

Cnergenz Berhad

(Registration No. 202101026123 (1426423-D))

(Incorporated in Malaysia under the Companies Act, 2016)

CNERGENZ

The Board of Directors of CNERGENZ BERHAD (“**Board**”) is pleased to announce the following unaudited consolidated results for the third quarter and financial period ended (“**FPE**”) 30 September 2023.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER AND FPE 30 SEPTEMBER 2023

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
Revenue	27,178	62,772	126,015	176,256
Cost of sales and services	(23,269)	(51,980)	(102,486)	(143,008)
Gross profit	3,909	10,792	23,529	33,248
Other income	46	112	252	263
Selling and distribution expenses	(638)	(391)	(1,858)	(1,345)
General and administrative expenses	(2,083)	(1,385)	(5,548)	(5,516)
Other gain/(losses)– net	117	(248)	170	(650)
Operating profit	1,351	8,880	16,545	26,000
Finance income	1,335	499	2,964	628
Finance costs	(14)	(16)	(42)	(48)
Profit before tax	2,672	9,363	19,467	26,580
Tax expense	(642)	(2,277)	(4,757)	(6,557)
Net profit for the financial period	2,030	7,086	14,710	20,023
Other comprehensive income net of tax				
Currency translation differences	459	3,859	4,790	7,118
Total comprehensive income for the financial period	2,489	10,945	19,500	27,141
Basic earnings per ordinary share⁽¹⁾ (sen)	0.41	1.42	2.95	4.02

Note:-

(1) Basic earnings per ordinary share is calculated based on the share capital of the Company as at 30 September 2023 comprising 498,000,000 ordinary shares (30 September 2022: 498,000,000 ordinary shares).

The unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended (“**FYE**”) 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

Cnergenz Berhad

(Registration No. 202101026123 (1426423-D))

(Incorporated in Malaysia under the Companies Act, 2016)

CNERGENZ**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT
30 SEPTEMBER 2023**

	As at 30.9.2023 RM'000 (Unaudited)	As at 31.12.2022 RM'000 (Audited)
NON-CURRENT ASSETS		
Property, plant and equipment ("PPE")	21,182	20,595
Right-of-use assets	3,143	67
Intangible assets	86	46
Prepayments	-	1,511
	24,411	22,219
CURRENT ASSETS		
Inventories	20,749	20,374
Receivables, deposits and prepayments	55,057	53,442
Investment in quoted shares	1,114	458
Current tax receivable	-	99
Deposits, cash and bank balances	110,884	105,571
	187,804	179,944
TOTAL ASSETS	212,215	202,163
CURRENT LIABILITIES		
Payables and accrued liabilities	44,306	49,506
Contract liabilities	2,106	2,396
Lease liabilities	22	35
Hire purchase liabilities	373	426
Current tax provision	397	194
	47,204	52,557
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	122,475	122,475
Capital reorganisation reserves	(65,820)	(65,820)
Currency translation reserves	8,706	3,916
Retained profits	98,594	87,868
TOTAL EQUITY	163,955	148,439
NON-CURRENT LIABILITIES		
Lease liabilities	-	15
Hire purchase liabilities	726	843
Deferred tax liabilities	330	309
	1,056	1,167
TOTAL EQUITY AND LIABILITIES	212,215	202,163
Net assets per ordinary share attributable to ordinary equity holders of the Company ⁽¹⁾ (RM)	0.33	0.30

Note:-

(1) Net assets per ordinary share attributable to ordinary equity holders of the Company is calculated based on the share capital of the Company as at 30 September 2023, comprising 498,000,000 ordinary shares.

The unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FPE 30 SEPTEMBER 2023**

← Attributable to owners of the Company →

	Share capital RM'000	Capital reorganisation reserve RM'000	Currency translation reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2022	66,020	(65,820)	1,767	69,139	71,106
<u>Total comprehensive income</u>					
Net profit for the financial year	-	-	-	21,717	21,717
Other comprehensive income for the financial year, net of tax	-	-	2,149	-	2,149
<u>Transactions with owners, recognised directly in equity</u>					
Issuance of ordinary shares	58,000	-	-	-	58,000
Share issuance expenses	(1,545)	-	-	-	(1,545)
Dividends	-	-	-	(2,988)	(2,988)
Balance as at 31 December 2022	122,475	(65,820)	3,916	87,868	148,439
Balance as at 1 January 2023	122,475	(65,820)	3,916	87,868	148,439
<u>Total comprehensive income</u>					
Net profit for the financial period	-	-	-	14,710	14,710
Other comprehensive income for the financial period, net of tax	-	-	4,790	-	4,790
<u>Transactions with owners, recognised directly in equity</u>					
Dividends	-	-	-	(3,984)	(3,984)
Balance as at 30 September 2023	122,475	(65,820)	8,706	98,594	163,955

The unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FPE 30 SEPTEMBER 2023**

	9 months ended 30.9.2023 RM'000	9 months ended 30.9.2022 RM'000
OPERATING CASH FLOWS		
Net profit for the financial period	14,710	20,023
Adjustments for:		
PPE:		
- depreciation	1,961	1,440
- written off	14	-
Gain on disposal of PPE	-	(208)
Depreciation of right-of-use assets	84	29
Amortisation of intangible assets	6	-
Reversal of allowance for slow-moving inventories	(185)	155
Interest income	(2,964)	(629)
Finance costs	42	49
Net unrealised foreign currency exchange (gain)/loss	(149)	957
Net realised foreign currency exchange gain	-	(132)
Investment in quoted security:		
- gain on disposal	(163)	-
- fair value (gain)/loss	(349)	116
Tax expense	4,757	6,557
Operating profit before changes in working capital	17,764	28,357
Changes in working capital:		
- Inventories	3,106	481
- Receivables	8,393	(37,144)
- Payables	(12,786)	16,098
Cash generated from operations	16,477	7,792
Tax paid	(4,400)	(4,319)
Net operating cash flow	12,077	3,473
INVESTING CASH FLOWS		
Purchases of PPE	(2,426)	(16,169)
Proceed from disposal of PPE	-	275
Purchase of intangible assets	(44)	-
Purchase of right-of-use assets	(3,022)	-
Withdrawal of fixed deposits with a licensed bank which have maturity period of more than 3 months	-	2,245
Purchase of quoted security	(548)	-
Proceed from disposal of quoted security	404	-
Interest received	2,964	629
Net investing cash flow	(2,672)	(13,020)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FPE 30 SEPTEMBER 2023**

	9 months ended 30.9.2023 RM'000	9 months ended 30.9.2022 RM'000
FINANCING CASH FLOWS		
Dividend paid	(3,984)	(10,000)
Repayment of principal portion of lease liabilities	(23)	(34)
Repayment of interest on lease liabilities	(1)	(2)
Repayment of principal portion of hire purchase liabilities	(374)	(416)
Repayment of interest on hire purchase liabilities	(41)	(46)
Increase of share capital	-	58,000
Net cash financing cash flow	(4,423)	47,502
NET CHANGE IN CASH AND CASH EQUIVALENTS	4,982	37,955
CASH AND CASH EQUIVALENTS AT BEGINNING OF FINANCIAL PERIOD	104,300	56,516
EFFECTS OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	304	1,724
CASH AND CASH EQUIVALENTS AT END OF FINANCIAL PERIOD	109,586	96,195
Cash and cash equivalents comprise:		
Fixed deposits	105,788	82,645
Cash and bank balances	5,096	13,820
	110,884	96,465
Less: Fixed deposits pledged with licensed banks	(1,298)	(270)
	109,586	96,195

The unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023**

A COMPLIANCE WITH MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS) 134: INTERIM FINANCIAL REPORTING AND THE ACE MARKET LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD (“BURSA SECURITIES”) (“LISTING REQUIREMENTS”)

A1 Basis of preparation

These condensed consolidated interim financial statements are unaudited and have been prepared in accordance with all the new Malaysian Financial Reporting Standards (“**MFRS**”) and Amendments to MFRSs issued by the Malaysian Accounting Standards Board and Rule 9.22 and Appendix 9B of the Listing Requirements.

The unaudited condensed consolidated interim financial statements should be read in conjunction with the Audited Financial Statements for the FYE 31 December 2022 and the accompanying explanatory notes attached to the interim financial statements. The explanatory notes attached to these unaudited condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of Cnergenz Berhad and its subsidiaries (“**Group**”) since the FYE 31 December 2022.

A2 Significant Accounting Policies

The accounting policies adopted by the Group in these condensed consolidated interim financial statements are consistent with those adopted in the Audited Financial Statement for the FYE 31 December 2022, save for the adoption of the following amendments to MFRS, which became effective and relevant to the Group for financial period beginning 1 January 2023:

Effective for annual periods commencing on or after 1 January 2023

Amendments to MFRS 101 ‘Presentation of Financial Statements’ and MFRS Practice Statement 2 on ‘Disclosure of Accounting Policies’

Amendments to MFRS 108 ‘Accounting Policies, Changes in Accounting Estimates and Errors’ on ‘Definition of Accounting Estimates’

Amendments to MFRS 112 ‘Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction’

The adoption of the above amendments to MFRSs did not have any material impact on the amounts reported in the financial statements of the Group and of the Company upon its initial application.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023**

New Standards and amendments to MFRSs in issue but not yet effective

At the date of authorisation for issue of these financial statements, the new and amendments to MFRSs which were in issue but not yet effective and not early adopted by the Group and by the Company are as listed below:

Effective for annual periods commencing on or after 1 January 2024

Amendments to MFRS 101 'Classification of Liabilities as Current or Non-current Liabilities and Deferral of Effective Date (2021 Amendments)' and 'Non-current Liabilities with Covenants' (2022 Amendments)

Amendments to MFRS 16 'Leases' on 'Lease Liability in a Sale and Leaseback'

Issued but not yet effective

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The adoption of these amendments to MFRSs are not expected to have any material financial impact on the financial statements of the Group in the period of initial application.

A3 Auditors' Report on Preceding Annual Financial Statements

The auditors' report on the preceding audited financial statements of the Group for the FYE 31 December 2022 was not subject to any qualification.

A4 Seasonality

The Group's business operations were not significantly affected by any seasonal or cyclical factors.

A5 Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

There were no material unusual items affecting the assets, liabilities, equity, net income or cash flows of the Group during the current financial quarter under review.

A6 Changes in Debt and Equity Securities

There was no issuance, cancellations, repurchases, resale or repayments of debt and equity securities during the current financial quarter under review.

A7 Dividends paid

No dividend has been declared by the Board of Directors of the Company during the current financial quarter under review.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023****A8 Operating segments**

The Group only has one operating segment qualified as reporting segment under MFRS 8.

A9 Revenue by products / services

The breakdown of the Group's revenue by products/services is set out as follows:

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Provision of integrated solutions for SMT manufacturing line	8,965	32,404	66,693	78,250
Sales of standalone SMT machines and equipment	17,396	27,808	55,240	89,356
Provision of other services	817	2,560	4,082	8,650
Total	27,178	62,772	126,015	176,256

The major contributor to the revenue stream of the Group for the third quarter was from the sales of standalone SMT machines and equipment, which constituted 64.01% of the Group's total revenue for the FPE 30 September 2023, recording sales totalling RM17.40 million.

The Group recorded revenue of RM27.18 million in the FPE 30 September 2023, which represents a decrease of 56.70% compared to RM62.77 million recorded in the FPE 30 September 2022 due to lower sales generated in the 3rd quarter of 2023. This was primarily due to lower sales contribution from Malaysia for the provision of integrated solutions and sales of standalone SMT machines and equipment as well as Thailand for sales of standalone SMT machines and equipment.

A10 Valuation of Plant and Equipment

There were no valuations of plant and equipment during the current financial quarter under review.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023**

A11 Material capital commitments

There were no material capital commitments during the current financial quarter under review.

A12 Material subsequent event

There were no material subsequent events since the end of this current financial quarter under review until the date of this announcement.

A13 Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial quarter under review.

A14 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the date of the current financial quarter under review.

A15 Material related party transactions

There were no material related party transactions during the current financial quarter under review.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023**

B COMPLIANCE WITH APPENDIX 9B OF THE LISTING REQUIREMENTS

B1 Review of Performance

	Individual Period (3 rd Quarter)				Cumulative Period (9 Months)			
	Current Year Quarter 30 September 2023	Preceding Year Corresponding Quarter 30 September 2022	Variance		Current Year-to-date 30 September 2023	Preceding Year Corresponding Period 30 September 2022	Variance	
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	27,178	62,772	(35,594)	(56.70)	126,015	176,256	(50,241)	(28.50)
Gross Profit	3,909	10,792	(6,883)	(63.78)	23,529	33,248	(9,719)	(29.23)
Profit Before Tax	2,672	9,363	(6,691)	(71.46)	19,467	26,580	(7,113)	(26.76)

The Group recorded revenue of RM27.18 million for the current FPE 30 September 2023, which represents a decrease of 56.70% compared to RM62.77 million recorded in the preceding FPE 30 September 2022 due to lower sales generated in the 3rd quarter of 2023. Such decrease was primarily due to lower contribution from Malaysia for the provision of integrated solutions and sales of standalone SMT machines and equipment as well as Thailand for the sales of standalone SMT machines and equipment.

The Group recorded revenue of RM126.02 million for the current year-to-date 30 September 2023, which represents a decrease of 28.50% compared to RM176.26 million recorded in preceding year corresponding period 30 September 2022. Such decrease was mainly due to lower sales contributions from the provision of integrated solutions and sales of standalone SMT machines and equipment in Malaysia.

In line with the factors above, the Group registered a profit before tax of RM2.67 million in the FPE 30 September 2023, which represents a decrease of 71.46% compared to RM9.36 million recorded in the preceding FPE 30 September 2022.

B2 Comment on material change in profit before taxation for current quarter compared with the immediately preceding quarter

	Current Quarter 30 September 2023	Immediate Preceding Quarter 30 June 2023	Variance	
	RM'000	RM'000	RM'000	%
Revenue	27,178	38,903	(11,725)	(30.14)
Gross Profit	3,909	9,378	(5,469)	(58.32)
Gross Profit Margin	14.38%	24.11%		
Profit Before Tax	2,672	7,151	(4,479)	(62.63)

The Group recorded a lower revenue of RM27.18 million in the FPE 30 September 2023, compared to RM38.90 million revenue recorded in the immediate preceding quarter. This was mainly due to lower contributions from Vietnam for the provision of integrated solutions.

The Group recorded gross profit of RM3.91 million for the current FPE 30 September 2023, translating to a gross profit margin of 14.38%.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023**

B3 Prospects

We expect the growth trend in electronics manufacturing industry in South East Asia to continue given the existing trade diversion from China to South East Asia. We also believe that upgrading of our service offerings and continued investments in our operations will enable us to benefit from the current positive outlook of the electronics manufacturing industry in Southeast Asia, particularly Malaysia, Vietnam and Thailand. Notwithstanding the above, our Group remains cautious in the near term and will continue to 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 effects of the pandemic, geopolitical tensions, and geoeconomic fragmentation. This is indicated by the decrease in orders from the Group's customers and the postponement of deliveries by customers.

The Group remains focused to expand its business and market presence in Malaysia (save for Johor and Melaka), Thailand and Vietnam. Such efforts to support the expansion plans include the construction of a new integrated plant located at Plot 31, Penang Science Park North, and the new plant is expected to be operational by 2nd quarter 2025.

As of 30 September 2023, our Group has secured purchase orders totalling RM33.03 million for our integrated solutions and sale of individual machinery, equipment and tools, of which RM28.72 million are expected to be fulfilled by the end of year 2023 and the balance of RM4.31 million are expected to be fulfilled by year 2024.

B4 Variance between Actual Profit and Forecast Profit

The Group has not provided any profit forecast in any public documents or announcements.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023****B5 Taxation**

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Current tax	581	2,277	4,696	6,557
Prior year tax	61	-	61	-
Total	642	2,277	4,757	6,557
Effective tax rate (%)	24.03	24.32	24.44	24.67
Statutory tax rate (%)	24.00	24.00	24.00	24.00

Income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit before tax for the current financial quarter under review and current financial period-to-date.

The effective tax rates of the Group for the current financial quarter under review and current financial period-to-date are higher than the Malaysia statutory tax rate mainly due to certain non-deductible expenses.

B6 Unquoted investments and properties

There were no purchases or sales of unquoted investment or properties for the current financial quarter under review.

B7 Quoted securities

The net purchase of investments in quoted securities by the Group for the current financial quarter and financial period-to-date under review are as follows:-

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
Total net purchase of investments in quoted securities	-	-	548	-

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023****B8 Status of Corporate Proposals**

Save as disclosed below, there are no other corporate proposals announced but pending completion as at the date of this report:-

Proposed transfer of Cnergenz from the ACE Market to the Main Market of Bursa Securities

On 11 August 2023, UOB Kay Hian Securities (M) Sdn Bhd had, on behalf of the Board, announced that the Group proposed to undertake the proposed transfer of the listing of and quotation for the entire issued share capital of the Group from the ACE Market to the Main Market of Bursa Securities (“**Proposed Transfer**”). The application in relation to the Proposed Transfer has been submitted to the Securities Commission Malaysia on 15 August 2023.

B9 Off Balance Sheet Financial Instruments

The Group does not have any financial instruments with off balance sheet risk as at the end of the current financial quarter under review to the date of the interim financial report.

B10 Material Litigation

As at the date of this report, there is no litigation against the Group which has a material effect on the financial position of the Group and the Board is not aware of any material litigation or any proceedings pending or threatened or of any fact likely to give rise to any proceedings.

B11 Earnings Per Share (“EPS”)

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
Profit attributable to owners of the Company (RM'000)	2,030	7,086	14,710	20,023
Number of ordinary shares in issue ('000)	498,000	498,000	498,000	498,000
Basic EPS (sen)	0.41	1.42	2.95	4.02

There are no dilutive instruments as at the end of the current financial quarter under review.

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023****B12 Notes to the Statement of Comprehensive Income**

	3 months ended		Cumulative 9 months ended	
	30.9.2023	30.9.2022	30.9.2023	30.9.2022
	RM'000	RM'000	RM'000	RM'000
The following items have been charged / (credited) in arriving profit from operations:				
Employee benefit costs	1,997	2,209	5,911	5,771
Director's fee	68	68	200	204
Depreciation of PPE	684	609	1,961	1,440
Depreciation of right-of-use assets	21	10	84	29
Rental income	(46)	(110)	(252)	(260)
Professional fees	286	81	550	1,025
Short-term lease payment on office premises	17	17	46	55

B13 Utilisation of Proceeds Raised from the IPO

The status of utilisation of the gross proceeds arising from the IPO amounting to RM58.0 million are set out as follows:

Details of use	Proposed Utilisation		Estimated Timeframe for Utilisation	Actual Utilisation as at 30 September 2023 RM'000	Balance as at 30 September 2023 RM'000
	RM'000	(%)			
1. Expansion of the Group's facility	37,800	65.17	Within 24 months	3,213	34,587
2. Research and development expenditure	6,000	10.35	Within 24 months	1,623	4,377
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	-
	58,000	100.00		19,036	38,964

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

B14 Dividend

No dividend has been declared by the Board of Directors of the Company during the current financial quarter under review.

Cnergenz Berhad

(Registration No. 202101026123 (1426423-D))

(Incorporated in Malaysia under the Companies Act, 2016)

C N E R G E N Z

**NOTES TO THE INTERIM FINANCIAL STATEMENTS
THIRD QUARTER ENDED 30 SEPTEMBER 2023**

B15 Authorisation

The interim financial report was authorised for announcement by the Board in accordance with a resolution of the Board.