Bursa Malaysia Mandatory Accreditation Programme (MAP)

Board Responsibilities

The Board has the overall responsibility to manage the business affairs of the Group and approving all strategies, providing leadership and direction as well as management supervision. In addition to its legal responsibilities, the Board ensures that management has in place appropriate processes for management and internal controls, risk assessment and monitoring performance against agreed benchmark for the Group as well as ensuring businesses are carried out in compliance with good governance practices and in a transparent and objective manner. Its overall objective is to enhance the value of its shareholders by achieving the strategic objectives of the Group.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board of Directors (cont'd)

Board Responsibilities (cont'd)

As part of the Board's effort to ensure that its duties and responsibilities are effectively discharged, the Board delegates certain functions to Board Committees, the Chief Executive Office /Executive Director ("CEO/ED") and the management. The Board has established the following Board Committees to perform certain of its functions and to provide recommendations and advice:

- Audit and Risk Management Committee;
- Nominating Committee; and
- Remuneration Committee.

These Board Committees comprise solely of Independent Non-Executive Directors. Each of these Board Committees operates under clearly defined Terms of Reference ("TOR") as approved by the Board and which are periodically reviewed for relevance and improvement. The Chairman of the respective Board Committees will report to the Board on the outcome of any discussions and make recommendations thereon to the Board. The ultimate responsibility for the final decision on all matters, however, lies with the Board.

The Board has established clear functions reserved for the Board and those delegated to management. The Board is responsible for the overall business framework within which the Group operates. This is formalised into a schedule of events that is reserved for the Board and these include determining overall group strategy and direction to approve quarterly and annual financial results financial and operational performance against targets. Management is responsible for the execution of activities to meet corporate plans as well as instituting various measures to ensure due compliance with various governing legislations.

The Board acknowledges its role in the stewardship of the Group's direction and operations, and ultimately the enhancement of long-term shareholders' value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including its strategic direction, establishing goals for management and monitoring the achievement of the goals.

The Board delegates the responsibility of implementing Group strategies, business plans, policies and decisions to the management, which is led by the CEO/ED.

Chairman of the Board

The Board is led by the Independent Non-Executive Chairman. The Independent Non-Executive Directors complements the Board with a mix of industry-specific knowledge, skills, professional expertise and commercial experience. The Chairman of the Board is not a member of all the Board Committees.

The Chairman is responsible for leading the Board and ensures that all Directors receive relevant information on financial and non-financial matters to enable them to participate actively in Board decisions.

Separation of Position of Chairman and CEO/ED

The roles of the Chairman and CEO/ED are distinct and separate to ensure that there is a balance of power and authority. The Chairman is responsible for the leadership, effectiveness, conduct and governance of the Board.

The CEO/ED has overall responsibility for the day-to-day management of the business and implementation of the Board's policies and decisions. The CEO/ED is responsible for ensuring due execution of strategic goals, effective operations within the Group, and to explain, clarify and inform the Board on key matters pertaining to the Group.

All decisions of the Board are made based on decision of the majority and no single Board member can make any decision on behalf of the Board, unless duly authorised by the Board. As such, no single individual or a group of individuals dominates the decision-making process.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1. Board of Directors (cont'd)

Qualified and Competent Company Secretary

The Board is of the view that the current Company Secretary is suitably qualified, competent and can support the Board in carrying out its roles and responsibilities.

The Company Secretary, or her representatives, attend and ensure that all Board and its Committees meetings are properly convened. The decisions made and/or resolutions passed thereof are recorded in minutes of meetings and kept at the registered office of the Company together with its statutory registers. The Company Secretary also facilitate the communication of key decisions and policies between the Board, Board Committees and management. The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group and are advised on the proposed contents and timing of material announcements to be made to regulatory authorities.

Other roles of the Company Secretary included coordinating with management the preparation of Board papers, ensuring Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated on evolving regulatory requirements.

Access to Information and Advice

The Board members have full and unrestricted access to information on the Group's business and affairs in discharging their duties. All Board and Board Committees are provided with agenda and relevant board papers, reports including matters arising, financial, operational and regulatory compliance matter no later than seven (7) days before meetings to ensure that they have sufficient time to review and evaluate the matters to be deliberated and obtain further information, if needed, prior to meeting to expedite decision-making during meetings.

In addition, any senior management staff, investment bankers, accountants, solicitors or other advisers who are appointed to act as advisers for any corporate proposal to be undertaken by the Group will be invited to attend Board meetings at which the corporate proposal is to be deliberated, in order to provide the Board with their professional opinion and advice, and to clarify issues that may be raised by any Director.

The Board is regularly updated and advised by the Company Secretary on new statutory as well as regulatory requirements. Every member of the Board has ready and unrestricted access to the advice and services of the Company Secretary and management. The Company Secretary attends all Board and Board Committees' meetings and ensures that meetings are properly convened and that accurate and proper records of the proceedings and resolutions passed are taken and maintained.

Where appropriate, the Directors may obtain independent professional advice at the Company's expense on specific issues to enable the Board to make well-informed decisions in discharging their duties on the matters being deliberated.

2. Demarcation of responsibilities

Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles, duties and responsibilities which are in line with the principles of good corporate governance. The Board Charter outlined the responsibilities of the Board, Board Committees and requirements of Directors and it is subject to periodical review to ensure consistency with the Board's strategic intent, roles and responsibilities, changing needs as well as relevant standards of corporate governance and development in prevailing legislation and practices. The Board Charter is available on the Company's website at www.cnergenz.com.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

3. Good Business Conduct and Corporate Culture

Code of Business Conduct and Ethics

The Group has an established Code of Business Conduct and Ethics which provides ethical values and standards for Directors and employees of the Group in discharging their duties and responsibilities. The said policy provides guidelines on the expected behaviour and conduct of the Directors and employees of the Group when dealing with both internal and external parties.

Anti-Bribery & Anti-Corruption Policy

In line with the new Section 17A of the Malaysian Anti-Corruption Commission Act 2009 on corporate liability for corruption which come into force on 1 June 2020, the Board had on 27 May 2022, approved and adopted an Anti-Bribery & Anti-Corruption Policy ("ABC Policy") in line with its zero-tolerance policy against all forms of fraud, bribery and corruption throughout the Group. The ABC Policy is available on the Company's website.

Whistleblowing Policy

The Board recognises the importance to put in place a Whistleblowing Policy, which provides an avenue for employees, members of the public and other stakeholders of the Group to report or disclose any improper conduct or wrongdoing within the Group. The Whistleblowing Policy is made available on the Company's website.

4. Sustainable Practice

Governance of sustainability

The Board recognises that sustainable development is an important and integral part of the Group's pursuit of its long-term business success. The Board is responsible for the development of the Group's sustainability strategies.

Communication of Sustainability strategies

The management continues to engage with stakeholders to seek feedback and viewpoints that would be useful to the Group in developing sustainability targets and implementation strategies. The Board will meet and discuss key sustainability matters at least once a year.

Periodic Updates

The Directors has been and will continue to attend training to keep abreast of development on sustainability as well as regulations and guidance on current and emerging environmental problems that may affect the Group.

Performance Evaluation

The Board recognises the importance of sustainability in all its business operation and had included sustainability as one of the criteria in the performance evaluations of board members. The annual evaluation of the Directors, the Board and Board Committees for FYE 2022 included assessment on Board's understanding of sustainability issues. Do refer the Sustainability Statement which outlined sustainability activities by the Group.

Sustainability Strategically

The Chief Corporate Officer/Executive Director is the designated person leading the Group's sustainability initiatives.

5. Board Composition

The Nomination Committee comprise of three (3) members, all independent as tabulated:

Name	Position
Alwizah Al-Yafii Binti Ahmad Kamal	Chairman
Ooi Ley Ching	Member
Yeat Soo Ching	Member

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5. Board Composition (cont'd)

The Committee held its first meeting in 2023 to review, among others, Board structure, size and composition; contribution of each Director, the Board and Board Committees and level of independence of the Independent Non-Executive Director as well as assess the character, experience, integrity, commitment and competence of the Directors and Chief Financial Officer. Additionally, following outcome of the annual assessment and evaluation in respect of FYE 2022, the Committee had recommended the re-election of Directors who retire by rotation under the Company's Constitution.

Review of Board Composition

Nomination Committee reviewed the size and composition of the Board, and the skills and core competencies of its members, to ensure an appropriate balance and diversity of skills and experience. The Board, through the Nomination Committee, has upon their annual assessment, concluded that the current Board comprises of a balanced mix of skills, knowledge and experience in the relevant areas to enable the Board to carry out its responsibilities in an effective and efficient manner.

Independent Directors

The Board composition met the provision of Rule 15.02 of the AMLR and Practice 5.2 of the MCCG as more than half of the Board comprised of Independent Non-Executive Directors.

Tenure of Independent Directors

Presently, none of the Independent Non-Executive Directors had exceeded a cumulative term of more than nine (9) years in the Company. Upon completion of the nine (9) years, the Independent Non-Executive Director may continue to serve the Board subject to the Director's re-designation as Non-Independent Non-Executive Director.

If the Board intends to retain an Independent Non-Executive Director beyond nine (9) years, it shall justify and seek annual shareholders' approval through a two-tier voting process.

Policy on Tenure of Independent Directors

The Board did not adopt any policy which limits the tenure of its INEDs to nine (9) years without further extension.

Diversification of Board and Senior Management

The Board is supportive of diversity on the Board and in Senior Management team. The appointment of Board and Senior Management team are based on objective criteria, merit whilst taking into consideration, diversity in experience, skills set, age and cultural background.

The present Directors, with their diverse background and professional specialisation, collectively bring with them a wealth of experience and expertise in areas such as general management and operations, law, commercial, finance and accounting, audit, investment, asset management, corporate affairs, manufacturing as well as sales and marketing.

Sources to identify candidate for directorship

The Board will consider third party sources to identify candidate(s) for directorship, if any. There was no appointment to the Board during FYE 2022.

Directors' Information

The profiles of Directors are published in the Annual Report. Information contained therein included age, gender, tenure of service, directorship in other companies, working experience and any conflict of interest as well as shareholding in Cnengenz.

To ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director, a brief profile of director concerned together with statement from the Board (on whether it support the appointment or reappointment) will be included in the agenda of meeting when such appointment or reappointment will be considered.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5. Board Composition (cont'd)

Chairman of Nomination Committee

Alwizah Al-Yafii Binti Ahmad Kamal, an Independent Non-Executive Director, is the Chairman of Nomination Committee.

Female Board Representation

Whilst acknowledging the recommendation of the MCCG on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.

The current composition of three (3) female Directors testifies to the Group's commitment on gender diversity.

6. Board Effectiveness

Effectiveness of the Board and individual Directors

The Nomination Committee reviews annually the required mix of skills, experience and other qualities, including core competencies of the members in discharging their duties. The skills and experience of each Director is analysed, inter-alia, in the areas of business operations, technical and governmental affairs and legislation. Furthermore, the Nomination Committee reviews size and composition of the Board with consideration on the impact on the effective functioning of the Board.

The Nomination Committee had also reviewed and assessed the independence of the Independent Non-Executive Directors based on the Directors' professionalism and integrity in the decision-making process, ability to form independence judgements, as well as objectivity and clarity in deliberations in addition to the specific criteria of independence as set out in the AMLR.

The results of all assessments and comments by Directors are tabled for review and discussion at the Nomination Committee meeting. Thereafter, the Chairman of Nomination Committee would report on the results and deliberations to the Board.

Based on the outcome of evaluation for the financial year under review, the Nomination Committee and the Board are satisfied that the Board and Board Committees have discharged their duties and responsibilities effectively and the contribution and performance of each individual Director is satisfactory. The Nomination Committee believes that the current Board composition is well balanced with the right mix of high-calibre individuals with the necessary skills, qualification, experience, knowledge, credibility, independence and core competencies.

The Company's Constitution provides that an election of Directors shall take place each year and, at the Annual General Meeting ("AGM") of the Company, one third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one third (1/3) shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became Directors on the same day, those to retire shall (unless they otherwise agree among themselves) be determined by lot. A retiring Director is eligible for reappointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

The Director who is subject to re-election and/or re-appointment at next AGM is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the Nomination Committee is based on the annual assessment conducted.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

7. Level and composition of Remuneration

Remuneration policy

The objective of the Directors' Remuneration Policy is to determine the remuneration package of the Board and Key Senior Management in order to attract, motivate and retain experienced, qualified and high calibre talent with the aim to support the Group's business strategies, objectives and encourage value creation for the Group and its stakeholders.

As for Non-Executive Directors, the level of fee and other benefits is reflective of their experience, expertise, contribution to the Group, duty and level of responsibilities undertaken by them including the number of Board meetings attended. The determination of Directors' fees for the Non-Executive Directors including that for Non-Executive Chairman of the Board shall be a matter for the Board as a whole.

The Remuneration Committee is responsible for, inter-alia, recommending to the Board the policy framework and remuneration structure for Directors as well as the remuneration packages of Executive Directors.

In the case of the executive Board members, the components of the remuneration package are linked to scope of the duty and responsibilities, conditions and experiences required, ethical values, internal balances and strategic targets of the Group as well as the corporate and individual performance. The executive Board members played no part in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.

During FYE 2022, the Remuneration Committee met once, attended by all the members, to consider the remuneration package for the executive Board members as well as Directors' fees for the Non-Executive Directors.

Remuneration Committee

The Remuneration Committee comprises of three (3) members, all independent. The members of Remuneration Committee are as follows:

Name	Position
Yeap Soo Ching	Chairman
Ooi Ley Ching	Member
Alwizah Al-Yafii Binti Ahmad Kamal	Member

The Remuneration Committee is empowered by the Board and its TOR to, among others, appraise performance of Executive Directors and Key Senior Management in proposing salary increment as well as annual bonus and consider appropriate level of remuneration for the Non-Executive Directors, taking into account factors such as effort and time spent, and responsibilities of the said Directors.

The TOR of the Remuneration Committee is available for viewing at the Company's website at www.cnergenz.com.

8. Remuneration of Directors and Senior Management

Details of Directors' Remuneration

Type of fees	RM
Director fee – Independent Non-Executive Chairman	10,000
Director fee – Independent Non-Executive Director (per pax)	4,000
Meeting fee – per day (per pax)	600

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

8. Remuneration of Directors and Senior Management (cont'd)

Details of Directors' Remuneration (cont'd)

The fees and benefits payable to the Directors are endorsed by the Board for approval by the shareholders at the AGM prior to payment. The remuneration received/receivable by the Directors of the Company for FYE 2022 is as disclosed in the CG Report.

Detailed Disclosure of Top five (5) Senior Management's Remuneration

The Board acknowledged the need for transparency in the disclosure of remuneration as recommended under the MCCG. Nonetheless, The Board takes the view that there is no necessity for the Group to disclose the remuneration package of top five (5) Senior Management as such disclosure could be detrimental to its business interests given the highly competitive human capital environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could give rise to recruitment and talent retention issues going forward.

The Board will ensure that the remuneration of the Senior Management personnel commensurate with the level of responsibilities, with due consideration in attracting, retaining and motivating Senior Management to lead and run the Group successfully. Excessive remuneration pay-out is not made to the Senior Management personnel in any instance.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

9. Effective and Independent Audit and Risk Management Committee

Audit and Risk Management Committee

Ooi Ley Ching, an Independent Non-Executive Director, is the Chairman of Audit and Risk Management Committee and she is not the Chairman of the Board. Details on the composition and other pertinent facts of the Audit and Risk Management Committee is outlined under the Audit and Risk Management Committee Report in this Annual Report.

Appointment of Former Key Audit Partner to Audit Committee

None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the Audit and Risk Management Committee. As such, there was no need to establish such policy presently. Such a policy would be established when the need arises in future.

The Board will observe a cooling-off period of at least three (3) years in the event any potential candidate to be appointed as a member of the Audit and Risk Management Committee was a key audit partner.

External Auditors

Under its TOR, the Audit and Risk Management Committee reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's performance, competency, quality of work, audit fees and the adequacy of resources.

The Audit and Risk Management Committee has assessed the suitability and independence of the external auditors and is satisfied with the technical competency and independence of the external auditors. The Audit and Risk Management Committee meets with the external auditors at least twice (2) a year to discuss their audit plan and audit findings. The Audit and Risk Management Committee discusses the nature and scope of audit and reporting obligations with the external auditors before commencement of audit engagement. It is also the practice of the Audit and Risk Management Committee to respond to auditors' enquiries and recommendations, if any, to ensure compliance with the various approved accounting standards in the preparation of the Group's financial statements.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

9. Effective and Independent Audit and Risk Management Committee (cont'd)

External Auditors (cont'd)

The Audit and Risk Management Committee is empowered by the Board to review all issues in relation to appointment and re-appointment, resignation or dismissal of external auditors. The Audit and Risk Management Committee undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the technical competency and independence of the external auditors.

The Audit and Risk Management Committee has considered the non-audit services provided by the external auditors during FYE 2022 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to the external auditors.

The external auditors have confirmed to the Audit and Risk Management Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants.

The Board places great emphasis on the objectivity and independence of the auditors, namely PricewaterhouseCoopers PLT, in providing relevant and transparent reports to the shareholders. To ensure full disclosure of matters, the auditors attend the AGM to attend to any queries from shareholders.

Composition of the Audit and Risk Management Committee

The Audit and Risk Management Committee complies with the Step-Up recommendation of the MCCG requiring all members to be independent.

Diversity in skills of the Audit and Risk Management Committee

The Audit and Risk Management Committee currently comprised of members with professional experience in finance, legal, corporate secretarial and regulatory, business management. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the Audit and Risk Management Committee the ability to effectively discharge their roles and responsibilities.

10. Effective Risk Management and Internal Control Framework

Establishment an effective Risk Management and Internal Control

The Board has established a structured risk management process aimed at identifying, evaluating, controlling, monitoring and reporting of principal risks faced by the Group on an on-going basis. The Board, through the Audit and Risk Management Committee, constantly reviews the adequacy and integrity financial, operational and compliance controls.

Features of Risk Management and Internal Control Framework

The Statement on Risk Management and Internal Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

Continuous reviews are carried out by the Group's internal audit function and management to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the Audit and Risk Management Committee regularly.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE B - EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

10. Effective Risk Management and Internal Control Framework (cont'd)

Establishment of a Risk Management Committee

The Audit and Risk Management Committee, with support from outsourced internal audit team, assists the Board in fulfilling its oversight functions in the risk management governance by establishing a sound internal control and risk management framework to manage the various risks faced by the Group with overall responsibility for overseeing all risk management activities and approving the appropriate risk management procedures and measurement methodologies across the Group.

As such, the Board was of the view that a separate Risk Management Committee is unnecessary at this juncture in time.

11. Effectiveness Governance, Risk Management and Internal Control

Effectiveness of the Internal Audit Function

The internal audit function of the Group is carried out by an outsourced and competent consulting firm, Sterling Business Alignment Consulting Sdn. Bhd. ("Sterling Business"), that assists the Audit and Risk Management Committee and the Board in managing risks and establishment of internal control system and processes within the Group by providing an independent assessment on the adequacy, efficiency and effectiveness of the Group's risk management and internal control system and processes. Sterling Business reports directly to the Audit and Risk Management Committee.

The Audit and Risk Management Committee reviews and approves the Internal Audit Plan annually and ensures that the internal auditors are accorded with appropriate standing and authority to facilitate the discharge of its duties. Audits of practices, procedures and internal controls of identified business and support units and subsidiaries are undertaken on a regular basis.

The Board also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The Audit and Risk Management Committee has also received assurance from the internal auditors that they have adopted internal audit standards and best practices which are endorsed by the Institute of Internal Auditors Malaysia.

RM15,000 has been incurred for internal audit services for FYE 2022.

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

12. Continuous Communication between Company and Stakeholders

Communication with its stakeholders

The Group is committed to maintaining regular, transparent, coherent, timely and equitable dissemination of relevant and material information on the development of the Group to shareholders and stakeholders whilst balancing commercial confidentiality and regulatory considerations.

The Company's general meetings are the principal forum for dialogue and communication with shareholders and investors. Shareholders are encouraged to attend general meetings and are given sufficient time and opportunity to participate in the proceedings, ask questions about the resolutions being proposed and the operations of the Group, and communicate their expectations and possible concerns.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTERGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

12. Continuous Communication between Company and Stakeholders (cont'd)

Communication with its stakeholders (cont'd)

In addition, the Board and Management welcome visits by investors, fund managers and analysts and conduct briefings to them when required, as the Board believes that this will give investors and interested parties on one hand, a better appreciation and understanding of the Group's performance and on the other, awareness of the expectations and concerns of investors and such interested parties. Besides, the Company also maintains an official website at www.cnergenz.com that provides an easy and convenient avenue for public to gain access to more information of the Group.

However, in any circumstances, while the Group endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. The Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to all shareholders and stakeholders.

The Board is committed under its corporate governance obligation to have an effective channel of communication with shareholders and the investing public. It affirms that the primary channel to engage and communicate with its shareholders is during the general meetings.

The Group disseminates information in relation to its financial performance, operations and corporate developments through the annual reports, quarterly reports, circulars and various announcements. The Company's website at www.cnergenz.com has a tab marked as "Investor Relations" which contains vital information, including annual reports, quarterly reports and official announcements made to Bursa Securities, concerning the Group which is updated on a regular basis. All material announcements are reviewed and endorsed by the Audit and Risk Management Committee (as applicable) and the Board prior to release to the public through Bursa Securities. Shareholders and the public in general may also obtain announcements and financial results of the Company from Bursa Securities' website.

Integrated Reporting

Integrated reporting is not applicable to the Group presently as the Group does not fall within the definition of "Large Companies".

13. Conduct of General Meetings

Notice of AGM

The Board encourages shareholders' participation and as such, the annual is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise.

The notice of 2nd AGM will be issued on 25 April 2023, at least twenty-eight (28) days prior to the meeting date to provide the shareholders, Directors and external auditors sufficient time to consider the resolutions and make an informed decision in exercising their voting rights at the AGM. Items of special business included in the said notice were accompanied by explanation of the proposed resolutions. The notice of 2nd AGM will also published in a major local newspaper.

Directors' attendance

Directors and senior management, Company Secretary and external auditors will be present at the 2nd AGM to respond to any questions and address concerns from shareholders.

Leveraging on technology

The Company encourages participation of shareholders through the issuance of proxies when the said shareholders are unable to attend and vote in person at general meetings.

Corporate Governance Overview Statement (Cont'd)

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

13 Conduct of General Meetings (cont'd)

Shareholders' engagement

The Board members will endeavour to response to relevant questions raised by shareholders during the upcoming 2nd AGM.

Infrastructure for virtual AGM

Given its importance as a venue for stakeholders' engagement, the 2nd AGM will be convened in person.

Minutes of General Meeting

Minutes of the AGM will be made available on the Company's website within thirty (30) days after the conclusion of the AGM.

This statement is made in accordance with a resolution of the Board of Directors dated 20 April 2023.

Sustainability Statement

This sustainability statement covers the reporting period from 1 January 2022 until 31 December 2022 for Cnergenz Berhad and its subsidiary ("**Group**") and is prepared in accordance to the Economic, Environment and Social Reporting Guide in Paragraph 30, Appendix 9C of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

STAKEHOLDER ENGAGEMENT

The Group acknowledges that our engagements with stakeholders are primary tools for us to achieve sustainability. Through direct engagement with our internal and external stakeholders, the Group is able to obtain feedback and insights which are helpful in bridging the gap between their expectations and our actions. We recognise and define stakeholders as individuals, entities or groups who are impacted by our business operations or presence and those who have vested interest and may potentially influence our business practices.

During the year, through input gathered from our various means of engagement, we have developed an inclusive approach towards handling our sustainability direction. We are undertaking a stakeholders mapping exercise to objectively allocate the priority of our stakeholders, with the aim of identifying matters that are fundamental to our key stakeholders.

Our stakeholders play a critical role in our long-term business success, and we intend to engage our stakeholders through various activities and communication channels. An illustration of our ongoing and future means of engagement with our stakeholders are set out as follows: -

Stakeholders	Means of Engagement	Frequency
Employees	<ul style="list-style-type: none"> Performance Appraisal Exercise Training/ webinar/ workshop Meetings/Discussions 	<ul style="list-style-type: none"> Annually On-Going On-Going
Board of Directors	<ul style="list-style-type: none"> Board Meetings Annual General Meeting 	<ul style="list-style-type: none"> Quarterly Annually
Investors & Shareholders	<ul style="list-style-type: none"> Annual General Meeting Annual Report Quarterly Result Announcements Press Release Corporate Website 	<ul style="list-style-type: none"> Annually Annually Quarterly Ad-Hoc On-Going
Government/Regulatory Body	<ul style="list-style-type: none"> Report Submission Corporate Website 	<ul style="list-style-type: none"> Ad-Hoc On-Going
Customers	<ul style="list-style-type: none"> Meetings/Discussions Corporate Website Technology Roadshows 	<ul style="list-style-type: none"> Ad-Hoc On-Going Ad-Hoc
Suppliers/Vendors	<ul style="list-style-type: none"> Meetings/Discussions Corporate Website Technology Roadshows 	<ul style="list-style-type: none"> Ad-Hoc On-Going Ad-Hoc
Public/Local Communities	<ul style="list-style-type: none"> Annual General Meeting Annual Report Quarterly Result Announcement Press Release Corporate Website Corporate Social Responsibility Events 	<ul style="list-style-type: none"> Annually Annually Quarterly Ad-Hoc On-Going Ad-Hoc

The Group will continue to endeavour additional means of engagement in order to expand our coverage to a broader group of stakeholders.

Sustainability Statement (Cont'd)

ENVIRONMENT

Waste Management

The Group consistently strives to improve its waste management, energy conservation and water consumption through the practice of 3Rs (Reduce, Reuse and Recycle) in all possible aspects of its business.

Use of Resources

Electricity and water is mainly consumed in the Group's headquarters and washrooms. At the Group's offices, the indoor temperature and the running time of air conditioning systems are controlled to reduce energy consumption and carbon emissions. The Group currently consumes a normal level of energy and water based on the size of its operations.

Environmental Compliance

There was no incidence of non-compliance with environmental laws and regulations and we have not been penalised or fined for any environmental violations for the financial year ended 31 December 2022 ("FYE 2022").

ECONOMIC

Economic Performance

The Group aims to generate profitable gains for our shareholders whilst building and growing the business and adding value to the local economy.

The Board believes that financial strength and good sustainability practices are important in growing a profitable business. As such, the Group is committed to strengthening its financial position by enhancing the Group's market position through the diversification of its product offerings, giving the Group a competitive advantage amongst its peers.

A snapshot of our financial performance for the recent FYE 2022 is set out below:-

Revenue	RM 216.89 million
Profit after tax	RM 21.72 million
Net assets	RM 148.44 million
Earnings per share	4.73 sen
Net assets per share	32.35 sen

For further information on financial performance for the recent FYE 2022, please refer to the Directors' Report, Audited Financial Statements and MDNA sections of this Annual Report.

SOCIAL

Employment

Employees are regarded as the most valuable assets and core competitive advantage of the Group. They also remain the main driving force behind the continuous innovation and growth of the Group. The Group rewards and recognizes its performing staff by providing a competitive remuneration package and implementing a sound performance appraisal system with appropriate incentives. The Group strictly complies with relevant laws and regulations relating to employment, labour relations, employees' remuneration and welfare to protect the rights of its employees.

Sustainability Statement (Cont'd)

SOCIAL (CONT'D)

Occupational Safety and Health

The Group is committed to protecting its employees' health and safety. Sound management systems have been established for occupational health and safety in compliance with the respective regulations. Training sessions including emergency first-aid are provided to the Emergency Response Team and Employee Safety & Health Committee.

During the FYE 2022, the Group did not encounter any major occupational accidents during the course of its operations.

Development and Training

The Group has been continuously creating various learning opportunities for our employees in order to enhance their job skills, knowledge and performance. We motivate and support our employees in terms of personal and professional training through sponsorships or reimbursement of training costs. The Group also recognizes that certain jobs and functions may be enhanced by joining certain professional and technical associations, and our employees will be reimbursed for the annual subscription fees for such professional memberships.

Contributions & Donations to Society

The Group is actively involved in local community projects by way of donation. During the FYE 2022, we have made contributions to Buddhist Tzu-Chi Merits Society Malaysia.

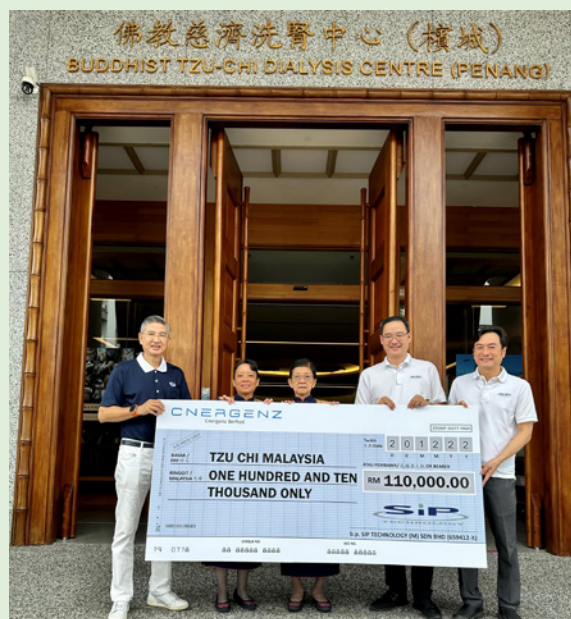
Anti-Corruption and Whistleblowing Policies

The Group is committed to conduct its business legally and ethically, and has put in place adequate procedures to prevent illegal and unethical offences being committed by persons associated with the Group. The Group upholds a corporate culture of integrity, hence all employees and representatives must practice honesty and integrity in fulfilling their responsibilities and comply with all applicable laws and regulations. The Group has implemented appropriate measures to ensure that its businesses are not involved in bribery and corruption activities. On top of instituting the Code of Business Conduct and Ethics across the Group, we have also established Anti-Bribery & Anti-Corruption and Whistleblowing Policies to provide employees and third-parties with a secure channel to report or raise concerns about possible improprieties and violation of the Group's policies. Our Anti-Bribery & Anti-Corruption and Whistleblowing Policies can be viewed on our website at www.cnergenz.com.

We are pleased to highlight that no employees had been disciplined or dismissed, nor any public cases been brought against the Group, and its employees due to non-compliance of the laws and regulations. Hence, there were no relevant fines, penalties or settlements imposed or made during the FYE 2022.

CONCLUSION

The Group shall continue to practice group wide sustainability coordination and adopt a clear framework to provide long-term values to both the Group and society. Sustainability values are being embedded into the Company's strategy to complement the Company's goals and overall mission.



Statement on Risk Management and Internal Control

INTRODUCTION

The Board of Directors ("**Board**") of Cnergenz Berhad ("**Cnergenz**" or the "**Company**") is pleased to present the Statement on Risk Management and Internal Control for the financial year ended 31 December 2022 ("**FYE 2022**"), issued in compliance with rules 15.26(b) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the Malaysian Code on Corporate Governance ("**MCCG**") with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers.

BOARD RESPONSIBILITY

The Board acknowledges its responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' interest and the Company and its subsidiary (the "**Group**")'s assets. The system is designed to manage the Group's key areas of risk within an acceptable risk profile rather than eliminate the risk of failure to achieve corporate objectives. It can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The Board has established an ongoing process to review the effectiveness, adequacy and integrity of the framework and system in place on a regular basis. The Board has established a governance structure within the Group of all levels. It is assisted by the Audit and Risk Management Committee ("**ARMC**") to ensure independent oversight of the framework and system.

The Senior Management is responsible for implementing the Group's policies and procedures on risk management and internal controls to identify, evaluate, measure, monitor and report risks as well as deficiencies and non-compliance with internal controls.

RISK MANAGEMENT FRAMEWORK

The Board regards the management of core risks as an integral and critical part of the day-to-day operations of the Group. The experience, knowledge and expertise to identify and manage such risks throughout the financial year under review and until the date of approval of this Statement enables the Group to make cautious, mindful and well-informed decisions through the formulation and implementation of requisite action plans and monitoring regimes which are imperative in ensuring the accomplishment of the Group's objectives.

As part of our Risk Management Framework, risk identifying, risk assessment, risk evaluation, risk control measures and risk reporting are stipulated clearly to guide the management of key risks. The Framework is also supported with a documented Risk Management Handbook which summarises risk management methodology, approach and processes, roles and responsibilities, and various risk management concepts. Besides, the Group maintains a Registry of Risk which stated the principal business risks and key risk areas, their impact, likelihood of occurrence, risk owners and risk control actions.

The respective risk owners are assigned and responsible for identifying risks as well as ensuring that adequate internal controls are implemented to mitigate/manage the risks faced by the Group. The key risk categories during the financial year under review and until the date of approval of this Statement encompasses legal and regulatory, corporate governance, financial, operational, IT including cyber-security, human capital, safety and health and sustainability.

INTERNAL AUDIT FUNCTION

The Company was listed on the ACE Market of Bursa Securities on 24 May 2022 ("**Listing**"). In preparation for the Listing, the Company had engaged Sterling Business Alignment Consulting Sdn. Bhd. ("**Sterling**") as its Internal Control Review Consultant to review the adequacy and sufficiency of systems, procedures and controls of the Group.

The Group continues to outsource the internal audit function to Sterling to carry out the audit services for the Group after the Listing. The purpose of the internal audit function is to provide the Board, through the ARMC, reasonable assurance of the effectiveness of the system of internal controls of the Group.

Sterling is free from any relationships or conflicts of interest which could potentially impair the objectivity and independence for assuming the internal audit function. Sterling does not have any direct operational responsibility or authority over any of the activities audited. The ARMC is of the opinion that the internal audit function is effective and able to function independently and objectively.

Statement on Risk Management and Internal Control (Cont'd)

INTERNAL AUDIT FUNCTION (CONT'D)

Sterling uses the Committee of Sponsoring Organizations of the Treadway Commission ("COSO") Enterprise Risk Management-Integrating with Strategy and Performance 2017 Framework as a basis for evaluating the effectiveness of the internal control systems. The internal audit reviews will be conducted according to the approved risk-based internal audit plan which addresses the critical business processes, internal control gaps, effectiveness and adequacy of the existing state of internal control and recommends possible improvements to the internal control design.

For the FYE 2022, the following audit reviews have been carried out by Sterling:

Reporting month	Company	Audited area
November 2022	Cnergenz Berhad and its subsidiary	Management Information System
February 2023	Cnergenz Berhad and its subsidiary	Follow up status review

The internal audit report was approved by the ARMC.

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

The key elements of the internal control system established by the Board to provide effective governance and oversight of internal controls include:

(a) Organisation Structure

The Group has a clear organization structure which formally defines the lines of reporting and limit of authority, as well as the accountabilities and responsibilities of the respective functions within the Group. In addition, the Board and its Board Committees are all governed by clearly defined terms of reference.

(b) Limits of Authority

The Group has defined limits of authority which outlines the required approving authority within the Group for a specific transaction or resolution. The limit of authority is reviewed periodically and updated along with the changes in organization.

(c) Standard Operating Policies and Procedures ("SOPs")

SOPs consist of elements of internal control in day-to-day operations. It allows accountability and responsibility for processes within the Group. The SOPs are reviewed periodically and updated along with the changes in organization.

(d) Talent Management

The Group provides on-the-job training programmes to all its employees to ensure they are equipped with the latest skills and knowledge to carry out their duties and responsibilities.

(e) Board Committees

The Board has established the ARMC, Nomination Committee and Remuneration Committee to assist in discharging its duties. These Committees are delegated with specific authority and responsibilities to perform their scope of duties as defined in their respective terms of reference.

(f) Anti-Bribery and Corruption Policy and Procedures

The Group adopts a zero-tolerance policy towards bribery and corruption practices. The Group is committed to upholding the highest standards of ethics and integrity and operating in an environment free of bribery and corruption. The Group has established a policy which prohibits all forms of bribery and corruption practices. All employees are required to understand the approval policy. All business partners and associates are required to agree to comply with the Group's policy and procedures which are made available on the Company's website.

Statement on Risk Management and Internal Control (Cont'd)

KEY ELEMENTS OF INTERNAL CONTROL SYSTEM (CONT'D)

(g) Whistle-Blowing Policy

The Group has established a Whistleblowing Policy to allow its employees to have a channel to report and disclose any non-compliant or illegal activities within the Group. The policy is made available on the Company's website.

(h) Safety and Health Management

The Group puts great importance and emphasis on the safety and health of its employees and stakeholders. The Group enforces strict precautionary measures and guidelines in the workplace at all times as stipulated by relevant authorities..

REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITORS

As required by Rule 15.23 of the Bursa Malaysia Securities Berhad ACE Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Audit and Assurance Practice Guide ("AAPG") 3 issued by the Malaysian Institute of Accountants. AAPG 3 does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

ASSURANCE TO THE BOARD MEMBERS

The Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of the Group have given assurance to the Board that the risk management and internal control systems have been working adequately and effectively.

The Board is of the opinion that the Group's risk management and internal control systems are adequate and effective. There is no internal control failure nor any significant weaknesses in the system that has resulted in any material loss to the Group during the financial year under review and until the date of approval of this Statement.

The Board recognizes that the risk management and internal control systems have to be reviewed and updated periodically to conform with the change in the business environment. The Group is hence committed to adhering to, and regularly reviewing and updating its risk management and internal control systems to ensure shareholders' interests are properly safeguarded.

This Statement on Risk Management and Internal Control was approved by the Board on 20 April 2023.

CONCLUSION

The Board finds the adequacy and effectiveness of the risk management and internal control system to be satisfactory. The Board is of the view that it is able to effectively protect the Company's shareholders' interest as well as the Group's assets.

The Board will continue monitoring all the major risks affecting the Group and take appropriate action plans to further improve the existing risk management framework and internal control systems.

This Statement is made in accordance with the resolution of the Board dated 20 April 2023.

Audit And Risk Management Committee Report

The Board of Directors ("**Board**") of Cnergenz Berhad ("**Cnergenz**" or "**the Company**") is pleased to present the report from the Audit and Risk Management Committee ("**ARMC**") for the financial year ended 31 December 2022 ("**FYE 2022**") ("**Report**"). The Report provides insight into the approach taken by the ARMC in discharging its functions during FYE 2022.

The ARMC is tasked to assist the Board to ensure the effective discharge of its fiduciary duties for financial reporting, corporate governance as well as risk management and internal control. The key responsibilities of the ARMC include the following:

- Ensure integrity of financial information by overseeing the financial reporting policies and practices of Cnergenz and its subsidiaries ("**Cnergenz Group**" or "**the Group**") by ensuring compliance with relevant accounting standards and required disclosures as administered by relevant accounting standards bodies and any other laws and regulations as amended from time to time.
- Assess the Group's processes in relation to its risks, governance (including conflict of interests and related party transactions) and control environment.
- Establish a transparent and professional arrangement for maintaining an appropriate relationship with the Group's external and internal auditors.

The Terms of Reference ("**TOR**") of the ARMC is available on corporate website at www.cnergenz.com.

Composition

The ARMC consists of three (3) members; who are all Independent Non-Executive Directors. The composition of ARMC meets the requirements of Rule 15.09 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**AMLR**") and paragraph 9.4 of the Malaysian Code on Corporate Governance 2021 issued by the Securities Commission ("**MCCG**").

The Chairman of ARMC, Ms Ooi Ley Ching, is a member of the Malaysian Institute of Accountants. No alternate Director is appointed as a member of ARMC.

All members are financially literate and are able to understand matters under the purview of ARMC.

Meetings

The members of the ARMC and their attendance at the three (3) meetings held for the financial year ended 31 December 2022 is as tabulated:

Directors	Designation	No. of meetings attended
Ooi Ley Ching	Chairman	3/3
Alwizah Al-Yafii Binti Ahmad Kamal	Member	3/3
Yeat Soo Ching	Member	3/3

The ARMC meetings were appropriately structured through the use of agendas and relevant board materials, which were distributed to ARMC members with sufficient notice. Executive Board members, certain designated members of the management and representatives of the external and internal auditors are invited, as and when the need arose, to attend and brief the ARMC on specific issues during ARMC meetings. The ARMC also meets regularly with the external and internal auditors to discuss on any matters relating to the Group and its audit activities.

The Company Secretary is the Secretary of the ARMC and are responsible, together with the Chairman, to draft the agenda and circulating it prior to each meeting.

The minutes of each ARMC meeting are recorded and tabled for confirmation at its following meeting and subsequently presented to the Board for notation. The ARMC Chairman reports to the Board on the activities undertaken and key recommendations for the Board's consideration and decision.

Summary of Activities Undertaken during the FYE 2022

The ARMC had carried out its duties in accordance with its TOR and key activities undertaken FYE 2022 under review were as follows:

Audit And Risk Management Committee Report (Cont'd)

Financial reporting

- Reviewed the unaudited quarterly financial statements and annual audited financial statements of the Group, with particular focus on the implementation of major changes in accounting policies, significant and unusual events and compliance with the provision of the Companies Act 2016, AMLR and accounting standards as approved by the Malaysian Accounting Standards Board before recommending the same to the Board for approval; and
- Reviewed relevant issues which have or could have significant impact on the results of the Group.

External Audit

- Discussed with the external auditors their audit plan outlining their scope of work, areas of audit emphasis, possible key audit matters, updates on financial reporting, audit timeline, deliverables and proposed audit fees;
- Met twice with the external auditors without the presence of Executive Director and Management to discuss issues of concern by the auditors arising from their interim and final audits and any other observations that they may have during the audit process and, arising therefrom, instructing Management to take needful remedial actions;
- Reviewed with the external auditors, the findings and results of the audit, significant audit/accounting issues, including the management's response and comments; and
- Reviewed and evaluated the performance and effectiveness of the external auditors. The ARMC is satisfied with the external auditors' performance and made its recommendations to the Board on their re-appointment as auditors at the forthcoming annual general meeting.

Internal Audit and Risk Management

- Reviewed the internal audit reports prepared by an independent professional consulting firm. The ARMC noted the audit recommendations made and management's response, including the implementation progress and status as agreed by Management; on actions to address findings highlighted in previous internal audit;
- Reviewed and approved the Internal Audit Plan to ensure the adequacy of the scope and comprehensive coverage of the activities of the Group;
- Reviewed the adequacy of the Group's risk management practices, as well as identified and considered significant financial and business risks relating to the Group and recommended to the Board the implementation of appropriate systems to manage these risks;
- Reviewed and assessed performance of the internal audit function focusing on adequacy of resources (including necessary authority and resource requirements) and competency to carry out assignment on key business units as well as support functions of the Group.

Corporate Governance

- Reviewed the relevant regulatory changes and ensure compliance by the Group and the Company; and
- Reviewed, periodically, related party transactions and recurrent related party transactions of a revenue or trading nature on scope, threshold and any conflict of interest situation that might arise from the aforesaid transactions as reported by Management and report to the Board accordingly; and
- Reviewed non-audit fees paid/payable to the external auditors and its affiliated firms.

Internal audit function

The Group has appointed an independent professional consulting firm to carry out internal audit reviews on the Group. This is to assist the ARMC in discharging its duties and responsibilities.

It is the responsibility of the internal audit function to provide the ARMC with independent and objective reports on the state of internal controls of the key business units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year under review, the internal audit auditors had conducted audit reviews on the Management Information System of the Group based on the approved internal audit plan. Upon completion of their work, the internal auditors presented their findings and recommendations as well as the Management's responses and action plans to the ARMC for its review and deliberation.

Further information on the internal audit functions and its activities are set out in the Statement on Risk Management and Internal Control in the Annual Report 2022.

The cost incurred for the internal audit function of the Group in respect of FYE 2022 was RM15,000.

This ARMC Report is issued in accordance with a resolution dated 20 April 2023.

Additional Compliance Information

1. UTILISATION OF PROCEEDS RAISED FROM THE INITIAL PUBLIC OFFERING ("IPO")

Our Company was listed on the ACE Market of Bursa Securities on 24 May 2022 ("**Listing**"). In conjunction with the Listing, our Company undertook a public issue of 100,000,000 new ordinary shares at an issue price of RM0.58 per share, raising gross proceeds of RM58.0 million ("**IPO Proceeds**"). The status of the utilisation of the IPO Proceeds as at 31 December 2022 ("**FYE 2022**") is summarised as follows:

Details of use	Proposed Utilisation		Estimated Timeframe for Utilisation	Actual Utilisation at 31 December 2022	Balance as at 31 December 2022
	RM'000	(%)		RM'000	RM'000
1. Expansion of the Group's facility	37,800	65.17	Within 24 months	1,511	36,289
2. Research and development expenditure	6,000	10.35	Within 24 months	1,117	4,883
3. Working capital	10,000	17.24	Within 12 months	1,469	8,531
4. Estimated listing expenses	4,200	7.24	Within 3 months	4,200	-
	58,000	100.00		8,297	49,703

The utilisation of proceeds as disclosed above should be read in conjunction with the Company's Prospectus dated 29 April 2022.

2. AUDIT AND NON-AUDIT FEES

The amount of fees paid or payable to the external auditors in relation to the audit and non-audit services rendered to our Company and Group for the FYE 2022 were as follows:

	The Company RM	The Group RM
Audit fees	32,800	134,000
Non-Audit fees paid or payable to the listed issuer's auditors, or a firm or corporation affiliated to the auditors' firm	10,800	10,800
Total	43,600	144,800

3. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries, involving the interests of Directors, chief executive and major shareholders either still subsisting of the end of the FYE 2022 or entered into since the end of the previous financial year.

4. EMPLOYEES' SHARE SCHEME

There is no employees' share scheme undertaken by our Company during the FYE 2022.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPT") OF REVENUE NATURE

There were no significant RRPT during year under review.

Statement of Directors' Responsibilities

The Directors are required by the Companies Act 2016 ("the Act") to prepare financial statements for each financial year in accordance with applicable Financial Reporting Standards and the provisions of the Act and the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs, results and cash flows of the Group and the Company at the end of the financial year.

In preparing the financial statements of the Group and the Company for the financial year ended 31 December 2022, the Directors have ensured:

- a. used appropriate accounting policies, and these are applied consistently;
- b. made judgments and estimates that are reasonable and prudent;
- c. ensured that applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- d. prepared the financial statements on a going concern basis.

The Directors are responsible for ensuring that the Group and the Company maintain proper accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company, and which enable them to ensure that the financial statements comply with the Act.

The Directors have general responsibility for taking such steps that are reasonably available to them to safeguard the assets of the Group and of the Company, and to prevent and detect fraud and other irregularities.

Directors' Report

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are as follows:

Dato' Azman Bin Mahmud

Lye Yhin Choy*

Kong Chia Liang*

Lye Thim Loong

Ooi Ley Ching

Alwizah Al-Yafii Binti Ahmad Kamal

Yeat Soo Ching

(appointed on 1 February 2022)

* These directors are also the directors of the Company's only wholly-owned subsidiary throughout the financial year ended 31 December 2022.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of its subsidiary are disclosed in Note 16 to the financial statements. There have been no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year.

FINANCIAL RESULTS

	GROUP	COMPANY
	RM'000	RM'000
Net profit for the financial year	21,717	7,266

RESERVES AND PROVISIONS

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

ISSUE OF SHARES

The Company has successfully undertaken a public issue of 100,000,000 ordinary shares at an issue price of RM0.58 per ordinary share ("Public Issue Shares"), representing approximately 46.77% of the enlarged issued share capital of RM124,020,000 comprising 498,000,000 ordinary shares, paid in full upon application in conjunction with the initial public offering ("IPO") of the ordinary shares of the Company and the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. The Public Issue Shares have been fully allotted to the new shareholders of the Company on 24 May 2022.

Directors' Report (Cont'd)

DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiary is a party, being arrangements with the objects of enabling the directors of the Company or its subsidiary to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than those benefits as shown under the Directors' Remuneration section below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except that certain directors received remuneration from its subsidiary in their capacity as executives/directors of the subsidiary.

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016 in Malaysia, none of the directors who held office at the end of the financial year held any interest in shares in, or debentures of, the Company and every other body corporate, being the Company's subsidiary during the financial year except as follows:

	At date of appointment/ 01.01.2022	Allocation through IPO	Number of ordinary shares ('000)		At 31.12.2022
			Acquired	Disposed	
<u>Cnergenz Berhad</u> (The Company)					
Dato' Azman Bin Mahmud	0	600	0	100	500
Lye Yhin Choy	256,710	0	0	35,000	221,710
Kong Chia Liang	131,340	0	0	15,000	116,340
Lye Thim Loong	9,950	166	0	0	10,116
Ooi Ley Ching	0	300	0	0	300
Alwizah Al-Yafii Binti Ahmad Kamal	0	300	0	180	120
Yeat Soo Ching	0	300	0	0	300

DIVIDENDS

The dividends declared and paid since the end of the Company's previous financial year are as follows:

	RM'000
In respect of the financial year ended 31 December 2022 on 498,000,000 ordinary shares:	
- first interim single-tier tax exempt dividend of RM0.006 per ordinary share declared on 17 November 2022 and paid on 22 December 2022	2,988
- second interim single-tier tax exempt dividend of RM0.008 per ordinary share declared on 23 February 2023 and paid on 22 March 2023	3,984

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2022.

Directors' Report (Cont'd)

DIRECTORS' REMUNERATION

Details of the directors' remuneration for the financial year ended 31 December 2022 are as follows:

	GROUP	COMPANY
	RM'000	RM'000
Fees	264	264
Salaries and bonus	1,835	0
Defined contribution retirement plan	220	0
Other employee benefits	47	10
	<u>2,366</u>	<u>274</u>

The estimated monetary value of benefits-in-kind received by the directors from the Group for the financial year ended 31 December 2022 amounted to approximately RM80,000 (2021: RM79,000).

INDEMNITY AND INSURANCE FOR DIRECTORS, OFFICERS OR AUDITORS

The Group maintains a liability insurance which provides appropriate insurance cover for the directors and key management personnel of the Company and its subsidiary. The amount of insurance premium paid by the Group for the financial year ended 31 December 2022 amounted to approximately RM12,000.

No other indemnity given to or insurance effected for the directors, officers or auditors of the Group and of the Company during the financial year.

EVENTS WHICH OCCURRED DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Details of the events which occurred during and subsequent to the financial year are set out in Note 36 to the financial statements.

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps:

- (a) to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
- (b) to ensure that any current assets, which were unlikely to realise in the ordinary course of business including the values of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances:

- (a) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts inadequate to any substantial extent; or
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

Directors' Report (Cont'd)

OTHER STATUTORY INFORMATION (CONTINUED)

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group and of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and of the Company which has arisen since the end of the financial year.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the directors, will or may affect the ability of the Company and its subsidiary to meet their obligations when they fall due.

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

In the opinion of the directors:

- (a) except as disclosed in the financial statements, the results of the operations of the Group and of the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made other than the subsequent events as disclosed in Note 36 to the financial statements.

AUDITORS' REMUNERATION

The auditors' remuneration in respect of the statutory audit of the financial statements and other assurance services of the Group and of the Company for the financial year ended 31 December 2022 are as follows:

	GROUP	COMPANY
	RM'000	RM'000
Statutory audit	134	33
Other assurance services	11	11
	<u>145</u>	<u>44</u>

SUBSIDIARY

Details of the subsidiary are set out in Note 16 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept appointment as auditors.

This report was approved by the Board of Directors on 20 April 2023. Signed on behalf of the Board of Directors.

LYE YHIN CHOY
DIRECTOR

KONG CHIA LIANG
DIRECTOR

Statement By Directors

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, Lye Yhin Choy and Kong Chia Liang, being two of the directors of Cnergenz Berhad, do hereby state that, in the opinion of the directors, the accompanying financial statements set out on pages 57 to 119 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance of the Group and of the Company for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors dated 20 April 2023.

LYE YHIN CHOY
DIRECTOR

KONG CHIA LIANG
DIRECTOR

Statutory Declaration

PURSUANT TO SECTION 251(I) OF THE COMPANIES ACT 2016

I, Kong Chia Liang, being the director primarily responsible for the financial management of Cnergenz Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 57 to 119 are, in my opinion, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960 in Malaysia.

KONG CHIA LIANG

Subscribed and solemnly declared by the abovenamed Kong Chia Liang (NRIC: 691226-09-5037) before me in the State of Penang, Malaysia on 20 April 2023.

GOH SUAN BEE (NO. P125)
COMMISSIONER FOR OATHS

Independent Auditors' Report

TO THE MEMBERS OF CNERGENZ BERHAD (Registration No. 202101026123 (1426423-D))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Our opinion

In our opinion, the financial statements of Cnergenz Berhad ("the Company") and its subsidiary ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position of the Group and of the Company as at 31 December 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 57 to 119.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

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

Independence and other ethical responsibilities

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

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Company. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF CNERGENZ BERHAD (Registration No. 202101026123 (1426423-D))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters	How our audit addressed the key audit matters
<p>Group</p> <p><u>Loss allowance for impairment of trade receivables</u></p> <p>The Group's trade receivables as at 31 December 2022 amounted to RM52.5 million. See Notes 3.6(d), 4.1(b) and 5.2 to the financial statements for the related accounting policies, estimates and judgements and Note 4.1(b) to the financial statements for the credit risk exposure.</p> <p>The potential impairment of trade receivables was a key audit matter as significant judgement was involved in determining the expected credit losses. These significant judgements included:</p> <ul style="list-style-type: none"> (i) grouping of trade receivables based on shared credit risk characteristics and days past due; (ii) expected loss rates based on historical credit loss experience; and (iii) identification of indicators of when trade receivables are credit-impaired. <p>As at 31 December 2022, loss allowance for impairment of trade receivables amounted to approximately RM168,000 and an additional impairment charge of RM94,000 was recognised for the financial year ended 31 December 2022.</p>	<p>We performed the following procedures in relation to determination of expected credit losses ("ECL") for trade receivables:</p> <ul style="list-style-type: none"> • Obtained an understanding and evaluated the design of controls over management's process in determining the ECL for the trade receivables; • Substantively tested management's inputs, assumptions and model (flow-rate approach) in determining the ECL for the trade receivables; • Evaluated management's consideration of the forward-looking information in determining the ECL for the trade receivables; • Assessed the appropriateness of estimates made by management based on historical trend of collections and forward-looking information; and • Recomputed the ECL for trade receivables. <p>Based on the procedures performed above, we did not find any material exceptions in the ECL recognised for trade receivables during the financial year.</p>

We have determined that there are no key audit matters to report for the Company.

Information other than the financial statements and auditors' report thereon

The directors of the Company are responsible for the other information. The other information comprises the Directors' Report, Chairman's Statement, Financial Highlights, Corporate Governance Overview Statement, Sustainability Statement, Audit and Risk Management Committee Report, Statement on Risk Management and Internal Control, Management Discussion and Analysis, List of Properties and other contents in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF CNERGENZ BERHAD (Registration No. 202101026123 (1426423-D))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Responsibilities of the directors for the financial statements

The directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

Auditors' responsibilities for the audit of the financial statements

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

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

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

Independent Auditors' Report (Cont'd)

TO THE MEMBERS OF CNERGENZ BERHAD (Registration No. 202101026123 (1426423-D))

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONT'D)

Auditors' responsibilities for the audit of the financial statements (continued)

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

LIM HUCK KHIAM
03192/06/2023 J
Chartered Accountant

Penang

20 April 2023

Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	GROUP		COMPANY	
		Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
		RM'000	RM'000	RM'000	RM'000
REVENUE	6	216,891	152,952	8,000	2,000
COST OF SALES AND SERVICES		(179,808)	(127,997)	0	0
GROSS PROFIT		37,083	24,955	8,000	2,000
Other income		399	670	0	0
Selling and distribution expenses		(1,757)	(1,089)	0	0
General and administrative expenses		(7,832)	(6,601)	(1,516)	(1,821)
(Increase in)/Reversal of loss allowance for impairment of trade receivables	4.1(b)(ii)	(94)	385	0	0
Other losses – net	7	(91)	(449)	0	0
OPERATING PROFIT		27,708	17,871	6,484	179
Finance income	8	1,562	413	976	0
Finance costs		(64)	(33)	0	0
Finance income – net	9	1,498	380	976	0
PROFIT BEFORE TAX		29,206	18,251	7,460	179
Tax expense	11	(7,489)	(5,194)	(194)	0
NET PROFIT FOR THE FINANCIAL YEAR/ PERIOD		21,717	13,057	7,266	179
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD, NET OF TAX:					
<u>Items that will not be subsequently reclassified to profit or loss:</u>					
Currency translation differences		2,149	1,929	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		23,866	14,986	7,266	179
Earnings per share:					
- basic/diluted (Sen)	12	4.73	3.28		

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

Statements of Financial Position

AS AT 31 DECEMBER 2022

		GROUP		COMPANY	
	Note	2022	2021	2022	2021
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	20,595	15,604	0	0
Right-of-use assets	14	67	101	0	0
Intangible assets	15	46	0	0	0
Investment in a subsidiary	16	0	0	75,427	70,377
Deferred tax assets	17	0	523	0	0
Prepayments	18	1,511	0	0	0
		22,219	16,228	75,427	70,377
CURRENT ASSETS					
Inventories	19	20,374	19,245	0	0
Receivables, deposits and prepayments	18	53,442	33,667	259	354
Investment in quoted shares	20	458	589	0	0
Amount due from a related party	21	0	0	4,000	2,000
Current tax receivable		99	0	0	0
Deposits, cash and bank balances	22	105,571	59,026	52,259	1
		179,944	112,527	56,518	2,355
CURRENT LIABILITIES					
Payables and accrued liabilities	23	49,506	36,101	151	32
Contract liabilities	24	2,396	9,037	0	0
Amount owing to a related party	21	0	0	311	2,144
Dividends payable		0	10,000	0	0
Hire purchase liabilities	25	426	439	0	0
Lease liabilities	26	35	45	0	0
Current tax provision		194	861	194	0
		52,557	56,483	656	2,176
NET CURRENT ASSETS		127,387	56,044	55,862	179
		149,606	72,272	131,289	70,556
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	27	122,475	66,020	122,475	66,020
Capital reorganisation reserves	29	(65,820)	(65,820)	4,357	4,357
Currency translation reserves	30	3,916	1,767	0	0
Retained profits	31	87,868	69,139	4,457	179
TOTAL EQUITY		148,439	71,106	131,289	70,556
NON-CURRENT LIABILITIES					
Hire-purchase liabilities	25	843	1,116	0	0
Lease liabilities	26	15	50	0	0
Deferred tax liabilities	17	309	0	0	0
		149,606	72,272	131,289	70,556

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

Statements of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

GROUP	Share capital	Invested equity*	Capital reorganisation reserve	Currency translation reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 01.01.2022	66,020	0	(65,820)	1,767	69,139	71,106
<u>Total comprehensive income:</u>						
Net profit for the financial year	0	0	0	0	21,717	21,717
Other comprehensive income for the financial year, net of tax	0	0	0	2,149	0	2,149
	0	0	0	2,149	21,717	23,866
<u>Transactions with owners:</u>						
Issuance of ordinary shares for the Public Issue (Note 27)	58,000	0	0	0	0	58,000
Shares issuance costs capitalised for the Public Issue (Note 27)	(1,545)	0	0	0	0	(1,545)
Dividends (Note 32)	0	0	0	0	(2,988)	(2,988)
	56,455	0	0	0	(2,988)	53,467
At 31.12.2022	122,475	0	(65,820)	3,916	87,868	148,439
At 01.01.2021	0	66,020	(65,920)	(162)	66,082	66,020
<u>Total comprehensive income:</u>						
Net profit for the financial year	0	0	0	0	13,057	13,057
Other comprehensive income for the financial year, net of tax	0	0	0	1,929	0	1,929
	0	0	0	1,929	13,057	14,986
<u>Transactions with owners:</u>						
Reclassification upon completion of Internal Reorganisation (Note 27 & 28)	66,020	(66,020)	0	0	0	0
Issuance of ordinary shares by the subsidiary (Note 29)	0	0	100	0	0	100
Dividends (Note 32)	0	0	0	0	(10,000)	(10,000)
	66,020	(66,020)	100	0	(10,000)	(9,900)
At 31.12.2021	66,020	0	(65,820)	1,767	69,139	71,106

* This denotes the resulting share capital of the Company arising from the completion of the Internal Reorganisation.

Statements of Changes In Equity (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

COMPANY	Share capital	Capital reorganisation reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
At 01.01.2022	66,020	4,357	179	70,556
<u>Total comprehensive income:</u>				
Net profit for the financial year	0	0	7,266	7,266
Other comprehensive income for the financial year, net of tax	0	0	0	0
	0	0	7,266	7,266
<u>Transactions with owners:</u>				
Issuance of ordinary shares issued for the Public Issue (Note 27)	58,000	0	0	58,000
Shares issuance costs capitalised for the Public Issue (Note 27)	(1,545)	0	0	(1,545)
Dividends (Note 32)	0	0	(2,988)	(2,988)
	56,455	0	(2,988)	53,467
At 31.12.2022	122,475	4,357	4,457	131,289
At 06.08.2021 (date of incorporation)	0*	0	0	0*
<u>Total comprehensive income:</u>				
Net profit for the financial period	0	0	179	179
Other comprehensive income for the financial period, net of tax	0	0	0	0
	0	0	179	179
<u>Transactions with owners:</u>				
Issuance of ordinary shares arising upon completion of Internal Reorganisation (Note 27 & 28)	66,020	0	0	66,020
Creation of capital reorganisation reserve upon completion of Internal Reorganisation (Note 29)	0	4,357	0	4,357
	66,020	4,357	0	70,377
At 31.12.2021	66,020	4,357	179	70,556

* Represents RM200.

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

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	GROUP		COMPANY	
		Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
		RM'000	RM'000	RM'000	RM'000
OPERATING CASH FLOWS					
Net profit for the financial year/period		21,717	13,057	7,266*	179*
Adjustments for:					
Property, plant and equipment ("PPE")					
- depreciation	8	1,936	530	0	0
- gain on disposals	7	(229)	(92)	0	0
Depreciation of right-of-use assets	8	37	20	0	0
Amortisation of intangible assets	8	1	0	0	0
Allowance for slow-moving and obsolete inventories	8	195	442	0	0
Increase in/(reversal of) loss allowance for impairment of trade receivables		94	(385)	0	0
Interest income	9	(1,562)	(413)	(976)	0
Finance costs	9	64	33	0	0
Investments in quoted security:					
- gain on disposal	7	0	(36)	0	0
- fair value loss/(gain)	7	130	(252)	0	0
Fair value losses on forward					
foreign currency exchange contracts	7	0	84	0	0
Net unrealised foreign currency					
exchange loss	7	191	1,370	0	0
Tax expense	11	7,489	5,194	194	0
		30,063	19,552	6,484	179
Changes in working capital:					
Inventories		(1,432)	(2,302)	0	0
Receivables		(21,182)	7,726	221	(354)
Payables		16,375	3,313	119	32
Related party balances		0	1,400	(2,000)	144
Cash generated from operations		23,824	29,689	4,824	1
Tax paid		(7,376)	(5,613)	0	0
Net operating cash flow		16,448	24,076	4,824	1

Statements of Cash Flows (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

		GROUP		COMPANY	
		Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
Note		RM'000	RM'000	RM'000	RM'000
INVESTING CASH FLOWS					
Purchases of PPE	13	(16,396)	(1,293)	0	0
Proceeds from disposals of PPE		297	92	0	0
Purchase of intangible assets	15	(38)	0	0	0
(Placement)/withdrawal of fixed deposits pledged to bank		(1,006)	235	0	0
Withdrawal/(placement) of fixed deposits with a bank which have maturity period of more than 3 months		2,245	(40)	0	0
Purchases of quoted shares	20	0	(408)	0	0
Proceeds from disposal of quoted shares	20	0	68	0	0
Investment in subsidiaries	16.1	0	0	(5,050)	0
Interest received		1,436	413	850	0
Net investing cash flow		(13,462)	(933)	(4,200)	0
FINANCING CASH FLOWS					
Dividends paid		(12,988)	(7,000)	(2,988)	0
Repayment of expenses paid on behalf by a subsidiary		0	0	(1,833)	0
Proceeds from the Public Issue Shares	27	58,000	0	58,000	0
Payment of shares issuance costs	27	(1,545)	0	(1,545)	0
Proceeds from issuance of ordinary shares by the subsidiary	29	0	100	0	0
Repayment of principal portion of hire- purchase liabilities	25	(553)	(325)	0	0
Repayment of interest on hire-purchase liabilities	25	(62)	(31)	0	0
Repayment of principal portion of lease liabilities	26				
Repayment of interest on lease liabilities	26	(45)	(25)	0	0
Net financing cash flow		(2)	(2)	0	0
		42,805	(7,283)	51,634	0

Statements of Cash Flows (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	GROUP		COMPANY	
		Financial year ended 31.12.2022 RM'000	Financial year ended 31.12.2021 RM'000	Financial year ended 31.12.2022 RM'000	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021 RM'000
NET CHANGE IN CASH AND CASH EQUIVALENTS		45,791	15,860	52,258	1
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/ DATE OF INCORPORATION		56,516	43,097	1	0 **
EFFECTS OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,993	(2,441)	0	0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	22	104,300	56,516	52,259	1

* Includes dividend income of RM8,000,000 (2021: RM2,000,000). Dividend of RM6,000,000 (2021: Nil) was received during the year (included within cash flows from operating activities), out of which RM2,000,000 is in respect of prior year's dividend income. The remaining dividend receivable of RM4,000,000 (2021: RM2,000,000) is reflected as part of the movement in related party balances within changes in working capital

* RM200.

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

Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

1 GENERAL INFORMATION

The Company is an investment holding company. The principal activities of its wholly-owned subsidiary, SIP Technology (M) Sdn. Bhd. ("SIP") are the provision of integrated solutions for Surface-Mount Technology ("SMT") manufacturing line, sales of related SMT machines, equipment, spare parts and consumables, and the provision of related repair, maintenance and other support services. There have been no significant changes in the nature of the principal activities of the Company and its subsidiary during the financial year.

The address of the registered office of the Company is as follows:

170-09-01, Livingston Tower
 Jalan Argyll
 10050 Georgetown
 Penang

The address of the principal place of business of the Company is as follows:

34, 36, 38 & 40, Lorong IKS Bukit Tengah
 Taman IKS Bukit Tengah
 14000 Penang

2 BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements of the Group and of the Company have been prepared under the historical cost convention unless otherwise indicated in the individual policy statements as set out in Note 3 to the financial statements.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the reporting date, and the reported amounts of revenues and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5 to the financial statements.

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

The new accounting standards, amendments and improvements to published standards and IC interpretations to existing standards that are effective for the Group's and the Company's financial year beginning on 1 January 2022 are as follows:

- Amendments to MFRS 16 'COVID-19-Related Rent Concessions (2021 Amendment) (effective 1 April 2022)
- Amendments to MFRS 116 'Property, Plant and Equipment: Proceeds before Intended Use'
- Amendments to MFRS 137 'Onerous Contracts – Cost of Fulfilling a Contract'
- Annual Improvements to MFRSs 2018-2021: Amendments to MFRS 9 'Fees in the '10 per cent' test for Derecognition of Financial Liabilities' and Amendments to Illustrative Example 13 accompanying MFRS 16 Leases: 'Lease Incentives'
- Amendments to MFRS 3 'Reference to the Conceptual Framework'

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

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

The adoption of the amendments to published standards listed above did not have any impact on the amounts recognised in prior and current financial periods.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION (CONTINUED)

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

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

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

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

(i) Financial year beginning on 1 January 2023

- Amendments to MFRS 101 'Presentation of Financial Statements' and MFRS Practice Statement 2 on 'Disclosure of Accounting Policies' (effective 1 January 2023)
- Amendments to MFRS 108 'Accounting Policies, Changes in Accounting Estimates and Errors' on 'Definition of Accounting Estimates' (effective 1 January 2023)
- Amendments to MFRS 112 'Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction' (effective 1 January 2023)

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

(ii) Financial year beginning on 1 January 2024

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

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

- Amendments to MFRS 101 'Presentation of Financial Statements' and 'MFRS Practice Statement 2' on 'Disclosure of Accounting Policies' (effective 1 January 2023) requires entities to disclose material accounting policies information rather than significant accounting policies. Entities are expected to make disclosure of accounting policies specific to the entity and not generic disclosures on MFRS applications.

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

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

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

No transition requirements.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

2 BASIS OF PREPARATION (CONTINUED)

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

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

Examples of accounting estimates include:

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

The amendments shall be applied prospectively.

- Amendments to MFRS 112 'Deferred Tax related to Assets and Liabilities arising from a Single Transaction' (effective 1 January 2023) clarify that the initial exemption rule does not apply to transactions where both an asset and a liability are recognised at the same time such as leases and decommissioning obligations. Accordingly, entities are required to recognise both deferred tax assets and liabilities for all deductible and taxable temporary differences arising from such transactions.

The amendments shall not require retrospective application but entities are required to apply the amendments for the first time by recognising deferred tax for all temporary differences related to leases and decommissioning obligations at the beginning of the earliest comparative financial period presented. The amendments shall be applied prospectively to transactions other than leases and decommissioning obligations.

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

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

The amendments shall be applied retrospectively.

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

3.1 Basis of consolidation

(a) Basis of presentation - Internal Reorganisation

The Company was newly set up on 6 September 2021. On 7 September 2021, the Company acquired the entire issued and paid-up share capital of SIP and resulting thereof, SIP became a wholly-owned subsidiary of the Company. As the Company was not a business as defined in MFRS 3 "Business Combinations", the acquisition was accounted for as a capital reorganisation arising from a transaction under common control as the ultimate controlling shareholder is the same before and after the internal reorganisation.

In the consolidated financial statements of the Company, the Company incorporated the assets and liabilities of SIP at its pre-internal reorganisation carrying amounts without fair value uplift on the basis that there is no substantive economic change arising from the internal reorganisation. No new goodwill is recorded. The difference between the shares issued by the Company to acquire SIP and the share capital of SIP was recorded in the capital reorganisation reserve in equity.

(b) Subsidiaries

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

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

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

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

(d) Disposal of subsidiaries

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

Gains or losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Investments in subsidiaries in separate financial statements

In the Company's separate financial statements, investments in subsidiaries are carried at cost less accumulated impairment losses, if any.

Pursuant to the completion of Internal Reorganisation as disclosed in Note 3.1(a) to the financial statements, SIP became a wholly-owned subsidiary of the Company. Given that the requirements in paragraph 13 of MFRS 127, Separate Financial Statements, are met (that is, both the assets and liabilities of the Group and the absolute or relative rights in the net assets of SIP remain unchanged by the Internal Reorganisation as detailed in Note 3.1(a) to the financial statements), the cost of investment in SIP was measured at the net asset position (that is, the entire carrying amount of the equity items) of SIP as at the completion date of the Internal Reorganisation on 7 September 2021 of approximately RM70,377,000, with a corresponding credit to equity of the same amount, which comprises of share capital of approximately RM66,020,000 and capital reorganisation reserves of approximately RM4,357,000.

On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investment is recognised in the profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investment in the subsidiary.

Where an indication of impairment exists, an analysis is performed to assess whether the carrying amount of the investment is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See Note 3.5 to the financial statements on accounting policy for impairment of non-financial assets.

3.3 Property, plant and equipment

Property, plant and equipment are initially stated at cost. The cost of an item of property, plant and equipment initially recognised includes its purchase price, import duties, non-refundable purchase taxes and any other costs that are directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

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

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

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

All property, plant and equipment are depreciated on the straight-line method to allocate the costs of the assets to their residual values over their estimated useful lives. The annual depreciation rates based on the estimated useful lives are as follows:

Buildings - shoplots	2%
Tools and machinery	10%
Furniture, fittings and office equipment	10% - 20%
Motor vehicles	20%

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

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. If such indications exist, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write down is made if the carrying amount exceeds the recoverable amount. See Note 3.5 to the financial statements on accounting policy for impairment of non-financial assets.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Intangible assets – Trademark

Trademark are shown at historical cost. Trademark has a finite useful life and is carried at cost less accumulated amortisation and accumulated losses (if applicable). Amortisation is calculated using the straight-line method to allocate the cost of trademarks over its estimated useful lives of 10 years. See Note 3.5 to the financial statements for the accounting policy on impairment of non-financial assets.

3.5 Impairment of non-financial assets

Non-current and non-financial assets that have an indefinite useful life, for example intangible assets not ready to use, are not subject to depreciation or amortisation and are tested annually for impairment. Non-current and non-financial assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-current and non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

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

3.6 Financial assets

(a) Classification

The Group and the Company classify their financial assets in the following measurement categories:

- those to be measured subsequently at 'fair value through profit or loss' ("FVTPL"), and
- those to be measured at 'amortised cost'.

The classification of debt instruments depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

(b) Recognition and derecognition

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

(c) Measurement

At initial recognition, the Group and the Company measure a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in the profit or loss.

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

(c) Measurement (continued)

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flows characteristics of the affected asset. The Group and the Company reclassify debt instruments when and only when its business model for managing those assets changes. There are two measurement categories into which the Group and the Company classify their debt instruments.

(i) 'Amortised cost'

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

(ii) 'FVTPL'

Assets that do not meet the criteria for amortised cost are measured at FVTPL. The Group and the Company may also irrevocably designate financial assets at FVTPL if doing so significantly reduces or eliminates a mismatch created by assets and liabilities being measured on different bases. Fair value changes are recognised in the profit or loss and presented net within 'other gains/(losses) – net' in the financial period in which it arises.

(d) Subsequent measurement – Impairment of financial assets

(i) Impairment for debt instruments

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

The Group and the Company have three types of financial instruments that are subject to the ECL model:

- Trade receivables (including trade amounts due from related parties);
- Other receivables (including non-trade amounts due from related parties) and deposits; and
- Advances granted to a related party.

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

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

The measurement of ECL reflects:

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

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

(i) Impairment for debt instruments (continued)

Simplified approach for trade receivables (including trade amounts due from related parties)

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables (including trade amounts due from related parties). Note 4.1(b)(i) to the financial statements set out the measurement details of ECL.

General 3-stage approach for other receivables (including non-trade amounts due from related parties), deposits and advances granted to a related party

At each reporting date, the Group and the Company measure ECL through loss allowance for impairment at an amount equal to 12-month ECL if credit risk on a financial instrument or a group of financial instruments has not increased significantly since initial recognition. For all other financial instruments, a loss allowance for impairment at an amount equal to lifetime ECL is required. Note 4.1(b)(i) to the financial statements set out the measurement details of ECL.

(ii) Significant increase in credit risk of financial assets

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

The following indicators are incorporated:

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

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

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

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

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

Quantitative criteria

The Group and the Company consider a financial instrument as default, when the counterparty fails to make contractual payment within 300 days when they fall due based on historical collection trend. The Group and the Company do not consider a past due status of 90 days as an indicator of default based on the past default experience.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Financial assets (continued)

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

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

Qualitative criteria

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

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

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

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

Collective assessment

To measure ECL, trade receivables (including trade amounts due from related parties) have been grouped together based on their shared credit risk characteristics and the days past due, with expected loss rates assessed based on the Group's historical credit loss experience for various ageing bands. The Group's trade receivables are due from customers within the same industry (i.e. electronics and semiconductor) and have similar credit profiles based on the Group's historical experience with these customers.

Individual assessment

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

(v) Write-off

Trade receivables (including trade amounts due from related parties)

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

Impairment losses on trade receivables (including trade amounts due from related parties) are presented as a separate line item in the profit or loss. Subsequent recoveries of amounts previously written off are credited against the same line item.

Other receivables (including non-trade amounts due from related parties), deposits and advances granted to a related party

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Financial liabilities

(a) Classification

The Group and the Company classify their financial liabilities where applicable, in the following categories: 'at fair value through profit or loss', showing separately (i) those designated as such upon initial recognition, and (ii) those classified as held-for-trading; and measured 'at amortised cost' under 'other financial liabilities'. Management determines the classification of its financial liabilities at initial recognition.

(i) 'Financial liabilities at FVTPL'

The Group and the Company have not designated financial liabilities as 'financial liabilities at FVTPL'. 'Financial liabilities held for trading' are derivatives entered into by the Group or the Company that do not meet the hedge accounting criteria. Liabilities in this category are classified within current liabilities if they are either held-for-trading or are expected to be settled within 12 months after the reporting date. Otherwise, they are classified as non-current liabilities. The Group's 'financial liabilities at FVTPL' comprise only 'derivative financial liabilities' under 'payables and accrued liabilities' in the statements of financial position.

(ii) 'Other financial liabilities'

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement

(i) 'Financial liabilities at FVTPL'

'Financial liabilities at FVTPL' are subsequently carried at fair value. Changes in the fair value of 'financial liabilities at FVTPL' including the effect of foreign currency translation are recognised under the 'other gains/(losses) – net' in the profit or loss in the financial period in which the changes arise.

(ii) 'Other financial liabilities'

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

(d) De-recognition

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Offsetting financial instruments

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

3.9 Leases

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

Accounting by lessee

Leases are recognised as right-of-use ("ROU") asset and a corresponding liability at the date on which the leased asset is available for use by the Group or the Company (i.e. the commencement date).

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

(a) Lease term

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

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

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

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

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (continued)

Accounting by lessee (continued)

(c) Lease liabilities

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

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

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

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

Variable lease payments that depend on sales are recognised in the profit or loss in the financial period in which the condition that triggers those payments occurs.

The Group and the Company present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liabilities is presented within the 'finance costs' in the profit or loss.

(d) Reassessment of lease liabilities

The Group is also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

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

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

Accounting by lessor

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Leases (continued)

Accounting by lessor (continued)

Operating leases

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

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

3.10 Current and deferred taxes

Tax expense for the financial period comprises current and deferred income taxes. The income tax expense or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate in Malaysia adjusted by changes in deferred tax assets and liabilities attributable to temporary differences. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in 'other comprehensive income' or directly in equity. In this case the tax is also recognised in 'other comprehensive income' or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in Malaysia, the country where the group entities operate and generates taxable income.

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

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

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

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

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Inventories

Inventories of the Group comprises machinery, equipment, spare parts and consumables held for trading purposes. Inventories are stated at the lower of cost and net realisable value after adequate allowance has been made for all deteriorated, damaged, slow-moving or obsolete inventories. Cost is determined on the first in, first out basis. Cost of machinery, equipment, spare parts and consumables includes purchase price and any costs that are directly attributable to bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates, discounts, import duties and non-refundable taxes.

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

3.12 Trade and other receivables

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

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

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance for impairment. See Notes 3.6(d) to the financial statements on the accounting policy for impairment of financial assets.

3.13 Contract assets and contract liabilities

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

Contract liability is the obligation to transfer goods or services to customers for which the Group has received the consideration or has billed the customers. Where progress billings made exceed cumulative work done, such balance represents the obligation to deliver goods to customers and is classified as 'contract liabilities' accordingly. The balance is classified as 'contract liabilities' under current liabilities in the statements of financial position.

3.14 Cash and cash equivalents

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.15 Trade and other payables

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

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

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

3.16 Government grants

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

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

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

3.17 Provisions

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

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

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 Contingent assets and liabilities

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

3.19 Share capital

Pursuant to the Internal Reorganisation, SIP became a wholly-owned subsidiary of the Company on 7 September 2021. The invested equity as at 1 January 2021 represents the resulting share capital of the Company arising from the completion of the Internal Reorganisation which was issued to acquire the entire issued and paid-up share capital of SIP. The invested equity of the Group was reclassified to share capital of the Company in the statement of financial position of the Group upon the completion of the Internal Reorganisation on 7 September 2021.

(a) Classifications

Ordinary shares are classified as equity.

(b) Share issue costs

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

(c) Dividend distribution

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

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

(d) Earnings per share

Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, and
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the financial year and excluding treasury shares.

Diluted earnings per share

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Revenue

Revenue from contracts with customers

Revenue which represents income arising in the course of the Group's ordinary activities is recognised by reference to each distinct performance obligation promised in a contract with customer when or as the Group transfers the control of the goods or services promised in a contract and the customer obtains control of the goods or services. Depending on the substance of the respective contract with customer, the control of the promised goods or services may transfer over time or at a point in time.

The following criteria must be met before the Group accounts for a contract with a customer:

- (a) the contract has been approved and the parties are committed to perform their respective obligations;
- (b) the rights of both the Group and its customer regarding the goods or services to be transferred can be identified;
- (c) the payment terms can be identified;
- (d) the contract has commercial substance; and
- (e) it is probable that the Group will collect the consideration to which it will be entitled to in exchange of those goods and services.

Revenue from contracts with customers is measured at its transaction price, being the amount of consideration which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, which may include fixed consideration and variable consideration. Variable consideration is included in the transaction price only to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

When the Group has performed by transferring goods or services to a customer before the customer pays consideration or before payment is due, the contract is presented as a contract asset. The Group's obligation to transfer goods or services to a customer for which the Group has received consideration in advance from customer is presented as contract liability.

Costs that are incremental to obtaining a contract shall be recognised as an asset if the Group expects to recover these costs. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained shall be recognised as an expense in the profit or loss when incurred, unless those costs are explicitly chargeable to the customer regardless of whether the contract is obtained.

Specific revenue recognition criteria for each of the Group's activities are as described below:

- (a) Provision of integrated solutions for Surface-mount Technology ("SMT") manufacturing line

The Group typically provides integrated solutions for SMT manufacturing line under a single contract to its customers, such as electronics manufacturers. The billings under such contracts are structured and billed in a total amount at the contract level. Such contracts entail more than one performance obligation, i.e. sales of SMT machines and equipment, and provision of integration services (e.g. integration, customisation, optimisation and/or automation of SMT machines and central workflows at production line level). The Group routinely sells these SMT machines and equipment on a standalone basis and as such these SMT machines and equipment are capable of being distinct. The Group's provision of integration services is also capable of being distinct as the customer can benefit from the integration services together with the SMT machines and equipment that the customer already obtained from the Group. The sales of the SMT machines and equipment and the offering of integration services are also distinct in the context within the contract as the Group's offering of integration services didn't provide a significant service of integrating the SMT machines or equipment into a bundle of goods or services that represent the combined output or outputs for which the customer has contracted, the SMT machines and equipment are not significantly modified or customised by each other, and the sales of SMT machines and equipment and the Group's provision of integration services are not highly interdependent or highly interrelated.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 Revenue (continued)

Revenue from contracts with customers (continued)

(a) Provision of integrated solutions for Surface-mount Technology ("SMT") manufacturing line (continued)

Revenue from the sales of SMT machines and equipment included in the contract to provide integrated solutions for SMT manufacturing line is the same as described in Note 3.20(b) below on the sales of standalone SMT machines and equipment.

Revenue from provision of integration services is recognised over the period in which the services are rendered. For fixed-price contracts, revenue is recognised based on the actual service provided to the end of the financial year as a proportion of the total services to be provided. This is determined based on the actual labour hours spent relative to the total expected labour hours. Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increase or decrease in the estimated revenue or cost is reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by management.

(b) Sales of standalone SMT machines and equipment

The Group procures SMT machines and equipment from various third-party vendors and sells to its customers. Revenue from sales of SMT machines and equipment is recognised at a point in time when the performance obligation is satisfied, i.e. when control has transferred to the customer which typically occurs when the equipment has been shipped to the customer, risk of loss has transferred to the customer and the Group has a present right to payment for the equipment. In limited circumstances when an equipment sale includes customer acceptance provisions, revenue is recognised either when client acceptance has been obtained, client acceptance provisions have lapsed, or the Group has objective evidence that the criteria specified in the client acceptance provisions have been satisfied.

Revenue from sales of third-party vendor equipment is recorded net of costs when the Group is acting as an agent between the customer and the vendor, and gross when the Group is the principal for the transaction. To determine whether the Group is an agent or principal, the Group considers whether it obtains control of the equipment before they are transferred to the customer. In making this evaluation, several factors are considered, most notably whether the Group has primary responsibility for fulfillment to the customer, as well as inventory risk and pricing discretion.

(c) Sales of spare parts and consumables

The Group also sells spare parts and consumables. Revenue from sales of spare parts and consumables is recognised at a point in time when the performance obligation is satisfied, i.e. when control has transferred to the customer which typically occurs when the goods have been shipped to the customer, risk of loss has transferred to the customer and the Group has a present right to payment for the goods.

(d) Provision of other services

The Group provides repairs, maintenance and other general technical support services. Revenue is recognised over time when the services are rendered, as the customer simultaneously consumes and receives the benefits provided by the performance of the services.

There is no significant financing component from the contract with customers as the payment terms are less than 12 months. The Group's performance obligations generally have an expected duration of one year or less.

Revenue from other sources

Dividend income from investment in a subsidiary is recognised when the Company's right to receive payment is established and is recognised in profit or loss as part of revenue from other sources. Dividend income from investment in a subsidiary that clearly represent a recovery of part of the cost of an investment is recognised as a reduction of the Company's cost of investment in a subsidiary.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.21 Other income

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

(a) Dividend income

Dividend income from the Group's investment in quoted shares measured at FVTPL is recognised when the Group's right to receive payment is established.

Dividend income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments.

(b) Interest income

Interest income is recognised using the effective interest method. Interest income from financial assets at FVTPL is recognised as part of net gains or net losses on these financial instruments and presented as part of 'other gain/(losses) – net' in the profit or loss. Interest income on financial assets at 'amortised cost' calculated using the effective interest method is recognised in the profit or loss as part of 'finance income'.

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

(c) Rental income

Rental income under operating lease is recognised on a straight-line basis over the terms of the rental agreements or leasing contracts. Refer to Note 3.9 to the financial statements for the accounting policy on lessor accounting.

(d) Other income

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

3.22 Employee benefits

(a) Short term employee benefits

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.22 Employee benefits (continued)

(b) Post-employment benefits – defined contribution plan

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

The subsidiary of the Company contributes to the Employee Provident Fund, the national defined contribution plan in Malaysia. The subsidiary's contributions to the said defined contribution plan are charged to the profit or loss in the financial period to which they relate. Once the contributions have been paid to the said defined contribution plan, the subsidiary has no further payment obligations.

3.23 Foreign currencies

(a) Functional and presentation currency

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

(b) Foreign currency transactions and balances

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

(c) Group entities

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

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

3.24 Segment reporting

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT

4.1 Financial risk factors

The Group's and the Company's activities expose them to a variety of financial risks: market risk (including foreign currency exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group and the Company have formulated a financial risk management framework and policies with the objective of minimising the Group's and the Company's exposure to these financial risks. The Group's management continuously monitors the Group's and the Company's risk management process to ensure an appropriate balance between risk and control is achieved. Risk management policies and internal control systems are reviewed regularly to reflect changes in market conditions and the Group's activities. It is the Group's policy not to engage in speculative transactions.

The Group sets the objectives, the underlying principles for financial risk management and establishes the policies such as authority levels, oversight responsibilities, risk identification and measurement, and exposure limits. The Group's and the Company's exposure to the abovementioned financial risks and the objectives, policies and procedures for management of these risks are as follows:

(a) Market risk

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

(i) Foreign currency exchange risk

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

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

The Group uses derivative financial instruments such as forward foreign currency exchange contracts to hedge certain foreign currency risk exposures. At the point of entering into business arrangements such as sales and purchases denominated in foreign currencies, the Group will evaluate its exposure to the foreign currency transactions to determine whether it should hedge its foreign currency position.

Majority of the Group's revenue and purchases are generated from its subsidiary, SIP, of which the functional currency is United States Dollar ("USD"). As such, the Group's exposure to foreign currency exchange risk on revenue and purchases which are not denominated in USD is minimal (21% (2021: 22%) on revenue and 24% (2021: 12%) on purchases for the financial year ended 31 December 2022). The Group is exposed to foreign currency exchange risk arising from fluctuations in the foreign currency exchange rates of various foreign currencies, primarily with respect to the Ringgit Malaysia ("RM") and Euro ("EUR"). Foreign currency exchange risks mainly arose from deposits, cash and bank balances; and purchase transactions denominated in foreign currencies of SIP.

The Company is not exposed to any material foreign currency exchange risk as all of its transactions are denominated in its functional currency, RM.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

The Group's exposure to foreign currency exchange risk, based on the carrying amounts as at the end of the reporting period is as follows:

GROUP	Functional currencies of Group entities		Currencies other than functional currency of the Group entities			Total
	RM	USD	RM	EUR	Others	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2022</u>						
FINANCIAL ASSETS						
Receivables and deposits	127	45,297	6,451	631	0	52,506
Deposits, cash and bank balances	52,259	42,540	2,962	7,791	19	105,571
	52,386	87,837	9,413	8,422	19	158,077
FINANCIAL LIABILITIES						
Payables and accrued liabilities (excluding accrued payroll liabilities)	151	38,188	428	9,818	274	48,859
Hire-purchase liabilities	0	0	1,269	0	0	1,269
Lease liabilities	0	0	50	0	0	50
	151	38,188	1,747	9,818	274	50,178
Net exposure in the statement of financial position	N/A	N/A	7,666	(1,396)	(255)	6,015
<u>2021</u>						
FINANCIAL ASSETS						
Receivables and deposits	0	21,354	5,530	1,740	0	28,624
Deposits, cash and bank balances	1	49,060	8,841	862	262	59,026
	1	70,414	14,371	2,602	262	87,650
FINANCIAL LIABILITIES						
Payables and accrued liabilities	32	26,071	842	8,702	454	36,101
Dividends payable	10,000	0	0	0	0	10,000
Hire-purchase liabilities	0	0	1,555	0	0	1,555
Lease liabilities	0	0	95	0	0	95
	10,032	26,071	2,492	8,702	454	47,751
Net exposure in the statement of financial position	N/A	N/A	11,879	(6,100)	(192)	5,587

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(i) Foreign currency exchange risk (continued)

Sensitivity Analysis

The following table details the sensitivity analysis when USD strengthens/weakens by 5% (2021: 5%) against the relevant foreign currencies. With all other variables held constant, profit after tax for the financial years ended 31 December 2022 and 2021 and equity of the Group would have been lower/higher by approximately:

	Impact on profit after tax and equity	
	+ 5%	- 5%
	RM'000	RM'000
<u>2022</u>		
- RM	(291)	291
- EUR	53	(53)
<u>2021</u>		
- RM	(451)	451
- EUR	232	(232)

(ii) Interest rate risk

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

The Group's and the Company's exposure to interest rate risk is mainly confined to interest earning financial assets such as bank balances and fixed deposits with licensed and established banks. The Group and the Company are not exposed to cash flows interest rate risk as the Group and the Company have no financial assets and financial liabilities with floating interest rate. The Group and the Company are exposed to fair value interest rate risk for financial assets and financial liabilities at fixed interest rate. As the Group's and the Company's fixed interest rate financial assets and financial liabilities are carried at amortised cost, the fair value interest rate risk has no financial impact on the profit or loss of the Group and the Company. The Group and the Company monitor interest rates at inception to ensure that they are established at favourable rates.

Sensitivity Analysis

Sensitivity analysis is not performed for interest rate risk as the Group and the Company have no financial instruments with floating interest rate as at 31 December 2022 and 31 December 2021.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(a) Market risk (continued)

(iii) Price risk

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

The Group is exposed to price risk arising from its investment in equity shares quoted on the Bursa Malaysia Securities Berhad ("Bursa Malaysia"). The investment in quoted shares is held for trading and is classified as current asset in the statements of financial position as 'investment in quoted shares'.

Sensitivity Analysis

If the quoted price of equity shares increases/decreases by 15% (2021: 15%), with all other variables held constant, the Group's profit after tax for the financial year ended 31 December 2022 and equity as at 31 December 2022 would have been higher/lower by approximately RM69,000 (2021: RM16,000). The assumed changes in the quoted price of investment in equity security is based on the average historical price movements of the equity shares during the financial year.

(b) Credit risk

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

The Group's and the Company's credit risk arises from outstanding receivables from 'receivables and deposits', 'amounts due from related parties', 'fixed deposits with licensed banks' and 'bank balances'. Bank balances and fixed deposits are only maintained with licensed and established banks in Malaysia. The directors are of the view that the possibility of non-performance by these banks is remote.

The Group manages its credit risk arising from trade and other receivables through credit quality evaluation, ongoing debt collection and monitoring of debtors' account and credit limit.

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

The Group's financial assets that are subject to the ECL model are trade receivables, other receivables and deposits, and fixed deposits and bank balances. Whereas, the Company's financial assets that are subject to the ECL model are other receivables and deposits, dividend receivables and bank balance. While fixed deposits and bank balances placed with banks are also subject to impairment requirements of MFRS 9, the loss allowance for impairment (if any) is expected to be immaterial, as the fixed deposits and bank balances are placed with credit-worthy licensed banks in Malaysia.

Trade receivables using simplified approach

The Group applies a provision matrix (i.e. net flow rate method) to derive the expected loss rates for each aging band to be applied to trade receivables as at 31 December 2022 and 31 December 2021. The expected loss rates are based on the payment profiles of sales over a period of 36 months before each reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomics factors affecting the ability of the customers to settle the receivables if they are expected to have a material impact. The Group has identified the expected GDP growth rates of the countries where its customers operate in, to be the most relevant factor, and accordingly adjust the historical loss rates based on expected changes in the GDP growth rates. No significant changes to estimation techniques or assumptions were made during the reporting period.

Based on management assessment, the loss allowance for impairment of trade receivables as at 31 December 2022 and 31 December 2021 amounting to approximately RM168,000 (2021: RM71,000).

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

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

CATEGORY	GROUP'S DEFINITION OF CATEGORY	BASIS FOR RECOGNISING ECL
Performing	Debtors have a low risk of default and a strong capacity to meet contractual cash flows.	12-month ECL
Underperforming	Debtors for which there is a significant increase in credit risk or significant increase in credit risk is presumed if interest and/or principal repayments are 30 days past due. See Note 3.6(d)(ii) to the financial statements.	Lifetime ECL
Non-performing	Interest and/or principal repayments are 90 days past due or there is evidence indicating the asset is credit-impaired. See Note 3.6(d)(iii) to the financial statements.	Lifetime ECL (credit impaired)
Write-off	There is evidence indicating that there is no reasonable expectation of recovery based on unavailability of debtor's sources of income or assets to generate sufficient future cash flows to repay the amount. See Note 3.6(d)(v) to the financial statements.	Asset is written off

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

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

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

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

Based on management assessment of ECL as at 31 December 2022 and 31 December 2021, the identified loss allowance for impairment of other receivables (including non-trade amounts due from related parties) and deposits of the Group and of the Company as at 31 December 2022 and 31 December 2021 were immaterial.

(ii) Reconciliation of loss allowance for impairment

Trade receivables using simplified approach

The movements of loss allowance for impairment of trade receivables of the Group are as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
As at 1 January	71	435
Increase in/(reversal of) loss allowance for impairment of:		
- trade receivables	94	(315)
- trade amounts due from related parties	0	(70)
Currency translation differences	3	21
As at 31 December	168	71

For the financial year ended 31 December 2022

Increase in loss allowance for impairment of trade receivables of the Company was mainly attributed to higher carrying amount of trade receivables as at 31 December 2022 as a result of higher revenue recognised during the financial year.

For the financial year ended 31 December 2021

Decrease in loss allowances for impairment above was attributed to the improvement of receivables turnover for the financial year ended 31 December 2021.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

(iii) Information on the entity's credit risk exposure and significant credit risk concentrations

Trade receivables using simplified approach

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets:

GROUP	Past due:						Total
	Current	Up to 30 days	31 – 60 days	61 – 90 days	91 – 180 days	More than 180 days	
2022							
Expected loss rates	0.04%	0.12%	0.24%	0.31%	0.61%	3.64%	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross carrying amount:							
- trade receivables	29,041	8,262	1,260	60	11,998	1,896	52,517
Loss allowance for impairment of trade receivables	(13)	(10)	(3)	0	(73)	(69)	(168)
Carrying amount (net of loss allowance)	29,028	8,252	1,257	60	11,925	1,827	52,349

	Past due:						Total
	Current	Up to 30 days	31 – 60 days	61 – 90 days	91 – 180 days	More than 180 days	
2021							
Expected loss rates	0.08%	0.16%	0.35%	0.46%	0.87%	8.33%	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross carrying amount:							
- trade receivables	10,826	9,558	3,715	2,401	2,074	60	28,634
Loss allowance for impairment of trade receivables	(9)	(15)	(13)	(11)	(18)	(5)	(71)
Carrying amount (net of loss allowance)	10,817	9,543	3,702	2,390	2,056	55	28,563

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(b) Credit risk (continued)

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

Trade receivables using simplified approach (continued)

The Group was exposed to concentration of credit risk on trade receivables from the Group's two major external customers in the Electronic Manufacturing Services industry amounting to approximately RM19,597,000 (2021: RM7,932,000), which accounted for 37% (2021: 27%) of total trade receivables balance. The Group's major customers are established organisations which have good payment history with the Group.

(c) Liquidity risk

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

The Group and the Company maintain sufficient level of cash and cash equivalents to meet the operational needs by continuously monitoring both budget and actual cash flows. The Group and the Company also maintain adequate amount of committed credit facilities from a licensed bank in Malaysia. Excess cash is placed in fixed deposits with reputable government approved licensed banks in Malaysia.

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

GROUP	Contractual undiscounted cash flows					Carrying amount
	Within	Between	Between	Over	Total	
	1 year	1 and	2 and	5 years		
	RM'000	2 years	5 years	RM'000	RM'000	RM'000
2022						
Payables and accrued liabilities (excluding accrued payroll liabilities)	48,859	0	0	0	48,859	48,859
Hire-purchase liabilities	473	322	576	0	1,371	1,269
Lease liabilities	36	15	0	0	51	50
Total undiscounted financial liabilities	<u>49,368</u>	<u>337</u>	<u>576</u>	<u>0</u>	<u>50,281</u>	<u>50,178</u>
2021						
Payables and accrued liabilities	36,018	0	0	0	36,018	36,018
Dividend payable	10,000	0	0	0	10,000	10,000
Hire-purchase liabilities	493	407	791	0	1,691	1,555
Lease liabilities	48	51	0	0	99	95
Total undiscounted financial liabilities	<u>46,559</u>	<u>458</u>	<u>791</u>	<u>0</u>	<u>47,808</u>	<u>47,668</u>
Derivative financial liabilities:						
Forward foreign currency exchange contract:						
- (inflow)	(6,712)	0	0	0	(6,712)	(6,712)
- outflow	6,795	0	0	0	6,795	6,795
Total derivatives (Note 34.2)	<u>83</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>83</u>	<u>83</u>

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

COMPANY	Contractual undiscounted cash flows					Carrying amount
	Within 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2022</u>						
Payables and accrued liabilities	151	0	0	0	151	151
Amount owing to a related party	311	0	0	0	311	311
Total undiscounted financial liabilities	<u>462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>462</u>	<u>462</u>
<u>2021</u>						
Payables and accrued liabilities	32	0	0	0	32	32
Amount owing to a related party	2,144	0	0	0	2,144	2,144
Total undiscounted financial liabilities	<u>2,176</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>2,176</u>	<u>2,176</u>

4.2 Capital risk management

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

In order to maintain or adjust the capital structure, entities within the Group may adjust the amount of dividends paid to shareholder(s), issue new shares, return of capital to shareholder(s), sell assets to reduce debt, or secure additional debts. The Group and the Company are not subjected to any externally imposed capital management requirements.

4.3 Fair value estimation

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

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

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

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

4 FINANCIAL RISK MANAGEMENT (CONTINUED)

4.3 Fair value estimation (continued)

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

If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

Specific valuation technique used to value financial instruments include:

- the fair value of forward foreign currency exchange contracts is determined using quoted forward foreign currency exchange rates at the reporting date; and
- the fair value of investment in quoted shares is determined based on the quoted market price at the reporting date.

(a) Fair value of assets and liabilities that are carried at fair value

Investment in quoted shares

The fair value of the Group's investment in quoted shares is determined based on the quoted market price at the reporting date. This instrument is directly quoted in active market, i.e. Bursa Malaysia and are accordingly classified as Level 1 in the fair value hierarchy.

As at 31 December 2022, the fair value of Group's investment in quoted shares amounted to RM458,000 (2021: RM589,000).

Derivatives (2021 only)

The fair value of the Group's forward foreign currency exchange contracts is determined from relevant market prices and yield curves at the reporting date and are therefore based solely on observable price information. These instruments are not directly quoted in active markets and are accordingly classified as Level 2 in the fair value hierarchy.

As at 31 December 2021, the fair value of Group's derivative financial liabilities amounted to RM83,000.

There were no transfer between Level 1, 2 and 3 during the financial year.

As at 31 December 2022 and 31 December 2021, except for the investment in quoted shares and the forward foreign currency exchange contracts, none of the other financial assets and financial liabilities of the Group and of the Company are measured at fair value which required classification under fair value measurement hierarchy in accordance with MFRS 13.

(b) Fair value of assets and liabilities that are not carried at fair value and whose carrying amounts are reasonable approximation of their fair value

The following are classes of financial instruments that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value:

<u>Financial instruments not carried at fair value</u>	<u>Note</u>
Receivables and deposits	18
Amount due from a related party	21
Amounts owing to a related party	21
Deposits, cash and bank balances	22
Payables and accrued liabilities	23

The carrying amounts of these current financial assets and financial liabilities of the Group and of the Company that are not carried at fair value as reflected in the statements of financial position at the reporting date approximate their fair values because they are mostly short term in nature or are repaid frequently.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgments are continually evaluated by the directors and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The Group and the Company make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below:

5.1 Revenue recognition on the contracts with customers - identification of performance obligation

The Group's contracts with customers for the sales of SMT machines and equipment and the provision of integrated services for SMT manufacturing line are complex and typically include multiple deliverables. Assessing the performance obligations contained in these deliverables requires considerable judgment to ascertain the nature and the extent of work to be performed for the respective contracts with the customers.

5.2 Loss allowance for impairment of trade receivables

The Group recognises loss allowance for impairment of trade receivables using the expected credit loss model based on assumptions about risk of default and expected loss rates, as well as grouping based on shared credit characteristics. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

Trade receivables are grouped based on shared credit risk characteristics and days past due, with expected loss rates assessed based on the Group's historical credit loss experience for various aging bands. The Group's trade receivables are due from customers within the same industry (i.e. electronics and semiconductor) and have similar credit profiles based on the Group's historical experience with these customers and therefore the Group has grouped the trade receivables as a single group in assessing the loss allowance for impairment of trade receivables.

In applying the provision matrix, the Group applied judgement that trade receivables aged more than 300 days are considered credit impaired, and accordingly will result in a loss given default of 10%. The judgement is made based on the historical collection trends, loss experience of its trade receivables and the credit assessment performed over its customers.

6 REVENUE

6.1 Revenue from contracts with customers

The disaggregated revenue recognised for customers for financial years ended 31 December 2022 and 2021 is as follows:

(a) Disaggregation of revenue from contracts with customers

	GROUP	
	2022	2021
	RM'000	RM'000
Provision of integrated solutions for SMT manufacturing line*:		
- sales of SMT machines and equipment	83,172	59,429
- provision of integration services	345	310
	<u>83,517</u>	<u>59,739</u>
Sales of standalone SMT machines and equipment	105,081	76,927
Sales of spare parts and consumables	18,055	14,063
Provision of other services	4,818	2,223
	<u>211,471</u>	<u>152,952</u>

* The integrated solutions provided under a single sales contract with customer include the performance obligations for the sales of SMT machines and equipment and the provision of integration services in accordance with the revenue recognition policy as described in Note 3.20 to the financial statements.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6 REVENUE (CONTINUED)

6.1 Revenue from contracts with customers (continued)

The disaggregated revenue recognised for customers for financial years ended 31 December 2022 and 2021 is as follows (continued):

(b) Timing of revenue recognition for revenue from contracts with customers:

	GROUP	
	2022	2021
	RM'000	RM'000
Point in time	206,308	150,419
Over time	5,163	2,533
	<u>211,471</u>	<u>152,952</u>

(c) Revenue by geographical area is as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
Malaysia	124,005	109,945
Thailand	77,316	31,804
Vietnam	9,732	10,105
Asia (excluding Malaysia, Vietnam and Thailand)	390	907
Others	28	191
	<u>211,471</u>	<u>152,952</u>

The analysis of revenue by geographical area is based on the location of customers.

(d) Revenue from the major customers contributing over 10% of the total revenue of the Group is as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
Electronics manufacturing services providers located in Thailand:		
Customer A	24,108	15,544
Customer B	23,312	0*
Electronics manufacturing services providers located in Malaysia:		
Customer C	21,758	39,319
Customer D	11,415*	17,798
Electronics product brand owner located in Malaysia:		
Customer E	<u>21,742</u>	<u>0</u>

* Below 10% threshold. Presented for comparison only.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

6 REVENUE (CONTINUED)

6.1 Revenue from contracts with customers (continued)

The disaggregated revenue recognised for customers for financial years ended 31 December 2022 and 2021 is as follow (continued):

(e) Unsatisfied performance obligations

	GROUP	
	2022	2021
	RM'000	RM'000
Aggregated amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) which will be recognised as revenue in the next 12 months	68,535	87,939

(f) Reconciliation of contract balances

Reconciliation of contract liabilities are disclosed in Note 24 to the financial statements.

6.2 Revenue from other sources

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Rental income from operating lease	5,420	0	0	0
Dividend income from a subsidiary	0	0	8,000	2,000
	<u>5,420</u>	<u>0</u>	<u>8,000</u>	<u>2,000</u>

7 OTHER LOSSES – NET

	GROUP	
	2022	2021
	RM'000	RM'000
Net foreign currency exchange gains/(losses):		
- realised	1	(6)
- unrealised	(191)	(1,370)
	<u>(190)</u>	<u>(1,376)</u>
Property, plant and equipment:		
- gain on disposals	229	92
Investment – quoted shares:		
- gain on disposal	0	36
- fair value (loss)/gain	(130)	252
Fair value losses on forward foreign currency exchange contracts	0	(84)
Insurance claims received	0	631
	<u>(91)</u>	<u>(449)</u>

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

8 OPERATING PROFIT

Operating profit is stated after charging/(crediting) the following items:

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Operating profit is stated after				
charging/(crediting) the following items:				
Auditors' remuneration				
- statutory audit	134	120	33	28
- other assurance services	11	0	11	0
Employee benefit costs (Note 10)	8,368	5,865	10	0
Directors' fee	264	88	264	88
Depreciation on property, plant and equipment (Note 13)	1,936	530	0	0
Depreciation of ROU assets (Note 14.1)	37	20	0	0
Amortisation of intangible assets (Note 15)	1	0	0	0
Allowance for slow-moving and obsolete inventories	195	442	0	0
Rental income	(390)	(667)	0	0
Professional fee	1,053	1,239	1,018	1,135
Short-term lease rental for office premises (under 'general and administrative expenses')	72	56	0	0

9 FINANCE INCOME – NET

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
<u>Finance income:</u>				
Interest income – fixed deposits	1,449	413	926	0
Interest income – current accounts	66	0	3	0
Interest income – other	47	0	47	0
	1,562	413	976	0
<u>Finance cost:</u>				
Interest on lease liabilities in respect of ROU assets	(2)	(2)	0	0
Interest on hire-purchase liabilities	(62)	(31)	0	0
	(64)	(33)	0	0
	1,498	380	976	0

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

9 FINANCE INCOME – NET (CONTINUED)

During the financial year, the interest income of the Group and the Company are approximately RM1,562,000 and RM976,000 respectively (2021: RM413,000 and RM Nil) of which approximately RM126,000 and RM126,000 respectively (2021: RM Nil and RM Nil) were included in the receivables, deposits and prepayments. Interest income of approximately RM1,436,000 and RM850,000 (2021: RM413,000 and RM Nil) were received by the Group and the Company respectively during the financial year.

10 EMPLOYEE BENEFIT COSTS

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration:				
- salaries and bonus	1,835	1,305	0	0
- defined contribution retirement plan	220	156	0	0
- other employee benefits	47	2	10	0
	<u>2,102</u>	<u>1,463</u>	<u>10</u>	<u>0</u>
Other employees:				
- wages, salaries and bonus	5,304	3,664	0	0
- defined contribution retirement plan	542	407	0	0
- other employee benefits	420	331	0	0
	<u>6,266</u>	<u>4,402</u>	<u>0</u>	<u>0</u>
	<u>8,368</u>	<u>5,865</u>	<u>10</u>	<u>0</u>

The estimated monetary value of benefits-in-kind received by the directors from the Group for the financial year ended 31 December 2022 amounted to approximately RM80,000 (2021: RM79,000).

The number of employees of the Group at the end of the financial year is 58 (2021: 51). The Company has no employees at the end of the financial year.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

11 TAX EXPENSE

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Current financial year	(6,597)	(5,229)	(194)	0
- Under accrual in previous financial year/ period	(15)	(9)	0	0
	(6,612)	(5,238)	(194)	0
Deferred tax (Note 17)				
- Current financial year	(877)	44	0	0
Tax expense	(7,489)	(5,194)	(194)	0

The numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian income tax rate is as follows:

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Profit before tax	29,206	18,251	7,460	179
Taxation calculated at Malaysian income tax rate of 24% (2021: 24%)	7,009	4,380	1,790	43
Tax effects of:				
- Expenses not deductible for tax purposes	465	926	324	437
- Income not subject to tax	0	(121)	(1,920)	(480)
- Under accrual of current income tax in previous financial year/period	15	9	0	0
Tax expense	7,489	5,194	194	0

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

12 EARNINGS PER SHARE

Basic earnings per share of the Group is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year. In determining the weighted average number of ordinary shares issued by the Company for the financial year ended 31 December 2021, the issuance of ordinary shares pursuant to Internal Reorganisation as disclosed in Note 27 to the financial statements is treated as if it had been in issue since the beginning of the financial year ended 31 December 2021.

	GROUP	
	2022	2021
	RM'000	RM'000
Net profit for the financial year attributable to owners of the Company (RM'000)	21,717	13,057
Weighted average number of ordinary shares in issue during the financial year ('000)	458,822	398,000
Basic earnings per share (Sen)	4.73	3.28

No diluted earnings per share calculated as the Company does not have potential ordinary shares.

13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Buildings	Furniture, fittings and office equipment	Tools and machinery	Motor vehicles	Capital work in progress ("CWIP")	Total
2022	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST						
At 01.01.2022	1,852	1,413	110	4,319	12,207	19,901
Additions	0	161	5,843	297	2	6,303
Disposals	0	0	0	(641)	0	(641)
Written off	0	(18)	0	0	0	(18)
Reclassification	0	2	11,986	0	(11,988)	0
Currency translation differences	100	75	609	173	11	968
At 31.12.2022	1,952	1,633	18,548	4,148	232	26,513
ACCUMULATED DEPRECIATION						
At 01.01.2022	508	1,086	91	2,612	0	4,297
Depreciation	31	88	1,289	528	0	1,936
Disposals	0	0	0	(573)	0	(573)
Written off	0	(18)	0	0	0	(18)
Currency translation differences	34	65	66	111	0	276
At 31.12.2022	573	1,221	1,446	2,678	0	5,918
CARRYING AMOUNT						
At 31.12.2022	1,379	412	17,102	1,470	232	20,595

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

GROUP						
	Buildings	Furniture, fittings and office equipment	Tools and machinery	Motor vehicles	Capital work in progress ("CWIP")	Total
<u>2021</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST						
At 01.01.2021	1,786	1,195	106	3,376	0	6,463
Additions	0	177	0	1,308	12,233	13,718
Disposals	0	0	0	(375)	0	(375)
Written off	0	(4)	0	0	0	(4)
Currency translation differences	66	45	4	10	(26)	99
At 31.12.2021	1,852	1,413	110	4,319	12,207	19,901
ACCUMULATED DEPRECIATION						
At 01.01.2021	454	965	82	2,593	0	4,094
Depreciation	31	82	5	412	0	530
Disposals	0	0	0	(375)	0	(375)
Written off	0	(4)	0	0	0	(4)
Currency translation differences	23	43	4	(18)	0	52
At 31.12.2021	508	1,086	91	2,612	0	4,297
CARRYING AMOUNT						
At 31.12.2021	1,344	327	19	1,707	12,207	15,604

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of approximately RM6,303,000 (2021: RM13,718,000) of which approximately RM894,000 (2021: RM11,256,000) was included in the payable and accrued liabilities and approximately RM269,000 (2021: RM1,169,000) was financed by hire-purchase agreements. Cash payments of approximately RM16,396,000 (2021: RM1,293,000) for purchase of property, plant and equipment during the year includes payments in respect of payables recognised in previous financial year of RM11,256,000 (2021: RM Nil)

Included in the carrying amount of property, plant and equipment of the Group as at the end of the financial years are:

	GROUP	
	2022	2021
	RM'000	RM'000
Motor vehicles under hire-purchase	1,452	1,691
Motor vehicles held under trust by key management personnel*	516	716
Motor vehicles held under trust by other employees*	633	574

* Certain vehicles are held in trust for and on behalf of the subsidiary ("the beneficiary") by the directors or employees ("the trustees") via trust deeds. The trustees shall transfer, sell or otherwise deal with the motor vehicles in such manner as the beneficiary shall direct.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14 RIGHT-OF-USE ("ROU") ASSETS

14.1 Amounts recognised in the statements of financial position

	GROUP	
	2022	2021
	RM'000	RM'000
<u>OFFICE PREMISES</u>		
COST		
At 01.01.2022/2021	121	0
Addition	0	121
Currency translation differences	6	0
At 31.12.2022/2021	127	121
ACCUMULATED DEPRECIATION		
At 01.01.2022/2021	20	0
Depreciation for the financial year	37	20
Currency translation differences	3	0
At 31.12.2022/2021	60	20
CARRYING AMOUNT		
At 31.12.2022/2021	67	101

14.2 Amounts recognised in the statements of comprehensive income

	GROUP	
	2022	2021
	RM'000	RM'000
Depreciation of ROU assets	37	20
Interest expenses (included in 'finance costs')	2	2
Expense related to short-term leases (included in 'general and administrative expenses')	72	56
Total	111	78

14.3 Amounts recognised in the statements of cash flows

	GROUP	
	2022	2021
	RM'000	RM'000
Total cash outflows for leases consists of:		
Short-term lease payments	(72)	(52)
Repayment of lease liabilities (Note 26)	(45)	(25)
Interest paid (Note 26)	(2)	(2)
	(119)	(79)

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

14 RIGHT-OF-USE ("ROU") ASSETS (CONTINUED)

14.4 Nature of the Group's leasing activities

The Group leases office premises under non-cancellable operating lease for a lease period of 1 to 3 years (2021: 1 to 3 years), for the purpose of the Group's office and warehouse.

The lease agreement did not impose any covenants, except for the security interest in the leased assets is held by the lessor. The lease agreement also imposed the restriction to pledge the lease assets as security for borrowing purposes.

15 INTANGIBLE ASSETS

	GROUP	
	2022	2021
	RM'000	RM'000
<u>TRADEMARK</u>		
COST		
At 01.01.2022	0	0
Addition - Registration costs	38	0
Currency translation differences	9	0
At 31.12.2022	47	0
ACCUMULATED AMORTISATION		
At 01.01.2022	0	0
Amortisation for the financial year	1	0
Currency translation differences	0	0
At 31.12.2022	1	0
CARRYING AMOUNT		
At 31.12.2022	46	0

16 INVESTMENT IN A SUBSIDIARY

16.1 Details of investment in a subsidiary

	COMPANY	
	2022	2021
	RM'000	RM'000
UNQUOTED SHARES, AT COST		
At 1 January 2022/6 August 2021 (date of incorporation)	70,377	0
Acquisition arising from Internal Reorganisation (Notes 3.2)	0	70,377
Subscription for additional shares in a subsidiary	5,050	0
At 31 December	75,427	70,377

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

16 INVESTMENT IN A SUBSIDIARY (CONTINUED)

16.2 Details of subsidiary is as follows:

Name of subsidiary	Country of incorporation	Equity interest as at		Principal activities
		2022	2021	
		%	%	
SIP Technology (M) Sdn. Bhd.*	Malaysia	100.0	100.0	Provision of integrated solutions for Surface-mount Technology ("SMT") manufacturing line, sales of related SMT machines, equipment, spare parts and consumables, and the provision of related repair, maintenance and other support services.

* Audited by PricewaterhouseCoopers PLT, Malaysia.

16.3 Acquisition of a subsidiary via Internal Reorganisation completed in previous financial year

	At date of acquisition 07.09.2021
	RM'000
Total assets of SIP	149,648
Total liabilities of SIP	(79,271)
Net asset acquired which represents the cost of investment	70,377
Total purchase consideration discharged by issuance of ordinary shares of the Company which was accounted for as invested equity prior to the completion of the internal reorganisation	(66,020)
Capital reorganisation reserve	4,357

The Internal Reorganisation was completed on 7 September 2021. Please refer to Note 29 for the details of Capital Reorganisation Reserve.

16.4 Subscription of additional ordinary shares of a subsidiary

On 8 September 2022, the Company has subscribed for 50,000 new ordinary shares of SIP, its wholly-owned subsidiary at an issue price of RM1 per share which amounted to RM50,000 for purpose of financing its working capital requirements. The subscription was fully satisfied in cash.

On 23 December 2022, the Company has subscribed for 5,000,000 new ordinary shares of SIP at an issue price of RM1 per share which amounted to RM5,000,000 for purpose of financing its capital expenditure. The subscription was fully satisfied in cash.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17 DEFERRED TAX (LIABILITIES)/ASSETS

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	GROUP	
	2022	2021
	RM'000	RM'000
Subject to income tax:		
Deferred tax (liabilities)/assets	(309)	523

The movements in deferred tax during the financial year are as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
As at 1 January	523	462
Credited/(charged) to profit or loss (Note 11):		
- Property, plant and equipment	(1,171)	(10)
- Loss allowance for impairment of trade receivables	23	(93)
- Allowance for slow-moving and obsolete inventories	47	87
- Right-of-use assets	10	23
- Accrued liabilities	185	0
- Lease liabilities	(12)	(24)
- Unrealised foreign currency exchange differences	41	61
	(877)	44
Credited to other comprehensive income:		
- Currency translation differences	45	17
As at 31 December	(309)	523

The deferred tax assets and liabilities as at the reporting date are as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Loss allowance for impairment of trade receivables	40	17
- Allowance for slow-moving and obsolete inventories	622	545
- Accrued liabilities	184	0
- Lease liabilities	12	23
- Unrealised foreign currency exchange losses	60	5
	918	590
Offsetting	(918)	(67)
Deferred tax assets (after offsetting)	0	523

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

17 DEFERRED TAX (LIABILITIES)/ASSETS (CONTINUED)

The deferred tax assets and liabilities as at the end of the reporting period are as follows (continued):

	GROUP	
	2022	2021
	RM'000	RM'000
Subject to income tax:		
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	1,211	43
- Right-of-use assets	16	24
	1,227	67
Offsetting	(918)	(67)
Deferred tax liabilities (after offsetting)	309	0

18 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS:				
Prepayments	1,511	0	0	0
CURRENT ASSETS:				
Trade receivables	52,517	28,634	0	0
Less: Accumulated loss allowance for impairment (Note 4.1(b)(ii))	(168)	(71)	0	0
	52,349	28,563	0	0
Other receivables	127	37	126	0
Deposits	30	24	1	0
Prepayments	936	5,043	132	354
	1,093	5,104	259	354
	53,442	33,667	259	354

Included in the non-current assets of the Group is prepayment for leasehold land acquisition amounting to approximately RM1,511,000 as at 31 December 2022.

Credit terms of trade receivables ranged from 0 to 90 days (2021: 0 to 90 days) from invoice date.

Included in the current prepayments of the Group are down payments made to vendors for the purpose of inventories amounting to approximately RM667,000 (2021: RM4,676,000) as at 31 December 2022.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

19 INVENTORIES

	GROUP	
	2022	2021
	RM'000	RM'000
Trading goods	22,964	21,516
Less: Allowance for slow-moving and obsolete inventories	(2,590)	(2,271)
	20,374	19,245

The cost of inventories recognised as an expense in 'cost of sales and services' of the Group during the financial year amounted to approximately RM170,906,000 (2021: RM123,210,000).

Additional allowance for slow-moving and obsolete inventories made during the financial year amounted to RM195,000 (2021: RM442,000). These were recognised as an expense in the profit and loss and included in 'cost of sales and services'.

20 INVESTMENT IN QUOTED SHARES

	GROUP	
	2022	2021
	RM'000	RM'000
Quoted shares in Malaysia:		
- Held for trading at fair value through profit or loss	458	589

The Group's investment in quoted shares was acquired through invitation for subscription of the ordinary shares issued during the initial public offering by its customer.

The fair value of the quoted shares is determined based on its quoted market price in an active market and are within Level 1 of the fair value hierarchy.

The movements of investment in quoted shares during the financial year are as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
As at 1 January	589	0
Purchases during the year	0	408
Disposals during the year	0	(68)
Fair value (loss)/gain recognised in 'other gains/(losses)' (Note 7)	(130)	252
Currency translation differences	(1)	(3)
As at 31 December	458	589

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21 RELATED PARTY DISCLOSURES

21.1 Related parties and relationship

The subsidiary of the Company is listed in Note 16 to the financial statements.

Other related parties of the Group are as follows:

Related parties	Country of incorporation	Relationships
Lye Yhin Choy	Not Applicable	Ultimate controlling shareholder
Synext Technology Sdn. Bhd.	Malaysia	Related company*
SIP Technology Asia Co. Ltd.	Hong Kong	Related company^
V Stencil Co. Ltd.	Vietnam	Related company^

* A company of which the controlling shareholder of the Group has significant influence.

^ A company of which the controlling shareholder of the Group has control.

A key management personnel is a person who has responsibility for planning, directing and controlling the activities of the Group and of the Company directly or indirectly. The Group and the Company regard the directors of the Company and SIP and senior management of SIP as key management personnel.

21.2 Related party balances

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Amount due from a related party				
- Dividend income receivable from subsidiary (non-trade)	0	0	4,000	2,000
Amount owing to a related party				
- Non-trade	0	0	311	2,144

Credit term for the non-trade amounts owing to a related party is 30 days (2021: 30 days) from invoice date.

All amounts due from/(owing to) are denominated in Ringgit Malaysia.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

21 RELATED PARTY DISCLOSURES (CONTINUED)

21.3 Significant related party transactions

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
<u>Transactions with a subsidiary:</u>				
Expenses paid on behalf by	0	0	(379)	(2,143)
Dividend income received/receivable	0	0	8,000	2,000
<u>Transactions with related parties:</u>				
Sales of spare parts and consumables to	0	104	0	0
Purchases of inventories from	0	(129)	0	0

The above transactions were established based on terms and rates agreed between the Group and the Company and its related parties.

21.4 Key management compensation

Included in the employee benefit costs are compensations paid to key management personnel as follows:

	GROUP		COMPANY	
	Financial year ended 31.12.2022	Financial year ended 31.12.2021	Financial year ended 31.12.2022	Financial period from 06.08.2021 (date of incorporation) to 31.12.2021
	RM'000	RM'000	RM'000	RM'000
Salaries and bonus	2,488	1,777	0	0
Defined contribution retirement plan	304	217	0	0
Other employee benefits	127	198	0	0
	2,919	2,192	0	0

The estimated monetary value of benefits-in-kind received by the key management personnel from the Group for the financial year ended 31 December 2022 amounted to approximately RM125,000 (2021: RM96,000).

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

22 DEPOSITS, CASH AND BANK BALANCES

Cash and cash equivalents included in statements of cash flows comprise the following:

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with a licensed bank	93,709	33,823	51,025	0
Cash and bank balances	11,862	25,203	1,234	1
	105,571	59,026	52,259	1
Less: Fixed deposits pledged as security for bank guarantees	(1,271)	(265)	0	0
Less: Fixed deposits with maturity period more than 3 months (unencumbered)	0	(2,245)	0	0
Cash and cash equivalents	104,300	56,516	52,259	1

The fixed deposits of the Group amounted to approximately RM1,271,000 (2021: RM265,000) are under lien to a local licensed bank to secure bank guarantees which served as performance bond for the goods and services provided to certain customers.

23 PAYABLES AND ACCRUED LIABILITIES

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
Trade payables	44,379	23,317	0	0
Other payables	1,144	11,391	110	1
Accrued liabilities - payroll	647	0	0	0
Accrued liabilities - others	1,120	143	41	31
Accrued purchases	0	1	0	0
Customer deposits	2,216	1,166	0	0
	5,127	12,701	151	32
Derivatives financial liabilities – forward foreign currency exchange contracts	0	83	0	0
	49,506	36,101	151	32

Credit terms of trade and other payables vary from 30 to 90 days (2021: 30 to 90 days) from invoice date.

The customer deposits comprise solely the refundable deposits received from customers upon confirmation of orders amounting to approximately RM2,216,000 (2021: RM1,166,000) as at 31 December 2022.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

24 CONTRACT LIABILITIES

	GROUP	
	2022	2021
	RM'000	RM'000
Contract liabilities	2,396	9,037

Movement in contract liabilities is as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
As at 1 January	9,037	1,188
Increases due to cash received, excluding amount recognised as revenue during the financial year	2,396	9,038
Revenue recognised that was included in the contract liabilities at the beginning of the financial year	(9,093)	(1,193)
Currency translation differences	56	4
As at 31 December	2,396	9,037

25 HIRE-PURCHASE LIABILITIES

	GROUP	
	2022	2021
	RM'000	RM'000
Gross instalments payable:		
- within 1 year	473	493
- between 1 and 2 years	322	407
- between 2 and 5 years	576	791
Total minimum hire-purchase payments	1,371	1,691
Less: Future finance charges	(102)	(136)
Total	1,269	1,555
Repayable at net present value:		
- current	426	439
- non-current	843	1,116
	1,269	1,555

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

25 HIRE-PURCHASE LIABILITIES (CONTINUED)

The movements of hire-purchase liabilities during the financial year are as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
As at 1 January	1,555	709
Additions	269	1,169
Interest charged during the financial year	62	31
Repayment of hire-purchase liabilities	(553)	(325)
Repayment of interest	(62)	(31)
Unrealised foreign exchange gain	(60)	(24)
Currency translation differences	58	26
As at 31 December	1,269	1,555

The range of effective interest rate for the financial years ended are as follows:

	2022	2021
Hire-purchase liabilities	1.80% - 3.26%	1.80% - 2.71%

Hire-purchase liabilities are secured bank borrowings as the rights to the assets under hire-purchase revert to the hire-purchase creditors in the event of default. The hire-purchase liabilities are denominated in Ringgit Malaysia.

26 LEASE LIABILITIES

	GROUP	
	2022	2021
	RM'000	RM'000
Gross lease payable:		
- within 1 year	36	48
- between 1 and 2 years	15	51
Total minimum lease payments	51	99
Less: Future finance charges	(1)	(4)
Total	50	95
Repayable at net present value:		
- current	35	45
- non-current	15	50
	50	95

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

26 LEASE LIABILITIES (CONTINUED)

The movements of lease liabilities during the financial year are as follows:

	GROUP	
	2022	2021
	RM'000	RM'000
CURRENT:		
As at 1 January	95	0
Additions	0	120
Interest charged during the financial year	2	2
Repayment of lease liabilities	(45)	(25)
Repayment of interest	(2)	(2)
As at 31 December	50	95

27 SHARE CAPITAL

	GROUP AND COMPANY			
	2022		2021	
	Number of shares	Amount	Number of shares	Amount
	RM'000	RM'000	RM'000	RM'000
ISSUED AND FULLY PAID-UP:				
Ordinary share with no par value:				
As at 1 January 2022 (Group and Company)/1 January 2021 (Group)/6 August 2021 (date of incorporation) (Company)	398,000	66,020	0*	0*
Transferred from invested equity (Note 28)/ Issued during the financial period	0	0	398,000	66,020
Shares issued upon the Public Issue	100,000	58,000	0	0
Shares issuance costs capitalised for the Public Issue	0	(1,545)	0	0
As at 31 December 2022/2021	498,000	122,475	398,000	66,020

* The Company was incorporated on 6 August 2021 and the issued and paid-up ordinary share capital of the Company as at the date of incorporation was RM200 consisting of 200 ordinary shares.

For the financial year ended 31 December 2022

The Company has successfully undertaken a public issue of 100,000,000 ordinary shares at an issue price of RM0.58 per ordinary share which amounted to RM58,000,000, representing approximately 46.77% of the enlarged issued share capital of RM124,020,000 comprising 498,000,000 ordinary shares, paid in full upon application in conjunction with the listing and quotation of the entire enlarged issued and paid-up share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad. The Public Issue Shares have been fully allotted to the new shareholders of the Company on 24 May 2022.

The newly issued ordinary shares rank pari-passu in all respects with the existing ordinary shares of the Company.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

27 SHARE CAPITAL (CONTINUED)

For the financial year ended 31 December 2022 (continued)

Included in the shares issuance costs capitalised for the Public Issue are as follows:

	2022
	RM'000
Professional fees	512
Brokerage, placement fees and underwriting commission	1,033
	<u>1,545</u>

For the financial year ended 31 December 2021

On 7 September 2021, the issued and paid-up share capital of the Company was increased from RM200 to RM66,020,000 by way of issuance of 397,999,800 new ordinary shares at an issue price of RM0.1658 each. The new ordinary shares were issued pursuant to an Internal Reorganisation Agreement entered into between the Company and SIP Technology (M) Sdn. Bhd. ("SIP") to facilitate the Company's acquisition of the entire issued and paid-up share capital of SIP of RM200,000 comprising 200,000 ordinary shares for a total purchase consideration of RM66,020,000.

The newly issued ordinary shares rank pari-passu in all respects with the existing ordinary shares of the Company.

28 INVESTED EQUITY (2021 ONLY)

Invested equity in the Group's consolidated statement of financial position as at 1 January 2021 represents the resulting share capital of the Company arising from the completion of the Internal Reorganisation which was issued to acquire the entire issued and paid-up share capital of SIP as detailed in the Note 27 to the financial statements. The invested equity of the Group was reclassified to share capital of the Company in the Group's consolidated statement of financial position upon the completion of the Internal Reorganisation on 7 September 2021.

The movements of invested equity during the financial year are as follows:

	GROUP
	2022
	RM'000
As at 1 January	66,020
Reclassification upon completion of Internal Reorganisation	(66,020)
As at 31 December	<u>0</u>

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

29 CAPITAL REORGANISATION RESERVE

Capital reorganisation reserves in the consolidated statement of financial position of the Group arises from the internal reorganisation entered into by the Company on 7 September 2021 to acquire the entire paid-up capital of SIP. It represents the difference between the share capital of the Group as at 31 December 2021 as disclosed in Note 27 to the financial statements and the share capital of SIP as at 31 December 2021. During the financial year ended 31 December 2021, the capital reorganisation reserves was reduced by RM100,000 arising from the issuance of additional share capital of SIP by the same amount on 1 March 2021.

Capital reorganisation reserves in the statement of financial position of the Company represent the difference between the cost of investment in SIP measured at the net asset position of SIP as at the completion date of the Internal Reorganisation on 7 September 2021 and the Company's share capital issued pursuant to the Internal Reorganisation as detailed in Note 27 to the financial statements. During the financial year ended 31 December 2021, the capital reorganisation reserves was reduced by RM100,000 arising from the issuance of additional share capital of SIP by the same amount on 1 March 2021. Please refer to Note 16.3 to the financial statements for the details on how the capital reorganisation reserve of the Company is derived.

30 CURRENCY TRANSLATION RESERVES

The foreign currency translation reserves comprise all foreign currency exchange differences arising from the translation of the financial statements of SIP from its functional currency (which is in USD) to presentation currency (which is in RM). See Note 3.23 to the financial statements on accounting policy for foreign currency translation.

31 RETAINED PROFITS

Dividends paid out of retained profits of the entities within the Group are single-tier dividends which are tax exempt in the hands of shareholder(s) of the respective entities.

32 DIVIDENDS

The dividends declared by the Company and paid/payable during the financial years ended 31 December 2022 and 2021 are as follows:

	GROUP AND COMPANY
	2022
	RM'000
In respect of the financial year ended 31 December 2022:	
- First interim single-tier tax exempt dividend of RM0.006 per share on 498,000,000 ordinary shares, declared on 17 November 2022 and paid on 22 December 2022	2,988

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

32 DIVIDENDS (CONTINUED)

The dividends declared by the Company and paid/payable during the financial years ended 31 December 2022 and 2021 are as follows (continued):

	GROUP
	2021
	RM'000
In respect of the financial year ended 31 December 2021:	
- Special interim single-tier tax exempt dividend of RM50 per share on 200,000 ordinary shares, declared on 6 September 2021 and remain unpaid on 31 December 2021 (subsequently paid on 22 March 2022)	10,000

Subsequent to end of the financial year ended 31 December 2022, a second interim single tier tax exempt dividend of RM0.008 per share on 498,000,000 ordinary shares, amounting to RM3,984,000 for the financial year ended 31 December 2022, was declared and approved by the shareholders on 23 February 2023. The dividend which was paid on 22 March 2023 is accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2023.

The directors of the Company do not recommend the payment of any final dividend for the financial year ended 31 December 2022.

33 CAPITAL COMMITMENTS

	GROUP	
	2022	2021
	RM'000	RM'000
Capital commitments in respect of property, plant and equipment not provided for in the financial statements are as follows:		
- Contracted but not provided for	1,615	974

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 FINANCIAL INSTRUMENTS

34.1 Classification of financial instruments

	GROUP		COMPANY	
	2022	2021	2022	2021
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets measured at amortised cost less impairment</u>				
Receivables and deposits	52,506	28,624	127	0
Dividend receivable	0	0	4,000	2,000
Deposits, cash and bank balances	105,571	59,026	52,259	1
	158,077	87,650	56,386	2,001
<u>Financial asset measured at fair value through profit or loss</u>				
Investment in quoted shares	458	589	0	0
Total financial assets	158,535	88,239	56,386	2,001
<u>Financial liabilities measured at amortised cost</u>				
Payables and accrued liabilities (excluding accrued payroll liabilities)	48,859	36,018	151	32
Dividend payable	0	10,000	0	0
Amount owing to a related party	0	0	311	2,144
	48,859	46,018	462	2,176
<u>Financial liabilities measured at fair value through profit or loss</u>				
Derivative financial liabilities – forward foreign currency exchange contracts	0	83	0	0
Total financial liabilities	48,859	46,101	462	2,176

34.2 Forward foreign currency exchange contracts (2021 only)

The Group entered into forward foreign currency exchange contracts ("forward contracts") to fix the foreign currency exchange rates on identified assets or liabilities denominated in foreign currency. As at 31 December 2021, the total notional amount of the forward contracts outstanding for the Group were approximately RM6,795,000. The total fair value of these forward contracts was a net liability of RM83,000 for the Group.

As at 31 December 2021, the settlement dates on open forward foreign currency exchange contracts of the Group range between 1 to 2 months.

The foreign currency amounts to be received/paid and the contractual exchange rates of the Group's open foreign currency forward contracts are as follows:

At 31 December 2021	Currency to be received	Currency to be paid	RM'000 equivalent	Average contractual rate
- EUR 1,050,051	EUR	MYR	4,984	4.7470
- EUR 373,857	EUR	MYR	1,811	4.8440
			6,795	

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

34 FINANCIAL INSTRUMENTS (CONTINUED)

34.3 Fair value of financial instruments

See details of fair value of financial instruments as disclosed in Note 4.3 to the financial statements.

35 SEGMENT INFORMATION

The operating segment is reported in the manner consistent with the internal reporting provided to the Chief Operating Decision Maker ("CODM"). The CODM, who is responsible for allocating resources and assessing performance of the operating segment, has been identified as the Chief Executive Officer of the Group. CODM assesses the performance of the operating segment based on a measure of operating profit.

The Group principally engaged in the provision of integrated solutions for SMT manufacturing line, sales of related SMT machineries, equipment, spare parts and consumables, and the provision of the related repairs, maintenance and other support services. As the Group only has one operating segment qualified as reporting segment under MFRS 8 and the information that is regularly reviewed by the CODM for the purpose of allocating resources and assessing performance of the operating segment is the financial statements of the Group, no separate segmental analysis is presented accordingly.

The Group's operations are in Malaysia. Non-current assets by geographical segments are not disclosed as all operations of the Group are based in Malaysia.

The basis of measurement of reported segment profit or loss, segment assets and segment liabilities are consistent with the basis used for the consolidated statement of comprehensive income of the Group for the financial years ended 31 December 2022 and 2021 and the consolidated statement of financial position as at 31 December 2022 and 31 December 2021. The components of the segment assets and liabilities include classes of assets and liabilities disclosed in the consolidated statement of financial position.

Refer to Note 6 to the financial statements for the analysis on the Group's revenue and information about major customers.

36 EVENTS WHICH OCCURRED DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

Significant events during the financial year

36.1 Initial Public Offering

On 24 May 2022, the entire enlarged issued share capital of the Company comprising 498,000,000 ordinary shares (including a public issue of 100,000,000 new ordinary shares in the Company) was successfully listed and quoted on the ACE Market of Bursa Malaysia Securities Berhad.

36.2 Acquisition of leasehold land

On 13 July 2022, SIP, the subsidiary, had entered into a conditional sale and purchase agreement ("SPA") with the Penang Development Corporation ("PDC") to acquire a piece of leasehold land marked as Plot 31 Penang Science Park North situated in Daerah Seberang Perai Tengah ("Leasehold Land") for a total purchase price of approximately RM3,022,000. The duly executed and stamped SPA dated 13 July 2022 was received by the Board on 17 August 2022. The Group has paid the first 20% of the purchase price of approximately RM604,000 to PDC on 8 July 2022 and 30% of the purchase price of approximately RM907,000 to PDC on 3 November 2022.

On 20 January 2023, the subsidiary has paid the remaining balance of the purchase price of RM1,511,000 to the PDC, following which, the PDC delivered the vacant possession of the Leasehold Land to the subsidiary on 30 January 2023.

Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

36 EVENTS WHICH OCCURRED DURING AND SUBSEQUENT TO THE FINANCIAL YEAR (CONTINUED)

Subsequent event

36.3 Incorporation of new subsidiary

On 20 March 2023, the Company incorporated a new wholly-owned subsidiary, Cnergenz Technology Sdn. Bhd. The subsidiary was incorporated to undertake the design and fabrication of modules and parts for tools, material handling, robotic and automation equipment; software programming, information technology and software provider, research and development on engineering, information technology and manufacturing of automation machinery and parts; and assembly of equipment and modules.

37 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 20 April 2023.

List of Properties

As At 31 December 2022

No.	Registered owner	Particular of title/ Postal address	Description/ Existing use	Land/ Built-up area (sq m)	Tenure	Year of Acquisition	Net Book Value as at 31.12.2022 (RM)
1.	SiP Technology (M) Sdn Bhd	<p><u>Title</u> Lot 6790, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang</p> <p><u>Address</u> 40, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang</p>	Office and warehouse	<p>Land area: 243</p> <p>Built-up area: 323</p>	Freehold	2010	433,412.24
2.	SiP Technology (M) Sdn Bhd	<p><u>Title</u> Lot 6791, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang</p> <p><u>Address</u> 38, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang</p>	Office and warehouse	<p>Land area: 243</p> <p>Built-up area: 323</p>	Freehold	2007	397,755.46
3.	SiP Technology (M) Sdn Bhd	<p><u>Title</u> Lot 6792, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang</p> <p><u>Address</u> 36, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang</p>	Office and warehouse	<p>Land area: 242</p> <p>Built-up area: 323</p>	Freehold	2006	273,670.23
4.	SiP Technology (M) Sdn Bhd	<p><u>Title</u> Lot 6793, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang</p> <p><u>Address</u> 34, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang</p>	Office and warehouse	<p>Land area: 242</p> <p>Built-up area: 323</p>	Freehold	2006	273,670.23

Analysis of Shareholdings

As At 31 March 2023

Total number of issued shares	:	498,000,000
Class of share	:	Ordinary shares
Voting rights	:	One (1) vote per ordinary share

Distribution of Shareholders as at 31 March 2023

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	10	0.45	300	0.00
100 – 1,000	327	14.70	186,900	0.03
1,001 – 10,000	1,169	52.56	6,460,000	1.30
10,001 – 100,000	595	26.76	19,016,909	3.82
100,001 – less than 5% of issued shares	121	5.44	134,285,891	26.97
24,900,000 – 5% and above of issued shares	2	0.09	338,050,000	67.88
Total	2,224	100.00	498,000,000	100.00

Directors' Shareholdings as at 31 March 2023

The Directors' interests in the Company based on the Register of Directors' Shareholdings of the Company are as follows:

Name	Direct Interest		Deemed Interest	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Dato' Azman Bin Mahmud	500,000	0.10	-	-
Lye Yhin Choy	221,710,000	44.52	-	-
Kong Chia Liang	116,340,000	23.36	-	-
Lye Thim Loong	10,116,000	2.03	-	-
Ooi Ley Ching	300,000	0.06	-	-
Alwizah Al-Yafii Binti Ahmad Kamal	120,000	0.02	-	-
Yeat Soo Ching	300,000	0.06	-	-

Substantial Shareholders as at 31 March 2023

The substantial shareholders of the Company based on the Register of Substantial Shareholders of the Company are as follows:

Name	Direct Interest		Deemed Interest	
	No. of Shares Held	% of Issued Shares	No. of Shares Held	% of Issued Shares
Lye Yhin Choy	221,710,000	44.52	-	-
Kong Chia Liang	116,340,000	23.36	-	-

Analysis of Shareholdings (Cont'd)

As At 31 March 2023

Thirty Largest Shareholders as at 31 March 2023

No.	Name	No. of Shares Held	% of Issued Shares
1.	Lye Yhin Choy	221,710,000	44.52
2.	Kong Chia Liang	116,340,000	23.36
3.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Exempt AN for AIA Bhd.</i>	19,753,300	3.97
4.	Lye Thim Loong	10,116,000	2.03
5.	Cartaban Nominees (Tempatan) Sdn Bhd <i>Prudential Assurance Malaysia Berhad for Prulink Strategic Fund</i>	7,158,900	1.44
6.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investmentssmall-Cap Fund</i>	6,838,300	1.37
7.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Kenanga Growth Opportunities Fund (50154 TR01)</i>	6,321,800	1.27
8.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Asia-Pacific Dividend Fund</i>	5,000,000	1.00
9.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Dana Makmur</i>	4,900,000	0.98
10.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)</i>	4,501,400	0.90
11.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)</i>	4,458,700	0.90
12.	Cartaban Nominees (Tempatan) Sdn Bhd <i>CN CIMB Commerce Trustee Berhad for Kenanga Growth Fund Series 2</i>	3,700,000	0.74
13.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Areca Equitytrust Fund (211882)</i>	3,504,500	0.70
14.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>Hong Leong Asset Management Bhd for Hong Leong Foundation (ED100)</i>	3,000,000	0.60
15.	Citigroup Nominees (Asing) Sdn Bhd <i>UBS EUR SE for UBS (LUX) Equity Sicav – Asian Smaller Companies (USD)</i>	2,757,891	0.55
16.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Investment al-Fauzan (5170)</i>	2,363,300	0.47
17.	Lee Eng Seng	2,350,000	0.47
18.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Manulife Insurance Berhad (OI Par)</i>	2,296,100	0.46
19.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tay Moy Koh (Segamat-CL)</i>	2,209,900	0.44
20.	Maybank Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teo Pui Meng</i>	2,200,000	0.44
21.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Maybank Malaysia Smallcap Fund</i>	1,500,000	0.30
22.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Strategic Fund</i>	1,500,000	0.30
23.	Lim Theng Eng	1,500,000	0.30
24.	CGS-CIMB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Yat Kiang (MY1469)</i>	1,493,300	0.30
25.	Tye Yong Pou	1,400,000	0.28
26.	Cartaban Nominees (Tempatan) Sdn Bhd <i>PAMB for Prulink Equity Income Fund</i>	1,311,700	0.26
27.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Hong Leong Dana Maa'rof</i>	1,220,000	0.24
28.	Gan Kok Keng	1,200,000	0.24
29.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Kenanga Syariahextra Fund (N14011960240)</i>	1,175,100	0.24
30.	Public Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Tan Yat Teng (E-SJA)</i>	1,150,000	0.23

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Second Annual General Meeting ("**2nd AGM**") of **CNERGENZ BERHAD** ("**the Company**") will be held at Macalister Ballroom, Level 5, Victory Annexe, Eastern & Oriental Hotel, 10, Lebuhraya Farquhar, 10200 George Town, Penang on Wednesday, 24 May 2023 at 10.00 am for the following purposes:

AGENDA

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2022 together with Directors' Report and Auditors' Report thereon.
2. To re-elect the following Directors retiring in accordance with Clause 18.2 of the Company's Constitution:
 - (a) Mr. Lye Yhin Choy
 - (b) Mr. Kong Chia Liang
3. To approve the payment of Directors' Fees amounting to RM10,000 per month for the Independent Non-Executive Chairman and RM4,000 per month for each of the Independent Non-Executive Directors (excluding Independent Non-Executive Chairman) commencing 25 May 2023 through to the next AGM of the Company in year 2024 and further, to authorise the Directors to apportion the fees and make payment in the manner as the Directors may determine.
4. To approve the payment of benefits payable comprising meeting fee to the Independent Non-Executive Directors (including Independent Non-Executive Chairman) of RM600 per meeting day from 25 May 2023 until the next AGM of the Company in year 2024 and further, to authorise the Directors to make payment in the manner as the Directors may determine.
5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration.

Ordinary Resolution 1
Ordinary Resolution 2

Ordinary Resolution 3

Ordinary Resolution 4

Ordinary Resolution 5

AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolutions with or without modifications:

6. **AUTHORITY TO ALLOT AND ISSUE SHARES BY DIRECTORS PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016**

Ordinary Resolution 6

"THAT subject always to the Companies Act 2016 ("**the Act**"), the Company's Constitution, the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") and the approvals of the relevant government or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to allot and issue shares of the Company at any time, at such price, upon such terms and conditions, for such purposes and to such person or persons, as the Directors may in their absolute discretion deem fit and expedient in the interest of the Company, provided that the aggregate number of shares to be issued pursuant to this resolution does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being.

AND THAT the Directors are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares to be issued and THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

Notice of Annual General Meeting (Cont'd)

AS SPECIAL BUSINESS (CONT'D)

To consider and if thought fit, pass the following Ordinary Resolutions with or without modifications (Cont'd):

6. AUTHORITY TO ALLOT AND ISSUE SHARES BY DIRECTORS PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 (CONT'D) Ordinary Resolution 6

AND THAT pursuant to Section 85 of the Act, read together with Clause 4.2 and Clause 13.2 of the Constitution of the Company, approval be and is hereby given to waive the pre-emptive rights of the shareholders of the Company to be offered new shares ranking equally to the existing issued shares of the Company arising from the issuance of new shares pursuant to this mandate under Clause 13.2 of the Company's Constitution. Subsequent to the passing of this resolution, if this paragraph is or is found to be in any way void, invalid or unenforceable, then this paragraph shall be ineffective to the extent of such voidness, invalidity or unenforceability and the remaining provisions of this resolution shall remain in full force and effect.

AND THAT the new shares to be issued shall, upon allotment and issuance, rank equally in all respects with the existing shares of the Company, save and except that they shall not be entitled to any dividends, rights, allotments and/or any other forms of distribution that may be declared, made or paid before the date of allotment of such new shares."

7. To transact any other business of which due notice shall have been given.

By Order of the Board

Ong Tze-En, MAICSA 7026537 | SSM PC No. 202008003397
Company Secretary

Penang, 25 April 2023

Notes:

1. A proxy may but need not be a Member.
2. The instrument appointing a proxy must be deposited/submitted via the following ways not less than twenty-four (24) hours before the time set for holding the AGM or at any adjournment thereof:
 - (a) By hardcopy form
The Form of Proxy must be deposited at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.
 - (b) By electronic form
The Form of Proxy can be electronically submitted through facsimile at +604 226 5860 or emailed it to ir@cnergengz.com.
3. A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
4. Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. If the appointor is a corporation, the Form of Proxy must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 May 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote in his/her behalf.

Notice of Annual General Meeting (Cont'd)

Explanatory Notes on Ordinary Business:

Ordinary Resolutions 1 and 2: Re-election of Mr. Lye Yhin Choy and Mr. Kong Chia Liang

The Board of Directors ("**Board**") approved the recommendations from the Nomination Committee and is supportive of the re-election of the retiring Directors based on the justifications below.

Mr. Lye Yhin Choy and Mr. Kong Chia Liang are the Executive Directors and co-founders of the Company and its subsidiaries ("**the Group**"). They lead business development efforts to grow the Group and initiatives to expand market outreach that have contributed to building our businesses and value creation. The retiring Directors do not have any conflict of interest with the Company and had also abstained from deliberation and decision-making, on their re-election, at Board meetings.

Ordinary Resolutions 3 and 4: Directors' fees and benefits payable to the Independent Non-Executive Directors (including Independent Non-Executive Chairman)

The Directors' fees and benefits payable have been reviewed by the Remuneration Committee and the Board. The Directors' fees and the benefits payable are in the best interest of the Company and in accordance with the remuneration framework. Upon approval, this will facilitate payment of Directors' fees and benefits payable on current financial year basis. It will also authorised payment to be made on a quarterly basis and/or as and when incurred. The Board is of the view that the payment arrangement is fair and equitable particularly after they have discharged their responsibilities and rendered their services to the Company. Details of Directors' fees and benefits paid/payable for the financial year ended 31 December 2022 are detailed in the Corporate Governance Overview Statement in the Annual Report 2022 and Corporate Governance Report.

Ordinary Resolution 5: Re-appointment of Auditors

The Audit and Risk Management Committee and the Board had considered the re-appointment of PricewaterhouseCoopers PLT as Auditors of the Company and collectively agreed and are satisfied that PricewaterhouseCoopers PLT meets the relevant criteria prescribed in Rule 15.21 of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad.

Ordinary Resolution 6 – Authority pursuant to Sections 75 and 76 of the Companies Act 2016

This is for the purpose of granting a general mandate ("**General Mandate**") and if passed, will give authority to the Board to allot and issue shares up to a maximum of ten per centum (10%) of the total number of issued shares of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting, whichever is the earlier.

The waiver of pre-emptive rights pursuant to Section 85 of the Act and Clause 4.2 and Clause 13.2 of the Constitution will allow the Directors of the Company to issue new shares of the Company which rank equally to existing issued shares of the Company, to any person without having to offer the new shares to all existing shareholders of the Company prior to issuance of new shares of the Company under the General Mandate.

The approval of this General Mandate will provide flexibility to the Company for any possible fundraising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

At this juncture, there is no decision to issue new shares but the Directors consider it desirable to have the flexibility permitted to respond to market developments and to enable allotments to take place to finance business opportunities without making a pre-emptive offer to existing shareholders. If there should be a decision to issue new shares after the General Mandate is obtained, the Company will make announcement in respect thereof.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Rule 8.29(2) of Bursa Malaysia Securities Berhad's ACE Market Listing Requirements)

No individual is standing for election as a Director at the forthcoming 2nd AGM of the Company.

ADMINISTRATIVE GUIDE FOR THE SECOND ANNUAL GENERAL MEETING ("2ND AGM")

Day & Date	:	Wednesday, 24 May 2023
Time	:	10:00 am
Venue	:	Macalister Ballroom, Level 5, Victory Annexe, Eastern & Oriental Hotel 10, Lebuhr Farquhar, George Town, 10200 George Town, Penang

Entitlement to Participate and Appointment of Proxy

- Only members whose names appear on the Record of Depositors on 17 May 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.
- The instrument appointing a proxy must be deposited/submitted via the following manner not less than 24 hours before the time set for holding the AGM or any adjournment thereof:
 - By hardcopy form
The Form of Proxy must be deposited at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.
 - By electronic form
The Form of Proxy can be electronically submitted through facsimile at +604 226 5860 or email it to ir@cnergengz.com.

Revocation of Proxy

- If you have submitted your Form of Proxy and subsequently decide to appoint another person or wish to participate in our 2nd AGM in person, please proceed to the registration counter to revoke the appointment of your proxy.

Poll Voting

- The voting at the 2nd AGM will be conducted by poll in accordance with Rule 8.29A of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad. The Company has appointed Boardroom Share Registrars Sdn. Bhd. as the Poll Administrator and SKY Corporate Services Sdn. Bhd. as the Independent Scrutineer to verify and validate the poll results.

No Door Gifts/Food Vouchers

- There will be no distribution of door gifts or food vouchers at the 2nd AGM.

Enquiries

- If you have any enquiry prior to the 2nd AGM, please contact the following parties during office hours on Monday to Friday from 9.00 am to 5.30 pm (except on public holidays):

Cnergengz Berhad
 T: +604 508 8318
 F: +604 508 0318
 E: ir@cnergengz.com

Boardroom Share Registrars Sdn. Bhd.
 T: +603 7890 4700
 F: +603 7890 4670
 E: bsr.helpdesk@boardroomlimited.com

Personal Data Privacy:

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company and/or its agents/ service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the 2nd AGM of the Company and any adjournment thereof.

CDS Account No.

No. of Shares held

I/We _____
(Full Name in Block Letters and NRIC No./Passport No./Registration No.)of _____ and _____
(Address) (Tel. No./Email Address)

being a member/members of Cnergenez Berhad ("the Company"), hereby appoint

Full Name and Address (in Block Letters)	NRIC No./Passport No.	No. of Shares	% of Shareholding

* and/or (*delete if not applicable)

Full Name and Address (in Block Letters)	NRIC No./Passport No.	No. of Shares	% of Shareholding

or failing *him/her, THE CHAIRMAN OF THE MEETING as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf at the Second Annual General Meeting of the Company to be held at Macalister Ballroom, Level 5, Victory Annexe, Eastern & Oriental Hotel, 10, Lebuhraya Farquhar, George Town, 10200 George Town, Penang on Wednesday, 24 May 2023 at 10.00 am, or at any adjournment thereof.

Please indicate with an "x" in the appropriate space(s) provided below on how you wish your votes to be cast. If no specific direction as to voting is given, the proxy will vote or abstain from voting at *his/her discretion.

No.	Ordinary Resolutions	For	Against
1.	To re-elect Mr. Lye Yhin Choy		
2.	To re-elect Mr. Kong Chia Liang		
3.	To approve the payment of Directors' fees of the Company		
4.	To approve the payment of benefits payable to the Independent Non-Executive Directors (including Independent Non-Executive Chairman) of the Company		
5.	To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company		
6.	To approve the authority to allot and issue shares by Directors pursuant to Sections 75 and 76 of the Companies Act 2016		

Signed this _____ day of _____, 2023.

Signature of Member/Common Seal

* Strike out whichever is not desired.

[Unless otherwise instructed, the proxy may vote as he/she thinks fit]

Notes:

- A proxy may but need not be a Member.
- The instrument appointing a proxy must be deposited/submitted via the following ways not less than twenty-four (24) hours before the time set for holding the AGM or at any adjournment thereof:
 - By hardcopy form
The Form of Proxy must be deposited at the registered office of the Company at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia.
 - By electronic form
The Form of Proxy can be electronically submitted through facsimile at 04-226 5860 or emailed it to ir@cnergenez.com.
- A member entitled to attend, participate, speak and vote is entitled to appoint not more than two (2) proxies to attend, participate, speak and vote instead of him. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.

- Where a Member is an Exempt Authorised Nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("**omnibus account**"), there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- If the appointor is a corporation, the Form of Proxy must be executed under the corporation's Common Seal or under the hand of an officer or attorney duly authorised.
- In respect of deposited securities, only members whose names appear on the Record of Depositors on 17 May 2023 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote in his/her behalf.

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Affix
Stamp

The Company Secretary
CNERGENZ BERHAD
Registration No. 202101026123 (1426423-D)

170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang, Malaysia

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CNERGENZ BERHAD

Registration No. 202101026123 (1426423-D)

No. 34, 36, 38 & 40, Lorong IKS Bukit Tengah,
Taman IKS Bukit Tengah, 14000 Pulau Pinang, Malaysia.

Tel : +604 508 8318

Fax : +604 508 0318

Website : <https://cnergenz.com>

Email : ir@cnergenz.com