

# CNERGENZ

**CNERGENZ BERHAD**

Registration No. 202101026123 (1426423-D)

Leading Through

# INNOVATION



# 20 YEARS

VISIONARY

ANNUAL REPORT 2023

# Contents



## About The Cover

### Leading Through Innovation

Catalysing efficient, precise and rapid production in Printed Circuit Board (PCB) assembly industry, a smart robot flanked by a touch screen interface in the futuristic setting visualises the role of automation and importance of integrating optimised processes in this rapidly evolving industry.

Signalling a new era of process automation where innovation remains at the forefront of the semiconductor and PCBA industry, Cenergenz Berhad is leading the transformation of PCB manufacturing using artificial intelligence and machine learning, to streamline its workflow for improved quality control and efficiency, unlocking greater value for stakeholders in the process.

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# 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

Members

## REMUNERATION COMMITTEE

### Yeat Soo Ching

Chairman

### Ooi Ley Ching

### Alwizah Al-Yafii Binti Ahmad Kamal

Members

## NOMINATION COMMITTEE

### Alwizah Al-Yafii Binti Ahmad Kamal

Chairman

### Ooi Ley Ching

### Yeat Soo Ching

Members

## 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 Bukit Mertajam, Pulau Pinang, Malaysia

Tel : (604) 508 8318  
Fax : (604) 508 0318  
Email: [ir@cnergengz.com](mailto:ir@cnergengz.com)  
Website: [cnergengz.com](http://cnergengz.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, Malaysia

Tel : (603) 7890 4700

Fax : (603) 7890 4670

Email : [BSR.helpdesk@boardroomlimited.com](mailto:BSR.helpdesk@boardroomlimited.com)

## AUDITORS

### PricewaterhouseCoopers PLT (LLP0014401-LCA & AF1146)

Chartered Accountants

Bangunan KWSP

16th Floor, Jalan Sultan Ahmad Shah

10050 Pulau Pinang, Malaysia

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

Email : [boardroom-kl@boardroomlimited.com](mailto:boardroom-kl@boardroomlimited.com)

## STOCK EXCHANGE LISTING

### Main Market of Bursa Malaysia Securities Berhad\*

Stock Name : CNERGEN

Stock Code : 0246

Sector : Technology

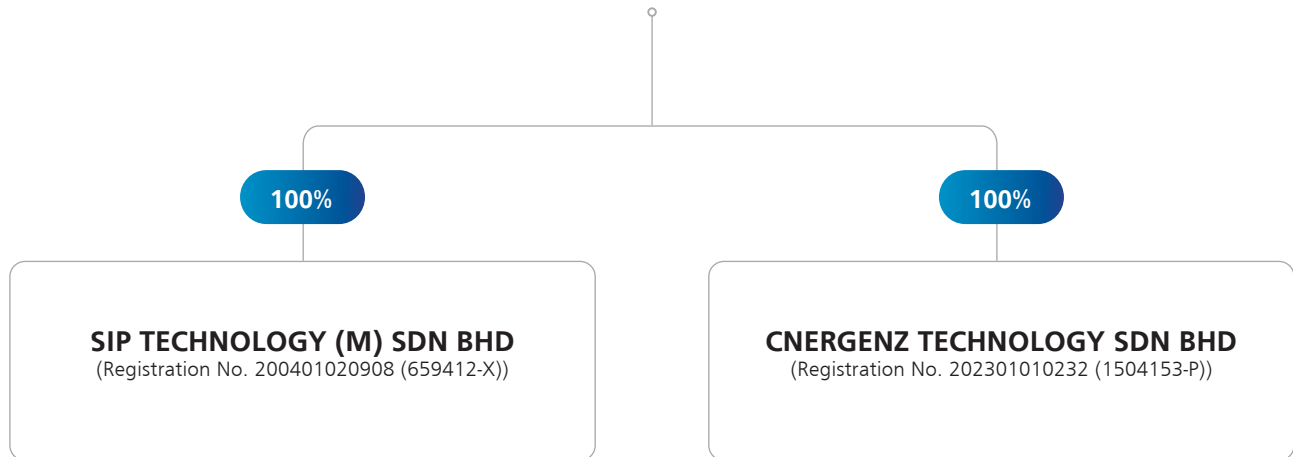
\* Completed the transfer of the listing of and quotation for the entire issued share capital of Cnergengz Berhad from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad on 5 January 2024



# CNERGENZ

## CNERGENZ BERHAD

(Registration No. 202101026123 (1426423-D))



### 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 STAR - 11 August 2023**

## Cnergenz proposes to transfer listing to Main Market

KUALA LUMPUR: Cnergenz Bhd has proposed to transfer the listing of and quotation for its entire issued share capital from the ACE Market to the Main Market of Bursa Malaysia Securities Bhd.

The proposed transfer would signify its growth, profitability and financial strength, it said in a filing with Bursa Malaysia today.

The electronics manufacturer said as at Aug 4, 2023, its issued share capital stood at RM122.47 million, comprising 498 million ordinary shares.

As at Aug 4, 2023, the market capitalisation of the company is approximately RM371.01 million (having grown significantly from its listing market capitalisation of approximately RM288.84 million in 2022), reflecting the group's current prospects, the growing size and scale of operations, as well as stakeholders' confidence and belief in Cnergenz.

Furthermore, the group had achieved an audited consolidated profit after tax (PAT) of approximately RM21.72 million for the most recent financial year ended (FYE) Dec 31, 2022, and an aggregate consolidated PAT of about RM50.85 million for the past three audited FYEs Dec 31, 2020, 2021 and 2022.

Cnergenz said the group is deemed to have met the requirements for the proposed transfer as set out in the Equity Guidelines issued by the Securities Commission Malaysia and the Main Market Listing Requirements of Bursa Securities.

"The board believes that the proposed transfer will enhance the company's credibility and reputation, better reflect its existing institutional shareholding base and at the same time accord Cnergenz greater recognition and appeal amongst investors," it said.

Barring any unforeseen circumstances and subject to all required approvals being obtained, the proposed transfer is expected to be completed by the first quarter of 2024.

Cnergenz has been listed on the ACE Market since May 24, 2022. - Bernama



**BUSINESS TODAY - 18 DECEMBER 2023**

## Cnergenz Secures Approval For Transfer To Main Market

By Nurul Huda

Cnergenz Bhd's move to transfer its listing status from the ACE Market to the Main Market has been approved by Bursa Securities.

In a Bursa filing today (Dec 18), UOB Kay Hian Research (UOBKH), on behalf of Cnergenz's Board, informed that Bursa Securities has, via a letter dated Dec 18, approved the transfer of Cnergenz's entire issued share capital from the ACE Market to the Main Market of Bursa Securities, under the 'Technology' sector.

"The transfer will take effect immediately two market days upon the announcement to Bursa Securities on the transfer date via Bursa LINK," it said.

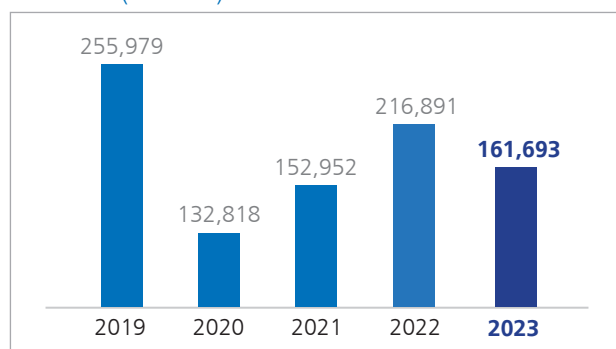
Cnergenz is primarily an investment holding company, principally an electronics manufacturing solutions provider, through its subsidiary SiP Technology Sdn Bhd. It specialises in surface mount technology (SMT) manufacturing solutions for the electronics and semiconductor industries.



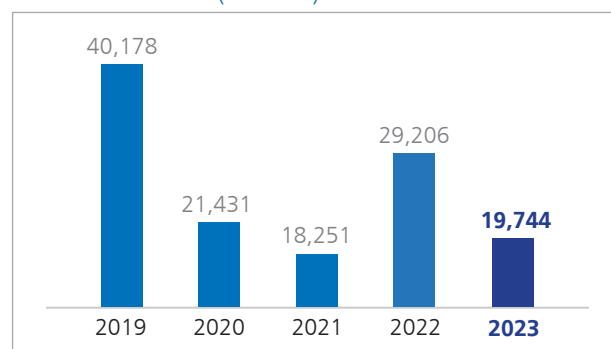
# Financial Highlights

	2019 RM'000	2020 RM'000	2021 RM'000	2022 RM'000	2023 RM'000
Revenue	255,979	132,818	152,952	216,891	<b>161,693</b>
Profit before tax	40,178	21,431	18,251	29,206	<b>19,744</b>
Profit after tax	30,549	16,072	13,057	21,717	<b>14,225</b>
Total assets	117,171	106,839	128,755	202,163	<b>199,668</b>
Total equity	78,153	66,020	71,106	148,439	<b>161,041</b>
Weighted average number of ordinary shares in issue ('000)	458,822	458,822	458,822	458,822	<b>498,000</b>
Basic earnings per share ("EPS") (sen) *	6.66*	3.50*	2.85*	4.73*	<b>2.86</b>
Net assets per share (sen) *	17.03*	14.39*	15.50*	32.35*	<b>32.34</b>

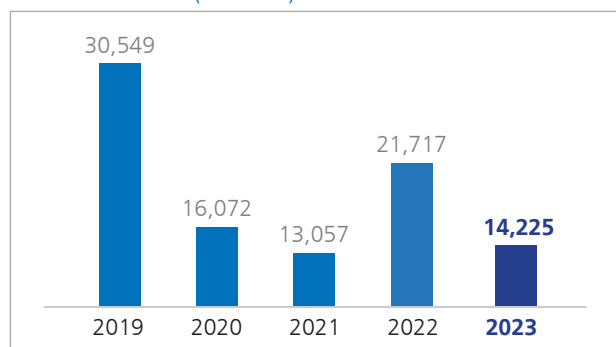
Revenue (RM'000)



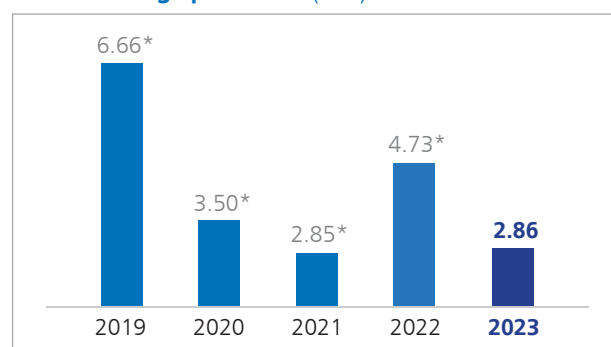
Profit before tax (RM'000)



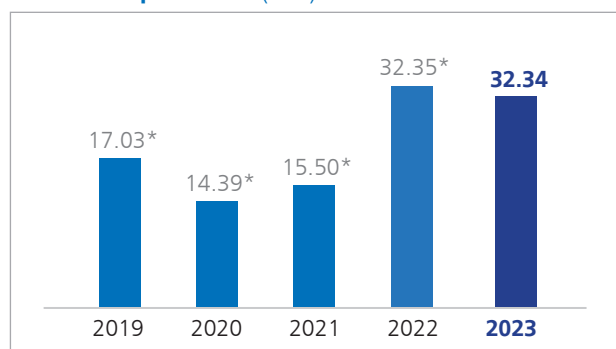
Profit after tax (RM'000)



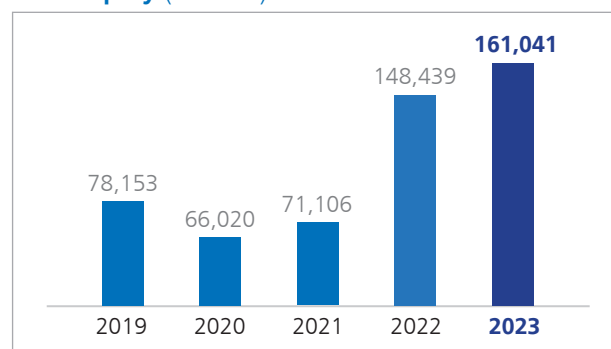
Basic earnings per share (Sen)



Net assets per share (Sen)



Total equity (RM'000)



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

# Chairman's Statement



**Dato' Azman Bin Mahmud**  
Independent Non-Executive Chairman

## Dear Shareholders,

On behalf of the Board of Directors ("**Board**"), it gives me great pleasure to present Cnergenz Berhad's ("**Cnergenz**" or the "**Company**") Annual Report together with the Audited Financial Statements of Cnergenz and its subsidiaries ("**Group**") for the financial year ended 31 December 2023 ("**FY2023**").

### New Milestone

In 2023, we marked an exciting and pivotal chapter in Cnergenz's corporate journey. We had embarked on the transfer of the listing of and quotation for the entire share capital of Cnergenz from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") through the submission of applications to the Securities Commission Malaysia in August 2023 and Bursa Securities in December 2023. Following regulatory approvals, Cnergenz successfully transferred to the Main Market on 5 January 2024. This transition underscores our unwavering commitment to progress and integrity. The transfer to the Main Market enhances our reputation and further expands our investor base, particularly among institutional shareholders. With improved access to capital, Cnergenz is better positioned to support its growth initiatives, while reinforcing trust and confidence amongst its esteemed stakeholders.

### Financial and Operational Performance

2023 was a challenging year for the electronics and semiconductor industries, a reality underscored by the Semiconductor Industry Association's ("**SIA**") report. Global semiconductor sales took a substantial hit, plummeting to \$526.8 billion, an 8.2% slide from the previous year's \$574.1 billion. This drop persisted throughout the year, impacting semiconductor sales worldwide.

Consequently, demand for our solutions declined, resulting in a drop in our revenue. Our Group registered revenue of RM161.69 million, a 25.45% drop compared to RM216.89 million recorded in FY2022. Accordingly, profit before tax shrank 32.39% to RM19.74 million compared to RM29.21 million in FY2022.

Despite the challenging business environment, our Group remained in a healthy financial position with cash and cash equivalents of RM121.60 million. Further, as of 31 December 2023, we have secured purchase orders totalling RM21.31 million for our integrated solutions and sales of individual machinery, equipment and tool which are expected to be fulfilled in 2024.

Detailed discussion of the Group's financial performance can be found in the Management Discussion and Analysis section of this Annual Report.

# Chairman's Statement (Cont'd)

## Return to Shareholders

The Board and I are focused on long term goals: prioritising financial resilience at the forefront. The Group maintained a robust cash reserve to handle unforeseen events and facilitate recovery. Simultaneously, we aimed for sustainable returns to our shareholders, carefully balancing rewards to shareholders with continued investment in our businesses to foster long term growth.

Our focus on shareholders' return is driven by our responsibility to create incremental value over the years. As a gesture of appreciation for your continued support of and confidence in the Group, the Board has declared a interim single tier tax exempt dividend of 0.08 sen per ordinary share on 26 February 2024 that was paid on 1 April 2024.

## Prospects

Despite the challenging year, the electronics and semiconductor industries remain steadfast pillars of global consumption, poised for continued growth. The electronics and semiconductor industries are expected to rebound, with memory chips and Artificial Intelligence ("AI") leading the charge. The SIA forecasts semiconductor industry to see sales growth of 13% in 2024 after announcing a decline of 8.2% in 2023. With chips playing a larger and more important role in countless products the world depends on, the long-term outlook for the semiconductor industry remains strong. This bodes well for our Group as such outlook will spur the demand for our solutions as customers will invest in new machineries for expansion of their production new lines and/or upgrade on their machineries and equipment to cater for the growing demand in the electronics and semiconductor industries.

We also anticipate that the upward trajectory in the electronics manufacturing industry across South East Asia will persist, driven by the ongoing trade shift from China to the region. By enhancing our solutions offerings, we are well positioned to capitalise on the growing prospects within the electronics manufacturing landscape of South East Asia, particularly in key markets such as Malaysia, Vietnam, and Thailand. Given our deep-rooted expertise in surface mount technology ("SMT") manufacturing processes and our wealth of experience in implementing smart factory solutions, our Group is well attuned to the operational requirements of our customers. Leveraging and building upon this foundation, we are committed and on track to develop a suite of proprietary smart factory solutions to cater to the market demands and requirements. This strategic move not only aligns with the growing market shift towards smart factories within the electronics and semiconductor industries but also underscores our continuous dedication to innovation and customer-centricity.

Our strategic focus remains twofold: diligently expanding our order book while steadfastly delivering on existing commitments. To cater for growing demands for our solutions and scaling up our operations, we are realising our intention and plans to relocate to a new expanded facility with the acquisition of a piece of land from Penang Development Corporation bearing postal address at Plot 31, Penang Science Park North with total land size of 1.3877 acres (approximately 60,448 square feet). Our Group intends to build a new facility on the land with a built-up area of 130,000 square feet and envisaged that this new facility will be fully constructed by year 2025.

Our Group maintains an optimistic stance on the outlook of our industry, fuelled by the prospects outlined above and the promising opportunities arising from trade shifts within our pivotal markets in Malaysia, Thailand, and Vietnam. While we remain optimistic on our prospects, our Group adopts a cautious stance in the near term, diligently monitoring business environment amidst the uncertainties prevailing in the global economy.

## 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. Our appreciation is also extended to our esteemed customers, suppliers and business associates who have been supporting us in this journey. It is truly an honour to have your continued trust in us. Our sincere gratitude to our stakeholders including shareholders, bankers, advisors, auditors and the regulatory authorities for their unwavering confidence and support to the Board and management.

Finally, to my fellow Board members, thank you for your contributions in making the Board more effective and efficient. I look forward to our continued collaboration to bring the Group to the next level.

I am confident that the Group is well positioned, with clear strategy focused on operational excellence and a strong financial base, to deliver continued growth in value and performance.

**Dato' Azman Bin Mahmud**

Independent Non-Executive Chairman  
25 April 2024



# Management Discussion and Analysis

The following is the management discussion and analysis (“**MD&A**”) of the business operations and performance of Cnergenz Berhad (“**Cnergenz**” or “**the Company**”) and its subsidiaries (“**Cnergenz Group**” or “**the Group**”) for the financial year ended 31 December 2023 (“**FY2023**”). This MD&A should be read in conjunction with the audited financial statements of the Company and the Group for FY2023 as set out in this Annual Report.

## Overview

Cnergenz Group 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 had been channelled towards our ongoing and future business activities. On 5 January 2024, our listing was successfully transferred to the Main Market of Bursa Securities.

## Business and Operational Overview

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

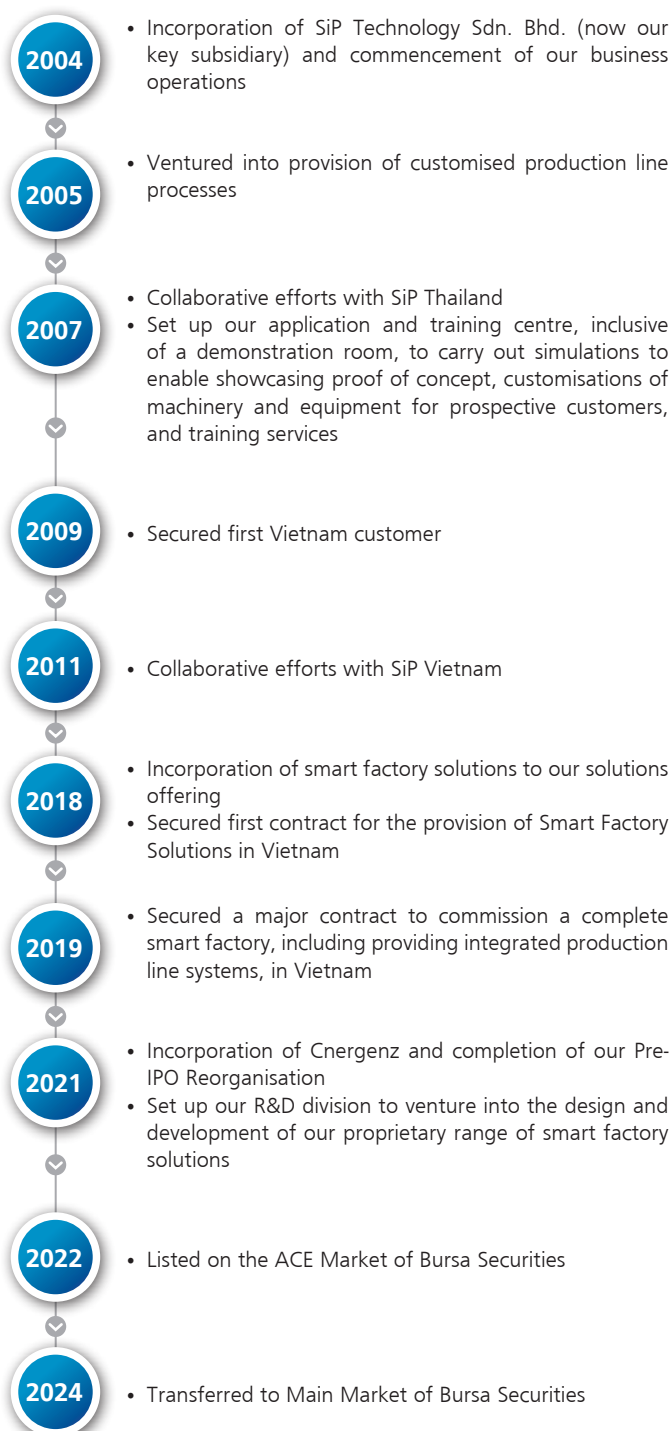
- (a) commission new integrated production lines for their production facilities. This involves the design and planning of production line systems, sourcing of individual machinery, equipment, tools and software, as well as the assembly, configuration and integration of the processes and hardware into the integrated production lines; and
- (b) 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 following:

- (a) 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
- (b) provision of after-sales technical support and training services for our integrated solutions.

## Key Milestones

Our achievements to date:



# Management Discussion and Analysis (Cont'd)

## Financial Performance Review

The purpose of this review is to highlight and provide brief insights on key financial and operating information at Group level. A more detailed commentary on operating performance is covered under the respective business segment reports.

The following are the key indicators used to measure the Group's financial performance for FY2023 as compared with the previous financial year 2022 ("FY2022").

	FY2023	FY2022	Variance	
	RM'000	RM'000	RM'000	%
Revenue	161,693	216,891	(55,198)	(25.45)
Gross Profit ("GP")	27,260	37,083	(9,823)	(26.49)
Profit Before Tax ("PBT")	19,744	29,206	(9,462)	(32.40)
Profit After Tax ("PAT")	14,225	21,717	(7,492)	(34.50)
GP Margin (%)	16.86%	17.10%	-	-
PBT Margin (%)	12.21%	13.47%	-	-
PAT Margin (%)	8.80%	10.01%	-	-
Basic EPS (sen)	2.86	4.73	-	-
Number of shares post IPO ('000)	498,000	458,822	-	-

## Revenue

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

	FY2023	FY2022	Variance	
	RM'000	RM'000	RM'000	%
Provision of integrated solutions for SMT manufacturing line	74,786	83,517	(8,731)	(10.45)
Sales of standalone SMT machinery and equipment, comprising:				
- SMT equipment	62,543	105,081	(42,538)	(40.48)
- Spare parts and consumables	17,683	18,055	(372)	(2.06)
	80,226	123,136	(42,910)	(34.85)
Other	6,681	10,238	(3,557)	(34.74)
<b>Total Revenue</b>	<b>161,693</b>	<b>216,891</b>	<b>(55,198)</b>	<b>(25.45)</b>

We recorded revenue of RM161.69 million, a 25.45% declined compared to RM216.89 million in FY2022, primarily attributed to the following:

- Revenue from provision of integrated solutions for SMT manufacturing line shrank 10.45% to RM74.79 million (FY2022: RM83.52 million) due to declined in demand for these solutions in our key market, Malaysia; and
- Sales of standalone SMT equipment, spare parts and consumables reduced by 34.85% to RM80.23 million (FY2022: RM123.14 million) affected by lower sales to existing customers from Malaysia and Thailand.

# Management Discussion and Analysis (Cont'd)

## Financial Performance Review (Cont'd)

### GP & GP Margin

Our overall GP shrank 26.49% to RM27.26 million (FY2022: RM 37.08 million), in line with declined in revenue. Meanwhile, our overall GP margin declined marginally to 16.86% (FY2022: 17.70%) mitigated by our sales mix of machinery and equipment.

### PBT & PBT margin

PBT declined by 32.39% to RM19.74 million (FY2022: RM29.21 million). Simultaneously, our PBT margin contracted to 12.21% (FY2022: 13.47%). The reduction in both our PBT and PBT margin is attributed to the decrease in our revenue and GP Margin.

### Financial Position

	FY2023	FY2022	Variation	
	RM'000	RM'000	RM'000	%
Non-current assets	24,805	22,219	2,586	11.64
Current assets	174,863	179,944	(5,081)	(2.82)
<b>Total assets</b>	<b>199,668</b>	<b>202,163</b>	<b>(2,495)</b>	<b>(1.23)</b>
Non-current liabilities	(1,979)	(1,167)	(812)	69.58
Current liabilities	(36,648)	(52,557)	15,909	(30.27)
<b>Total liabilities</b>	<b>(38,627)</b>	<b>(53,724)</b>	<b>15,097</b>	<b>(28.10)</b>
<b>Shareholders' equity/Net assets</b>	<b>161,041</b>	<b>148,439</b>	<b>12,602</b>	<b>8.49</b>
<b>Current ratio (times)</b>	<b>4.8</b>	<b>3.4</b>		

Our non-current assets grew by 11.64% to RM24.81 million (FY2022: RM22.22 million) primarily due to the purchase of a leasehold land for RM3.15 million.

Meanwhile, our current assets contracted marginally by 2.82% (RM5.08 million) to RM174.86 million (FY2022: RM179.94 million) mainly due to contraction in trade receivables by RM20.22 million or 38.63% to RM32.13 million concurrent with lower revenue compared to FY2022. The decline in trade receivables was offset by the concurrent increase in cash and bank balances by RM16.03 million or 15.18% to RM121.60 million attributable to the profitability of the Group during the year.

Our non-current liabilities mainly consist of lease liabilities, hire purchases liabilities and deferred tax liabilities, and remained consistent throughout FY2023 and FY2022.

Further, our current liabilities dropped 30.27% to RM36.65 million (FY2022: RM52.56 million) attributed primarily to a decrease in trade payable by 39.93% or RM17.72 million to RM26.66 million (FY2022: RM 44.38 million) concurrent with the drop in revenue.

In addition, our net assets also grew by RM12.60 million or 8.49% attributed to higher retained earnings recorded in the FY2023.

### Liquidity & Capital Reserves

Our Group maintains a healthy cash position, recording positive net cash from operating activities of RM19.15 million which contributed to a high reserve of cash and bank balances of RM121.60 million as at 31 December 2023. In addition, we have a healthy current ratio, which improved to 4.8 times from 3.4 times in FY2022.

# Management Discussion and Analysis (Cont'd)

## Key Business Risks

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### (1) 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.

### (2) 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, 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.

### (3) 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.

### (4) 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

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The Company does not have any formal dividend policy. Any declaration of dividend is determined after considering our Group's capital structure and ensuring that there is sufficient funds for future growth.

On 26 February 2024, the Board of Directors of Cnergiz had declared a first interim single-tier tax exempt dividend of 0.8 sen per ordinary share in respect of FY2023. The interim dividend totalled RM3,984,000 and represented 28.0% of our Group's net profit for the year under review. The said dividend was paid on 1 April 2024.

The total dividend declared for FY2023 amounted to 0.8 sen per ordinary share.



# Management Discussion and Analysis (Cont'd)

## Prospects

The successful transfer of our listing and quotation for the entire issued share capital of Company to the Main Market of Bursa Securities marked a new chapter in 20-year history of our Group. We have been implementing our expansionary growth plans through the channelling of our IPO proceeds in the manner as tabulated:

Utilisation of proceeds	Estimated timeframe for utilisation upon IPO	Amount raised (RM'000)	%	Balance unutilised (RM'000)
Expansion of our Group's facility	Within *48 months	37,800	65.17	34,338
Research and development ("R&D") expenditure	Within *36 months	6,000	10.35	4,070
Working capital	Within 12 months	10,000	17.24	-
Estimated listing expenses	Within 3 months	4,200	7.24	-
<b>Total</b>		<b>58,000</b>	<b>100.00</b>	<b>38,408</b>

Note :

- \* The Board had on 25 April 2024 resolved to extend the timeframe for utilisation of proceeds allocated to the expansion of our Group's facility and R&D expenditure to 48 months and 36 months respectively from the date of listing on Bursa Securities ("Extension of Time"). Please refer to the announcement dated 25 April 2024 for further details of the Extension of Time.

Our expansion plans began with the acquisition of a piece of leasehold land situated within the Penang Science Park North, Bukit Minyak, Penang from the Penang Development Corporation for RM3.15 million. Vacant possession was delivered to the Group on 30 January 2023. Currently, we are finalising building plans and obtaining the necessary planning permissions for the construction of our upcoming 130,000 square feet integrated facility. Through the scaling up of our operations, we aimed to enhance our manufacturing capabilities. Our new facility will enable us to develop and market a broader range of manufacturing solution offerings; create new integrated systems and solutions; execute multiple modification, customisations and refurbishment works; conduct specialised machinery and equipment training as well as showcase our full range of integrated solutions through demonstration units.

Furthermore, we are heavily investing in R&D activities. Leveraging on our expertise and knowledge of SMT manufacturing processes and smart factory implementation, we are designing and developing proprietary smart factory solutions. This strategic move aligns with the growing trend in the E&E industries towards adopting smart factories.

We expect the growth trend in electronics manufacturing industry in South-East Asia region to persist in view of the ongoing trade shift from China to this region. We are confident that our strategic emphasis on improving service offerings and ongoing investments in our operations have positioned the Group favourably to capitalise on the positive outlook for the electronics manufacturing industry in Southeast Asia, with a particular emphasis on Malaysia, Vietnam and Thailand. Notwithstanding these favourable prospects, our Group remains vigilant in the near term and will closely monitor the business environment in view of the uncertainties plaguing the global economy. The global economic recovery is progressing at a slow and uneven pace, marked by enduring inflationary pressures, geopolitical tensions, and geoeconomic fragmentation. These factors had led to reduced orders from our customers and the postponement of deliveries by customers.

The Group is strategically diversifying its business to incorporate smart warehousing solutions with a planned launch later this year. Our unwavering focus remains on expanding our business footprint and market presence in Malaysia (excluding Johor and Melaka), Thailand and Vietnam. To facilitate this expansion, we are actively investing in infrastructure. An integrated plant is being constructed within the Penang Science Park North. Anticipated to be operational by the second half of 2025, this new facility will play a pivotal role in supporting our initiatives.

## Board of Directors



### *From Left To Right*

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



## Profile of Directors



### **Dato' Azman Bin Mahmud**

Independent Non-Executive Chairman  
Malaysian  
aged 63, 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 Universiti 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.

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

Dato' Azman has 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 Leaders Connect, Singapore.

He attended five (5) Board of Directors' Meetings which were held in the financial year ended 31 December 2023.

## Profile of Directors (Cont'd)



### Lye Yhin Choy

Chief Executive Officer / Executive Director  
Malaysian  
aged 52, male

**Lye Yhin Choy** was appointed to the Board of Cnenergiz 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 27 years of experience in the provision of surface mount technology ("**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 (M) Sdn Bhd. ("**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 subsidiaries of Cnenergiz.

He attended five (5) Board of Directors' Meetings which were held in the financial year ended 31 December 2023.



## Profile of Directors (Cont'd)



### **Kong Chia Liang**

Chief Operating Officer / Executive Director  
Malaysian  
aged 55, male

**Kong Chia Liang** was appointed to the Board of Cnengen 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 27 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 sits on the board of subsidiaries of Cnengen.

He attended five (5) Board of Directors' Meetings which were held in the financial year ended 31 December 2023.

## Profile of Directors (Cont'd)



### **Lye Thim Loong**

Chief Corporate Officer / Executive Director  
Malaysian  
aged 60, male

**Lye Thim Loong** was appointed to the Board of Cnenerg 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 five (5) Board of Directors' Meetings which were held in the financial year ended 31 December 2023.

## Profile of Directors (Cont'd)



### Ooi Ley Ching

Independent Non-Executive Director  
Malaysian  
aged 42, female

**Ooi Ley Ching** was appointed to the Board of Cnnergz 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. (which presently is a subsidiary of Critical Holdings Berhad, a company listed on ACE Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**")) as Financial Controller. She was involved in Critical Holdings Berhad's listing exercise on the ACE Market of Bursa Securities and was subsequently responsible for overseeing regulatory compliance and reporting matters of Critical Holdings Berhad.

She attended five (5) Board of Directors' Meetings which were held in the financial year ended 31 December 2023.

## Profile of Directors (Cont'd)



### **Alwizah Al-Yafii Binti Ahmad Kamal**

Independent Non-Executive Director

Malaysian

aged 50, female

**Alwizah Al-Yafii Binti Ahmad Kamal** was appointed to the Board of Cnnergz 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 postgraduate 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 1999 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). 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 (listed on the ACE Market of Bursa Securities). In March 2023, she resigned as the Independent Non-Executive Director of Revenue Group Berhad (listed on the Main Market of Bursa Securities). In May 2023, she was appointed as Independent Non-Executive Director of Sarawak Cable Berhad (listed on the Main Market of Bursa Securities) and subsequently resigned in December 2023. She is also a Director of Go Hub Capital Berhad since September 2023. 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 five (5) Board of Directors' Meetings which were held in the financial year ended 31 December 2023.



## Profile of Directors (Cont'd)



### Yeat Soo Ching

Independent Non-Executive Director  
Malaysian  
aged 48, 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.

Soo Ching 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 began her career with Messrs Cheang & Ariff as a legal associate in 2000 and became a partner in 2007. Her expertise spans corporate and securities laws, banking and finance. She has advised on capital market transactions including initial public offerings, rights issues and private placements. She also advised general partners of private equity/venture capital funds on establishment and operation of funds. Her banking and financing experience includes acting for lenders and major corporations in various domestic and international financing transactions.

She is an Independent Non-Executive Director of Sorento Capital Berhad.

She attended five (5) Board of Directors' Meetings which were held in the financial year ended 31 December 2023.

### Notes:

1. Except for Dato' Azman Bin Mahmud, Yeat Soo Ching and Alwizah Al-Yafii Binti Ahmad Kamal, none of the other Directors holds any other directorship in public companies.
2. 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 Main Market Listing Requirements of Bursa Malaysia Securities Berhad, with any other Directors and/or major shareholders of the Company.
3. None of the Directors has any conflict of interest with Cnergenz Group other than as disclosed in the notes to the financial statements.
4. None of the Directors has been convicted of any offences, other than traffic offences, within the past 5 years.
5. 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 36  
Chief Financial Officer

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 53  
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 retro kits 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 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 43  
Training and Application Manager

He is a HRDC (Human Resource Development Corporation) certified trainer who 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 completed his Master of Quality Management in Open University Malaysia in November 2022. With approval from the Senate, he received his scroll in October 2023. At the same time, he also received certification from SIRIM STS as professional Quality Manager and LEAD Auditor for ISO9001:2015.

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 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, as well as 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 directorship in public companies or listed issuers.
2. None of the Key Senior Management has any family relationship, as defined under the Main 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 Cnnergz 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 ("**Board**") of Cnergenz Berhad ("**Cnergenz**" or "**the Company**") 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. The Group has established a robust corporate governance framework and continue to refine this framework to pursue its long-term objectives, ensuring the preservation and growth of shareholders' value while also safeguarding interests of stakeholders.

This Corporate Governance Overview Statement ("**CG Statement**") offers shareholders and investors with an insight into the Group's adherence to the Malaysian Code on Corporate Governance issued by the Securities Commission Malaysia ("**SC**") on 28 April 2021 ("**MCCG**") throughout the financial year ended 31 December 2023 ("**FY2023**"). It should be read together with the Corporate Governance Report 2023 ("**CG Report**") which provides details on how each CG Practice is applied.

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

Following the transfer of listing to the Main Market of Bursa Securities on 5 January 2024, the Board opted to early adopt compliance with the Main Market Listing Requirements of Bursa Securities ("**MMLR**").

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### 1. Board of Directors

The current Board comprised of seven (7) members; one (1) Independent Non-Executive Chairman, three (3) Executive Directors and three (3) Independent Non-Executive Directors ("**INEDs**"), 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 concept of independence as adopted by the Board is consistent with definition of INEDs outlined in para 1.01 and Practice Note 13 of the MMLR. The key elements for fulfilling the criteria are the appointment of Directors who are not members of management and who are free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company and the Group.

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 FY2023, the Board held five (5) meetings to deliberate and decide on various issues including the Group's financial results, land acquisition, investment opportunities, policies and procedures, forecasts and projections, approval of increments and bonus as well as sustainability, directors' fees and benefits payable.

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 Committee	Nomination Committee	Remuneration Committee
Dato' Azman Bin Mahmud	5/5	-	-	-
Lye Yhin Choy	5/5	-	-	-
Kong Chia Liang	5/5	-	-	-
Lye Thim Loong	5/5	-	-	-
Ooi Ley Ching	5/5	5/5	2/2	2/2
Alwizah Al-Yafii Binti Ahmad Kamal	5/5	5/5	2/2	2/2
Yeat Soo Ching	5/5	5/5	2/2	2/2

Meetings of the Board and Board Committees 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.

The Board is satisfied with the time commitment given by the Directors as demonstrated by their full attendance 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 paragraph 15.06 of the MMLR 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, through the Nomination Committee, evaluate and determine the training needs of its Directors on an annual basis.

The Directors noted the introduction of the new Mandatory Accreditation Programme ("MAP") on sustainability. Arrangements are being made to facilitate all Directors' attendance at the MAP Part II: Leading in Impact soonest possible. In compliance with paragraph 15.08 of the MMLR, the Directors had attended the following training programmes / webinars / conference / seminars during FY2023:-

Directors	Title of the Training/ Programmes/ Webinars/ Conferences/ Seminars
Dato' Azman Bin Mahmud (Chairman)	<ul style="list-style-type: none"> <li>Cyber Security Awareness Training for Board of Directors</li> <li>Corporate Governance Monitor 2022</li> <li>Guidance on Management of Cyber Risk</li> <li>Guidebooks 4 &amp; 5 on public listed Companies ("PLC") Transformation Programme</li> <li>Sustainable Fertilizer Technologies Seminar &amp; Networking Luncheon</li> <li>QRD Program - Series 1 - Board Risk Oversight Best Practices: A Strategic Approach</li> <li>DFI Green Finance Forum: Empowering DFIs to Bridge Funding Gaps and Drive Economic and Climate Resilience</li> <li>QRD Program : Risk Appetite, Risk Tolerance and Risk Maturity Frameworks</li> <li>Upholding Financial Integrity - Anti Money Laundering &amp; Ethics Awareness Program</li> <li>Internal briefing on Conflict of Interest</li> </ul>

# Corporate Governance Overview Statement (Cont'd)

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

### 1. Board of Directors (cont'd)

Directors	Title of the Training/ Programmes/ Webinars/ Conferences/ Seminars
Lye Yhin Choy	<ul style="list-style-type: none"> <li>Malaysia Medtech Industry Summit 2023</li> <li>Internal briefing on Conflict of Interest</li> </ul>
Kong Chia Liang	<ul style="list-style-type: none"> <li>Malaysia Medtech Industry Summit 2023</li> <li>Kolb Campus - Sales &amp; Technical Training - Penang 2023</li> <li>Internal briefing on Conflict of Interest</li> </ul>
Lye Thim Loong	<ul style="list-style-type: none"> <li>ESG – Accelerating Decarbonisation</li> <li>Generative AI- An opportunity or risk?</li> <li>Bursa PLCs Investor Relations Series 1- What do investors look for in your company?</li> <li>Introduction of Bursa Carbon Exchange (BCX) &amp; Centralised Sustainability Intelligence Platform (CSIP)</li> <li>Bursa PLCs Investor Relations Series 3 : Economic Outlook 2024</li> <li>Climate Change &amp; Carbon Footprint - Getting the Right Financial Risk &amp; Reporting Perspectives</li> <li>Internal briefing on Conflict of Interest</li> </ul>
Yeat Soo Ching	<ul style="list-style-type: none"> <li>Talent Management</li> <li>Internal briefing on Conflict of Interest</li> </ul>
Alwizah Al-Yafii Binti Ahmad Kamal	<ul style="list-style-type: none"> <li>Business Strategy Forum</li> <li>SSM National Conference 2023</li> <li>Transforming Culture Towards Sustaining Corporate Consciousness</li> <li>Artificial Intelligence and Chat GPT</li> <li>Employment Act 1955 &amp; Amendments</li> <li>Internal briefing on Conflict of Interest</li> </ul>
Ooi Ley Ching	<ul style="list-style-type: none"> <li>BDO Tax Webinar on Budget 2023</li> <li>National Budget Webinar</li> <li>Carbon Emissions Webinar</li> <li>Pendigitalan melalui Program 'myDigital kontraktor'</li> <li>ESG - What it is and Why is it Important for Construction Industry</li> <li>Building Better Sustainably with ESG in the Construction Industry</li> <li>E-invoicing</li> <li>Internal briefing on Conflict of Interest</li> </ul>

### 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.

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;
- Nomination 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.

# Corporate Governance Overview Statement (Cont'd)

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

### 1. Board of Directors (cont'd)

#### Board Responsibilities (cont'd)

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 acquisitions and divestments, capital expenditures, quarterly and annual financial results financial as well as monitoring 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 supported by experienced Directors comprising members with wide ranging professional experiences and diverse backgrounds. 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.

He provides leadership and governance on the Board and creates a conducive situation geared towards building and growing Directors' effectiveness and ensure that appropriate issues are discussed by the Board in a timely manner. As part of that role, Chairman ensures that no member dominates any discussion and appropriate discussions are taken place with relevant participation among Board members forthcoming.

Other roles of the Chairman include leading the Board in the oversight of management, ensuring adequacy and integrity of the governance process and issues, maintaining regular dialogues with CEO/ED over operational matters and seek opinion of fellow Board members over any matters that may give cause for major concerns.

#### Separation of Position of Chairman and CEO/ED

The Board has always made the distinction that the position of the Chairman and the CEO/ED do not reside with the same person. There is a clear and separate division of responsibility in the roles and duties of the Chairman and CEO/ED to ensure that there is a balance of power and authority.

The Chairman is primarily responsible for the effective and efficient conduct and working of the Board. He leads the Board with focus on governance, compliance and acts as a facilitator during Board meetings.

The CEO/ED has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group's hierarchy, financial management and business affairs as well as organisational effectiveness 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.

The CEO/ED also ensures that the Group's corporate identity, products and services are of high standard and reflective of market expectations, business practices and are in compliance with governmental regulations. During each of its scheduled meetings, the CEO/ED will brief the Board on the performance and activities of the Group and specific proposals for capital expenditure and acquisitions and disposals, if any.

# 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, senior management staff, investment bankers, accountants, solicitors or other advisers will be invited to attend meetings of the Board or Board Committees (as applicable) as and when required, to present and advise the Directors with information and clarification on certain meeting agenda to facilitate informed decision-making.

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 meetings of the Board and Board Committees 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 structured guidance by clearly delineating the roles, duties and responsibilities of the Chairman, CEO/MD, Board, Board Committees and management in the fulfilment of their 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 subject to periodical review by the Board to ensure that it remains consistent with the Board's roles and responsibilities, changing needs of the Group as well as any development in the prevailing legislation and practices. The Board Charter is available on the Company's website at [www.cnergz.com](http://www.cnergz.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 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 at [www.cnergencz.com](http://www.cnergencz.com). The adoption of the ABC Policy signalled commitment by the Board and the Group to conduct all businesses in an honest and ethical manner requiring all Directors and employees to act professionally, fairly and with integrity in all our business dealings and relationships.

#### Whistleblowing Policy

The Board has always advocated for openness and transparency in its commitment to the highest standard of integrity and accountability. In connection therewith, the Board has 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 continue to engage with stakeholders to seek feedback and viewpoints that would be useful to the Group in developing and refining its sustainability targets and implementation strategies.

#### 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. The Board is appraised and they do provide their views and opinions on any sustainability issues during meetings.

#### 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 FY2023 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.

# Corporate Governance Overview Statement (Cont'd)

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

### 5. Board Composition

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

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

The Nomination Committee met twice during the FY2023 with full attendance by all members to deliberate on the following matters:

- Reviewed the term of office and performance of the Audit and Risk Management Committee.
- Reviewed the current Board structure, size and composition with an aim to achieving a balance of views on the Board.
- Reviewed and assessed the contribution of each Director and the effectiveness of the Board and Board Committees.
- Discussed the character, experience, integrity and competence of the Directors and Chief Financial Officer and to ensure they have the time to discharge their respective roles.
- Reviewed and assessed the mix of skills, expertise, composition, size and experience of the Board.
- Reviewed the level of independence of Independent Non-Executive Directors.
- Reviewed and recommended re-election of Directors, who retire by rotation under the Company's Constitution, at the forthcoming Annual General Meeting ("AGM").

#### 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 exceeded the provision of Paragraph 15.02 of the MMLR 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 Independent Non-Executive Directors to nine (9) years without further extension.

# Corporate Governance Overview Statement (Cont'd)

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

### 5. Board Composition (cont'd)

#### 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 FY2023.

#### 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 Cnnergz.

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 the director concerned together with statement from the Board (on whether it support the appointment or re-appointment) will be included in the agenda of meeting when such appointment or re-appointment will be considered.

#### 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.

Three (3) female Directors, constituting more than 30% of the board composition, the Company has exceeded the requirements of MMLR and MCCG which demonstrated the Group's commitment to gender diversity.

#### Gender Diversity

The Board is supportive of gender diversity in the Board and in its senior management team. The Board will consider gender diversity as part of its future selection and will look into increasing female representation going forward.

### 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.

# Corporate Governance Overview Statement (Cont'd)

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

### 6. Board Effectiveness (cont'd)

#### Effectiveness of the Board and individual Directors (cont'd)

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 MMLR.

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 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.

The Company Secretary will ensure that all appointments are properly effected with the necessary legal and regulatory obligations duly met.

### 7. Level and composition of 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 Independent 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 Independent Non-Executive Directors including Independent 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.



# Corporate Governance Overview Statement (Cont'd)

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

### 7. Level and composition of Remuneration Policy (cont'd)

During FY2023, the Remuneration Committee met twice, attended by all the members, to consider the remuneration package for the executive Board members and Key Senior Management as well as Directors' fees for the Independent 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
Yeat 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 Independent 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.cnergengz.com](http://www.cnergengz.com).

### 8. Remuneration of Directors and Senior Management Details of Directors' Remuneration

On 24 November 2023, the Directors approved revision to fees and benefits payable effective FY2024. Analysis of fees and benefits paid/payable are as tabulated:

Type of fees	FY2023 (RM)	FY2024 (RM)
Director fee – Independent Non-Executive Chairman	10,000	12,000
Director fee – Independent Non-Executive Director (per pax)	4,000	5,000
Meeting fee – per day (per pax)	600	600

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 FY2023 is as disclosed in the CG Report.

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

The top five (5) Senior Management's total remuneration is disclosed in bands of RM50,000 as tabulated in the CG Report as the Board is of the view that this disclosure approach strikes a balance between respecting personal privacy rights and providing sufficiently precise data points that facilitate stakeholder scrutiny.

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.

# Corporate Governance Overview Statement (Cont'd)

## 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

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.

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 FY2023 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.

# 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)

#### 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 as well as 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 Enterprise Risk Management Framework which is 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 of 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.

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.

# Corporate Governance Overview Statement (Cont'd)

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

### 11. Effectiveness Governance, Risk Management and Internal Control (cont'd)

#### Effectiveness of the Internal Audit Function (cont'd)

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.

The cost incurred for the internal audit function during FY2023 totalled RM35,000. The activities of the internal audit function during the financial period are set out in the Audit and Risk Management Committee Report in the Annual Report 2023.

## 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.

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.cnergencz.com](http://www.cnergencz.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.cnergencz.com](http://www.cnergencz.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.

The CEO/ED of the Group is the designated spokesperson for all matters related to the Group.

#### Integrated Reporting

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



# Corporate Governance Overview Statement (Cont'd)

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

### 13. Conduct of General Meetings

#### Notice of AGM

The Board encourages shareholders' participation and as such, the AGM 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 the 2<sup>nd</sup> AGM was sent to shareholders 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 said notice was also published in a major local newspaper. All suggestions and comments put forth by shareholders were noted by the Board for consideration.

All the resolutions set out in the Notice for the 2<sup>nd</sup> AGM were put to vote by poll with the outcome announced to Bursa Securities on the same day. The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.

#### Directors' attendance

Directors and senior management, Company Secretary as well as representatives from the external auditors attended the 2<sup>nd</sup> AGM and the Extraordinary General Meeting ("**EGM**") held on 24 May 2023.

#### Leveraging on technology

The 2<sup>nd</sup> AGM and EGM were convened in person at a prominent hotel in Penang which is accessible to all shareholders. 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.

Going forward in 2024, the Company will leverage on technology to facilitate shareholders' participation as the 3<sup>rd</sup> AGM will be convened virtually using remote participation and electronic voting ("**RPEV**") facilities through an online meeting platform. The Board believe that this will enhance the quality of engagement with its shareholders and facilitate further shareholders' participation in accordance with the Company's Constitution. The RPEV facilities will allow shareholders to participate and vote during the 3<sup>rd</sup> AGM without having to be physically present at the meeting venue.

#### Shareholders' engagement

There was meaningful and effective engagement between the Board, senior management, Company Secretary as well as representatives from the external auditors with the shareholders at the 2<sup>nd</sup> AGM and EGM held in 2023. All questions and concerns raised by the shareholders were duly addressed.

#### Infrastructure for virtual AGM

The 2<sup>nd</sup> AGM and the EGM held in 2023 were convened in person.

In part to enhance quality of engagement and shareholders' participation, the 3<sup>rd</sup> AGM scheduled in 2024 will be convened in a virtual environment through live streaming and using RPEV facilities. The RPEV system to be deployed to handle the 3<sup>rd</sup> AGM in a virtual environment will be tested prior to the 3<sup>rd</sup> AGM event date to ensure that it could support interactions between the Board and senior management team with the shareholders. Questions raised by shareholders can be posted on the meeting platform or read out by the host of the meeting before the Board is invited to respond to the questions. In the event that an answer could not be readily given at the meeting, the Board will include response in the minutes of said AGM.

# 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)

#### Minutes of General Meeting

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

#### Statement on compliance

The Board will continue to strive for high standard of corporate governance throughout the Group. Presently, the Board is of the view that the Company has, in all material aspects, satisfactorily complied with the principles and practices set out in the MCCG, except for the departures set out in the CG Report.

This statement is made in accordance with a resolution of the Board of Directors dated 25 April 2024.

# Sustainability Statement

## About This Report

(GRI 2-3)

Cnergenz Berhad, together with its subsidiaries ("**Cnergenz**" or "**Group**") have elevated commitment to advancing the sustainability agenda in all aspects of our business. This Sustainability Report details Environmental, Social and Governance ("**ESG**") progress and accomplishments during the reporting period.

It provides relevant disclosures on our sustainability activities, and their impact on our stakeholders and reflects our commitment to create sustainable value for all stakeholders. It describes the sustainability initiatives we have executed in our business and operations for the interest and benefit of our stakeholders and the environment to propel our business. It also demonstrates historical statistical data for certain disclosures to indicate relevant trends for readers to better understand Cnergenz's comparative performance.

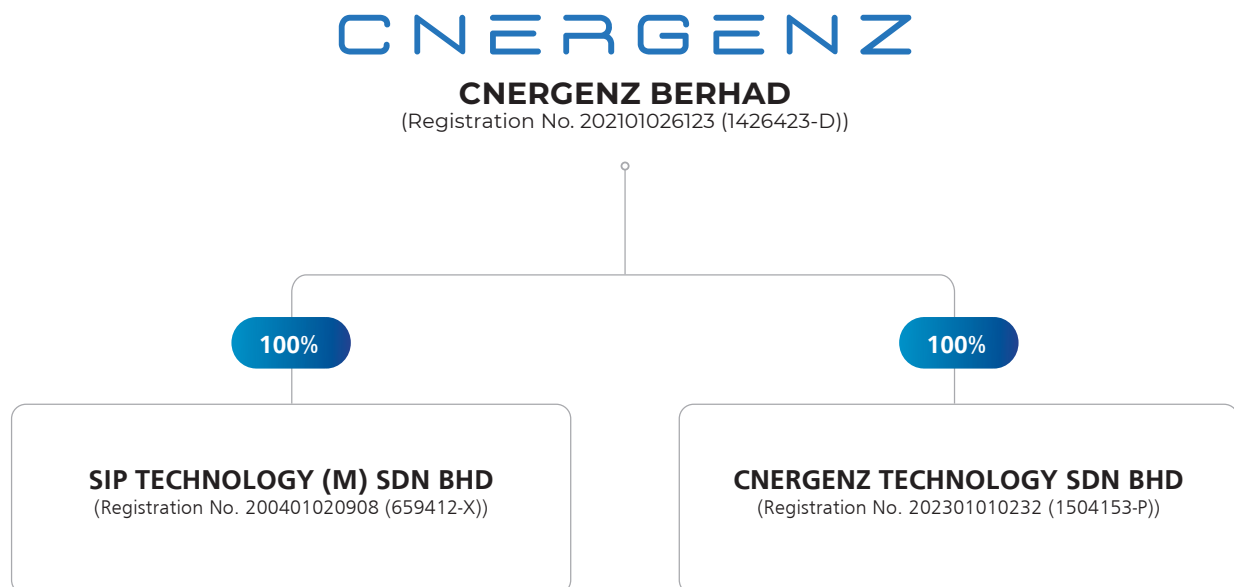
We have designed this report to highlight the key facets of our business model, emphasizing our efforts to integrate sustainability into every aspect of our operations. As an environmentally responsible company, we recognize the critical role we play in influencing electronic manufacturing solution landscape's sustainable development.

## Scope and Basis of Scope

(GRI 2-3)

The Sustainability Report encompasses the period from 1 January 2023 to 31 December 2023 ("**FY2023**") ("**SS 2023**" or "**Statement**"), providing insights into our sustainability management strategies, initiatives, and policies concerning ESG material matters.

This statement reflects the sustainability performance and progress of Cnergenz Berhad and its subsidiaries, covering the entirety of our business operations. For this reporting year, we will include quantitative data on all material topics identified.



# Sustainability Statement (Cont'd)

## Reporting Frameworks and Standards

This report has been developed according to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**MMLR**") with reference to Bursa Malaysia's Sustainability Reporting Guide (3rd Edition), and Global Reporting Initiative ("**GRI**") Universal Standards 2021.

## Feedback

(GRI 2-3)

We welcome and encourage our stakeholders to provide feedback, questions or suggestions pertaining to this report. Comments and inquiries on this report and its contents can be directed to:

Cnergenz Head Office  
No. 34, 36, 38 & 40, Lorong IKS Bukit Tengah  
Taman IKS Bukit Tengah  
14000 Pulau Pinang, Malaysia  
Tel: +6 (04) 508 8318  
E-mail: [ir@cnergenz.com](mailto:ir@cnergenz.com)

## Sustainable Governance

(GRI 2-14)

At Cnergenz Berhad, sustainability governance is paramount for managing ESG risks and opportunities effectively. The Board of Directors of the Company ("**Board**") holds ultimate responsibility for overseeing our sustainability strategy, ensuring alignment with business objectives and stakeholder interests.

Our executive leadership actively champions sustainability initiatives, integrating ESG considerations into strategic decision-making processes to drive long-term value creation. Sustainability Officer oversees the development, implementation, and monitoring of sustainability initiatives, ensuring their integration throughout the organization.

We engage stakeholders to understand their perspectives on sustainability and incorporate feedback into our decision-making processes. Transparency is central to our sustainability governance, with our annual Sustainability Report serving as a platform for disclosing ESG performance and commitments.

Continuous improvement is integral to our sustainability governance approach, as we continuously review and update our practices to adapt to evolving sustainability challenges and opportunities.



# Sustainability Statement (Cont'd)

## Stakeholders Engagement

(GRI 2-29)

The Group recognizes the significance of engaging with our stakeholders as a primary means to achieve sustainability. Through direct interactions with both internal and external stakeholders, we gather valuable feedback and insights that help bridge the gap between their expectations and our actions. We define stakeholders as individuals, entities, or groups impacted by our business operations or presence, including those with a vested interest or potential influence on our practices.

Throughout the year, we have embraced an inclusive approach to shaping our sustainability direction, drawing upon input gathered from various engagement activities. Our stakeholders are integral to our long-term business success, and we remain committed to engaging them through diverse activities and communication channels. The following outlines our ongoing and future means of engagement with our stakeholders:

Stakeholders Group	Engagement Channel (Means of Engagement)	Frequency of Meeting	Interest/Concern /Key areas
Employees	<ul style="list-style-type: none"> <li>Performance Appraisal Exercise</li> <li>Training/ webinar/ workshop</li> <li>Meetings/Discussions</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>On-going</li> <li>On-going</li> </ul>	<ul style="list-style-type: none"> <li>Competitive salary and benefits package</li> <li>Occupational safety and health</li> <li>Clear line of reporting and proper communication channel</li> <li>Work - life balance.</li> <li>Career path and opportunities</li> </ul>
Board of Directors	<ul style="list-style-type: none"> <li>Board Meetings</li> <li>Annual General Meeting</li> </ul>	<ul style="list-style-type: none"> <li>Quarterly</li> <li>Annually</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Business prospects</li> <li>Future roadmap</li> <li>Corporate governance</li> </ul>
Investors and Shareholders	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Annual Report</li> <li>Quarterly Result Announcements</li> <li>Press Release</li> <li>Corporate Website</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>Quarterly</li> <li>Ad-Hoc</li> <li>On-Going</li> </ul>	<ul style="list-style-type: none"> <li>Return on investment</li> <li>Business prospects</li> <li>Future roadmap</li> <li>Corporate governance</li> </ul>
Government/ Regulatory Body	<ul style="list-style-type: none"> <li>Report Submission</li> <li>Corporate Website</li> </ul>	<ul style="list-style-type: none"> <li>Ad-Hoc</li> <li>On-Going</li> </ul>	<ul style="list-style-type: none"> <li>Compliance with existing laws</li> <li>Standards and certification</li> </ul>
Customers	<ul style="list-style-type: none"> <li>Meetings/Discussions</li> <li>Corporate Website</li> <li>Technology Roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Ad-Hoc</li> <li>On-Going</li> <li>Ad-Hoc</li> </ul>	<ul style="list-style-type: none"> <li>Product quality</li> <li>Reliable delivery</li> <li>Competitive prices</li> <li>Technical advancement</li> <li>Customer service and responsiveness</li> </ul>
Business Partners (Suppliers, Distributors, Contractors)	<ul style="list-style-type: none"> <li>Meetings/Discussions</li> <li>Corporate Website</li> <li>Technology Roadshows</li> </ul>	<ul style="list-style-type: none"> <li>Ad-Hoc</li> <li>On-Going</li> <li>Ad-Hoc</li> </ul>	<ul style="list-style-type: none"> <li>Procurement policy and procedures</li> <li>Product cost</li> <li>Product quality</li> <li>Industry standard and requirement</li> <li>Prompt payments within credit period</li> <li>Business prospects and financial stability</li> </ul>
Public/Local Community	<ul style="list-style-type: none"> <li>Annual General Meeting</li> <li>Annual Report</li> <li>Quarterly Result Announcement</li> <li>Press Release</li> <li>Corporate Website</li> <li>Corporate Social Responsibility Events</li> </ul>	<ul style="list-style-type: none"> <li>Annually</li> <li>Annually</li> <li>Quarterly</li> <li>Ad-Hoc</li> <li>On-Going</li> <li>Ad-Hoc</li> </ul>	<ul style="list-style-type: none"> <li>Impact of operations on surrounding environment</li> <li>Corporate social responsibility</li> <li>Corporate governance</li> </ul>

# Sustainability Statement (Cont'd)

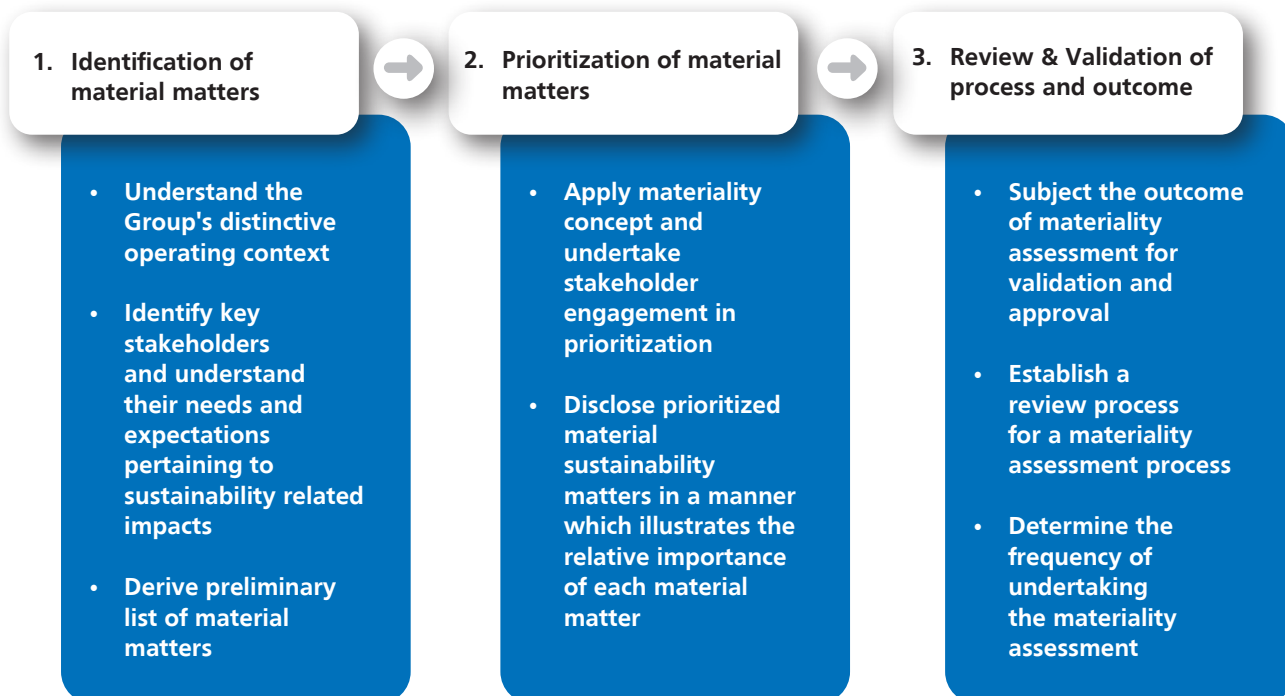
## Materiality Assessment

(GRI 3-1)

Cnergenz understands the need to focus our efforts on material matters that are most significant to the business and its stakeholders. We regularly review our performance to identify gaps and further evolve our strategies to fit our stakeholders' needs in a bid to enhance our business operations.

In 2023, comprehensive materiality assessment was conducted to identify and incorporate key ESG factors that could significantly impact our business or influence stakeholders' decisions. We also included Bursa Securities' Common Sustainability Matters for a broader perspective. To determine the relative importance and business impact of each topic, we conducted dialogue sessions with internal stakeholders, including employees and representatives from various functional groups. Their insights formed the foundation of our materiality assessment and subsequent sustainability strategy development.

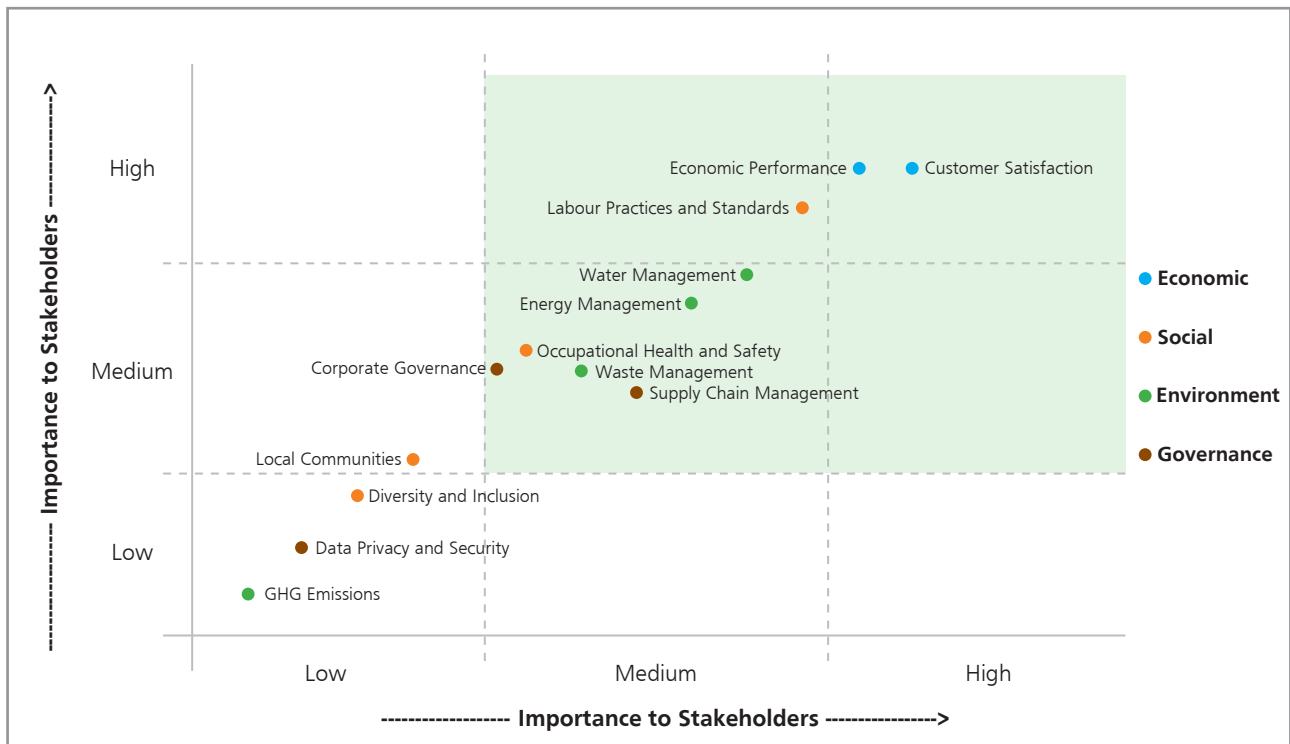
While external stakeholders were not directly involved in this initial assessment, they were represented through our internal team's knowledge of ongoing stakeholder dialogues. Finally, the Board reviewed and approved the finalised materiality matrix.



Our current set of nine material matters/ material topics is in accordance with Cnergenz's strategic priorities and meets the expectations of our diverse stakeholders. The importance placed on profitability is a paramount concern for stakeholders worldwide, serving as both the cornerstone and capital to bolster our performance in other vital areas.

# Sustainability Statement (Cont'd)

## Materiality Matrix



### Material Topics

No.	Material Topic
01	Customer Satisfaction
02	Economic Performance
03	Labour Practices and Standards
04	Water Management
05	Energy Management
06	Corporate Governance
07	Supply Chain Management
08	Waste Management
09	Occupational Health and Safety

# Sustainability Statement (Cont'd)

## Sustainability Framework

(GRI 2-22, 2-23)

Our sustainable framework revolves around three key focal points: economic, environmental, and social considerations. These elements are seamlessly woven into our overarching business strategy to effectively address the needs of our stakeholders. In these three focus areas, our objectives are clear: to deliver exceptional services, mitigate environmental impact, and actively engage in contributing to local communities. We pledge to proactively tackle issues pertaining to each material topic, aligning with our commitment to realizing a sustainable business strategy, and consistently monitoring and enhancing our performance in sustainable development.

Our Focus Areas		
Economic	Environmental	Social
Providing excellent services and creating value for stakeholders while upholding transparency and accountability	Reducing carbon emission and minimizing environmental impacts of our operations	Cultivating a diverse culture, promoting employee wellness, and supporting the local community
Economic Performance	Water Management	Labour Practices and Standards
Customer Satisfaction	Waste Management	Occupational Health and Safety
Governance	Energy Management	

## Material Topics

### Economic

#### Economic Performance

(GRI 201-1)

The Group's strategy is based on profitable and sustainable growth, which is important to our long-term success as a listed company. We are mindful that our economic performance contributes to financial stability which in turn, has an impact on our ability to meet our financial obligations to the stakeholders, such as payment of salaries to our employees, to government through taxes, to shareholders through economic returns, to suppliers through purchases, and to communities through donations, sponsorships, and internship opportunities. For details of our financial results, please refer to the Management Discussion and Analysis and the Audited Financial Statements in this Annual Report.

Economic Performance	
	FY2023
Revenue (RM' million)	161.69
Profit After Tax (RM' million)	14.23



# Sustainability Statement (Cont'd)

## Customer Satisfaction

### Product Quality

Cnnergz ensures the conformity of its products and materials with globally recognized standards and protocols by implementing robust quality management systems and securing relevant certifications. This commitment is aligned with our focus on sustainable development and continuous improvement. Our dedication to quality is reflected in our approach to enhancing customer satisfaction, which incorporates both quality controls, known as “built-in quality activities,” and quality assurance, encompassing “activities that earn customers’ trust.”

### On Time Delivery/ Support

We prioritize delivering products and support services to our customers promptly and efficiently. With dedicated teams focused on logistics, customer service, and technical support, we ensure on-time delivery and assistance. By continuously optimizing our processes and investing in technology, we streamline operations and minimize delays. Proactive communication and collaboration with our customers enable us to anticipate their needs and address any challenges promptly. Our commitment to on-time delivery and support underscores our dedication to customer satisfaction and building long-lasting relationships based on reliability and responsiveness.

### Customer Feedback

We prioritize customer feedback as an invaluable tool for enhancing our products and services. Through various channels such as surveys and direct interactions, we actively seek insights into our customers’ experiences, preferences, and suggestions. By carefully analyzing and acting upon this feedback, we continuously refine our offerings to better meet customer needs and exceed their expectations. Our commitment to listening and responding to customer input underscores our dedication to delivering exceptional value and fostering long-lasting relationships built on trust and satisfaction.

## Environment

### Waste Management

(GRI 306-2, 306-3)

We are committed to enhancing our waste management practices, conserving energy, and minimizing water consumption. Central to our approach is the adoption of the 3Rs principle: Reduce, Reuse, and Recycle, which guides our efforts across all aspects of our business.

Reduce	Reuse	Recycle
We prioritize waste reduction by identifying opportunities to minimize waste generation at the source. Through the implementation of efficient processes and technologies, we aim to decrease the overall volume of waste produced during our operations.	Whenever feasible, we promote the reuse of materials and resources within our facilities. By establishing robust reuse programs and initiatives, we extend the lifespan of assets and reduce the need for additional raw materials, contributing to resource conservation and waste prevention.	Recycling plays a pivotal role in our waste management strategy. We are actively looking for recycling opportunities in our business.

Through the consistent application of the 3Rs principle, we aim to minimize our environmental footprint, conserve natural resources, and contribute to a more sustainable future. We remain committed to ongoing improvement in waste management practices, continually seeking innovative solutions to optimize resource utilization and reduce waste generation across our operations.

Economic Performance	
	FY2023
Total Waste Generated (Tonnes)	0
Total waste directed to disposal (Tonnes)	0
Total waste directed from disposal (Tonnes)	0

# Sustainability Statement (Cont'd)

## Energy Management

(GRI 302-1)

At Cnergenz Berhad, we prioritize energy efficiency and sustainability across our operations. In our offices, we implement stringent measures to optimize energy usage and minimize carbon emissions. Through careful control of indoor temperatures and the running times of air conditioning systems, we aim to reduce our overall energy consumption while maintaining comfortable working conditions for our employees. These efforts contribute not only to cost savings but also to our commitment to environmental stewardship. We continuously explore innovative solutions and technologies to further enhance our energy management practices and reduce our carbon footprint. By proactively managing our energy usage, we strive to contribute to a greener, more sustainable future.

Energy Management	
	FY2023
Electricity (KWh)	175,088
Petrol (Litre)	92,859
Total energy consumption <sup>1</sup> (GJ)	3741.3
Scope 1 emissions (Tonnes CO <sub>2</sub> e)	212.29
Scope 2 emissions (Tonnes CO <sub>2</sub> e)	132.71

The main source of emission for us would be from the direct combustion of fossil fuel sources such as diesel and petrol (Scope 1) for company vehicles and purchased electricity (Scope 2). The emissions from fuel consumption (Scope 1) were recorded at approximately 212 tonnes CO<sub>2</sub>e for the whole organisation. These fuels were used for the company vehicles & machinery for their daily working operation.

## Water Management

(GRI 303-3)

Responsible water management is integral to our commitment to sustainability. We implement comprehensive strategies to optimize water usage efficiency across our operations, utilizing advanced technologies and best practices to monitor and control water consumption. From manufacturing processes to cooling systems and office facilities, we strive to minimize wastage and promote conservation at every opportunity.

Energy Management	
	FY2023
Total Water consumption (m3)	1,019

<sup>1</sup> The conversion factors for 2023 are based on the methodology provided by US Energy Information Administration (eia.gov).

<sup>2</sup> Emission factor (2.286 Kg CO<sub>2</sub>e/Litre of petrol / gasoline) sourced from World Resource Institute (2015). GHG Protocol tool for stationary combustion. Version 4.1.

<sup>3</sup> 2021 Grid Emission factor (0.758 kg CO<sub>2</sub>e/ KWh) for Peninsular Malaysia by Energy Commission.

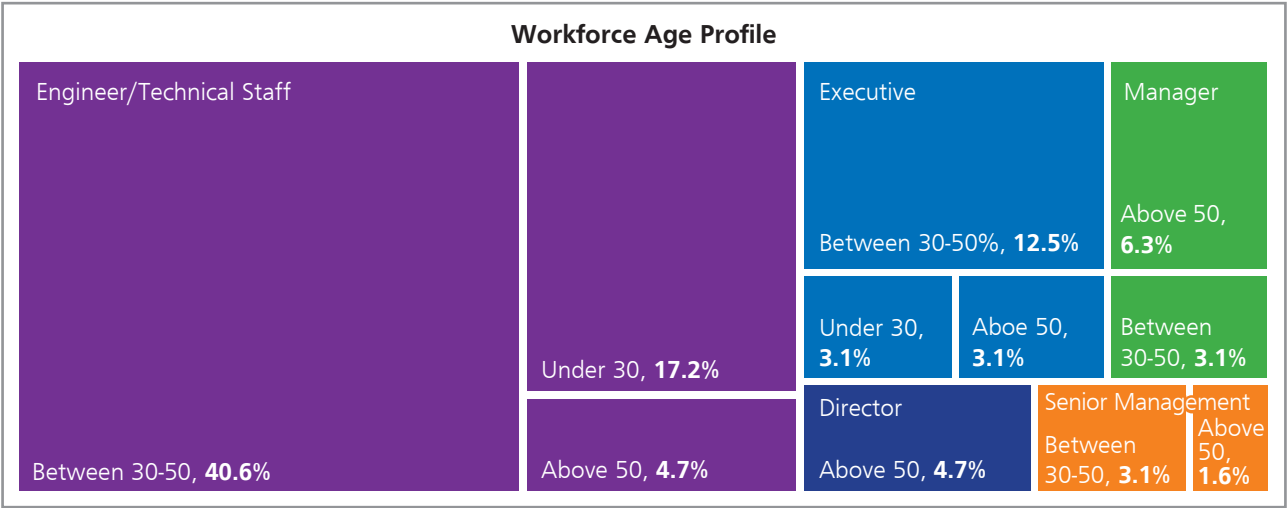
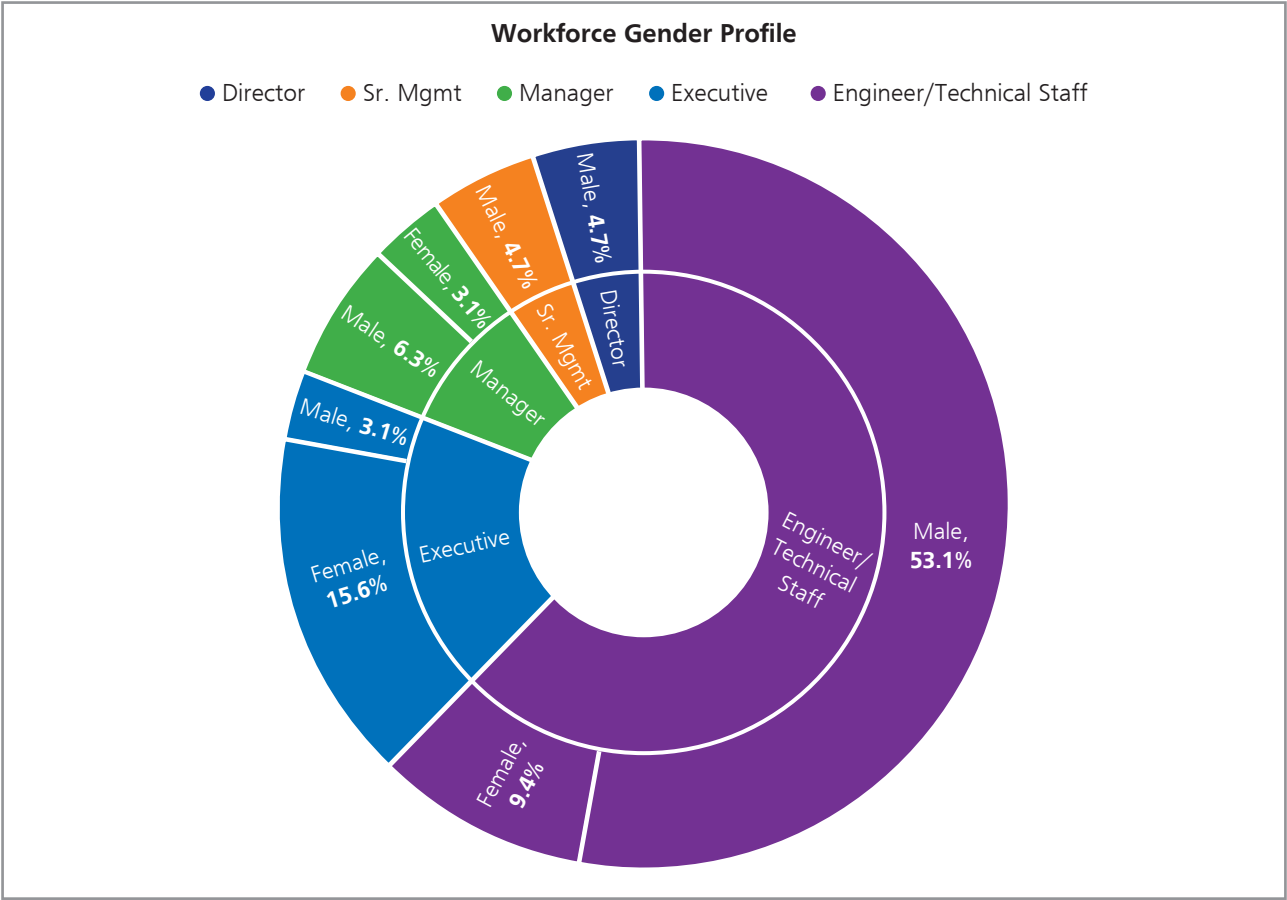
Social

Labour Practices and Standards

(GRI 401-1, 401-2, 401-3, GRI 404-1, 404-2)

Employment

We recognize our employees as the foundation of our success. Their well-being, rights, and contributions are paramount to our company's growth. The Board actively oversees human capital management, ensuring adherence to labor laws, human rights standards, and ethical practices across all operations. As of 31 December 2023, our total workforce consists of sixty-four employees. All sixty-four employees are permanent employees, and we do not have any temporary workers. The breakup of workforce is as follows:



## Sustainability Statement (Cont'd)

### Employee Turnover

We closely monitor employee turnover as a key metric to understand and address factors impacting retention and satisfaction. Our approach includes fostering a positive work environment through open communication, regular feedback sessions, and opportunities for professional growth. We conduct exit interviews and surveys to gather insights into the reasons behind employee departures, enabling us to identify areas for improvement and implement proactive measures. By prioritizing inclusivity, respect, and continuous learning, we aim to minimize turnover and create a workplace culture that nurtures long-term employee engagement and career fulfillment.

Employee Turnover by Employee Category	
	FY2023
Directors	0
Senior Management	0
Manager	0
Executive	1
Engineer/ Technical Staff	6
<b>Overall</b>	<b>7</b>

### Development and Training

The Group has been continuously creating various learning opportunities for our employees 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.

Employee Training Hours by Employee Category	
	FY2023
Directors	64
Senior Management	203
Manager	123
Executive	181
Engineer/ Technical Staff	1,356
<b>Overall</b>	<b>1,927</b>

# Sustainability Statement (Cont'd)

## Occupational Health and Safety

(GRI 403-1, 403-4, 403-5, 403-9)

The Group is committed to protecting its employees' health and safety, the well-being of our employees is of utmost importance. We have established robust management systems for occupational health and safety in compliance with relevant regulations. Training sessions, including emergency first-aid training, are provided to our Emergency Response Team and Employee Safety & Health Committee to ensure preparedness in case of emergencies.

Throughout the FY2023, we are pleased to report that Cnergenz did not experience any major occupational accidents during our operations. This achievement reflects our continuous efforts to prioritize safety and implement effective measures to prevent workplace incidents. Moving forward, we remain dedicated to upholding high standards of occupational health and safety, continuously improving our practices, and fostering a culture of safety awareness among our employees.

	FY2023
Number of employees trained on health and safety standards	28

Occupational Health and Safety Performance	
	FY2023
Number of fatalities	0
Total Lost time incidents	0
Lost Time Injury Rate (LTIR) <sup>4</sup>	0

## Community Engagement and Investment

(GRI 201-1)

Building a better future goes beyond business at Cnergenz. Through impactful Corporate Social Responsibility ("CSR") programs, we support our communities and citizens in need, embodying responsible corporate citizenship.

Through our sponsorship of the Lions Club International Chess Championship for the Disabled, we provide a platform for individuals with disabilities to showcase their talents and passion for chess, promoting inclusivity and empowerment within our community. Additionally, our partnership with The Salvation Army Children's Home underscores our dedication to supporting vulnerable children by providing them with essential care and resources for a brighter future. By contributing to this cause, we strive to make a meaningful impact in the lives of disadvantaged youth, nurturing their potential and well-being. Furthermore, our sponsorship of the Youngster Basketball Team at the Penang Club reflects our commitment to promoting sportsmanship, teamwork, and healthy lifestyles among the youth in our community. Through these CSR initiative, we aim to inspire positive change, foster a sense of belonging, and build a stronger, more inclusive society for all.

These initiatives not only benefit the community but also foster a spirit of kindness and generosity among our employees. We encourage volunteerism and proudly recognize their contributions through meaningful incentives.

	FY2023
Total amount invested where the target beneficiaries are external to Cnergenz	RM142,776.7
Total number of beneficiaries of the investment in communities	6

<sup>4</sup> Lost Time Incident Rate ("LTIR") = Number of lost time injuries in the reporting period \*200,000/ Total number of hours worked in the reporting period



Sustainability Statement (Cont'd)



# Sustainability Statement (Cont'd)

## Governance

### Corporate Governance

(GRI 205-1, 205-2, 205-3)

The Group remains committed to upholding ethical and responsible practices. We conduct regular risk assessments to address any potential concerns and have a clean track record of human rights and labor compliance.

Cnergenz champions fair and equal opportunities, fostering a diverse and inclusive environment where everyone can thrive. We operate in strict compliance with local laws and regulations, including the Malaysian Employment Act of 1955 and the Minimum Wages Order of 2016.

Our Code of Conduct and Code of Ethics provide clear guidelines on these commitments. We uphold the dignity, privacy, and rights of all employees, fostering a safe and respectful work environment free from discrimination. Everyone plays a crucial role in maintaining these values.

	FY2023
Number of substantiated complaints concerning human rights violations	0

### Anti-Corruption and Whistleblowing Policies

Cnergenz maintains a zero-tolerance stance against all forms of bribery and corruption, both within the Group and throughout its value chain. The Group implemented the Anti-Bribery and Anti-Corruption Policy ("**ABC Policy**") to address the bribery and corruption risks, guided by the Guidelines on Adequate Procedures issued under Section 17A (5) of the Malaysian Anti-Corruption Commission Act 2009. The Board oversees anti-bribery and anti-corruption matters within Cnergenz and takes a leading role in developing, applying, and reviewing the Group's ABC Policy to reinforce internal anti-corruption and anti-bribery efforts.

Applicable to all employees and business associates engaged in activities with the Group, the ABC Policy can be viewed on our website at [www.cnergenz.com](http://www.cnergenz.com).

The Group regularly communicates the ABC Policy's guidelines and principles to employees through reminders from supervisors, the employee handbook, internal memos, office notice boards, and the official website. Induction sessions for new employees include briefings on the Group's policies, including those related to anti-corruption and anti-bribery.

Percentage of employees who have received training on anti-corruption by employee category	
	FY2023
Directors	100%
Senior Management	100%
Manager	100%
Executive	100%
Engineer/ Technical Staff	100%
<b>Overall</b>	<b>100%</b>

Any violation of this ABAC Policy or relevant local laws by an individual may lead to disciplinary measures and, in extreme cases, termination of employment. Additionally, legal action may be pursued if the Group's interests suffer harm due to non-compliance or misconduct. Incidents of violations can be reported through the Group's whistleblowing channel. In FY2023, Cnergenz recorded zero incidents of corruption.

	FY2023
Total number of confirmed incidents of corruption	0
Percentage of operations assessed for corruption-related risks	0%

# Sustainability Statement (Cont'd)

## Supply Chain Management (GRI 204-1)

Sustainability is a core principle guiding our supply chain management practices. We prioritize adherence to our customers' Approved Manufacturer List (AML) to ensure the quality and sustainability of raw materials and services provided by our suppliers. Regular supplier evaluations and audits are conducted to assess quality, workmanship, and cost-effectiveness, with a focus on materials essential to our manufacturing processes.

Our commitment to sustainability extends beyond localization efforts. Instead, we focus on fostering strong relationships with suppliers who uphold ethical and environmentally responsible practices. By prioritizing sustainability throughout our supply chain, we aim to enhance resilience, reliability, and environmental stewardship, contributing to our long-term success and the well-being of our stakeholders.

	FY2023
Proportion of spending on local suppliers	0.98%

## Moving Forward

We acknowledge the challenges posed by global warming and various environmental issues, as well as the international commitment to combat climate change by aiming to limit the increase in the global average temperature to below 2 degrees Celsius from pre-industrial levels. In recognition of our significant responsibility, our board of directors commits to integrating climate change strategies into our overarching business plans where appropriate. We will establish specific objectives to reduce our carbon footprint, align our value creation with a low-carbon economy, and adhere to national environmental policy guidelines. This pledge underscores our dedication to sustainable business practices and contributing to global efforts in addressing climate change.

## Performance Data Table

Indicator	Unit	2023	2022	2021
Bursa C1(a) Percentage of employees who have received training on anti- corruption by employee category				
Overall	%	100% (64)	NA	NA
Director	%	100% (3)	NA	NA
Senior Management	%	100% (3)	NA	NA
Manager	%	100% (6)	NA	NA
Executive	%	100% (12)	NA	NA
Engineer/ Technical Staff	%	100% (40)	NA	NA
Bursa C1(b) Percentage of operations assessed for corruption-related risks				
Percentage of operations assessed for corruption-related risks	%	0%	NA	NA



## Sustainability Statement (Cont'd)

Indicator	Unit	2023	2022	2021
Bursa C1(c) Confirmed incidents of corruption and action taken				
Confirmed incidents of corruption and action taken	Number	0	NA	NA
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer				
Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	142,776.7	NA	NA
Bursa C2(b) Total number of beneficiaries of the investment in communities				
Total number of beneficiaries of the investment in communities	Number	6	NA	NA
Bursa C3(a) Percentage of employees by gender and age group by employee category				
<b>Gender Group by Employee Category</b>				
Overall - Male	Percentage	71.9% (46)	NA	NA
Overall - Female	Percentage	28.1% (18)	NA	NA
Director - Male	Percentage	4.7% (3)	NA	NA
Director - Female	Percentage	0% (0)	NA	NA
Senior Management - Male	Percentage	100% (3)	NA	NA
Senior Management - Female	Percentage	0% (0)	NA	NA
Manager - Male	Percentage	6.3% (4)	NA	NA
Manager - Female	Percentage	3.1% (2)	NA	NA
Executive - Male	Percentage	3.1% (2)	NA	NA
Executive - Female	Percentage	15.6% (10)	NA	NA
Engineer/Technical Staff - Male	Percentage	53.1% (34)	NA	NA
Engineer/Technical Staff - Female	Percentage	9.4% (6)	NA	NA
<b>Age group by employee category</b>				
Overall - Under 30	Percentage	20.3% (13)	NA	NA
Overall - Between 30-50	Percentage	59.4% (38)	NA	NA
Overall - Above 50	Percentage	21.9% (13)	NA	NA
Director - Under 30	Percentage	0% (0)	NA	NA
Director - Between 30-50	Percentage	0% (0)	NA	NA
Director - Above 50	Percentage	4.7% (3)	NA	NA

## Sustainability Statement (Cont'd)

Indicator		Unit	2023	2022	2021
Senior Management - Under 30	Percentage	0% (0)	NA	NA	NA
Senior Management - Between 30-50	Percentage	3.1% (2)	NA	NA	NA
Senior Management - Above 50	Percentage	1.6% (1)	NA	NA	NA
Manager - Under 30	Percentage	0% (0)	NA	NA	NA
Manager - Between 30-50	Percentage	3.1% (2)	NA	NA	NA
Manager - Above 50	Percentage	6.3% (4)	NA	NA	NA
Executive - Under 30	Percentage	3.1% (2)	NA	NA	NA
Executive - Between 30-50	Percentage	12.5% (8)	NA	NA	NA
Executive - Above 50	Percentage	3.1% (2)	NA	NA	NA
Engineer/Technical Staff - Under 30	Percentage	17.2% (11)	NA	NA	NA
Engineer/Technical Staff - Between 30-50	Percentage	40.6% (26)	NA	NA	NA
Engineer/Technical Staff - Above 50	Percentage	4.7% (3)	NA	NA	NA
Bursa C3(b) Percentage of directors by gender and age group					
Male	Percentage	57% (4)	NA	NA	NA
Female	Percentage	43% (3)	NA	NA	NA
Under 30	Percentage	0%	NA	NA	NA
Between 30-50	Percentage	43% (3)	NA	NA	NA
Above 50	Percentage	57% (4)	NA	NA	NA
Bursa C4(a) Total energy consumption					
Total energy consumption	GJ	3,741.3	NA	NA	NA
Bursa C5(a) Number of work-related fatalities					
Number of work-related fatalities	Number	0	NA	NA	NA
Bursa C5(b) Lost Time Incident Rate ("LTIR")					
Lost Time Incident Rate ("LTIR")	Rate	0	NA	NA	NA
Bursa C5(c) Number of employees trained on health and safety standards					
Number of employees trained on health and safety standards	Number	28	NA	NA	NA
Bursa C6(a) Total hours of training by employee category					
Overall	Number	1,927	NA	NA	NA
Professional	Number	267	NA	NA	NA
Sub-Professional	Number	123	NA	NA	NA
Administrative	Number	181	NA	NA	NA
Other	Number	1,356	NA	NA	NA



## Sustainability Statement (Cont'd)

Indicator	Unit	2023	2022	2021
Bursa C6(b) Percentage of employees that are contractors or temporary staff				
Percentage of employees that are contractors or temporary staff	Percentage	0.0%	NA	NA
Bursa C6(c) Total number of employee turnover by employee category				
Overall	Number	7	NA	NA
Professional	Number	0	NA	NA
Sub-Professional	Number	0	NA	NA
Administrative	Number	0	NA	NA
Staff	Number	1	NA	NA
Other	Number	6	NA	NA
Bursa C6(d) Number of substantiated complaints concerning human rights violations				
Number of substantiated complaints concerning human rights violations	Number	0	NA	NA
Bursa C7(a) Proportion of spending on local suppliers				
Proportion of spending on local suppliers	Percentage	0.98%	NA	NA
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy or losses of customer				
Number of substantiated complaints concerning breaches of customer privacy or losses of customer		0	NA	NA
Bursa C9(a) Total volume of water used				
Total volume of water used	cubic meter	1,019	NA	NA
Bursa C10(a) Total waste generated				
Total waste generated	kg	0	NA	NA
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	0	NA	NA
Bursa C10(a)(ii) Total waste directed to disposal	Metric tonnes	0	NA	NA
Bursa C11(a) Scope 1 emissions in tonnes of CO <sub>2</sub> e				
Scope 1 emissions in tonnes of CO <sub>2</sub> e	tCO <sub>2</sub> e	212.29	NA	NA
Bursa C11(b) Scope 2 emissions in tonnes of CO <sub>2</sub> e				
Scope 2 emissions in tonnes of CO <sub>2</sub> e	tCO <sub>2</sub> e	132.72	NA	NA
Bursa C11 (c) Scope 3 emissions in tonnes of CO <sub>2</sub> e				
Scope 3 emissions in tonnes of CO <sub>2</sub> e	tCO <sub>2</sub> -e	NA	NA	NA

## ASSURANCE STATEMENT

Non-financial data in Sustainability Statement 2023 has been internally assured, and Cnergenz is considering seeking external validation for future Sustainability Statements

# 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 ("**Statement**") for the financial year ended 31 December 2023 ("**FY2023**"), issued in compliance with Paragrah 15.26(b) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**MMLR**") and the Malaysian Code on Corporate Governance ("**MCCG**") with guidance from the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers ("**Internal Control Guidelines**").

Cnergenz was listed on the ACE Market of Bursa Securities on 24 May 2022 and subsequently transferred to Main Board on 5 January 2024. The Board chose to early adopt requirements under the MMLR.

## BOARD'S RESPONSIBILITY

The Board acknowledges the importance of sound risk management and internal control being embedded into the culture, processes and structures of the Company and its subsidiaries (the "**Group**"). The systems of internal control cover risk management as well as financial, organisational, operational, project and compliance controls.

The Board affirms its responsibility for maintaining a sound risk management framework and internal control system to safeguard shareholders' interest and the assets of the Group. It is noted that 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. Inherently, it can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

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.

## MANAGEMENT'S ROLE

The management is accountable to the Audit and Risk Management Committee ("**ARMC**") and ultimately, the Board for the implementation of the ERM Framework to identify, evaluate, measure, monitor and report of risks as well as deficiencies and non-compliance with internal controls.

## RISK MANAGEMENT FRAMEWORK

To that end, the Group has in place an Enterprise Risk Management ("**ERM**") Policy incorporating ERM Framework (as illustrated) for identifying, evaluating, monitoring and managing significant risks faced, or potentially exposed to, by the Group in pursuing its corporate objectives. This process has been in place throughout the financial year and up to the date of approval of the annual report.



The adequacy and effectiveness of this process is reviewed by the ARMC as part of independent oversight in accordance with the Internal Control Guidelines. The ARMC is a component of the risk management governance structure within the Group which included the Board and the management. The structure allows for strategic risk discussions to take place between the Board, the ARMC and the management on a periodical basis.

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

## RISK MANAGEMENT FRAMEWORK (CONT'D)

The comprehensive ERM Framework serves as a guide for the Group's risk management. The Group maintains a Risks Registry which detailed principal business risks and key risk areas, their impact, likelihood of occurrence, risk owners and risk control actions. The key risk factors during the financial year under review and until the date of approval of this Statement encompasses, among others, legal and regulatory (corporate liability), strategic decision, finance, operations (project and supply chain management), IT including cyber-security, software legality, hacking and data security, human capital (sucession planning), safety and health and sustainability. The ARMC had, at its recent meeting, accepted the Risks Registry and Risk Matrix as presented by management with no new risks identified. It is noted that the executive leadership works closely with management to manage these identified risks and aligning objectives at all levels to overall Group goals to ensure sustainable growth going forward.

In essence, risk management is conducted through an ongoing process between the Board, the management and employees within the Group. 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 Group believes that the current risk management process implemented has strengthened risk ownership and risk management culture amongst management and the employees.

## INTERNAL AUDIT FUNCTION

The ARMC and the Board acknowledge the importance of the internal audit function. The Group has 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. Sterling reports directly to the ARMC and internal audit reports are presented at least twice annually for review and discussion at their meetings and onward reporting to the Board for notation.

The presence of the internal audit function has provided the Board, through the ARMC, with independent and reasonable assurance as to the effectiveness of the operations and validity of the Group's system of internal controls and risk management.

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, adequately resourced and able to function independently and objectively.

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 are 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.

During FY2023, the following audit reviews were carried out by Sterling with the reports duly accepted by the ARMC:

Reporting month	Company	Audited area
May 2023	SIP Technology (M) Sdn. Bhd. (" <b>SIP</b> ")	Engineering division (services, application, training and rework)
November 2023	Cnengenz and SIP	Finance and accounts
February 2024	Cnengenz and SIP	Follow-up status review

Based on the internal auditors' reports for FY2023, there is a reasonable assurance that the Group's systems of internal control and risk management are generally adequate and appear to be working satisfactorily. A number of minor internal control weaknesses were identified during FY2023, all of which had been, or are being addressed. None of the weaknesses have resulted in any material losses, contingencies or uncertainties that would require disclosure in this Annual Report. The Board continues to review and implement measures to strengthen the internal control and risk management environment of the Group.

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

## KEY ELEMENTS OF INTERNAL CONTROL SYSTEM

In furtherance to the Board's commitment to maintain sound systems of risk management and internal control, the Board continues to maintain and implement a strong structure and environment for the proper conduct of the Group's business operations as follows:

### (1) Organisation Structure

The Group has a clear organisation 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. The process of hierarchical reporting provides for a documented and auditable trail of accountability.

It is noted that the ARMC and the Board meet at least quarterly and has set a schedule of matters which is required to be brought to its attention for discussion, thus ensuring that it maintains full and effective supervision over appropriate controls. The Chief Executive Officer and the Chief Financial Officer lead the presentation of board papers and provides explanation of pertinent issues. In addition, the Board is kept updated on the Group's activities and its operations on a regular basis.

### (2) 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. This limits of authority is reviewed periodically and updated along with the changes in business activities and operations within the Group.

### (3) 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 business activities and operations within the Group.

### (4) Talent Management

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

### (5) Board Committees

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

### (6) Anti-Bribery & Anti-Corruption Policy ("ABC Policy")

The ABC Policy sets out procedures designed to prevent situations in which bribery and corrupt practices may take root. 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. All Directors, employees, business partners and associates are required to understand and comply with the ABC Policy which is made available on the Company's website.

### (7) Whistleblowing Policy

The Group has established a Whistleblowing Policy which outlines the mechanism and framework by which employees or any third parties can confidently raise concerns or complaints in a responsible manner without the fear of discriminatory treatment. The policy is made available on the Company's website.

### (8) 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.

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

## REVIEW OF THIS STATEMENT BY THE EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main 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

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

## CONCLUSION

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 recognises that the risk management and internal control systems have to be reviewed and updated periodically to adapt to changes 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.

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 25 April 2024.



# 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 2023 ("**FY2023**") ("**Report**"). The Report provides insight into the approach taken by the ARMC in discharging its functions during FY2023.

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:

- (a) 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.
- (b) Assess the Group's processes in relation to its risks, governance (including conflict of interests and related party transactions) and control environment.
- (c) 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 the corporate website at [www.cnergenz.com](http://www.cnergenz.com).

Following the transfer of listing and quotation for the entire issued share capital of Company to the Main Market of Bursa Malaysia Securities Berhad ("**Bursa Securities**") on 5 January 2024, the Board opted to early adopt compliance with the Main Market Listing Requirements of Bursa Securities ("**MMLR**").

## Composition

The ARMC comprises of three (3) members; who are all Independent Non-Executive Directors. The composition of ARMC has exceeded the requirements of Para 15.09 of the MMLR 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 five (5) meetings held during FY2023 is as tabulated:

Directors	Designation	No. of meetings attended
Ooi Ley Ching	Chairman	5/5
Alwizah Al-Yafii Binti Ahmad Kamal	Member	5/5
Yeat Soo Ching	Member	5/5

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 is 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.

# Audit and Risk Management Committee Report (Cont'd)

## Summary of Activities Undertaken during the FYE 2022

The ARMC had carried out its duties in accordance with its TOR and key activities undertaken FY2023 under review were as follows:

### 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, MMLR 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; and
- 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 assignments 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;
- 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 and approved 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 Engineering division and finance and accounts 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 2023.

The cost incurred for the internal audit function of the Group in respect of FY2023 was RM35,000. This ARMC Report is issued in accordance with a resolution dated 25 April 2024.

# Additional Compliance Information

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

Cnenergiz Berhad ("the Company") was listed on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") on 24 May 2022 ("Listing"). In conjunction with the Listing, the 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"). Subsequently, the Company successfully completed the transfer of the listing of and quotation for the entire issued share capital of the Company to the Main Market of Bursa Securities on 5 January 2024.

As at 31 December 2023, the status of the utilisation of the IPO Proceeds is set out as below:

Details of use	Proposed Utilisation		Estimated Timeframe for Utilisation upon Listing	Actual Utilisation at 31 December 2023 RM'000	Balance as at 31 December 2023 RM'000
	RM'000	(%)			
1. Expansion of the Group's facility	37,800	65.17	Within *48 months	3,462	34,338
2. Research and development expenditure	6,000	10.35	Within *36 months	1,930	4,070
3. Working capital	10,000	17.24	Within 12 months	10,000	-
4. Estimated listing expenses	4,200	7.24	Within 3 months	4,200	-
	<b>58,000</b>	<b>100.00</b>		<b>19,592</b>	<b>38,408</b>

Note :

\* The Board had on 25 April 2024 resolved to extend the timeframe for utilisation of proceeds allocated to the expansion of our Group's facility and R&D expenditure to 48 months and 36 months respectively from the date of listing on Bursa Securities ("Extension of Time"). Please refer to the announcement dated 25 April 2024 for further details of the Extension of Time.

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 PAID TO EXTERNAL AUDITORS

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 FY2023 were as follows:

	The Company RM	The Group RM
Fees paid or payable to the external auditors:		
Audit fees	34,600	144,200
Non-audit fees paid or payable to an affiliated firm of the external auditors for review of Statement on Risk Management and Internal Control:		
Non-audit fees	10,800	10,800
<b>Total</b>	<b>45,400</b>	<b>155,000</b>

## 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 subsisting at the end of the FY2023 or entered into since the end of the previous financial year.

## 4. EMPLOYEES' SHARE OPTION SCHEME

At an extraordinary general meeting held on 24 May 2023, the Company's shareholders approved the establishment of the Employees Share Option Scheme ("ESOS") of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time to Eligible Persons of the Group. The Company did not grant any share options under ESOS during the financial year.

## 5. RECURRENT RELATED PARTY TRANSACTIONS

There were no significant recurrent related party transactions entered into by the Group during the FY2023.

# Statement of Directors' Responsibilities

## In Relation to the Financial Statements

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 Main 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 Company and its subsidiaries ("**the Group**") at the end of the financial year.

In preparing the financial statements for the financial year ended 31 December 2023, 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 Company and the Group maintain proper accounting records which disclose with reasonable accuracy the financial positions of the Company and the Group, 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 manage risks associated with the business of the Company and the Group, safeguard the assets of the Company and the Group, and to prevent and detect material fraud and other irregularities.

# Directors' Report

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023.

## 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

\* These directors are also the directors of the Company's wholly-owned subsidiaries throughout the financial year ended 31 December 2023.

## PRINCIPAL ACTIVITIES

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 16.2 to the financial statements. There have been no significant changes in the nature of these principal activities except for Cnnergz Technology Sdn. Bhd. which was newly incorporated during the financial year.

## FINANCIAL RESULTS

	<b>GROUP</b>	<b>COMPANY</b>
	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial year	14,225	4,171

## RESERVES AND PROVISIONS

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

## DIRECTORS' BENEFITS

During and at the end of the financial year, no arrangements subsisted to which the Company or its subsidiaries are parties, being arrangements with the objects of enabling the directors of the Company or its subsidiaries to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate other than the Company's newly established Employees Share Option Scheme ("ESOS").

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 the Company's subsidiary in their capacity as executives/directors of the subsidiary.



# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 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 subsidiaries during the financial year except as follows:

	Number of ordinary shares with no par value			
	At	Acquired	Disposed	At
	01.01.2023			31.12.2023
	'000	'000	'000	'000
<u>Cnenergy Berhad</u>				
(The Company)				
Dato' Azman Bin Mahmud	500	0	0	500
Lye Yhin Choy	221,710	0	0	221,710
Kong Chia Liang	116,340	0	0	116,340
Lye Thim Loong	10,116	0	0	10,116
Ooi Ley Ching	300	0	0	300
Alwizah Al-Yafii Binti Ahmad Kamal	120	0	0	120
Yeat Soo Ching	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:	
- 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
In respect of the financial year ended 31 December 2023 on 498,000,000 ordinary shares:	
- first interim single-tier tax exempt dividend of RM0.008 per ordinary share declared on 26 February 2024 and paid on 1 April 2024	3,984

The directors do not recommend the payment of any final dividend in respect of the financial year ended 31 December 2023.

## DIRECTORS' REMUNERATION

Details of the directors' remuneration received/receivable from the Group and the Company for the financial year ended 31 December 2023 are as follows:

	GROUP	COMPANY
	RM'000	RM'000
Fees	264	264
Salaries and bonus	2,081	0
Defined contribution retirement plan	250	0
Other employee benefits	41	12
	2,636	276

The estimated monetary value of benefits-in-kind received by the directors from the Group for the financial year ended 31 December 2023 amounted to approximately RM63,000.

# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 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 subsidiaries. The amount of insurance premium paid by the Group for the financial year ended 31 December 2023 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 34 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.

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 subsidiaries 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.

# Directors' Report (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## OTHER STATUTORY INFORMATION (CONTINUED)

In the opinion of the directors:

- (a) 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.

## AUDITORS' REMUNERATION

The auditors' remuneration in respect of the statutory audit of the financial statements of the Group and of the Company for the financial year ended 31 December 2023, other assurance services and non-audit services are as follows:

	GROUP RM'000	COMPANY RM'000
Statutory audit	144	35
Other assurance services	11	11
	<u>155</u>	<u>46</u>

## SUBSIDIARIES

Details of the subsidiaries 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 re-appointment as auditors.

This report was approved by the Board of Directors on 25 April 2024. 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 72 to 128 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 2023 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 25 April 2024.

**LYE YHIN CHOY**  
DIRECTOR

**KONG CHIA LIANG**  
DIRECTOR

## Statutory Declaration

PURSUANT TO SECTION 251(1) 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 72 to 128 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 at Georgetown in the State of Penang, Malaysia on 25 April 2024.

**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 subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, 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 2023, 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 material accounting policy information, as set out on pages 72 to 128.

### 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 matter	How our audit addressed the key audit matter
<p><b>Group</b></p> <p><u>Loss allowance for impairment of trade receivables</u></p> <p>The Group's gross trade receivables as at 31 December 2023 amounted to RM33.3 million. See Notes 3.5(d) and 5.1 to the financial statements for the related accounting policies and estimates and Note 4.1(b) to the financial statements for the credit risk exposure.</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"> <li>• Obtained an understanding and evaluated the design of controls over management's process in determining ECL for trade receivables;</li> <li>• Substantively tested management's inputs, assumptions and model (flow-rate approach) in determining ECL for trade receivables;</li> </ul>
<p>The impairment of trade receivables was a key audit matter as significant estimate was involved in determining the expected credit losses. These significant estimates include:</p> <p>(i) grouping of trade receivables based on shared credit risk characteristics and days past due;</p> <p>(ii) expected loss rates based on historical credit loss experience; and</p> <p>(iii) identification of indicators of when trade receivables are credit-impaired.</p> <p>As at 31 December 2023, accumulated loss allowance for impairment of trade receivables amounted to approximately RM1,153,000 (including a specifically identified loss allowance for impairment of approximately RM1,081,000) was recognised for the financial year ended 31 December 2023.</p>	<ul style="list-style-type: none"> <li>• Substantively tested the specific impairment charge recorded by management;</li> <li>• Evaluated management's consideration of the forward-looking information in determining ECL for trade receivables;</li> <li>• Assessed the appropriateness of estimates made by management based on historical trend of collections and forward-looking information; and</li> <li>• Tested the mathematical accuracy the ECL for trade receivables.</li> </ul> <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 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 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 on 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

Pulau Pinang

25 April 2024

#### **LIM HUCK KHIAM**

03192/06/2025 J

Chartered Accountant

# Statements of Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	GROUP		COMPANY	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
REVENUE	6	161,693	216,891	4,000	8,000
COST OF SALES AND SERVICES		(134,433)	(179,808)	0	0
GROSS PROFIT		27,260	37,083	4,000	8,000
Other income		343	399	0	0
Selling and distribution expenses		(3,573)	(1,757)	0	0
General and administrative expenses		(8,327)	(7,832)	(1,426)	(1,516)
Loss allowance for impairment of trade receivables	4.1(b)(ii)	(992)	(94)	0	0
Other gains/(losses) – net	7	281	(91)	0	0
OPERATING PROFIT	8	14,992	27,708	2,574	6,484
Finance income		4,807	1,562	2,059	976
Finance costs		(55)	(64)	0	0
Finance income – net	9	4,752	1,498	2,059	976
PROFIT BEFORE TAX		19,744	29,206	4,633	7,460
Tax expense	11	(5,519)	(7,489)	(462)	(194)
NET PROFIT FOR THE FINANCIAL YEAR		14,225	21,717	4,171	7,266
OTHER COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR, NET OF TAX:					
<u>Items that will not be subsequently reclassified to profit or loss:</u>					
Currency translation differences		2,361	2,149	0	0
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR		16,586	23,866	4,171	7,266
EARNINGS PER SHARE:					
- BASIC/DILUTED (SEN)	12	2.86	4.73		

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

# Statements of Financial Position

AS AT 31 DECEMBER 2023

		GROUP		COMPANY	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS					
Property, plant and equipment	13	21,535	20,595	0	0
Right-of-use assets	14	3,182	67	0	0
Intangible assets	15	88	46	0	0
Investment in subsidiaries	16	0	0	75,477	75,427
Prepayments	17	0	1,511	0	0
		24,805	22,219	75,477	75,427
CURRENT ASSETS					
Inventories	18	18,306	20,374	0	0
Receivables, deposits and prepayments	17	33,035	53,442	636	259
Investment in quoted shares	19	1,155	458	0	0
Amount due from a related party	20	0	0	4,000	4,000
Current tax receivable		769	99	0	0
Deposits, cash and bank balances	21	121,598	105,571	51,878	52,259
		174,863	179,944	56,514	56,518
CURRENT LIABILITIES					
Payables and accrued liabilities	22	35,681	49,506	303	151
Contract liabilities	23	41	2,396	0	0
Amount owing to a related party	20	0	0	0	311
Hire-purchase liabilities	24	699	426	0	0
Lease liabilities	25	15	35	0	0
Current tax provision		212	194	212	194
		36,648	52,557	515	656
NET CURRENT ASSETS		138,215	127,387	55,999	55,862
		163,020	149,606	131,476	131,289
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY					
Share capital	26	122,475	122,475	122,475	122,475
Capital reorganisation reserve	27	(65,820)	(65,820)	4,357	4,357
Currency translation reserve	27	6,277	3,916	0	0
Retained profits	28	98,109	87,868	4,644	4,457
TOTAL EQUITY		161,041	148,439	131,476	131,289
NON-CURRENT LIABILITIES					
Hire-purchase liabilities	24	1,507	843	0	0
Lease liabilities	25	0	15	0	0
Deferred tax liabilities	29	472	309	0	0
		163,020	149,606	131,476	131,289

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

# Statements of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

GROUP	Share capital	Capital reorganisation reserve	Currency translation reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
At 01.01.2023	122,475	(65,820)	3,916	87,868	148,439
<u>Total comprehensive income:</u>					
Net profit for the financial year	0	0	0	14,225	14,225
Other comprehensive income for the financial year, net of tax	0	0	2,361	0	2,361
	0	0	2,361	14,225	16,586
<u>Transactions with owners:</u>					
Dividends (Note 30)	0	0	0	(3,984)	(3,984)
At 31.12.2023	122,475	(65,820)	6,277	98,109	161,041
At 01.01.2022	66,020	(65,820)	1,767	69,139	71,106
<u>Total comprehensive income:</u>					
Net profit for the financial year	0	0	0	21,717	21,717
Other comprehensive income for the financial year, net of tax	0	0	2,149	0	2,149
	0	0	2,149	21,717	23,866
<u>Transactions with owners:</u>					
Issuance of ordinary shares for the Public Issue (Note 26)	58,000	0	0	0	58,000
Shares issuance costs capitalised for the Public Issue (Note 26)	(1,545)	0	0	0	(1,545)
Dividends (Note 30)	0	0	0	(2,988)	(2,988)
	56,455	0	0	(2,988)	53,467
At 31.12.2022	122,475	(65,820)	3,916	87,868	148,439



# Statements of Changes In Equity (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

COMPANY	Share capital	Capital reorganisation reserve	Retained profits	Total
	RM'000	RM'000	RM'000	RM'000
At 01.01.2023	122,475	4,357	4,457	131,289
<u>Total comprehensive income:</u>				
Net profit for the financial year	0	0	4,171	4,171
Other comprehensive income for the financial year, net of tax	0	0	0	0
	0	0	4,171	4,171
<u>Transactions with owners:</u>				
Dividends (Note 30)	0	0	(3,984)	(3,984)
At 31.12.2023	122,475	4,357	4,644	131,476
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 26)	58,000	0	0	58,000
Shares issuance costs capitalised for the Public Issue (Note 26)	(1,545)	0	0	(1,545)
Dividends (Note 30)	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

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

# Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	GROUP		COMPANY	
		2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
OPERATING CASH FLOWS					
Net profit for the financial year		14,225	21,717	4,171	7,266
Adjustments for:					
Property, plant and equipment ("PPE")					
- depreciation	8	2,478	1,936	0	0
- loss/(gain) on disposals	7	1	(229)	0	0
- written off	7	14	0	0	0
Depreciation of right-of-use assets	8	106	37	0	0
Amortisation of intangible assets	8	10	1	0	0
Allowance for slow-moving and obsolete inventories	8	399	195	0	0
Loss allowance for impairment of trade receivables		992	94	0	0
Dividend income	6	0	0	(4,000)	(8,000)
Interest income	9	(4,807)	(1,562)	(2,059)	(976)
Interest expenses	9	55	64	0	0
Investments in quoted shares:					
- gain on disposal	7	(163)	0	0	0
- fair value (gain)/loss	7	(389)	130	0	0
Net unrealised foreign currency exchange (gain)/loss	7	(138)	191	0	0
Tax expense	11	5,519	7,489	462	194
		18,302	30,063	(1,426)	(1,516)
Changes in working capital:					
Inventories		1,481	(1,432)	0	0
Receivables		20,686	(21,182)	3	221
Payables		(15,346)	16,375	152	119
		25,123	23,824	(1,271)	(1,176)
Dividend income received		0	0	4,000	6,000
Tax paid		(5,969)	(7,376)	(444)	0
Net operating cash flow		19,154	16,448	2,285	4,824

# Statements of Cash Flows (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		GROUP		COMPANY	
	Note	2023	2022	2023	2022
		RM'000	RM'000	RM'000	RM'000
INVESTING CASH FLOWS					
Purchases of PPE	13	(2,107)	(16,396)	0	0
Proceeds from disposals of PPE		1	297	0	0
Purchase of right-of-use assets	14	(3,154)	0	0	0
Purchase of intangible assets	15	(48)	(38)	0	0
Investment in subsidiaries	16.1	0	0	(50)	(5,050)
Placement of fixed deposits pledged to bank		(36)	(1,006)	0	0
Withdrawal of fixed deposits with maturity period of more than 3 months		0	2,245	0	0
Purchases of quoted shares	19	(548)	0	0	0
Proceeds from disposal of quoted shares		408	0	0	0
Interest income received	9	4,422	1,436	1,679	850
Net investing cash flow		(1,062)	(13,462)	1,629	(4,200)
FINANCING CASH FLOWS					
Dividends paid		(3,984)	(12,988)	(3,984)	(2,988)
Expenses paid on behalf by a subsidiary	20.3	0	0	5	379
Repayment of expenses paid on behalf by a subsidiary	20.3	0	0	(316)	(2,212)
Hire-purchase liabilities					
- repayment of principal portion	24	(448)	(553)	0	0
- repayment of interest	24	(54)	(62)	0	0
Lease liabilities					
- repayment of principal portion	25	(35)	(45)	0	0
- repayment of interest	25	(1)	(2)	0	0
Proceeds from the Public Issue Shares	26	0	58,000	0	58,000
Payment of shares issuance costs	26	0	(1,545)	0	(1,545)
Net financing cash flow		(4,522)	42,805	(4,295)	51,634
NET CHANGE IN CASH AND CASH EQUIVALENTS					
		13,570	45,791	(381)	52,258
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR					
		104,300	56,516	52,259	1
EFFECTS OF FOREIGN CURRENCY EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS					
		2,421	1,993	0	0
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR					
	21	120,291	104,300	51,878	52,259

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

# Notes To The Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 1 GENERAL INFORMATION

The Company is an investment holding company. The principal activities of the subsidiaries are set out in Note 16.2 to the financial statements. There have been no significant changes in the nature of these principal activities except for Cnergenz Technology Sdn. Bhd. which was newly incorporated 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 except for the investment in quoted shares measured at 'fair value through profit or loss' ("FVTPL").

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 2023 are as follows:

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

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

In view that MFRS is fully converged with IFRS, the Group and the Company considers all agenda decisions published by the IFRIC. Where relevant, the Group and the Company may change its accounting policy to be aligned with the agenda decision. The applicable IFRIC agenda decision is 'Demand Deposits with Restrictions on Use Arising from a Contract with a Third Party'.

The adoption of the new standards, the amendments to published standards and IFRIC agenda decisions 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 2023

## 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 2024

- Amendments to MFRS 101 'Presentation of Financial Statements' on 'Classification of Liabilities as Current or Non-current and Deferral of Effective Date (2020 Amendments)' and 'Non-current Liabilities with Covenants' (2022 Amendments) (effective 1 January 2024)
- Amendments to MFRS 16 'Leases' on 'Lease Liability in a Sale and Leaseback' (effective 1 January 2024)
- Amendments to MFRS 107 'Statement of Cash Flows' and MFRS 7 'Financial Instruments: Disclosures' on 'Supplier Finance Arrangements' (effective 1 January 2024)

(ii) Financial year beginning on 1 January 2025

- Amendments to MFRS 121 'The Effects of Changes in Foreign Exchange Rates' on 'Lack of Exchangeability'

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.

- 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 and Deferral of Effective Date' clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the entity's expectations or events after the reporting date (e.g. the receipt of a waiver or a breach of covenant).

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

The amendments shall be applied retrospectively.

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

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

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 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 107 and MFRS 7 'Supplier Finance Arrangements' (effective 1 January 2024) require entities to disclose information about the supplier finance arrangements ('SFAs') that enable the users to understand the effects of SFAs on an entity's liabilities, cash flows and exposure to liquidity risk.

The amendments requires the following information about SFAs to be disclosed in the annual period in which the amendments are first applied:

- (a) the terms and conditions of SFAs;
  - (b) the carrying amount of financial liabilities that are part of SFAs and the line items in which those liabilities are presented;
  - (c) the carrying amount of the financial liabilities in (b) for which suppliers have already received payment from the finance providers;
  - (d) the range of payment due dates for both the financial liabilities that are part of SFAs, and comparable trade payables that are not part of such arrangements;
  - (e) the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of SFAs; and
  - (f) liquidity risk information (e.g. concentration of risks; access to SFAs facilities for liquidity requirement).
- Amendments to MFRS 121 'The Effects of Changes in Foreign Exchange Rates' on 'Lack of Exchangeability' (effective 1 January 2025) clarify that a currency is exchangeable when an entity is able to exchange it into another currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism that creates enforceable rights and obligations. If an entity can only obtain no more than an insignificant amount of the other currency at the measurement date for the specified purpose, then the currency is not exchangeable. In such cases, the entity is required to estimate the spot foreign currency exchange rate at the measurement date.

The amendments do not specify how an entity estimates the spot foreign currency exchange rate, but permit an entity to use observable foreign currency exchange rate without adjustment or another estimation technique, provided it could meet the objective for estimating the spot foreign currency exchange rate set out in the amendments.

## 3 MATERIAL ACCOUNTING POLICY INFORMATION

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

### 3.1 Basis of consolidation

- (a) Basis of presentation - Internal Reorganisation

The Company's acquisition of the entire issued and paid-up share capital of SIP under an internal reorganisation 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.



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.1 Basis of consolidation (continued)

#### (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.

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

### 3.2 Investment in subsidiaries in separate financial statements

In the Company's separate financial statements, investment 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 investment in SIP was recorded 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 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.

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 investments in the subsidiaries.

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 3.4 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.

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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.3 Property, plant and equipment (continued)

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 value 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 3.4 to the financial statements on accounting policy for impairment of non-financial assets.

### 3.4 Impairment of non-financial assets

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 affected asset that would have been determined (net of depreciation and amortisation) had no impairment loss been recognised.

### 3.5 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 de-recognition

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 de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group or 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.5 Financial assets (continued)

#### (c) Measurement (continued)

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

#### 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 de-recognition is recognised directly in the profit or loss and presented under '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 under 'other gains/(losses) – net' in the financial period in which it arises.

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

The Group and the Company assessed at each reporting date whether there is any objective evidence that a financial assets is impaired.

#### (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 two types of financial instruments that are subject to the ECL model:

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

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

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.5 Financial assets (continued)

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

##### (i) Impairment for debt instruments (continued)

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 and the Company expect 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.

##### Simplified approach for trade receivables

The Group and the Company apply the MFRS 9 simplified approach to measure ECL which uses a lifetime ECL for all trade receivables. 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) and deposits

At each reporting date, the Group and the Company measure ECL through loss allowance 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. It considers available reasonable and supportable forward-looking information.

The following indicators are incorporated:

- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- actual or expected significant changes in the operating results of the debtor; 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.5 Financial assets (continued)

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

##### (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 of 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 historical past default experience.

##### Qualitative criteria

The debtor meets unlikelihood 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 have been grouped together based on their shared credit risk characteristics (i.e. customers geographical location and/or industry segment) and the days past due, 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 which are in default or credit-impaired are assessed individually. Other receivables (including non-trade amounts due from related parties) and deposits are assessed on individual basis for ECL measurement as credit risk information is obtained and monitored separately.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.5 Financial assets (continued)

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

##### (v) Write-off

##### Trade receivables

Trade receivables 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 have exhausted all reasonable recovery action (including legal action).

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

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

The Group 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.

### 3.6 Financial liabilities

#### (a) Classification

The Group and the Company classify their non-derivative financial liabilities where applicable, in the following categories: 'FVTPL', 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.

##### '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' and 'amounts owing to related parties' 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 and 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

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



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.6 Financial liabilities (continued)

#### d) De-recognition

A financial liability is de-recognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another one from the same lender on substantially different 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.

### 3.7 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 allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices in accordance with the principles in MFRS 15 'Revenue from Contracts with Customers'. However, for leases of properties for which the Group or the Company is a lessee, it has elected the practical expedient provided in MFRS 16 'Lease' 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 considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Company reassesses 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, if any.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the ROU asset is depreciated over the 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 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.7 Leases (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;
- 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.

The Group and the Company presents 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.

#### 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.

#### *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 (e.g. property, plant and equipment). 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.

### 3.8 Current and deferred taxes

Tax expense for the financial period comprises current and deferred taxes. The income tax expense or credit for the financial period is the tax payable on the current financial period's taxable income based on the applicable income tax rate 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.8 Current and deferred taxes (continued)

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the reporting date 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.

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 where there is an intention to settle the balances on a net basis.

### 3.9 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 inventories includes purchase price and any cost that is 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.

### 3.10 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 3.5(d) to the financial statements on the accounting policy for impairment of financial assets.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.11 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.

When there is objective evidence of impairment, the amount of impairment is determined by comparing the contract assets' carrying amount and present value of estimated future cash flows to be generated by the contract assets. See Note 3.5(d) to the financial statements on accounting policy for impairment of financial assets.

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.

### 3.12 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.

### 3.13 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 business 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.

### 3.14 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 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.15 Contingent assets and liabilities

The Group and the Company do not recognise contingent assets and liabilities other than those arising from business combinations but discloses its existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group 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.

### 3.16 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 (the earliest date of consolidation) 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 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.17 Revenue

#### Revenue from contracts with customers

Revenue 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.

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 or another vendor. 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.

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 3.17(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.



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.17 Revenue (continued)

#### Revenue from contracts with customers (continued)

##### (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.

##### (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

##### (a) Dividend income

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. This applies even if they are paid out of pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

##### (b) 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 3.7 to the financial statements for the accounting policy on lessor accounting.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.18 Other income

(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 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) Other income

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

### 3.19 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.

(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 subsidiaries of the Company contributes to the Employee Provident Fund, the national defined contribution plan in Malaysia. The subsidiaries' 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 3 MATERIAL ACCOUNTING POLICY INFORMATION (CONTINUED)

### 3.20 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 financial statements of the Group and of the Company are presented in Ringgit Malaysia ("RM"), which is the Company's functional and 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'.

### 3.21 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 2023

## 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 may use 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. There are no derivative financial instruments held by the Group as at 31 December 2023 and 31 December 2022.

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, i.e. 13% (2022: 21%) on revenue and 12% (2022: 24%) on purchases for the financial year ended 31 December 2023. 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (i) Foreign currency exchange risk (continued)

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

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

GROUP	Functional currencies of the group entities		Currencies other than functional currency of the group entities			Total
	RM	USD	RM	EUR	SGD	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>2023</u>						
FINANCIAL ASSETS						
Receivables and deposits	530	26,274	5,072	812	0	32,688
Deposits, cash and bank balances	51,909	66,436	1,874	1,378	1	121,598
	52,439	92,710	6,946	2,190	1	154,286
FINANCIAL LIABILITIES						
Payables and accrued liabilities (excluding accrued payroll liabilities)	(309)	(33,294)	(396)	(774)	(6)	(34,779)
Hire-purchase liabilities	0	0	(2,206)	0	0	(2,206)
Lease liabilities	0	0	(15)	0	0	(15)
	(309)	(33,294)	(2,617)	(774)	(6)	(37,000)
Net exposure in the statement of financial position	N/A	N/A	4,329	1,416	(5)	5,740
<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

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

#### (a) Market risk (continued)

##### (i) Foreign currency exchange risk (continued)

###### *Sensitivity Analysis*

No sensitivity analysis is prepared as at 31 December 2023 and 31 December 2022 as the Group's exposure to foreign currencies (i.e. RM, EUR and SGD) is immaterial.

##### (ii) Interest rate risk

Interest rate risk is the risk that fair value or future cash flows of the Group's and of 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 fixed deposits and bank balances with licensed banks, hire-purchase and lease liabilities. 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 of 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 2023 and 31 December 2022.

##### (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 classified as current asset in the statements of financial position as 'investment in quoted shares'.

###### *Sensitivity Analysis*

Sensitivity analysis is not performed for price risk as the Group's exposure to the change in the price of the quoted shares is immaterial as at 31 December 2023 and 31 December 2022.



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

#### (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 a related party', 'fixed deposits with licensed banks' and 'bank balances'. Fixed deposits and bank balances 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 regular monitoring of debtors' account and credit limit. The Company analyses the credit risk for each of its new customers before standard payment/credit and delivery terms and conditions are offered. Subsequently, products and services are only sold and rendered to customers with an appropriate payment history. Individual credit limits are set for each external customer based on credit quality evaluation, which take into account the customer's financial position, past experience and other factors.

#### (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 (included in 'amount due from a related party'), fixed deposits 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.

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

#### Trade receivables using simplified approach

The Group applies a provision matrix (i.e. net flow rate method) to derive the expected credit loss rates for each aging band to be applied to trade receivables as at 31 December 2023 and 31 December 2022. The expected credit loss rates are based on the payment profiles of sales over a period of 60 (2022: 36) months before each reporting date and the corresponding historical credit losses experienced within these periods. The historical credit loss rates are adjusted to reflect current and forward-looking information on macroeconomics factors affecting the ability of the customers to settle the receivables if they are expected to have a material impact. The Group has identified the expected GDP growth rates of the countries where its customers operate in, to be the most relevant factor, and accordingly adjust the historical credit loss rates based on expected changes in the GDP growth rates. No significant changes to estimation techniques or assumptions were made during the reporting period except for the historical period used to estimate the expected credit loss rates was changed from 36 months to 60 months due to the availability of data that management foresees will better predict the expected credit loss in the portfolio.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

#### (b) Credit risk (continued)

##### (i) Measurement of expected credit losses (continued)

##### Trade receivables using simplified approach (continued)

Based on management assessment, the loss allowance for impairment of trade receivables as at 31 December 2023 amounted to approximately RM1,153,000 (2022: RM168,000).

##### Other receivables (including non-trade amount due from a related party) and deposits using general 3-stage approach

The Group and the Company use three (3) categories for other receivables (including non-trade amount due from a related party) 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 and the Company'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 3.5(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 3.5(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 3.5(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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 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 amount due from a related party) and deposits using general 3-stage approach (continued)

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 expected GDP growth rates in the countries 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.

Based on the assessment performed above, all other receivables (including non-trade amount due from a related party) 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, the identified loss allowance for impairment of other receivables (including non-trade amount due from a related party) and deposits of the Group and of the Company as at 31 December 2023 and 31 December 2022 was immaterial.

##### (ii) Movements in loss allowance for impairment

##### Trade receivables using simplified approach

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

	GROUP		
	2023		2022
	Lifetime ECL	Credit impaired	Total
	RM'000	RM'000	RM'000
As at 1 January	168	0	168
(Reversal of)/increase in loss allowance for impairment of trade receivables	(106)	1,098	992
Currency translation differences	10	(17)	(7)
As at 31 December	72	1,081	1,153

The increase in credit impaired trade receivables of the Group for the financial year ended 31 December 2023 was mainly attributed to specific provision made for the outstanding balance from a customer in which there wasn't any repayment being made since the end of the previous financial year.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 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:

<u>GROUP</u> <u>2023</u>	Past due (Lifetime ECL):							Total
	Current	<30 days	31-60 days	61-90 days	91-180 days	>180 days	Specific allowance	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Gross carrying amount:								
- trade receivables	19,804	6,707	1,027	1,179	2,828	655	1,081	33,281
Loss allowance for impairment	(12)	(9)	(3)	(4)	(23)	(21)	(1,081)	(1,153)
Carrying amount (net of loss allowance)	19,792	6,698	1,024	1,175	2,805	634	0	32,128
Expected loss rates	0.061%	0.134%	0.292%	0.339%	0.813%	3.206%		
<u>2022</u>								
Gross carrying amount:								
- trade receivables	29,041	8,262	1,260	60	11,998	1,896		52,517
Loss allowance for impairment	(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
Expected loss rates	0.045%	0.121%	0.238%	0.310%	0.608%	3.639%		

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

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 amounted to approximately RM17,711,000 (2022: RM19,597,000), which accounted for 55% (2022: 37%) of total trade receivables balance. The Group's major customers are established organisations which have good payment history with the Group.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 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)

##### Other receivables (including non-trade amount due from a related party) and deposits

All other receivables (including non-trade amount due from a related party) and deposits are classified under 'performing' category and no material loss allowance for impairment was identified as at 31 December 2023 and 2022.

#### (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 reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

<b>GROUP</b>	<b>Contractual undiscounted cash flows</b>					<b>Carrying amount</b>
	<b>Within 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>2023</b>						
Payables and accrued liabilities (excluding accrued payroll liabilities)	34,779	0	0	0	34,779	34,779
Hire-purchase liabilities	779	729	891	0	2,399	2,206
Lease liabilities	15	0	0	0	15	15
Total undiscounted financial liabilities	<u>35,573</u>	<u>729</u>	<u>891</u>	<u>0</u>	<u>37,193</u>	<u>37,000</u>
<b>2022</b>						
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>

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.1 Financial risk factors (continued)

(c) Liquidity risk (continued)

<u>COMPANY</u>	Contractual undiscounted cash flows					Carrying amount RM'000
	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	
<u>2023</u>						
Payables and accrued liabilities	303	0	0	0	303	303
Total undiscounted financial liabilities	<u>303</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>303</u>	<u>303</u>
<u>2022</u>						
Payables and accrued liabilities	151	0	0	0	151	151
Amount owing to a related party	<u>311</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>311</u>	<u>311</u>
Total undiscounted financial liabilities	<u>462</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>462</u>	<u>462</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).

Specific valuation technique used to value financial instruments include:

- the fair value of investment in quoted shares is determined based on the quoted market price at the reporting date.

There were no transfers between level 1, 2 and 3 during the financial year.



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 4 FINANCIAL RISK MANAGEMENT (CONTINUED)

### 4.3 Fair value estimation (continued)

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

As at 31 December 2023 and 31 December 2022, none of the other assets and liabilities of the Group and of the Company are measured at fair value which require classification under fair value measurement hierarchy in accordance with MFRS 13 except for the investment in quoted shares.

#### 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 2023, the fair value of Group's investment in quoted shares amounted to RM1,155,000 (2022: RM458,000).

- (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	17
Amount due from/owing to a related party	20
Deposits, cash and bank balances	21
Payables and accrued liabilities	22

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.

## 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:

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 5 CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONTINUED)

### 5.1 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 credit 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 estimate at the end of each reporting period.

Trade receivables are grouped based on shared credit risk characteristics and days past due, with expected credit 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, of which a separate evaluation will be performed for those receivables aged more than 300 days. The judgement is made based on the specific circumstances surrounding the aged receivables and the credit assessment performed over the customers. Refer to Note 4.1(b)(ii) for details on the specific loss allowance for impairment made for trade receivables aged more than 300 days.

## 6 REVENUE

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Revenue from contracts with customers	161,569	211,471	0	0
Revenue from other sources	124	5,420	4,000	8,000
	<u>161,693</u>	<u>216,891</u>	<u>4,000</u>	<u>8,000</u>

### 6.1 Revenue from contracts with customers

(a) Disaggregation of revenue from contracts with customers

	GROUP	
	2023	2022
	RM'000	RM'000
Provision of integrated solutions for SMT manufacturing line:		
- sales of SMT machines and equipment	74,412	83,172
- provision of integration services	374	345
	<u>74,786</u>	<u>83,517</u>
Sales of standalone SMT machines and equipment	62,543	105,081
Sales of spare parts and consumables	17,683	18,055
Provision of other services	6,557	4,818
	<u>161,569</u>	<u>211,471</u>

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 6 REVENUE (CONTINUED)

### 6.1 Revenue from contracts with customers (continued)

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

	GROUP	
	2023	2022
	RM'000	RM'000
Point in time	154,638	206,308
Over time	6,931	5,163
	161,569	211,471

(c) Revenue by geographical area is as follows:

	GROUP	
	2023	2022
	RM'000	RM'000
Malaysia	70,571	124,005
Thailand	70,257	77,316
Vietnam	19,821	9,732
Asia (excluding Malaysia, Thailand and Vietnam)	598	390
Others	322	28
	161,569	211,471

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	
	2023	2022
	RM'000	RM'000
Electronics manufacturing services providers located in Thailand:		
Customer A	51,031	24,108
Customer B	0*	23,312
Electronics manufacturing services providers located in Malaysia:		
Customer C	13,053*	21,758
Electronics product brand owner located in Malaysia:		
Customer D	6,893*	21,742

\* Below 10% threshold. Presented for comparison only.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 6 REVENUE (CONTINUED)

### 6.1 Revenue from contracts with customers (continued)

(e) Unsatisfied performance obligations

	GROUP	
	2023	2022
	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	21,308	68,535

(f) Reconciliation of contract balances

Reconciliation of contract liabilities are disclosed in Note 23 to the financial statements.

### 6.2 Revenue from other sources

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Rental income from operating lease	124	5,420	0	0
Dividend income from a subsidiary	0	0	4,000	8,000
	124	5,420	4,000	8,000

## 7 OTHER GAINS/(LOSSES) – NET

	GROUP	
	2023	2022
	RM'000	RM'000
Foreign currency exchange (losses)/gains:		
- realised	(394)	1
- unrealized	138	(191)
	(256)	(190)
Property, plant and equipment:		
- (loss)/gain on disposals	(1)	229
- written off	(14)	0
Investment in quoted shares:		
- gain on disposal	163	0
- fair value gain/(loss)	389	(130)
	281	(91)

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 8 OPERATING PROFIT

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Operating profit is stated after charging/ (crediting) the following items:				
Auditors' remuneration				
- statutory audit	144	134	35	33
- other assurance services	11	11	11	11
Employee benefit costs (Note 10)	8,928	8,368	12	10
Directors' fee	264	264	264	264
Depreciation on property, plant and equipment (Note 13)	2,478	1,936	0	0
Depreciation of ROU assets (Note 14)	106	37	0	0
Amortisation of intangible assets (Note 15)	10	1	0	0
Allowance for slow-moving and obsolete inventories	399	195	0	0
Rental income	(252)	(390)	0	0
Professional fee	853	1,053	737	1,018
Short-term lease rental for office premises (under 'general and administrative expenses')	64	72	0	0
Insurance claims received	71	0	0	0

## 9 FINANCE INCOME – NET

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<u>Finance income:</u>				
Interest income – fixed deposits	4,685	1,449	2,058	926
Interest income – current accounts	121	66	1	3
Interest income – other	1	47	0	47
	4,807	1,562	2,059	976
<u>Finance costs:</u>				
Interest expense on lease liabilities	(1)	(2)	0	0
Interest expense on hire-purchase liabilities	(54)	(62)	0	0
	(55)	(64)	0	0
	4,752	1,498	2,059	976

During the financial year, the interest income of the Group and of the Company are approximately RM4,807,000 and RM2,059,000 respectively (2022: RM1,562,000 and RM976,000) of which approximately RM511,000 and RM506,000 respectively (2022: RM126,000 and RM126,000) were included in the receivables, deposits and prepayments. Interest income of approximately RM4,422,000 and RM1,679,000 (2022: RM1,436,000 and RM850,000) were received by the Group and the Company respectively during the financial year.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 10 EMPLOYEE BENEFIT COSTS

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Directors' remuneration:				
- salaries and bonus	2,081	1,835	0	0
- defined contribution retirement plan	250	220	0	0
- other employee benefits	41	47	12	10
	<u>2,372</u>	<u>2,102</u>	<u>12</u>	<u>10</u>
Other employees:				
- wages, salaries and bonus	5,605	5,304	0	0
- defined contribution retirement plan	591	542	0	0
- other employee benefits	360	420	0	0
	<u>6,556</u>	<u>6,266</u>	<u>0</u>	<u>0</u>
	<u>8,928</u>	<u>8,368</u>	<u>12</u>	<u>10</u>

The estimated monetary value of benefits-in-kind received by the directors from the Group for the financial year ended 31 December 2023 amounted to approximately RM63,000 (2022: RM80,000).

The number of employees of the Group at the end of the financial year is 65 (2022: 58). The Company has no employees at the end of the financial year (2022: 0).

## 11 TAX EXPENSE

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Current income tax:				
- Current financial year	(5,307)	(6,597)	(461)	(194)
- Under accrual in previous financial year	(61)	(15)	(1)	0
	<u>(5,368)</u>	<u>(6,612)</u>	<u>(462)</u>	<u>(194)</u>
Deferred tax (Note 29):				
- Current financial year	(151)	(877)	0	0
Tax expense	<u>(5,519)</u>	<u>(7,489)</u>	<u>(462)</u>	<u>(194)</u>

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 11 TAX EXPENSE (CONTINUED)

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

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Profit before tax	19,744	29,206	4,633	7,460
Taxation calculated at Malaysian income tax rate of 24% (2022: 24%)	(4,739)	(7,009)	(1,112)	(1,790)
Tax effects of:				
- Expenses not deductible for tax purposes	(874)	(465)	(309)	(324)
- Income not subject to tax	155	0	960	1,920
- Under accrual of current income tax in previous financial year	(61)	(15)	(1)	0
Tax expense	(5,519)	(7,489)	(462)	(194)

## 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.

	GROUP	
	2023	2022
	RM'000	RM'000
Net profit for the financial year attributable to owners of the Company (RM'000)	14,225	21,717
Weighted average number of ordinary shares in issue during the financial year ('000)	498,000	458,822
Basic earnings per share (Sen)	2.86	4.73

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



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 13 PROPERTY, PLANT AND EQUIPMENT

GROUP	Buildings	Furniture, fittings and office equipment	Tools and machinery	Motor vehicles	Capital work in progress ("CWIP")	Total
<u>2023</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
COST						
At 01.01.2023	1,952	1,633	18,548	4,148	232	26,513
Additions	0	94	1,053	1,580	0	2,727
Disposals	0	(6)	0	0	0	(6)
Written off	0	(69)	(4)	0	0	(73)
Currency translation differences	89	55	859	162	11	1,176
At 31.12.2023	2,041	1,707	20,456	5,890	243	30,337
ACCUMULATED DEPRECIATION						
At 01.01.2023	573	1,221	1,446	2,678	0	5,918
Depreciation	31	96	1,832	519	0	2,478
Disposals	0	(4)	0	0	0	(4)
Written off	0	(56)	(3)	0	0	(59)
Currency translation differences	36	50	213	170	0	469
At 31.12.2023	640	1,307	3,488	3,367	0	8,802
CARRYING AMOUNT						
At 31.12.2023	1,401	400	16,968	2,523	243	21,535
<u>2022</u>						
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 2023

## 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of approximately RM2,727,000 (2022: RM6,303,000) of which approximately RM129,000 (2022: RM894,000) was included in the payable and accrued liabilities and approximately RM1,385,000 (2022: RM269,000) was financed by hire-purchase agreements. Cash payments of approximately RM2,107,000 (2022: RM16,396,000) for purchase of property, plant and equipment during the year includes payments in respect of payables recognised in previous financial year of RM894,000 (2022: RM11,256,000).

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

	GROUP	
	2023	2022
	RM'000	RM'000
Motor vehicles under hire-purchase	2,518	1,452
Motor vehicles held under trust by key management personnel*	1,795	516
Motor vehicles held under trust by other employees*	723	633

\* 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.

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

GROUP	2023			2022
	Leasehold land	Office premises	Total	Office premises
	RM'000	RM'000	RM'000	RM'000
<b>COST</b>				
At 1 January	0	127	127	121
Additions	3,154	0	3,154	0
Currency translation differences	64	6	70	6
At 31 December	3,218	133	3,351	127
<b>ACCUMULATED DEPRECIATION</b>				
At 1 January	0	60	60	20
Depreciation	52	54	106	37
Currency translation differences	0	3	3	3
At 31 December	52	117	169	60
<b>CARRYING AMOUNT</b>				
At 31 December	3,166	16	3,182	67

### 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 (2022: 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 15 INTANGIBLE ASSETS

	GROUP	
	2023	2022
	RM'000	RM'000
<u>TRADEMARK</u>		
COST		
At 1 January	47	0
Addition (fully paid during the respective financial year)	48	38
Currency translation differences	5	9
At 31 December	100	47
ACCUMULATED AMORTISATION		
At 1 January	1	0
Amortisation for the financial year	10	1
Currency translation differences	1	0
At 31 December	12	1
CARRYING AMOUNT		
At 31 December	88	46

## 16 INVESTMENT IN SUBSIDIARIES

### 16.1 Details of investment in subsidiaries

	COMPANY	
	2023	2022
	RM'000	RM'000
UNQUOTED SHARES, AT COST		
At 1 January	75,427	70,377
Capital contribution in a newly incorporated subsidiary	1	0
Subscription for additional shares in subsidiaries	49	5,050
At 31 December	75,477	75,427

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 16 INVESTMENT IN SUBSIDIARIES (CONTINUED)

### 16.2 Details of subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Equity interest as at		Principal activities
		2023	2022	
		%	%	
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.
Cnengenz Technology Sdn. Bhd.*	Malaysia	100.0	N/A	Currently a dormant company with the intention to engage in 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.

\* Audited by PricewaterhouseCoopers PLT, Malaysia.

### 16.3 Capital contribution in a newly incorporated subsidiary

On 10 March 2023, Cnengenz Technology Sdn. Bhd. was incorporated with an issued and paid-up capital of RM1 comprising 1 ordinary shares of RM1.

### 16.4 Subscription of additional ordinary shares of subsidiaries

#### For the financial year ended 31 December 2023

On 30 June 2023, the Company has subscribed for 999 new ordinary shares of Cnengenz Technology Sdn. Bhd., its wholly-owned subsidiary at an issue price of RM1 per share which amounted to RM999 for purpose of financing its working capital requirements. The subscription was fully satisfied in cash.

On 29 December 2023, the Company has subscribed for 49,000 new ordinary shares of Cnengenz Technology Sdn. Bhd., its wholly-owned subsidiary at an issue price of RM1 per share which amounted to RM49,000 for purpose of financing its working capital requirements. The subscription was fully satisfied in cash.

#### For the financial year ended 31 December 2022

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 expenditures. The subscription was fully satisfied in cash.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 17 RECEIVABLES, DEPOSITS AND PREPAYMENTS

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
NON-CURRENT ASSETS:				
Prepayments	0	1,511	0	0
CURRENT ASSETS:				
Trade receivables	33,281	52,517	0	0
Less: Accumulated loss allowance for impairment (Note 4.1(b)(ii))	(1,153)	(168)	0	0
	32,128	52,349	0	0
Other receivables	512	127	506	126
Deposits	48	30	24	1
Prepayments	347	936	106	132
	907	1,093	636	259
	33,035	53,442	636	259

As at 31 December 2022, included in the non-current assets of the Group is prepayment for leasehold land acquisition amounted to approximately RM1,511,000. This prepayment has been reclassified to right-of-use assets upon the completion of the acquisition on 30 January 2023.

Credit terms of trade receivables ranged from 0 to 90 days (2022: 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 acquiring inventories amounted to approximately RM60,000 (2022: RM667,000) as at 31 December 2023.

The currency exposure profile of receivables and deposits are as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	5,602	6,578	530	127
United States Dollar	26,274	45,297	0	0
Euro	812	631	0	0
	32,688	52,506	530	127

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 18 INVENTORIES

	GROUP	
	2023	2022
	RM'000	RM'000
Trading goods	21,404	22,964
Less: Allowance for slow-moving and obsolete inventories	(3,098)	(2,590)
	<u>18,306</u>	<u>20,374</u>

The cost of inventories recognised as an expense in 'cost of sales and services' of the Group during the financial year amounted to approximately RM126,081,000 (2022: RM170,906,000).

Additional allowance for slow-moving and obsolete inventories made during the financial year amounted to RM399,000 (2022: RM195,000). These were recognised as an expense in the profit and loss and included in 'cost of sales and services'.

## 19 INVESTMENT IN QUOTED SHARES

	GROUP	
	2023	2022
	RM'000	RM'000
Quoted shares in Malaysia:		
- Held for trading at fair value through profit or loss	<u>1,155</u>	<u>458</u>

The Group's investment in quoted shares was initially 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.

The movements of investment in quoted shares during the financial year are as follows:

	GROUP	
	2023	2022
	RM'000	RM'000
As at 1 January	458	589
Purchases during the year	548	0
Disposals during the year	(245)	0
Fair value gain/(loss) recognised in 'other gains/(losses) - net' (Note 7)	389	(130)
Currency translation difference	5	(1)
As at 31 December	<u>1,155</u>	<u>458</u>

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 20 RELATED PARTY DISCLOSURES

### 20.1 Related parties and relationships

The subsidiaries of the Company are listed in Note 16 to the financial statements.

Other related parties of the Company are as follows:

Related parties	Country of incorporation	Relationships
Lye Yhin Choy	Not applicable	Ultimate controlling shareholder
Kong Chia Liang	Not applicable	Substantial shareholder

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.

### 20.2 Related party balances

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Amount due from a related party				
- Non-trade				
- Dividend income receivable from subsidiary	0	0	4,000	4,000
Amount owing to a related party				
- Non-trade	0	0	0	311

Credit term for the non-trade amount owing to a related party is 30 days (2022: 30 days) from invoice date. All amounts due from/(owing to) are denominated in Ringgit Malaysia.

### 20.3 Significant related party transactions

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Transactions with a subsidiary:				
Expenses paid on behalf by the subsidiary	0	0	5	379
Repayment of expenses paid on behalf by the subsidiary	0	0	(316)	(2,212)
Dividend income received/receivable	0	0	4,000	8,000
Transactions with an ultimate controlling shareholder and a substantial shareholder:				
Repayment of lease liabilities	(35)	(45)	(0)	(0)

The above transactions were established based on terms and rates agreed between the entities within the Group and its related parties.



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 20 RELATED PARTY DISCLOSURES (CONTINUED)

### 20.4 Key management compensation

Included in the employee benefit costs are compensations paid to key management personnel as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Salaries and bonus	2,737	2,488	0	0
Defined contribution retirement plan	337	304	0	0
Other employee benefits	132	127	0	0
	3,206	2,919	0	0

The estimated monetary value of benefits-in-kind received/receivable by the key management personnel from the Group for the financial year ended 31 December 2023 amounted to approximately RM108,000 (2022: RM125,000).

## 21 DEPOSITS, CASH AND BANK BALANCES

Cash and cash equivalents included in statements of cash flows comprise the following:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Fixed deposits with a licensed bank	117,693	93,709	51,500	51,025
Cash and bank balances	3,905	11,862	378	1,234
	121,598	105,571	51,878	52,259
Less: Fixed deposits pledged as security for bank guarantees	(1,307)	(1,271)	0	0
Cash and cash equivalents	120,291	104,300	51,878	52,259

The fixed deposits pledged as security for bank guarantees are under lien to a local licensed bank to secure the performance bond for the goods and services provided to certain customers.

The currency exposure profile of deposits, cash and bank balances are as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	53,783	55,221	51,878	52,259
United States Dollar	66,436	42,540	0	0
Euro	1,378	7,791	0	0
Singapore Dollar	1	19	0	0
	121,598	105,571	51,878	52,259

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 22 PAYABLES AND ACCRUED LIABILITIES

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Trade payables	26,664	44,379	0	0
Other payables	558	1,144	272	110
Accrued liabilities – payroll	902	647	0	0
Accrued liabilities – others	7,361	1,120	31	41
Customer deposits	196	2,216	0	0
	9,017	5,127	303	151
	35,681	49,506	303	151

Credit terms of trade and other payables vary from 30 to 90 days (2022: 30 to 90 days) from invoice date.

The customer deposits comprise solely the refundable deposits received from customers upon confirmation of orders.

The currency exposure profile of payables and accrued liabilities (excluding payroll related liabilities) are as follows:

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
Ringgit Malaysia	705	579	303	151
United States Dollar	33,294	38,188	0	0
Euro	774	9,818	0	0
Singapore Dollar	6	274	0	0
	34,779	48,859	303	151

## 23 CONTRACT LIABILITIES

Contract liabilities represent the Group's obligations to transfer goods or services to customers for which the Group has received consideration in advance from customers.

	GROUP	
	2023	2022
	RM'000	RM'000
As at 1 January	2,396	9,037
Increases due to cash received, excluding amount recognised as revenue during the financial year	41	2,396
Revenue recognised that was included in the contract liabilities at the beginning of the financial year	(2,407)	(9,093)
Currency translation differences	11	56
As at 31 December	41	2,396

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 24 HIRE-PURCHASE LIABILITIES

	GROUP	
	2023	2022
	RM'000	RM'000
Gross instalments payable:		
- within 1 year	779	473
- between 1 and 2 years	729	322
- between 2 and 5 years	891	576
Total minimum hire-purchase payments	2,399	1,371
Less: Future finance charges	(193)	(102)
	2,206	1,269
Repayable at net present value:		
- current	699	426
- non-current	1,507	843
	2,206	1,269

The movements of hire-purchase liabilities during the financial year are as follows:

	GROUP	
	2023	2022
	RM'000	RM'000
As at 1 January	1,269	1,555
Additions	1,385	269
Interest expense charged during the financial year	54	62
Repayment of hire-purchase liabilities	(448)	(553)
Repayment of interest expense	(54)	(62)
Unrealised foreign exchange loss/(gain)	4	(60)
Currency translation differences	(4)	58
As at 31 December	2,206	1,269

The hire-purchases are carried at fixed interest rates. As at 31 December 2023, the effective interest rate ranged from 1.8% to 3.26% (2022: 1.80% to 3.26%) per annum.

Hire-purchase liabilities are secured 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 25 LEASE LIABILITIES

	GROUP	
	2023	2022
	RM'000	RM'000
Gross lease payable:		
- within 1 year	15	36
- between 1 and 2 years	0	15
Total minimum lease payments	15	51
Less: Future finance charges	0	(1)
	15	50
Repayable at net present value:		
- current	15	35
- non-current	0	15
	15	50

The movements of lease liabilities during the financial year are as follows:

	GROUP	
	2023	2022
	RM'000	RM'000
As at 1 January	50	95
Interest expense charged during the financial year	1	2
Repayment of lease liabilities	(35)	(45)
Repayment of interest expense	(1)	(2)
As at 31 December	15	50

## 26 SHARE CAPITAL

	GROUP AND COMPANY			
	2023		2022	
	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 2023/2022	498,000	122,475	398,000	66,020
Shares issued upon the Public Issue	0	0	100,000	58,000
Shares issuance costs capitalised for the Public Issue	0	0	0	(1,545)
As at 31 December 2023/2022	498,000	122,475	498,000	122,475

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 26 SHARE CAPITAL (CONTINUED)

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.

	<b>2022</b>
	<b>RM'000</b>
Included in the shares issuance costs capitalised for the Public Issue are as follows:	
Professional fees	512
Brokerage, placement fees and underwriting commission	1,033
	<u>1,545</u>

## 27 CAPITAL RESERVES

### 27.1 Capital reorganisation reserve

Capital reorganisation reserve 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 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 reserve 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. During the financial year ended 31 December 2021, the capital reorganisation reserve was reduced by RM100,000 arising from the issuance of additional share capital of SIP by the same amount on 1 March 2021.

### 27.2 Currency translation reserve

The foreign currency translation reserve 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 of the Company (which is in RM).

### 27.3 Share options reserve

At an extraordinary general meeting held on 24 May 2023, the Company's shareholders approved the establishment of the Employees Share Option Scheme ("ESOS") of up to 10% of the total number of issued ordinary shares of the Company (excluding treasury shares, if any) at any point of time to Eligible Person of the Group. The ESOS will be administered by the ESOS Committee in accordance with the By-Laws of the ESOS.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 27 CAPITAL RESERVES (CONTINUED)

### 27.3 Share options reserve (continued)

The salient features of the scheme are, inter alia, as follows:

- (a) The ESOS shall be in force for a period of 5 years starting from 15 September 2023 ("ESOS Period") and may be extended at the sole and absolute discretion of the Board upon recommendation of the ESOS Committee provided that the ESOS Period shall not in aggregate exceed the duration of 10 years starting from 15 September 2023 or such longer duration as may be allowed by Bursa Securities and or any other relevant authorities;
- (b) The total number of shares which may be made available under the ESOS shall not exceed in aggregate 10% of the total number of issued ordinary shares of the Company (excluding treasury shares, if any) at any point in time throughout the ESOS Period;
- (c) Eligible Person who fulfils the following criteria shall be eligible to participate in the ESOS:
  - (i) if he/she has attained the age of at least 18 years old or older and is not an undischarged bankrupt nor subject to any bankruptcy proceedings;
  - (ii) if he/she is an employee or executive director, he/she is employed on a full-time basis or is serving in a specific designation under an employment contract for a fixed duration of not less than one (1) year and is on the payroll of any company (not being dormant) in the Group and has not served a notice to resign or received a notice of termination; and
  - (iii) if he/she is an employee or executive director, his/her employment has been confirmed in writing and is not under any probationary period.

In the case where an Eligible Person is a director, major shareholder or chief executive, or a person connected with such director, major shareholder or chief executive, any specific allocation to the said Eligible Person under the ESOS must be approved by shareholders at a general meeting;

- (d) Not more than 10% of the aggregate number of ordinary shares to be issued under the ESOS shall be allocated to any individual Eligible Person who, either singly or collectively through persons connected with the Eligible Person, holds 20% or more of the total number of issued ordinary shares of the Company (excluding treasury shares, if any); and
- (e) The ordinary shares issued pursuant to the ESOS shall rank pari passu in all respects with the existing ordinary shares of the Company.

The Company did not grant any share options under the ESOS during the financial year.

## 28 RETAINED PROFITS

Dividends paid out of retained profits of the entities within the Group are single-tier dividends which are tax exempt in the hands of shareholder(s) of the respective entities.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 29 DEFERRED TAX LIABILITIES

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

	GROUP	
	2023	2022
	RM'000	RM'000
Subject to income tax:		
Deferred tax liabilities	(472)	(309)

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

	GROUP	
	2023	2022
	RM'000	RM'000
As at 1 January	(309)	523
Charged to profit or loss (Note 11):		
- Property, plant and equipment	(430)	(1,171)
- Loss allowance for impairment of trade receivables	238	23
- Allowance for slow-moving and obsolete inventories	95	47
- Right-of-use assets	13	10
- Accrued liabilities	(6)	185
- Lease liabilities	(9)	(12)
- Unrealised foreign currency exchange differences	(52)	41
	(151)	(877)
Credited to other comprehensive income:		
- Currency translation differences	(12)	45
As at 31 December	(472)	(309)

The deferred tax assets and liabilities as at the reporting date are as follows:

	GROUP	
	2023	2022
	RM'000	RM'000
Subject to income tax:		
Deferred tax liabilities (before offsetting):		
- Property, plant and equipment	1,690	1,211
- Right-of-use assets	4	16
	1,694	1,227
Offsetting	(1,222)	(918)
Deferred tax liabilities (after offsetting)	472	309



# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 29 DEFERRED TAX LIABILITIES (CONTINUED)

The deferred tax assets and liabilities as at the reporting date are as follows (continued):

	GROUP	
	2023	2022
	RM'000	RM'000
Subject to income tax:		
Deferred tax assets (before offsetting):		
- Loss allowance for impairment of trade receivables	277	40
- Allowance for slow-moving and obsolete inventories	744	622
- Accrued liabilities	186	184
- Lease liabilities	3	12
- Unrealised foreign currency exchange losses	12	60
	1,222	918
Offsetting	(1,222)	(918)
Deferred tax assets (after offsetting)	0	0

## 30 DIVIDENDS

	GROUP	
	2023	2022
	RM'000	RM'000
In respect of the financial year ended 31 December 2022 on 498,000,000 ordinary shares:		
- Second interim single-tier tax exempt dividend of RM0.008 per share, declared on 23 February 2023 and paid on 22 March 2023	3,984	0
- First interim single-tier tax exempt dividend of RM0.006 per share, declared on 17 November 2022 and paid on 22 December 2022	0	2,988

Subsequent to end of the financial year ended 31 December 2023, a first interim single tier tax exempt dividend of RM0.008 per share on 498,000,000 ordinary shares, amounted to RM3,984,000 for the financial year ended 31 December 2023, was declared and approved by the directors on 26 February 2024. The dividend which was paid on 1 April 2024 will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2024.

The directors of the Company do not recommend the payment of any final dividend for the financial years ended 31 December 2023 and 2022.

## 31 CAPITAL COMMITMENTS

	GROUP	
	2023	2022
	RM'000	RM'000
Capital commitments in respect of property, plant and equipment		
- Contracted but not provided for	0	1,615

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 32 FINANCIAL INSTRUMENTS

### 32.1 Classification of financial instruments

	GROUP		COMPANY	
	2023	2022	2023	2022
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets measured at amortised cost less impairment</u>				
Receivables and deposits	32,688	52,506	530	127
Amount due from a related party	0	0	4,000	4,000
Deposits, cash and bank balances	121,598	105,571	51,878	52,259
	154,286	158,077	56,408	56,386
<u>Financial asset measured at fair value through profit or loss</u>				
Investment in quoted shares	1,155	458	0	0
Total financial assets	155,441	158,535	56,408	56,386
<u>Financial liabilities measured at amortised cost</u>				
Payables and accrued liabilities (excluding accrued payroll liabilities)	34,779	48,859	303	151
Amount owing to a related party	0	0	0	311
Total financial liabilities	34,779	48,859	303	462

### 32.2 Fair value of financial instruments

See details of fair value of financial instruments as disclosed in Note 4.3 to the financial statements.

## 33 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 2023 and 2022 and the consolidated statement of financial position as at 31 December 2023 and 31 December 2022. 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.

# Notes To The Financial Statements (Cont'd)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

## 34 EVENTS WHICH OCCURRED DURING AND SUBSEQUENT TO THE FINANCIAL YEAR

### Events which occurred during the financial year

#### 34.1 Incorporation of a 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.

#### 34.2 Establishment of Employee Share Option Scheme

At an extraordinary general meeting held on 24 May 2023, the Company's shareholders approved the establishment of the Employees Share Option Scheme ("ESOS") of up to 10% of the total number of issued shares of the Company (excluding treasury shares, if any) at any point of time to Eligible Person of the Group. The Company did not grant any share options under the ESOS during the financial year.

### Significant subsequent event

#### 34.3 Transfer of listing to Main Market

On 5 January 2024, the listing of and quotation for the entire issued share capital of the Company has been transferred from the ACE Market to the Main Market of Bursa Malaysia Securities Berhad.

## 35 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 April 2024.

# List of Properties

AS AT 31 DECEMBER 2023

No.	Registered owner	Particular of title/ Postal address	Description/ Existing use	Land/ Built-up area (sq m)	Tenure	Year of Acquisition	Age of Building (years)	Net Book Value as at 31.12.2023 (RM)
1.	SiP Technology (M) Sdn Bhd	<u>Title</u> Lot 6790, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang  <u>Address</u> 40, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang	Office and warehouse	Land area: 243  Built-up area: 323	Freehold	2010	20 years	441,147.93
2.	SiP Technology (M) Sdn Bhd	<u>Title</u> Lot 6791, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang  <u>Address</u> 38, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang	Office and warehouse	Land area: 243  Built-up area: 323	Freehold	2007	20 years	403,926.92
3.	SiP Technology (M) Sdn Bhd	<u>Title</u> Lot 6792, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang  <u>Address</u> 36, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang	Office and warehouse	Land area: 242  Built-up area: 323	Freehold	2006	20 years	277,596.39
4.	SiP Technology (M) Sdn Bhd	<u>Title</u> Lot 6793, Mukim 11, Daerah Seberang Perai Tengah, Pulau Pinang  <u>Address</u> 34, Lorong IKS Bukit Tengah, Taman IKS Bukit Tengah, 14000 Pulau Pinang	Office and warehouse	Land area: 242  Built-up area: 323	Freehold	2006	20 years	277,596.39
5.	SiP Technology (M) Sdn Bhd	<u>Title</u> Plot 31 Penang, Science Park North situated in Daerah Seberang Perai Tengah	Land	Land area: 5,615	60 years term expiring in year 2083	2023	-	3,166,034.48

# Analysis of Shareholdings

AS AT 1 APRIL 2024

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 1 April 2024

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Shares
Less than 100	10	0.41	300	0.00
100 – 1,000	305	12.34	163,900	0.03
1,001 – 10,000	1,152	46.62	6,739,500	1.35
10,001 – 100,000	847	34.28	28,770,100	5.78
100,001 – less than 5% of issued shares	155	6.27	124,276,200	24.96
24,900,000 – 5% and above of issued shares	2	0.08	338,050,000	67.88
<b>Total</b>	<b>2,471</b>	<b>100.00</b>	<b>498,000,000</b>	<b>100.00</b>

## Directors' Shareholdings as at 1 April 2024

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 1 April 2024

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 1 APRIL 2024

## Thirty Largest Shareholders as at 1 April 2024

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.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Small Cap Fund</i>	11,813,900	2.37
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>	9,567,000	1.92
6.	Citigroup Nominees (Asing) Sdn Bhd <i>CBNY for Norges Bank (FI 17)</i>	8,723,000	1.75
7.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Kenanga Growth Opportunities Fund (50154 TR01)</i>	6,376,200	1.28
8.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Investment Progress Fund (4082)</i>	6,046,500	1.21
9.	CIMB Group Nominees (Tempatan) Sdn Bhd <i>CIMB Commerce Trustee Berhad for Kenanga Shariah Growth Opportunities Fund (50156 TR01)</i>	4,658,500	0.94
10.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Investment al-Fauzan (5170)</i>	3,988,700	0.80
11.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Investment Shariah Progress Plus Fund</i>	3,684,600	0.74
12.	Teo Kwee Hock	3,228,400	0.65
13.	UOB Kay Hian Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Teo Siew Lai</i>	3,049,700	0.61
14.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Manulife Insurance Berhad (OL PAR)</i>	2,608,100	0.52
15.	Lee Eng Seng	2,515,900	0.51
16.	Gan Kok Keng	1,700,000	0.34
17.	HSBC Nominees (Tempatan) Sdn Bhd <i>HSBC (M) Trustee Bhd for Manulife Flexi Invest Fund</i>	1,615,400	0.32
18.	Lim Theng Eng	1,520,000	0.31
19.	Maybank Nominees (Tempatan) Sdn Bhd <i>ETIQA Life Insurance Berhad (Growth)</i>	1,487,800	0.30
20.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Kenanga Syariahextra Fund (N14011960240)</i>	1,257,700	0.25
21.	Affin Hwang Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for How Kim Lian (HOW0113M)</i>	1,200,000	0.24
22.	DB (Malaysia) Nominee (Tempatan) Sendirian Berhad <i>Deutsche Trustees Malaysia Berhad for Eastspring Investments Islamic Small-Cap Fund</i>	1,091,400	0.22
23.	Cartaban Nominees (Tempatan) Sdn Bhd <i>PAMB for Prulink Equity Income Fund</i>	1,060,300	0.21
24.	HLIB Nominees (Tempatan) Sdn Bhd <i>Pledged Securities Account for Wah Kein Choong</i>	1,007,900	0.20
25.	Citigroup Nominees (Tempatan) Sdn Bhd <i>Manulife Insurance Berhad (UL) EQ</i>	808,000	0.16
26.	Tan Git Kan	790,000	0.16
27.	Maybank Nominees (Tempatan) Sdn Bhd <i>ETIQA Life Insurance Berhad (Prem Equity)</i>	742,400	0.15
28.	Tye Lim Huat	731,200	0.15
29.	HSBC Nominees (Asing) Sdn Bhd <i>SBL of Morgan Stanley &amp; Co. International PLC</i>	691,400	0.14
30.	Maybank Nominees (Tempatan) Sdn Bhd <i>Maybank Trustees Berhad for Manulife Investment – ML Flexi Fund (250283)</i>	683,200	0.14

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting ("3<sup>rd</sup> AGM") of **CNERGENZ BERHAD** ("the Company") will be conducted on a fully virtual basis through live streaming and entirely via Remote Participation and Electronic Voting ("RPEV") facilities through meeting platform at <https://meeting.boardroomlimited.my> on Wednesday, 29 May 2024 at 10.00 am or at any adjournment thereof, for the purpose of considering and, if thought fit, passing the following resolutions, with or without any modifications:-

## AGENDA

### AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 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) Dato' Azman Bin Mahmud **Ordinary Resolution 1**
  - (b) Ms. Ooi Ley Ching **Ordinary Resolution 2**
3. To approve the payment of Directors' fees of up to RM400,000 commencing 30 May 2024 through to the next Annual General Meeting ("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. **Ordinary Resolution 3**
4. To approve the payment of benefits payable to the Directors of the Company of up to an aggregate amount of RM50,000 commencing 30 May 2024 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. **Ordinary Resolution 4**
5. To re-appoint PricewaterhouseCoopers PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. **Ordinary Resolution 5**

### AS SPECIAL BUSINESS

To consider and if thought fit, pass the following Ordinary Resolution 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 Main 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.

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."



# Notice of Annual General Meeting (Cont'd)

## AS SPECIAL BUSINESS (CONT'D)

To consider and if thought fit, pass the following Ordinary Resolution 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 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, 30 April 2024

## Notes:

1. The AGM will be held entirely via RPEV facilities through meeting platform at <https://meeting.boardroomlimited.my>. Kindly refer to the Administrative Guide for the AGM to register, participate and vote remotely via the RPEV facilities.
2. The online meeting platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. Shareholders/proxies from the public WILL NOT BE ALLOWED to be physically present. Shareholders who wish to participate in the AGM will have to register online and attend remotely. Kindly read and follow the procedures in the Administrative Guide for the AGM to participate remotely.
3. A proxy may but need not be a Member.
4. 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 Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
  - (b) By electronic form  
The Form of Proxy can be electronically submitted through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>. Please refer to the Administrative Guide for the procedures on electronics lodgement of Form of Proxy.
5. 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.
6. 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.
7. 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.
8. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2024 (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:

### Ordinary Resolutions 1 and 2: Re-election of Dato' Azman Bin Mahmud and Ms. Ooi Ley Ching

The Board of Directors ("**the Board**") has, through the Nomination Committee ("**NC**"), considered the evaluation of Dato' Azman Bin Mahmud and Ms. Ooi Ley Ching and concurred that they met the criteria as prescribed by paragraph 2.20A of the Main Market Listing Requirements of Bursa Securities Malaysia Berhad ("**MMLR**") on character, experience, integrity, competence and time to effectively discharge their roles as Directors. Dato' Azman Bin Mahmud and Ms. Ooi Ley Ching had provided annual affirmation of their independence in accordance with the provision of the MMLR.

Dato' Azman Bin Mahmud is the Independent Non-Executive Chairman of the Board. As chairman, he has demonstrated sound leadership skills by consensus building and encouraging open discussion for Directors to raise issues of concern without inhibition. He also exhibited his objectivity through his proactive engagements during meetings of the Board by sharing valuable, relevant, independent and impartial insights, views and opinions on issues tabled for discussion. He has exercised due care and carried out his professional duties proficiently and effectively throughout his tenure as a Director of the Company.

Ms. Ooi Ley Ching is an Independent Non-Executive Director of the Company. She is the Chairman of the Audit and Risk Management Committee ("**ARMC**") and sits as a member of the NC and Remuneration Committees ("**RC**") (collectively "**Board Committees**"). Ms. Ooi has demonstrated objectivity through her proactive engagements during meetings of the Board and Board Committees by sharing valuable, relevant, independent and impartial insights, views and opinions on issues tabled for discussion. She has exercised due care and carried out her professional duties proficiently and effectively throughout her tenure as a Director of the Company.

The retiring Directors do not have any conflict of interest with the Company and its subsidiaries and had also abstained from deliberation and decision-making on their re-election.

### 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 RC 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. The amount also includes a contingency sum to cater to unforeseen circumstances such as the appointment of any additional Director and/or for the formation of additional Board Committees. In the event the proposed amount is insufficient, approval will be sought at the next AGM for the shortfall.

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 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 2023 are detailed in the Corporate Governance Overview Statement in the Annual Report 2023 and Corporate Governance Report.

### Ordinary Resolution 5: Re-appointment of Auditors

The ARMC 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 Paragraph 15.21 of the MMLR.

### Ordinary Resolution 6 – Authority to allot and issue shares 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 AGM (Pursuant to Paragraph 8.27(2) of the MMLR)

As at the date of this notice, no individual is standing for election as a Director at the forthcoming 3<sup>rd</sup> AGM of the Company.

# Administrative Guide

FOR THE THIRD ANNUAL GENERAL MEETING ("3RD AGM")

Date of 3rd AGM	:	Wednesday, 29 May 2024
Time	:	10.00 am
Online Meeting Platform	:	<a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a>
Mode of Communication	:	(1) Typed text in the RPEV facilities (2) Email questions to <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> prior to meeting
Domain Registration Number with MYNIC	:	D6A357657

## MODE OF MEETING

The **3rd AGM** of Cnnergz Berhad ("**Cnnergz**" or "**the Company**") will be conducted fully virtual through live streaming and **Remote Participation and Electronic Voting ("RPEV")** facilities at <https://meeting.boardroomlimited.my> provided by Boardroom Share Registrars Sdn. Bhd. ("**Boardroom**").

## ENTITLEMENT TO PARTICIPATE AND VOTE REMOTELY

Only shareholders whose name(s) appear on the Record of Depositors ("**ROD**") as at **21 May 2024** shall be eligible to attend, participate, pose questions and vote in the meeting or appoint proxy(ies) to participate on his/her behalf.

## PROCEDURES TO PARTICIPATE IN RPEV FACILITIES

- All shareholders including (i) individual shareholders; (ii) corporate shareholders; (iii) authorised nominees; and (iv) exempt authorised nominees shall use the RPEV facilities to participate and vote remotely at the 3rd AGM. You will be able to view a live webcast of the meeting, ask questions and submit your votes in real time whilst the meeting is in progress.
- Kindly follow the steps below the request for your login ID, password and usage of the RPEV facilities:-

No.	Procedure	Action
<b>BEFORE 3RD AGM DAY</b>		
1.	Register online with Boardroom Smart Investor Portal (" <b>BSIP</b> ") Note: If you have previously registered with BSIP, you may proceed to Step 2	<p>The registration will open from the day of notice of 3<sup>rd</sup> AGM</p> <ol style="list-style-type: none"> <li>Access BSIP website at <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a>.</li> <li>Click "<b>Register</b>" to sign up for a BSIP account.</li> <li>Please select the correct account type, i.e. sign up as "<b>Shareholder</b>" or "<b>Corporate Holder</b>".</li> <li>Complete the registration with all required information. Upload softcopy of your MyKad (front and back) or passport in JPEG, PNG or PDF format. For Corporate Holder, kindly upload the authorisation letter as well Click "<b>Sign Up</b>".</li> <li>You will receive an e-mail from BSIP Online for e-mail address verification. Click "<b>Verify E-mail Address</b>" to proceed with the registration.</li> <li>Once your email address is verified, you will be re-directed to BSIP Online for verification of your mobile number. Click "<b>Request OTP Code</b>" and an OTP code will be sent to the registered mobile number. Click "<b>Enter</b>" to enter the OTP code to complete the process.</li> <li>An e-mail will be sent to you within one (1) business day informing you on the approval of your BSIP account. You can login to BSIP at <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a> with the e-mail address and password that you have provided during the registration to proceed with the next step.</li> </ol> <p><b>*Check your email address is keyed in correctly.</b> <b>*Remember the password you have keyed-in.</b></p>




# Administrative Guide (Cont'd)

FOR THE THIRD ANNUAL GENERAL MEETING ("3RD AGM")

No.	Procedure	Action
<b>BEFORE 3RD AGM DAY</b>		
2.	<b>Submit Request for Remote Participation User ID and Password</b>	<p>Registration for remote access will be opened on <b>Tuesday, 30 April 2024</b>. Please note that the closing time to submit your request is <b>not less than twenty-four (24) hours</b> before the time of holding the 3rd AGM, i.e. latest by <b>Tuesday, 28 May 2024 at 10.00 am</b>.</p> <p><b>Individual/Corporate Shareholders</b></p> <ol style="list-style-type: none"> <li>Access BSIP website at <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a>.</li> <li>Login using your User ID (registered email address) and password.</li> <li>Select "<b>CNERGENZ BERHAD ANNUAL GENERAL MEETING</b>" from the list of Meeting Events and click "<b>Enter</b>".</li> <li>To attend the virtual 3rd AGM remotely               <ul style="list-style-type: none"> <li>Go to "<b>VIRTUAL</b>" and click "Register for RPEV".</li> <li>Read and accept the General Terms &amp; Conditions by clicking "<b>Next</b>".</li> <li>Enter your CDS account number and click "<b>Submit</b>" to complete your request.</li> </ul> </li> <li>To appoint proxy               <ul style="list-style-type: none"> <li>Click "<b>Submit eProxy Form</b>".</li> <li>For Corporate Shareholder, select the company you would like to represent (if more than one).</li> <li>Read and accept the General Terms and Conditions and enter your CDS account no. Then, insert your proxy details and voting instructions. If you wish your proxy(ies) to act upon his/her discretion, please indicate "<b>Discretionary</b>".</li> </ul> </li> </ol> <p><b>Authorised Nominees and Exempt Authorised Nominees</b></p> <ol style="list-style-type: none"> <li>Access BSIP website at <a href="https://investor.boardroomlimited.com">https://investor.boardroomlimited.com</a>.</li> <li>Login using your User ID (registered email address) and password.</li> <li>Select "<b>CNERGENZ BERHAD ANNUAL GENERAL MEETING</b>" from the list of Meeting Events and click "Enter".</li> <li>Click "<b>Submit eProxy Form</b>".</li> <li>Select the company you would like to represent (if more than one).</li> <li>Proceed to download the file format for "<b>Submission of Proxy Form</b>".</li> <li>Prepare the file for the appointment of proxy(ies) by inserting the required data.</li> <li>Proceed to upload the duly completed Proxy Appointment file.</li> <li>Review and confirm your proxy(ies) appointment(s) and click "<b>Submit</b>".</li> <li>Download or print the eProxy form as acknowledgement.</li> </ol> <p>For Corporate Shareholders, Authorised Nominees/Exempt Authorised Nominees and Attorneys, you may also write to <a href="mailto:bsr.helpdesk@boardroomlimited.com">bsr.helpdesk@boardroomlimited.com</a> and provide the name of the shareholder, CDS account no. and the Certificate of Appointment of Corporate Representative or Proxy Form (as the case may be). A copy of MyKad or passport and a valid email address are required.</p> <p><b>*Check the email address of Proxy or Corporate Representative is written down correctly.</b></p>
3.	<b>Email Notification</b>	<ol style="list-style-type: none"> <li>You will receive notification(s) from Boardroom that your request(s) has been received and is/are being verified.</li> <li>After verification of your registration against the ROD as at <b>21 May 2024</b>, you will receive an email from Boardroom either approving or rejecting your registration for remote participation.</li> <li>If your registration is approved, you will also receive your remote access user ID and password in the same email from Boardroom after the closing date.</li> <li>Please note that the closing date and time to submit your request for remote participation user ID and password is on <b>Tuesday, 28 May 2024 at 10.00 am</b> (24 hours before the commencement of the 3<sup>rd</sup> AGM).</li> </ol>

# Administrative Guide (Cont'd)

FOR THE THIRD ANNUAL GENERAL MEETING ("3RD AGM")

No.	Procedure	Action
<b>ON 3RD AGM DAY</b>		
4.	<b>Login to virtual meeting platform</b>	<p>(a) The Virtual Meeting Platform will be opened for login one (1) hour before the scheduled commencement of the 3rd AGM, which is from <b>9.00 am on Wednesday, 29 May 2024</b>.</p> <ul style="list-style-type: none"> <li>➤ Launch Lumi portal by scanning the QR code provided in the email notification; or</li> <li>➤ Access the Lumi portal via <a href="https://meeting.boardroomlimited.my">https://meeting.boardroomlimited.my</a>.</li> </ul> <p>(b) Insert the Meeting ID number and sign in with the user ID and password provided by you via the email notification in Step 3 above.</p> <p><u>Note:</u> The quality of the connectivity to the Virtual Meeting Platform for the live webcast and remote online voting is highly dependent on the bandwidth and stability of the internet connection available at the location of the remote users.</p>
5.	<b>Participate through Live Streaming</b>	<p><i>[Note: Questions submitted online using <b>typed text</b> will be moderated before being sent to the Chairman of the 3rd AGM to avoid repetition. Every question and message will be presented with the full name of the shareholder or proxy or corporate representative raising the question.]</i></p> <p>(a) If you would like to view the live webcast, select the  broadcast icon.</p> <p>(b) If you would like to ask a question during the 3rd AGM,  select the messaging icon.</p> <p>(c) Type your message within the chat box, once completed click the <b>"Send"</b> button.</p> <p>The Chairman of the 3rd AGM / Board of Directors will endeavor to respond to questions submitted by remote shareholders, proxies and corporate representatives during the 3rd AGM.</p> <p><u>Note:</u> There shall not be two-way communication available at the meeting.</p>
6.	<b>Online Remote Voting</b>	<p>Once the Chairman of the 3rd AGM announces the opening of remote voting:</p> <p>(a) The polling icon  will appear with the resolutions and voting choices until such time that the Chairman of the 3rd AGM declares the end of the voting session.</p> <p>(b) To vote, select your voting choice from the options provided. A confirmation message will appear to indicate that your vote has been received.</p> <p>(c) To change your vote, re-select your voting option.</p> <p>(d) If you wish to cancel your vote, please press <b>"Cancel"</b>.</p>
7.	<b>End of RPEV</b>	<p>Upon announcement by the Chairman of the 3rd AGM on the closure of the 3rd AGM, the Live Streaming will end.</p>

# **Administrative Guide** (Cont'd)

FOR THE THIRD ANNUAL GENERAL MEETING ("3RD AGM")

## **ADDITIONAL INFORMATION**

### **No e-Voucher, Gift, and Food Voucher**

There will be no e-voucher, gift, and food voucher for shareholders/proxies/corporate representatives who participate in the 3rd AGM.

### **No Recording or Photography**

No recording or photography of the 3rd AGM proceedings is allowed without the prior written permission of the Company.

### **Enquiry**

For enquiries relating to RPEV facilities or issues encountered during registration, log in, connecting to the live streaming and online voting facilities, please contact Boardroom during office hours (8:30 a.m. to 5:30 p.m.) on Mondays to Fridays (except public holidays) as follows:

BoardRoom Help Desk    T: +603 7890 4700  
E: [bsr.helpdesk@boardroomlimited.com](mailto:bsr.helpdesk@boardroomlimited.com)

If there is any material change required to the proceeding of the meeting, the Company will make an announcement on the same accordingly. Hence, please refer to the website of the Company and / or Bursa Malaysia Securities Berhad for announcements on the latest update (if any) in relation to the 3rd AGM.

### **Personal Data Privacy**

By registering for the remote participation and electronic voting meeting and/or submitting the instrument appointing a proxy(ies) and/or representative(s), the shareholder of the Company has consented to the use of such data for purposes of processing and administration by the Company (or its agents); and to comply with any laws, listing rules, regulations and/or guidelines. The shareholder agrees that he/she will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the stockholder's breach of warranty.

# CNERGENZ

## CNERGENZ BERHAD

Registration No. 202101026123 (1426423-D)  
(Incorporated in Malaysia)

## Proxy Form

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 Cnergeng 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 Third Annual General Meeting of the Company to be held on a fully virtual basis through live streaming and entirely via Remote Participation and Electronic Voting ("RPEV") facilities through meeting platform at <https://meeting.boardroomlimited.my> on Wednesday, 29 May 2024 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 Dato' Azman Bin Mahmud		
2.	To re-elect Ms. Ooi Ley Ching		
3.	To approve the payment of Directors' fees of the Company		
4.	To approve the payment of benefits payable 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 \_\_\_\_\_, 2024.

\_\_\_\_\_  
Signature of Member/Common Seal

\* Strike out whichever is not desired.

[Unless otherwise instructed, the proxy may vote as he/she thinks fit]

### Notes:

- The AGM would be held entirely via RPEV facilities through meeting platform at <https://meeting.boardroomlimited.my>. Kindly refer to the Administrative Guide for the AGM to register, participate and vote remotely via the RPEV facilities.
- The online meeting platform is strictly for the purpose of complying with Section 327(2) of the Companies Act 2016 which requires the Chairman of the Meeting to be present at the main venue of the Meeting. Shareholders/proxies from the public WILL NOT BE ALLOWED to be physically present. Shareholders who wish to participate in the AGM will have to register online and attend remotely. Kindly read and follow the procedures in the Administrative Guide for the AGM to participate remotely.
- 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 Share Registrar's Office at Boardroom Share Registrars Sdn. Bhd., 11th Floor, Menara Symphony, No. 5, Jalan Professor Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan, Malaysia.
  - By electronic form  
The Form of Proxy can be electronically submitted through the Boardroom Smart Investor Portal at <https://investor.boardroomlimited.com>. Please refer to the Administrative Guide for the procedures on electronics lodgement of Form of Proxy.
- 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 21 May 2024 (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.

### 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 3rd AGM of the Company and any adjournment thereof.



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Affix  
Stamp

The Share Registrar  
**CNERGENZ BERHAD**  
Registration No. 202101026123 (1426423-D)

11th Floor, Menara Symphony  
No. 5, Jalan Professor Khoo Kay Kim  
Seksyen 13, 46200 Petaling Jaya  
Selangor Darul Ehsan , 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](mailto:ir@cnergenz.com)