

7. IMR REPORT

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The information in this Section 7 is based on market research conducted by Protégé Associates commissioned by NationGate Holdings Berhad for the purpose of the IPO.

The Board of Directors
NationGate Holdings Berhad,
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13600, Perai, Pulau Pinang.

28 NOV 2022

Dear Sirs,

Strategic Analysis of the Electronics Manufacturing Services Market in Malaysia

Protégé Associates Sdn Bhd ("**Protégé Associates**") has prepared this 'Strategic Analysis of the Electronics Manufacturing Services Market in Malaysia' for inclusion into the Prospectus of NationGate Holdings Berhad ("**NGH**" or the "**Company**") in relation to its listing of and quotation of its entire enlarged share capital on the ACE Market of Bursa Malaysia Securities Berhad.

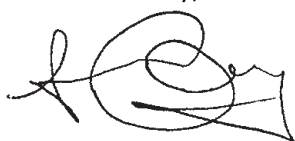
Protégé Associates is an independent market research and business consulting company. Our market research reports provide an in-depth industry and business assessment for companies raising capital and funding in the financial markets; covering their respective market dynamics such as market size, key competitive landscape, demand and supply conditions, government regulations, industry trends and the outlook of the industry.

Mr. Seow Cheow Seng is the Managing Director of Protégé Associates. He has 22 years of experience in market research starting his career at Frost & Sullivan where he spent 7 years. He has been involved in a multitude of industries covering Automotive, Construction, Electronics, Healthcare, Energy, Information Technology, Oil and Gas, etc. He has also provided his market research expertise to various government agencies such as the Malaysia Digital Economy Corporation Sdn Bhd, Malaysia Debt Ventures Berhad and Malaysia Technology Development Corporation Sdn Bhd.

We have prepared this report in an independent and objective manner and have taken adequate care to ensure the accuracy and completeness of the report. We believe that this report presents a balanced and fair view of the industry within the boundaries and limitations of secondary statistics, primary research and continued industry movements. Our research has been conducted to present a view of the overall industry and may not necessarily reflect the performance of individual companies in this industry. We are not responsible for the decisions and/ or actions of the readers of this report. This report should also not be considered as a recommendation to buy or not to buy the shares of any company or companies.

Thank you.

Yours sincerely,



SEOW CHEOW SENG
Managing Director

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1.0 Introduction to the Electronics Manufacturing Services Industry

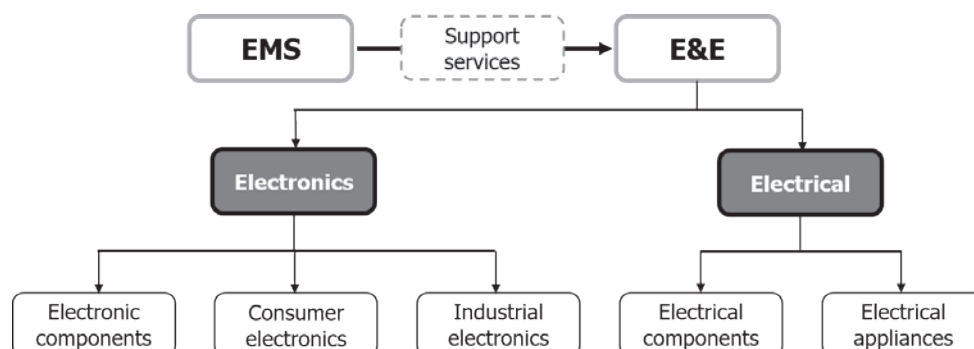
Electronics manufacturing services (“**EMS**”) generally refers to the provision of design, testing, building (manufacturing or assembling), supply chain and logistics management as well as aftermarket services for electronic components and printed circuit board (“**PCB**”) assemblies. As such, the EMS market has been playing an integral role in the development and growth of manufacturers worldwide. It provides them with a full range of services from contract design and manufacturing to post-manufacturing services. EMS market players act as strategic outsource partners for various manufacturers particularly for original equipment manufacturers (“**OEMs**”) by assisting them in their manufacturing related activities. EMS market players usually work closely with their customers and their scope and degree of involvement are dependent on the need(s) of their respective customer(s). As such, they can also be referred to as electronics contract manufacturers.

EMS market players, with their expertise and technical know-how, are able to undertake or integrate the core manufacturing processes and related component technologies for different electronic products from various industries. As electronics are widely used in manufactured products from a wide spectrum of industries within the manufacturing sector, it is not surprising that the EMS market has a wide range of end-user markets including the electrical and electronics (“**E&E**”) industry, the telecommunications industry, the consumer electronics industry and the semiconductor industry.

2.0 Overview of the Electrical and Electronics Industry in Malaysia

The EMS industry is closely linked to the electrical and electronics (“**E&E**”) industry and provides key manufacturing support services to the E&E industry. These support services include designing, testing, building, supply chain and logistics management and aftermarket services. As such, the performance of the EMS market is highly correlated with the overall development of the E&E industry. Figure 1 highlights the interaction between the EMS market and the E&E industry.

Figure 1: Interaction between the EMS Market and the E&E Industry



Note: Support services include designing, testing, building, supply chain and logistics management and aftermarket services

*Sources: Malaysian Investment Development Authority (“**MIDA**”) and Protégé Associates*

The growth of the EMS market in Malaysia has been expanding over the past decades in tandem with the overall growth of the local E&E industry, and as such, Protégé Associates will also provide an overview of the E&E industry in Malaysia for the purpose of this report.

The Malaysian E&E industry comprises of two sectors namely the electronics and the electrical sectors. The electronic components sub-sector encompasses a wide range of products from semiconductors (such as fabricated wafers and integrated circuits (“**ICs**”)) to passive components (such as capacitors, resistors and inductors) and other components (such as PCBs, metal stamped parts and precision plastic parts). Meanwhile, the consumer electronics sub-sector produces products such as cameras, television receivers, speakers and infotainment products. The industrial electronics sub-sector produces products such as computer and computer peripherals, telecommunications equipment, office equipment and box build products (full product assemblies) for industrial applications. As for the electrical components sub-sector, it comprises of products such as cables and wires, control panels, distribution boards, lightings, switching apparatus and transformers. Electrical appliances on the other hand include air conditioners and other household appliances.

Malaysia remains one of the key E&E manufacturing countries in the Association of Southeast Asian Nations (“**ASEAN**”) region, and the continued growth of the local E&E industry has been supported by continuing inflows of foreign investment. This has allowed the E&E products cluster in Malaysia to perform relatively well despite a slowdown in the growth of the global economy. While the production of E&E products in Malaysia declined marginally by 0.5% in 2020, mainly due to the ongoing coronavirus

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disease ("COVID-19") pandemic outbreak and imposition of the movement control order ("MCO") measures disrupting economic activity and the E&E manufacturing supply chain, the trade of E&E products had also fared better during the year. Total exports of E&E products increased by 3.5% to RM386.29 billion while total imports grew by 3.0% to RM253.00 billion in 2020.

While the environment surrounding the local E&E industry continued to be challenging in 2021 due to factors such as a resurgence in COVID-19 cases as well as the ongoing geopolitical tension between economic superpowers, namely the United States of America ("US") and China as well as the more recent war between Russia and Ukraine, the Malaysian E&E industry continued on an expansionary trend. In 2021, the production of E&E products increased by 14.5% to RM483.20 billion, while total exports increased by 18.0% to RM455.73 billion and total imports increased by 24.3% to RM314.35 billion.

2.1 Overview of the Global Telecommunications Industry

The global telecommunications industry has been on an expansion trail over the years, driven by growing demand for communication devices such as personal computers, mobile phones and other handheld devices due to growth in global penetration of information and communications technology ("ICT") solutions including higher Internet traffic and the rise in e-commerce activities.

Another factor that spurs growth in the global telecommunications industry is the continuing investments made by wireless telecommunication carriers to cater for increasing demand for wireless communications. Wireless telecommunication carriers mainly provide wireless telecommunications services such as prepaid and postpaid voice telephony services and data services to mobile devices through switching and transmission facilities that they operate. Over the years, the wireless telecommunications market has enjoyed rapid growth as consumers increasingly shift solely towards dependence on wireless usage. Such positive growth is expected to drive demand for routers and network switches that can manage voice and data signals over copper wires and fibre optics. In addition, the rollout of the fifth generation of telecommunications technology ("5G") is expected to be driving factors for end-users to upgrade existing phones and tablets and would drive demand globally for these new devices.

Furthermore, the mushrooming of data centres around the world is expected to provide tailwind for further growth in the global telecommunications industry. These facilities house various E&E products such as physical servers, storage devices, cables and networking equipment. This trend along with the rising prominence of cloud computing and the proliferation of smart devices such as smartphones and tablets along with the wider use of high-speed Internet connection are expected to provide further impetus for data consumption. This can lead to more demand for fibre optics infrastructures and other related hardware products. Additionally, the persisting COVID-19 pandemic is also expected to spur demand for communication devices to support work-from-home practice across the globe.

2.2 Overview of the Global Consumer Electronics Industry

The consumer electronics industry encompasses a broad range of products which can be generally classified into consumer electronic devices, wearable devices and smart home devices. The continuing proliferation of the Internet of things ("IoT") and big data analytics has been one of the main contributors to the growth and evolution of the global consumer electronics industry over the past few years. As such, there has been an increasing number of consumer electronic products being embedded with IoT applications such as smart home devices which include intelligent security systems and smart appliances that can be controlled via a mobile device and turn a home into a smart and connected home.

The global consumer electronics industry can be segmented into regions namely North America, Europe, Asia Pacific and rest of the world. The Asia Pacific region is expected to spearhead the growth in the global consumer electronics industry due to a significant number of home appliance and smartphone consumers in the region. Growth in the region can mainly be attributed to the increasing population density and higher disposable income in countries like China, India, South Korea and Japan. Furthermore, favourable government strategies in fostering smart city technology and smart home systems are also expected to boost demand for such products.

The consumer electronics industries in North America and Europe are considered to be mature and as technological developed regions, consumer electronics have a high penetration rate in the majority of households. With technology advancement, the trend of smart offices and smart homes is driving demand for new generation consumer electronic products.

However, the industry faces headwinds stemming from the high inflationary environment particularly among the western countries and a slowing global economy. In addition, uncertainties surrounding

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China's zero-COVID policy and ongoing property crisis have also cooled the world's second largest economy including its consumer electronics industry.

2.3 Overview of the Global Semiconductor Industry

The global semiconductor industry is considered to be at the mature stage with the presence of a pool of established industry players. In 2021, the global semiconductor industry was valued at USD555.89 billion, which was an increase of 26.2% over the previous year.

In terms of contribution by region, the world's total semiconductor revenue can be divided into four regions namely the Americas, Asia Pacific, Japan and Europe. The Asia Pacific region has continued to exert itself as a dominant force in the world's semiconductor industry. It retained its position as the highest revenue contributor to the world's semiconductor industry in 2021. This is not surprising given that Asia Pacific region is home to some of the major semiconductor companies in the world, such as Samsung Electronics (South Korea), MediaTek Inc. (Taiwan) and Hynix Semiconductor Inc. (South Korea). Total semiconductor sales generated in the Asia Pacific region in 2021 stood at USD342.97 billion – accounting for more than 61.7% of the total worldwide semiconductor revenue in 2021. The Americas had the second highest contribution in terms of revenue, accounting for approximately 21.9%, while the remaining two regions accounted for around 8.6% (Europe) and 7.9% (Japan) respectively.

Similarly, there are also four main product categories under the semiconductor industry, namely discrete semiconductors, optoelectronics, sensors and ICs. ICs, which include analogue, micro, logic and memory, contributed a significant share in terms of the industry's revenue. In 2021, ICs accounted for approximately 83.3% of the global semiconductor industry revenue, amounting to around USD463.00 billion. This is followed by the optoelectronics segment which recorded a revenue of USD43.40 billion and accounted for 7.8% of the global semiconductor industry revenue, while discrete semiconductors and sensors held a share of 5.5% and 3.4%, respectively.

In early 2020, the COVID-19 pandemic outbreak caused a drop in demand for passenger vehicle which forced global automotive makers to reduce their orders for all parts and materials, including the semiconductors required for functions ranging from touchscreen displays to collision-avoidance systems. When demand for passenger vehicles picked up in the third quarter of the year, semiconductor manufacturers were already committed to supplying products to end-users in the consumer electronics industry due to a surge in work-from-home requiring more laptops and supporting products. Geopolitical factors also compounded the issue, with the US regulating sales of semiconductor to some Chinese firms, which led to stockpiling of chips by those companies. To remedy the situation, semiconductor manufacturers across the world have been ramping up capacity to meet demand. However, the recent war between Russia and Ukraine is also expected to affect the production of semiconductors. Russia is a producer of rare metals such as palladium while Ukraine is a supplier of rare gases such as neon and helium which are used in the production of semiconductor fab lasers. On a recent note, the US had in October 2022 issued a detailed list of rules including restrictions on exports of advanced chips, chip-making equipment and chip-making components to China where there has been any US inputs in the process. The move is seen as an attempt by the US to blunt the development of China's semiconductor industry and this could further impact the global semiconductor industry including the semiconductor industry in Malaysia. The moves by the US are expected to restrict China's ability to both purchase and manufacture certain high-end chips leading to potentially slower semiconductor sales given that China is a major consumer of semiconductor sold globally. On a positive note, the local semiconductor industry may draw investments from a potential semiconductor supply chain relocation out of China. Notwithstanding the above, the global semiconductor industry is still expected to be on an expansionary trend. Going into 2022, the global semiconductor industry is forecast to grow by 13.9% to USD633.24 billion.

3.0 Historical Market Performance and Growth Forecast

The local EMS market provides vital and direct supporting services to the local E&E industry. As such, the performance of the local EMS market is influenced by the performance of the local E&E industry. ***As the E&E industry in Malaysia has a very high export orientation, the total exports of E&E products will be used as a proxy for market sizing and performance of the EMS market in Malaysia.***

In 2020, the local EMS market benefitted from the growth in exports of E&E products, which increased from RM373.12 billion in 2019 to RM386.29 billion in 2020. The growth in 2020 can be attributed to higher E&E exports to major trading partners namely China, Singapore and the US. Figure 2 depicts the historical market size and growth forecast of the EMS market in Malaysia from 2019 to 2027.

7. IMR REPORT (cont'd)**Figure 2: Historical Market Size and Growth Forecast of the EMS Market in Malaysia, 2019-2027**

Year	Market Size (RM billion)	Growth Rate (%)
2019	373.12	-
2020	386.29	3.5
2021	455.73	18.0
2022 ^f	565.51	24.1
2023 ^f	593.79	5.0
2024 ^f	641.29	8.0
2025 ^f	695.80	8.5
2026 ^f	754.95	8.5
2027 ^f	819.12	8.5

Notes: CAGR (2022-2027) (base year of 2021): 10.3%; ^f denotes forecast

Sources: Department of Statistics Malaysia ("**DOSM**") and Protégé Associates

In 2021, along with the recovery in global economic activities, the demand for E&E products across the globe increased in tandem. This also led to a sharp increase in exports of E&E products in Malaysia in 2021, whereby total exports increased by 18.0% to RM455.73 billion.

Going forward, exports of E&E products are expected to continue growing during the period from 2022 to 2027. Exports growth is expected to be boosted by the expansion in the local E&E industry supported by various Malaysian Government initiatives as well as the growing pervasiveness of the IoT providing further impetus for the growth of the E&E industry in Malaysia. E&E exports is forecast to reach RM565.51 billion in 2022 and expand at a CAGR of 10.3% to reach RM819.12 billion in 2027.

3.1 Industry Players Analysis

The EMS market in Malaysia is at the mature stage with the presence of a pool of established local and foreign-owned market players. Local EMS market players mainly consist of EMS market players that are majority owned by Malaysians. Local EMS market players stand to leverage on their vast local knowledge of the local E&E industry. This local knowledge covers areas such as building strategic business relationships, complying with local laws and catering to the specific needs of local customers. In addition, local EMS market players tend to focus more on achieving operational efficiency and strive for cost competitiveness rather than leadership in industry standards and technologies. In order to achieve growth without straining their relatively lower capital resources as compared to foreign EMS market players, local EMS market players are likely to embark on a niche marketing strategy with a narrower focus on their targeted end-user markets and products. Some of these local EMS market players such as EG Industries Berhad ("**EG Industries**"), SKP Resources Berhad ("**SKP Resources**") and V.S. Industry Berhad ("**V.S. Industry**") are already listed on the Main Market of Bursa Malaysia Securities Berhad.

On the other hand, foreign EMS market players consist of market players that are majority owned by foreigners. They are able to use their respective parent company's technical expertise, significant scale and global presence, advanced supply chain management with extensive worldwide supplier relationships and operational track record to gain competitive advantage. They are typically part of the extensive network of design and manufacturing facilities of their respective parent company all around the world to serve the outsourcing needs of regional and multinational OEMs. However, the scope and scale of their operations are very much subject to the internal business strategy deployed by their respective parent companies. Their capabilities and capacities generally vary from one to another depending on the intended strategy.

Foreign EMS market players also have the financial strength to start long production runs with broader focus in terms of targeted end-user markets and product variation as well as high production volume. As such, they are also likely to be capable of offering solutions that span from conceptual sketch to full-scale production. They also strive for technological leadership and are likely to be deploying the latest machinery and equipment and the processing technologies. Hence, foreign EMS market players are generally the dominant EMS market players in Malaysia and their revenues typically forms a sizeable market share of the local EMS market. Examples of foreign EMS market player in Malaysia include but

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are not limited to Flextronics Technology (Penang) Sdn Bhd, Jabil Circuit Sdn Bhd and Sanmina-SCI Systems (M) Sdn Bhd and Venture Electronics Services (Malaysia) Sdn Bhd.

There are less than 100 EMS market players in Malaysia. These market players typically have sizable building capacities in Malaysia to take advantage of the country's relatively low-cost business operating environment and are typically in close proximity with the local manufacturing operations of their customers. They are also likely to have achieved competency in PCB assembly before expanding their business horizontally and vertically. Besides that, they are able to employ more flexibility in their manufacturing processes to allow the building of a broad range of products at their facilities – leading to better use of manufacturing capacity. Existing EMS market players could continue to expand their respective production capacity to meet their respective end-user markets' demand if they foresee potentially higher demand for their services or when they target a new end-user market that can potentially offer high growth in demand.

NGH was incorporated on 4 February 2021 as an investment holding company. Through its subsidiaries, it is an EMS provider focusing on the assembly and testing of electronic components and products to produce completed PCBs, semi-finished sub-assemblies and fully-assembled electronic products and semiconductor devices.

For the purpose of this report, Protégé Associates has used the following criteria when selecting other industry players in Malaysia for comparison with NGH. Industry players that are comparable to NGH must be/have:

- A local EMS public listed company or a subsidiary of a public listed company in Malaysia;
- Registered an annual turnover of more than RM300.0 million based on latest publicly available financial information; and
- Have at least 10 years of operating track record in the EMS market.

After taking into consideration the above criteria, Protégé Associates has selected the following industry players namely ATA Industrial (M) Sdn Bhd ("**ATA Industrial**"), Aurelius Technologies Berhad ("**Aurelius**"), P.I.E. Industrial Berhad ("**PIE Industrial**"), SKP Resources Berhad, SMT Technologies Sdn Bhd ("**SMT Technologies**") and V.S. Industry Berhad for comparison purpose. It needs to be highlighted that the list of industry players used for comparison purpose is not exhaustive and serves as a reference for readers.

ATA Industrial (M) Sdn Bhd

ATA Industrial is a subsidiary of Integrated Manufacturing Solutions Sdn Bhd, which is in turn a wholly-owned subsidiary of ATA IMS Berhad, a public listed company on the Main Market of Bursa Malaysia Securities Berhad. The company is principally involved in the manufacturing and sales of precision plastic injection moulded parts and assembly of electrical and electronic components and products.

Aurelius Technologies Berhad

Aurelius is a public listed company on the Main Market of Bursa Malaysia Securities Berhad. The company is principally involved in investment holding while the principal activity of its subsidiary, namely BCM Electronics Corporation Sdn Bhd is provision of EMS for industrial electronics products.

P.I.E. Industrial Berhad

PIE Industrial is a public listed company on the Main Market of Bursa Malaysia Securities Berhad. The company is principally involved in investment and management services while the principal activities of its subsidiaries include contract electronics manufacturing, cable assemblies and PCB assemblies and manufacture of fixed and handheld barcode readers and its related sub-assembly, manufacture of cables and wires for electronic devices and cable moulding compound, as well as manufacture and distribution of cable assembly and wire harness, plastic parts for electrical appliances and electronics parts and PCB assembly to computer, communication and consumer electronics industry.

SKP Resources Berhad

SKP Resources is a public listed company on the Main Market of Bursa Malaysia Securities Berhad. The company is principally involved in investment holding and provision of management services to subsidiaries. Some of the principal activities of its subsidiaries include manufacturing of plastic products, manufacture, fabrication and sales of moulds, as well as manufacturing of electronic integrated circuits micro assemblies, consumer electronics and PCBs.

SMT Technologies Sdn Bhd

SMT Technologies is a wholly-owned subsidiary of EG Industries, a public listed company on the Main Market of Bursa Malaysia Securities Berhad. The company is principally involved in the provision of EMS for computer peripheral and consumer electronic or electrical products.

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V.S. Industry Berhad

V.S. Industry is a public listed company on the Main Market of Bursa Malaysia Securities Berhad. The company is principally involved in investment holding and the manufacturing, assembling and sale of electronic and electrical products and plastic moulded components and parts.

Figure 3: Comparison between NGH and Selected Industry Players in the EMS Market in Malaysia

Company	Information from FYE*	Revenue (RM million)	Gross Profit (RM million)	(Loss) / Profit before Tax (RM million)	(Loss) / Profit after Tax (RM million)	Gross Profit Margin ¹ (%)	(Loss) / Profit before Tax Margin ² (%)	(Loss) / Profit after Tax Margin ³ (%)
NGH	31-12-2021	760.9	96.8	62.7	59.5	12.7	8.2	7.8
ATA Industrial	31-03-2022	2,317.4	17.4	(59.3)	(45.0)	0.8	(2.6)	(1.9)
Aurelius	31-01-2022	367.4	40.7	25.9	22.0	11.1	7.0	6.0
PIE Industrial	31-12-2021	1,025.2	79.1	74.3	60.3	7.7	7.2	5.9
SKP Resources	31-03-2022	2,321.4	324.8	222.4	173.4	14.0	9.6	7.5
SMT Technologies	30-06-2021	541.0	36.8	16.4	16.2	6.8	3.0	3.0
V.S. Industry	31-07-2021	4,002.3	527.2	329.1	241.6	13.2	8.2	6.0

Notes:

The above figures (which are based on the latest available audited financial information) only provide an indication and are not considered directly comparable as not all companies carry out activities which are completely similar to each other or in the same geographical area

* This represents the latest available financial information from Suruhanjaya Syarikat Malaysia ("SSM") as at 14 November 2022

¹ Gross Profit Margin = Gross Profit / Revenue

² Profit before Tax Margin = Profit before Tax / Revenue

³ Profit after Tax Margin = Profit after Tax / Revenue

Sources: NGH, SSM, annual reports of Aurelius, PIE Industrial, SKP Resources and V.S. Industry and Protégé Associates

3.2 NGH's Market Share Analysis

For FYE 31 December 2021, NGH generated revenue of RM760.9 million, equivalent to 0.2% of RM455.73 billion EMS market in Malaysia in 2021.

4.0 Demand Conditions

Figure 4: Demand Conditions Affecting the EMS Market in Malaysia, 2022-2027

Impact	Demand Conditions	Short-Term	Medium-Term	Long-Term
		2022-2023	2024-2025	2026-2027
+	The continuing pursuit of leaner capital structure by manufacturers	High	High	High
+	Rapid changing technologies and increasing electronics content in new manufactured products	High	High	High
+	The presence of an established electronics cluster in Malaysia continues to provide a sizeable and ready market for EMS	Medium	Medium	Medium
+	Broad Range of End-user Markets	Medium	Medium	Medium
-	Geopolitical Tension Across the Globe Affecting Economic Activities	High	Medium	Low
-	Reduced lead-times in customer orders and short-term purchase commitment from customers	Medium	Medium	Medium

Source: Protégé Associates

7. IMR REPORT (cont'd)**The Continuing Pursuit of Leaner Capital Structure by Manufacturers**

The growing prominence of the EMS market has coincided with the increasing desire by manufacturers to have a lean capital structure through outsourcing of capital and resource intensive manufacturing related activities. The intensely competitive nature of the electronics industry and shrinking product life cycles have put pressure on these manufacturers to reduce product costs and look for ways to cope with the increasing complexity and sophistication of electronic products.

This development has led to a distinct shift from the traditional business model of handling large-scale manufacturing using in-house production to a business model that focuses on core competencies such as brand building, R&D and marketing rather than manufacturing. In order for manufacturers to enjoy better margins and efficiency, they continue to explore the possibility of outsourcing some or all of their electronic products' designing, manufacturing and distribution requirements. As such, manufacturers generally tend to engage the service of EMS market players to achieve reduced fixed cost and capital investment requirements as well as improved stock management.

The development is expected to augur well for the development of the local EMS market as more manufacturers seek service from EMS market players in tandem with the growth in the Malaysian E&E industry.

Rapid Changing Technologies and Increasing Electronics Content in New Manufactured Products

The advancement in technology has facilitated an increasing use of electronics and related devices for both traditional and non-traditional end-user markets. This trend is particularly visible in the automotive market where an increasing number of primary and secondary functions in motor vehicles are being automated to provide better performance, comfort and ease of convenience to the drivers. For examples, keyless access start, electronic sunroof, Bluetooth connectivity, dashboard monitor with infotainment system, Global Positioning System ("GPS") and reversing camera has become increasingly available features in most passenger cars whereas they were only offered for luxury vehicles previously. In addition, automotive is now increasing equipped with advanced driver-assistance systems ("ADAS"), which includes functions such as automatic parking, automotive head-up display, blind spot monitor, collision avoidance system, driver monitoring system and 360 view technology.

Besides the automotive market, the consumer electrical market has also experienced increasing electronic content with more and more digital control replacing manual control in their products. The increase in electronics content paves the way to new extensive outsourcing opportunities for EMS.

The Presence of an Established Electronics Cluster in Malaysia Continues to Provide a Sizeable and Ready Market for EMS

Malaysia's formula of combining a market-oriented economy and business-friendly environment with a young educated workforce and excellent infrastructure has successfully attracted serious investments into its electronics industry. The local electronics industry is now the home to hundreds of companies including electronics multinational companies ("MNCs") with world-class capabilities that produce products ranging from semiconductor devices to consumer and industrial electronics. Companies that participate in the local electronics industry include major global industry companies such as Agilent Technologies, Inc., Infineon Technologies AG, Intel Corporation, Panasonic Corporation, Robert Bosch GmbH and Texas Instruments Incorporated. Their reputation and presence in Malaysia have lent further credence to Malaysia as an established electronics cluster. The local electronics manufacturing capacities are absorbed by both the local and regional demands.

The presence of an established electronics cluster in Malaysia augurs well for the growth in the local EMS market. It provides the local EMS market with a sizeable and ready market and also helps to spawn the rapid build-up of EMS capacities in Malaysia with major multinational and local companies joining the bandwagon to be closer to their customers.

Broad Range of End-user Markets

The EMS market in Malaysia, like the rest of the EMS markets worldwide, stands to have customers from a broad range of end-user markets. In addition, each end-user market also has a diverse electronics related product portfolio – creating a steady pool of potential demand for EMS. It also helps that the end-user markets have usually been characterised by a continuous introduction of technologically advanced products; some with relatively short product life cycles. Hence, EMS market players have the option to embark on a high-mix low-volume strategy if they choose to do so. By having a very broad range of end-user markets with diverse range of products, the EMS market in Malaysia has plenty of room to mitigate the risk of over-reliance on a single end-user market or product and also stands to have more room for market size expansion.

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Geopolitical Tension Across the Globe Affecting Economic Activities

As a part of the global supply chain, economic activities in Malaysia are subject to geopolitical events that may affect economic activities across the globe. In particular, Malaysia is a major exporter of E&E products to various parts of the world. The tension between the US and China has affected the relationship between the top two economies in the world, with the effect spilling over to other parts of the world. The tension began as the former US president Donald Trump imposed punitive tariffs on China. These tariffs were followed by restriction on both China’s access to high-tech US products and foreign investments involving security concerns and allegations of unfair Chinese commercial practices. The recent announcement of US export controls policy on semiconductor technologies to China is expected to adversely impact the development of the Chinese semiconductor industry as well as the entire global semiconductor value chain. The US and China are among the top export destinations of Malaysian exports.

On a more recent note, the war between Russia and Ukraine has also caused disruptions to the global supply chain. As one of the largest exporters of oil in the world, Russia’s involvement in the war throws oil supply from the country into doubt. This has led to oil prices spiking above USD110 per barrel and renewed supply chain disruptions, including for the automotive industry with the high fuel price. The high oil prices had also aggravated inflation in the US as well as in some European countries. To counter the high inflationary environment, these countries had increased interest rates in an effort to cool the economy and bring down inflation. This had resulted in slowing economic activities in the western part of the world, which may affect demand from these countries. In order to curb the spread of COVID-19, governments around the world, including Malaysia, have imposed multiple travel and movement restrictions. Furthermore, the ongoing COVID-19 outbreaks in China had led to lockdowns in various major cities across the country. This development is expected to negatively impact China’s economic growth in 2022. This has affected the global supply chain and led to shortage of supplies, delays from suppliers to customers, and an increase of raw material prices and logistic costs. All these factors are expected to affect demand for products and goods globally. The disruptions in global economic activities may affect demand for Malaysian goods including E&E products, which will in turn have a negative impact on the local EMS market.

Reduced Lead-times in Customer Orders and Short-term Purchase Commitment from Customers

Orders from the customers of the local EMS market are generally characterised by short-term purchase commitments, whereby orders are typically made for delivery of products of less than three months in advance. As such, EMS market players that act as OEMs for these customers are required to have the capacities to meet short delivery timelines in order to cater to them. In addition, the orders from customers may be rescheduled, changed or cancelled based upon contractual arrangements with the customer. This has led to fluctuations in demand for EMS and may hinder growth of the local EMS market.

The lead-times in orders from customers have also been getting shorter. The contributing factors behind this development include but are not limited to customers’ efforts to manage their stock, changes in product designs, changes in their manufacturing strategy as well as acquisitions of or consolidations among customers. This development poses manufacturing challenges to EMS market players due to uncertainty in the volume and timing of sales to their customers that hinder their ability to schedule production, estimate procurement requirements and maximise the use of their manufacturing capacities.

5.0 Supply Conditions

Figure 5: Supply Conditions Affecting the EMS Market in Malaysia, 2022-2027

Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2022-2023	2024-2025	2026-2027
+	High profile status of the local EMS market	High	High	High
+	Close collaboration with customers	High	High	High
+	Continuing government support	High	High	High
+	Emphasis on increasing vertical and horizontal expansions in terms of capabilities	Medium	Medium	Medium

7. IMR REPORT (cont'd)



Impact	Supply Conditions	Short-Term	Medium-Term	Long-Term
		2022-2023	2024-2025	2026-2027
+	The availability of quality and experienced local manpower at relatively low cost	Medium	Medium	Medium
-	High customer concentration risk among EMS market players	High	High	High

Source: Protégé Associates

High-Profile Status of the Local EMS Market

The Malaysian EMS market has gained a high-profile status in the global EMS community. It has managed to increase its visibility globally by successfully attracting investments from large and reputable international EMS market players. At the same time, the successful listing and expansion of some home-grown EMS market players have further anchored Malaysia’s position as an EMS hub in the global arena. A high-profile status augurs well for the overall development of the local EMS market. It stands to gain faster recognition among manufacturers as a viable destination to outsource their manufacturing operations to.

Close Collaboration with Customers

EMS market players in Malaysia usually have close collaboration with their customers at various stages of their manufacturing operations particularly at the designing and supply chain management stage. Close collaboration with customers in particularly MNCs can also benefit EMS market players by having a chance in securing more competitive pricing for raw materials and components from vendors. In addition, EMS market players in Malaysia stand to benefit from potential knowledge or technology transfer from their customers. Local EMS market players are also in a good position to adapt to internationally recognised industry best practices given that they can count established MNCs as their customers. This can lead to acceleration in their learning curve and provide them with exposure to advanced quality management practices. This relationship is expected to bode well for the growth of the local EMS market.

Continuing Government Support

In Malaysia, government support has been instrumental to the development of the E&E industry. As part of the manufacturing sector, the local E&E industry is set to enjoy various tax incentives such as the Pioneer Status and the Investment Tax Allowance (“**ITA**”). These incentives encourage further growth in the manufacturing sector, leaving beneficial downstream effects for the EMS market as many manufacturers utilise EMS in their manufacturing processes. Furthermore, the Government has also came out with various initiatives such as the Income Tax Incentive for the Industry 4.0 Readiness Assessment and Income Tax Incentive for Industry4WRD Vendor Development Program aimed at attracting companies in the manufacturing and manufacturing-related services sectors towards the application of Industry 4.0 technology. This is expected to boost the growth of the manufacturing sector and presents an opportunity for further growth in the local EMS market.

Emphasis on Increasing Vertical and Horizontal Expansions in Terms of Capabilities

EMS market players in Malaysia have embarked on a journey to enhance their respective vertical and horizontal capabilities to offer a more comprehensive manufacturing solution for existing and potential customers. Horizontal expansion involves extending the scope of works within a particular activity. For example, an EMS market player can expand its designing capability horizontally by also providing mechanical engineering, enclosure systems and tooling design and electronic system design in addition to system architecture, user interface and industrial design. Meanwhile, vertical expansion involves participating in more than one stage of the manufacturing value chain. One common example of vertical expansion undertaken by EMS market players in Malaysia is the venture into the plastic injection moulding business to produce the required plastic enclosures internally to complement their assembly operations. By expanding the scope of service provided to customers, EMS market players are able to capture a larger portion of their customers’ manufacturing requirements and in turn, have higher possibility of garnering better revenue and/or profit margin.

The Availability of Quality and Experienced Local Manpower at Relatively Low Cost

The nature of the EMS market is such that it is still highly reliant on semi-skilled and skilled labour. Although the advancement in machinery and equipment related technologies have improved the level of automation in the local EMS market, skilled and experienced manpower are needed to undertake

7. IMR REPORT (cont'd)

various EMS activities such as designing, building and operating. As such, skilled labour plays an important role in ensuring the sustainability of EMS operations.

The availability of semi-skilled and skilled labour at relatively low cost has been one of the major factors behind Malaysia's growing prominence as a viable location for the establishment of EMS operations, leading to various MNCs within the E&E industry and EMS market establishing business footprints in Malaysia. Quality manpower can be obtained in Malaysia at a relatively cheaper cost as compared to its neighbouring country, Singapore. Over the years, the local EMS market has been able to supply a sizeable pool of experienced manpower with related skills given its relatively long operating history. This has augured well for the development of the local EMS market.

High Customer Concentration Risk among EMS Market Players

Sales to top 10 largest customers generally accounts for a significant majority of the net sales of EMS market players, which leads to high customer concentration risk. The performance of EMS market players in Malaysia can be adversely affected by their major customers' reduction of purchases or outright ending of relationships due to reasons such as the customers experiencing dramatic declines in their market shares or competitive position as a result of economic or other contributing force(s). Other notable possible reasons include customers being involved in merger and acquisition exercises. It does not help that securing new customer(s) is not an immediate process as there is usually a lengthy qualifying process to be undertaken by potential customer(s). As such, any failure to find timely replacement(s) for unused manufacturing capacity can dampen growth of business.

6.0 Prospect and Outlook of the EMS Market in Malaysia

While the Malaysian economy has been negatively affected by the ongoing COVID-19 pandemic, the local EMS market registered a modest growth during the year, supported by higher E&E exports. The EMS market experienced another year of growth in 2021 as a global shortage of semiconductors and other electronic products prompted manufacturers to boost production to close the supply gap. Malaysian exports of E&E products jumped 18.0% to reach RM455.73 billion in 2021.

Going forward, the EMS market in Malaysia is expected to continue on an expansionary trend. Factors boosting growth within the local EMS market is likely to come from more manufacturers from a broad range of end-user markets outsourcing more manufacturing activities to EMS market players. At the same time, the increasing adoption of electronic content in traditional and non-traditional markets such as the automotive and consumer electronics sectors also provide EMS market players with a growing pool of potential new clients. Prospects of the local EMS market have also been uplifted by the presence of an established electronics cluster in Malaysia providing a sizable and ready end-user market for EMS. However, the ongoing geopolitical tension across the globe may continue to disrupt global manufacturing activities in the near term, resulting in dampened demand for EMS. In addition, the short-term purchase commitment from customers as well as reduced lead-time in orders may pose a challenge to EMS players due to uncertainty in the volume and timing of sales, leading to EMS market players unable to maximise use of manufacturing capacities.

On the supply side, the high-profile status of the local EMS industry is expected to augur well for the development of the industry as it stands to gain faster recognition among manufacturers as a viable destination to outsource their manufacturing operations. As an industry that works closely with customers, EMS market players also stand to benefit by being able to better adapt to internationally recognised industry best practices. EMS market players have also been expanding their scope of services to better capture a larger portion of their customers' manufacturing requirements. Furthermore, support from the Malaysian Government in growing the local manufacturing sector in the country has also served to bolster growth of in the local EMS market. Besides that, the availability of quality and experienced manpower at relatively low cost is expected to drive growth in the Malaysian EMS market. On the flipside, the high customer concentration risk that is present in most EMS market players signal companies may face challenges if they are unable to timely replace any lost customers.

Moving forward, total exports of E&E products market are expected to grow at a CAGR of 10.3% from RM565.51 billion in 2022 to RM819.12 billion in 2027. This bodes well for the growth of the EMS market in Malaysia.

8. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO ALL OTHER RELEVANT INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS, BEFORE MAKING AN APPLICATION FOR OUR IPO SHARES.

8.1 RISKS RELATING TO OUR BUSINESS AND OPERATIONS

8.1.1 We are dependent on imported input materials and any disruption in global supply chain may affect our business, results of operations and financial condition

Our manufacturing operations are dependent on imported input materials used in our business includes capacitors, resistors, transistors, diodes, inductors, solder paste, screens, lead frames, metal core PCBs, base materials, sawn wafers (thin slices of semiconductor), epoxy adhesives/solder and wires. We source input materials from Malaysia as well as foreign countries. The breakdown of our purchases of input materials for the FYE 31 December 2019, 31 December 2020, 31 December 2021 and FPE 30 June 2022 are as follows:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Local	170,257	64.7	298,638	65.7	293,994	48.9	131,317	37.8
Overseas	92,792	35.3	156,215	34.3	307,080	51.1	216,036	62.2
Total	263,049	100.0	454,853	100.0	601,074	100.0	347,353	100.0

While our Group is not dependent on any single supplier, any serious and prolonged global shortage of such input materials may lead to loss of business opportunities and delay in our production. The delay in production could result in a delay in delivery to our customers which may affect our reputation and/or expose us to late delivery penalties, and in turn, lead to delay in revenue recognition and/or loss of revenue that may adversely affect our profitability as well as dampen our growth.

Further, our cost of production is dependent on the cost of input materials used, which in turn is dependent on the prevailing price trends in the market and vary between industries. Prices of input materials used may be affected by numerous factors such as macroeconomic factors, disasters, riots, terrorist attacks or outbreak of epidemics or pandemics.

For the FYE 2021, FPE 2022 and up to the LPD, we faced delays in obtaining certain input materials such as PCBs, capacitors, inductors, plastic components and metal parts from our suppliers as there were disruptions in the global supply chain arising from the COVID-19 pandemic. As a result, we had to delay fulfilment of sales orders to our customers for the FYE 2021, FPE 2022 and up to the LPD. Particularly, we recorded a decrease in revenue contribution from the data computing segment by approximately RM40.75 million mainly due to the discontinuance of assembly activities (comprising completed PCBs) for Company C's range of mobile and computing devices during FYE 2021, due to global shortages of certain raw materials required for the manufacturing of Company C's range of mobile and computing devices. However, no penalties were imposed on any of the unfulfilled sales orders by our customers and our Group has fulfilled all delayed sales order made for FYE 2021, FPE 2022 and up to the LPD. Any disruptions in the global supply chain of these input materials will adversely affect our business, results of operations and financial condition. See Section 8.2.2 of this Prospectus for further details of the risks of adverse economic conditions impacting the EMS industry due to the pandemic.

We are responsible for sourcing and procuring input materials used for the manufacturing of our customers' products based on the turnkey contracts. We may be exposed to price fluctuations in the cost of the input materials due to unavoidable time lag between the time of

8. RISK FACTORS (cont'd)

our commitment to our customers and our subsequent purchase of such input materials on our customers' behalf.

We seek to minimise our exposure to shortages of components and price fluctuations through the purchase of such components and input materials from suppliers recommended by our customers as well as sourcing supplies from other suppliers based on the concept of competitive priorities. Generally, our customers have accommodated price increases with respect to input materials, equipment and components in the provision of our EMS business.

Nevertheless, there can be no assurance that we will be able to pass on the increase in the costs of input materials to our customers, in a timely manner or at all, to avoid adverse impact on our profit margin if there is a significant increase in our input material prices. In such an event, our results of operations and financial condition may be materially and adversely affected.

Save for the delays of input materials as mentioned above, we have not experienced a shortage of semiconductors for our manufacturing operations as at the LPD.

8.1.2 We are dependent on Company A for our EMS business

For the financial years/period under review, our single largest customer is Company A, which contributed approximately 44.5%, 53.1%, 51.1% and 54.8% of our total revenue for FYE 2019, FYE 2020, FYE 2021 and FPE 2022 respectively. Our business with Company A is mainly conducted under the turnkey arrangement where we are required to also purchase certain raw materials from Company A for the assembly and testing of Company A's products. As such, Company A is also our single largest supplier during the financial years/period under review consisting of 52.8%, 56.8%, 46.3% and 33.1% to our Group's purchases for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. Company A has been our customer for the past 8 years and we expect that Company A will continue to contribute significantly to our Group's revenue in the future.

Our Group has not historically entered into and presently does not have any long-term contracts with Company A. Our sales to Company A are based on purchase orders. The absence of long-term contract is an industry practice where customers would make orders of our products by way of purchase orders. There is no assurance that Company A will continue to purchase our products and/or services in the future or that demand from them will be sustained at current levels in the future. Any adverse changes in Company A's purchasing order plans and requirements may result in loss of sale and adverse effects on our business and financial performance. Nevertheless, during the financial years/period under review and up to the LPD, we have not experienced any disruptions (such as cancellation or non-fulfilment of purchase orders) to our business dealings with Company A.

Furthermore, there is no assurance that we could diversify our portfolio of customers and reduce our reliance on Company A going forward. If Company A is dissatisfied with the quality of our products and/or services and such dissatisfactions are not adequately addressed, our reputation could be adversely affected and our relationship with Company A may deteriorate. In such an event, Company A may switch to other vendors/suppliers or reduce the purchase of our products and services. In addition, our business reputation may be damaged (either by word of mouth or publicly available information) resulting in potential customers not appointing us as their approved vendor/supplier. This may adversely affect our business and financial performance.

8. RISK FACTORS (cont'd)**8.1.3 We are dependent on our Executive Directors and key senior management for continued success and the loss of their continued services may affect our business**

Our continued and future success largely depends on the continuing contribution of our Managing Director, Executive Director and key senior management personnel, for the strategic direction, leadership, business planning and development, management and monitoring of the day-to-day business operations of our Group. Our Managing Director, Executive Director and key senior management personnel play a pivotal role in our day-to-day operations as well as charting, formulating and implementing strategies to drive the future growth of our Group. Further, our Managing Director, Executive Director and key senior management personnel is vital to maintain the quality of our Group's EMS assembly and testing services whilst retaining the business confidence of our customers.

The loss of any of our Managing Director, Executive Director and key senior management personnel may create an unfavourable or material impact on our Group's operations and may eventually affect our ability to maintain or improve our business performance.

8.1.4 Disruptions to our EMS manufacturing facilities or unplanned shutdowns could materially and adversely affect us

Our customers operate in an environment where the performance of our assembly and testing services within the stipulated timeline is critical for their time sensitive supply chain management. Our failure to deliver our services in a timely manner may result in losses for our customer's operations.

Our ability to perform our services within the stipulated timeline is dependent on the continued operations of our manufacturing facilities. Any disruption to or unplanned shutdowns of our facilities such as fire, power failure, floods or interruptions in water supply, breakdowns, failures or sub-standard performance of our critical machineries, or accidents may materially and adversely affect our delivery of services. Such delays may result in our Group compensating for our customers' losses and loss of future business. During the financial years/period under review and up to the LPD, we have not experienced any material disruption or unplanned shutdown save for the shutdown of Plant 1 and Plant 2 from 14 June 2021 to 24 June 2021 and shutdown of Plant 5 from 28 June 2021 to 6 July 2021 due to outbreak of COVID-19 infections among our production workers. The occurrence of any of the above incidences may result in the disruption to or unplanned shutdowns of our facilities which in turn may materially impact our financial performance.

8.1.5 We are exposed to the fluctuation in foreign exchange rates

The principal foreign currency that we utilise for our business transaction is the USD and as such we are exposed to foreign exchange fluctuations of USD against RM. Any unfavourable foreign exchange movement against the RM, especially with the weakening of the RM against the USD, may have an adverse impact on our financial performance. For FPE 2022, approximately 85.3% and 94.9% of our revenue and purchases, respectively, were denominated in USD. As such, a 10.0% strengthening or weakening of the RM against the USD will increase or decrease the Group's PBT by RM5.50 million, respectively. The breakdown of our revenue and purchases denominated in foreign exchange rates are as follows:

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Revenue								
Transacted in RM	207,533	63.7	369,422	65.2	445,001	58.5	62,765	14.7
Transacted in USD	118,465	36.3	196,824	34.8	(2)315,869	41.5	(2)363,237	85.3
Transacted in EUR	^	~	^	~	-	-	-	-
Total	325,998	100.0	566,246	100.0	760,870	100.0	426,002	100.0

8. RISK FACTORS (cont'd)

	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Purchases								
Transacted in RM	169,781	64.5	297,006	65.3	267,166	44.4	8,414	2.4
Transacted in USD	90,305	34.3	153,000	33.6	(2)325,030	54.1	(2)329,584	94.9
Transacted in EUR	1,323	0.5	3,033	0.7	6,169	1.0	8,009	2.3
Transacted in other currencies ⁽¹⁾	1,640	0.7	1,814	0.4	2,709	0.5	1,346	0.4
Total	263,049	100.0	454,853	100.0	601,074	100.0	347,353	100.0

Notes:

^ Less than RM1,000

~ Less than 0.1%

(1) Other currencies include Japanese Yen, Great Britain Pound, Australian Dollar and Singapore Dollar.

(2) During FYE 2021 and FPE 2022, our revenue and purchases transacted in USD has increased as our major customer, namely Company A has revised the transaction currencies to be performed from RM to USD. However, our foreign exchange exposure in USD is minimised as our sales and purchases are made in the same currency to minimise our foreign exchange exposure as a form of natural hedging. We also have USD-currency denominated trade financing facilities for the payment to our overseas suppliers and such trade facilities are settled via USD-currency receipts from our overseas customers which we maintained in a USD-currency denominated bank account.

Any significant depreciation of RM against the USD may affect our cost of sales and reduce our profit margin and as such, adversely impacting our financial performance. We do not use any financial instruments to hedge our exposure against transactions in foreign currencies. We coordinate our foreign currency sales and purchases to be in the same currency as much as possible to minimise our foreign exchange exposure as a form of natural hedging.

During the financial years/period under review, we recorded net realised loss on foreign exchange of RM0.45 million, RM0.91 million and RM0.07 million for FYE 2019, FYE 2021 and FPE 2022, respectively.

There can be no assurance that there will not be any material fluctuation in foreign exchange in the future that could result in us recording a higher cost of sales or lower revenue recorded and thus adversely affect our GP margin as well as our financial performance.

8.1.6 We are subject to credit risks based on the credit periods granted to our customers

We grant our customers credit periods of between 30 to 120 days. Our trade receivables accounted for a significant portion of our total assets for the FYE Under Review as well as FPE 2022 as follows:

	Audited							
	FYE 2019		FYE 2020		FYE 2021		FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trade receivables	101,100	31.57	147,729	31.29	166,648	27.49	187,105	25.29
Total assets	320,233		472,054		606,165		739,789	

As such we are exposed to credit risks arising from our Group's trade receivables which may arise from events and circumstances beyond our Group's control.

8. RISK FACTORS (cont'd)

If there is an occurrence of circumstances that affect our customers' ability or willingness to pay us, we may experience payment delays or default on payment. Accordingly, we will have to make allowance for doubtful debts or may be required to write-off the uncollectible trade receivables as bad debts, which may adversely affect our profitability.

Nevertheless, our major customers are multinational corporations which are either public listed companies or subsidiaries of public listed companies and these customers have maintained good payment records in their past dealings with us. Further, we conduct credit risk assessment on our new customers to assess their creditworthiness and we continuously monitor the outstanding balance and collection of our trade receivables.

There were no allowances for doubtful debts and bad debts written off which had material adverse impact on our profitability and financial performance for the FYE 31 December 2019, 31 December 2020 and 31 December 2021 as well as FPE 30 June 2022. However, we may be required to provide allowance for doubtful debts or may be required to write-off the bad debts in the future if the need arises.

8.1.7 We rely on foreign workers for our EMS activities

Our EMS activities rely on employment of foreign workers. We require semi-skilled operators for our operations. Hence, we depend on a stable workforce to ensure that our operations are not interrupted, particularly in periods of high demand. As at LPD, we have 1,271 foreign employees (which includes 1,270 foreign workers and 1 expatriate), representing 57.9% of our total employees and all of them have valid working permits, which are renewed annually up to 10 years. Most of our foreign workers are categorised as operators and technicians.

Due to the COVID-19 pandemic, the closing of international borders has been severely restricted resulting in difficulties in recruiting new workers. We may not be able to replace our foreign workers who have returned to their home country or hire new workers to expand our operations. Any shortage of workers may result in disruption of our operations and expansion plans.

In the event of insufficient foreign workers with the requisite technical skills, expertise and knowhow to support our EMS operations, our business activities may be materially and adversely affected.

During the financial years/period under review and up to the LPD, we have not experienced any material interruptions to our EMS activities due to labour shortages. Nevertheless, there is no assurance that such shortages of foreign worker will not have an adverse impact to our operations.

8.2 RISKS RELATING TO OUR INDUSTRY

8.2.1 Competition from other industry players

We face competition from other EMS providers. According to the IMR Report, there are less than 100 EMS providers in Malaysia.

Some of these competitors may have stronger brand names, greater access to capital, longer operating histories, longer or more established relationships with their customers, and greater marketing and other resources than we do. Furthermore, some of these competitors may be able to adapt to changes in the industry more quickly than we can by adopting more aggressive pricing policies or by developing technology and services that gain wider market acceptance.

8. RISK FACTORS (cont'd)

Technical capabilities, quality, pricing, proximity to customers, value added services and breadth of products and/or solutions offered are the key areas of competition in our business. Additionally, consolidation of market players within the specialised machinery and equipment industry may increase competition.

Our ability to compete will depend on our ability to adapt quickly to developments in the markets in which our services are performed. In particular, our success will depend on our capability to provide assembly and testing services for our customers changing requirements. As such, there can be no assurance that we are able to compete effectively which may adversely impact our financial performance.

8.2.2 We are subject to the political, regulatory and economic risks in Malaysia and other countries

The occurrence of adverse political, social and economic events in Malaysia could have a negative effect on our business operations and financial performance. Examples of such events could include, but are not limited to, changes in political leadership, declaration of war, occurrence of civil war or disorder, outbreak of communicable diseases such as COVID-19, trade war between Malaysia and one or more of its trading partners, ongoing trade war between the US and China, ongoing war between Russia and Ukraine as well as significant economic slowdown in Malaysia and its trading partners.

Furthermore, such events occurring in other countries could have a material adverse effect on Malaysia, either directly or indirectly. The occurrence of these events in Malaysia and other countries could adversely affect business sentiments and consumer confidence, leading to reduced business and consumer spending and investment. This, in turn, may cause our customers and prospective customers to delay, reduce, or abandon their plans to engage us. During the financial years/period under review and up to the LPD, we have not experienced any material adverse impact of such political, regulatory and economic event to our financial performance.

However, there can be no assurance that such event in Malaysia and other countries, which are beyond our control, would not materially affect our business operations and financial performance.

8.2.3 We may be exposed to the risk of supply disruption of IT hardware resulting from global shortages of semiconductors

Semiconductors are an integral component in the manufacturing of IT hardware, which is an important component used in our principal activities of our Group.

In early 2020, the COVID-19 pandemic caused a drop in demand for passenger vehicle which forced global automotive makers to reduce their orders for all parts and materials, including the semiconductors required for functions ranging from touchscreen displays to collision-avoidance systems. When demand for passenger vehicles picked up in the third quarter of the year, semiconductor manufacturers were already committed to supplying products to end-users in the consumer electronics industry due to a surge in work-from-home requiring more laptops and supporting products. Geopolitical factors also compounded the issue, with the US regulating sales of semiconductor to some Chinese firms, which led to stockpiling of chips by those companies. To remedy the situation, semiconductor manufacturers across the world have been ramping up capacity to meet demand. The recent war between Russia and Ukraine is also expected to affect the production of semiconductors. Russia is a producer of rare metals such as palladium while Ukraine is a supplier of rare gases such as neon and helium which are used in the production of semiconductor fab lasers.

8. RISK FACTORS (cont'd)

Further, the recent Russia-Ukraine war which began in February 2022 could also exacerbate the shortage in microchips globally. Both Russia and Ukraine are key suppliers of palladium and neon, which are raw materials used in semiconductor manufacturing. While foundries have stocked up on these materials, a prolonged war could affect the supply of semiconductors globally which would consequently have an adverse impact on the manufacturing of IT hardware. On a more recent note, the announcement of US export controls policy on semiconductor technologies to China is expected to adversely impact the development of the Chinese semiconductor industry as well as the entire global semiconductor value chain.

While our Group did not experience any material adverse impact on our business operations and financial performance due to such disruptions in supplies of IT hardware, there can be no assurance that any future disruption in the supply of IT hardware will not have a negative impact on our Group's financial performance. In addition, there can be no assurance that the products and/or services that we provide or our customers will not be subjected to the export controls implemented by the US Government, any of which will adversely impact our business operations and financial performance.

8.2.4 Our business is subject to changes and advancements in technology

Our EMS business is subject to changes and advancements in technology in these various industries that our customers are involved in. Our success depends on our capability to adapt our EMS capabilities to meet the changing requirements of our customers.

If we are unable to anticipate changes in technology and/or develop our capabilities in a timely manner, we may be unable to retain our customers or attract new customer. This may have a material and adverse effect on us.

8.3 RISK RELATING TO THE INVESTMENT IN OUR SHARES

8.3.1 There has been no prior market for our Shares

Prior to our Listing, there was no public trading for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or, if developed, that such market will be sustained. Our IPO Price was determined after taking into consideration a number of factors including but not limited to our historical earnings, our competitive strengths, our business strategies and prospects as well as our financial and operating history. There can be no assurance that our IPO Price will correspond to the price at which our Shares will be traded on the ACE Market upon or subsequent to our Listing or that an active market for our Shares will develop and continue upon or subsequent to our Listing.

The price at which our Shares will trade on the ACE Market may be influenced by a number of factors including, amongst others, the depth and liquidity of the market for our Shares, investors' individual perceptions of our Group, market and economic conditions.

8.3.2 Our Listing is exposed to the risk that it may be aborted or delayed

Our Listing is exposed to the risk that it may be aborted or delayed on the occurrence of any one or more of the following events:

- (a) the selected investors fail to subscribe for the IPO Shares;
- (b) our Underwriter in exercising its rights pursuant to the Underwriting Agreement discharges itself from its obligations therein; and

8. RISK FACTORS (cont'd)

- (c) we are unable to meet the public shareholding spread requirement as determined by Bursa Securities, whereby at least 25.0% of our total number of Shares for which listing is sought must be held by a minimum number of 200 public shareholders each holding not less than 100 Shares upon the completion of our IPO and at the point of our Listing.

In this respect, we will exercise our best endeavours to comply with the various regulatory requirements, including, amongst others the public shareholding spread requirement in paragraph (c) above for our successful Listing. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or non-implementation of our Listing.

Upon the occurrence of any of these events, investors will not receive any Shares and we will return in full without interest, all monies paid in respect of any application for our Shares within 14 days, failing which the provisions of sub-sections 243(2) and 243(6) of the CMSA will apply accordingly and we will be liable to repay the monies with interest at the rate of 10.0% per annum or such other rate as may be prescribed by the SC upon expiration of that period until full refund is made.

In the event our Listing is aborted and/or terminated, and our Shares have been allotted to the shareholders, a return of monies to all holders of our Shares can only be achieved by way of cancellation of share capital as provided under the Act and its related rules. Such cancellation requires, among others, the sanction of our shareholders by special resolution in a general meeting and consent of our creditors (if required). There can be no assurance that such monies can be recovered within a short period of time in such circumstances.

8.3.3 The trading price of our Shares following our Listing may be volatile

The trading price of our Shares could be subject to fluctuations in response to various factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These factors may include variations in the results of our operations, changes in analysts' recommendations or projections, changes in general market conditions and broad market fluctuations.

In addition, the performance of Bursa Securities is very much dependent on external factors such as the performance of the regional and world bourses and the inflow or outflow of foreign funds. Sentiments are also largely driven by internal factors such as economic and political conditions of the country as well as the growth potential of the various sectors of the economy. These factors invariably contribute to the volatility witnessed on Bursa Securities, thus adding risks to the market price of our listed shares.

8.4 OTHER RISKS

8.4.1 Our future fund-raising exercise may result in dilution of shareholdings

Our capital requirements are dependent on, amongst others, our business, the availability of our resources for attracting, maintaining and enlarging our customer base and the need to maintain and expand our product offering. Thus, we may need additional capital expenditure for future expansions and/or investments. An issue of new Shares or other securities to raise funds will dilute shareholders' equity interest and may, in case of a rights issue, require additional investment by shareholders.

8. RISK FACTORS (cont'd)

8.4.2 Our Promoters will be able to exert significant influence over our Company

Upon completion of our IPO, our Promoters will collectively hold an aggregate of 1,348,056,100 Shares, representing approximately 65.0% of our enlarged issued Shares. As a result, our Promoters will be our controlling shareholders and have voting control over our Company and are expected to have significant influence on the outcome of certain matters, unless they are required to abstain from voting by law and/or by the relevant authorities.

Nevertheless, our Company has appointed three Independent Directors and they will play an active role in our Board's deliberations to ensure future transactions involving related parties are entered into on an arms-length basis, so as to facilitate good corporate governance whilst promoting greater corporate transparency.

8.4.3 We are unable to disclose the identity of certain major customers and suppliers which may affect investors' ability to assess the impact and risk

Company A, Company B, Company C, Company D and Company F are our Group's top 5 major customers for certain of the financial years/period under review, contributing 50.3%, 62.7%, 70.1% and 73.8% of our revenue for FYE 2019 to FYE 2021 as well as FPE 2022 respectively. Due to the turnkey arrangement, Company A and Company C are also our top 5 major suppliers for certain of the financial years/period under review, contributing 52.8%, 67.3%, 50.3% and 33.1% of our purchases for FYE 2019 to FYE 2021 as well as FPE 2022 respectively.

Moving forward, we expect Company A, Company B, Company C, Company D and Company F will continue to contribute significantly to our Group's revenue and business. Any dispute, termination of business relationships, reduction in purchase orders secured from them or difficulties in collection from these customers may affect our Group's financial performance. As such, the non-disclosure of Company A, Company B, Company C, Company D and Company F's identity may affect investors' ability to assess their impact on our business and the investors' risk when investing in our Shares.

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9. RELATED PARTY TRANSACTIONS

9.1 RELATED PARTY TRANSACTIONS

Save for the Internal Restructuring and as disclosed below, there were no transactions, existing and/or potential, entered or to be entered into by our Group which involve the interests, direct or indirect, of our Directors, substantial shareholders and/or persons connected with them which are material to our Group during FYE 2019 to FYE 2021 as well as FPE 2022 and up to LPD:

Related party	Interested persons	Nature of relationship	Nature of transactions	Transaction values									
				FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FPE 2022 RM'000	%	1 July 2022 up to LPD RM'000	%
Alion Nation Solution	Ooi Eng Leong and Tan Ah Geok	Ooi Eng Leong is our Managing Director, Promoter and substantial shareholder	Sale of LED products from NSM to Alion Nation Solution	507	(1)0.2	80	(1)~	-	-	-	-	-	-
			Purchase of components, solid-state lighting, electronic systems, devices and modules from Alion Nation Solution to NSM for our EMS activities	(145)	(2)~	-	-	-	-	-	-	-	-
		Tan Ah Geok is our Promoter and substantial shareholder	Purchase of LED lights from Alion Nation Solution to NSM	(4)	(3)~	(3)	(3)~	-	-	-	-	-	-
		Ooi Eng Leong is the Director and substantial shareholder of Alion Nation Solution by virtue of his shareholding held in Alion Nation Sdn Bhd pursuant to Section 8(4) of the Act	Purchase and installation of lighting system from Alion Nation Solution to NSM for our manufacturing facilities	(49)	(4)0.1	-	-	-	-	-	-	-	-
		Tan Ah Geok is the substantial shareholder of Alion Nation Solution by virtue of her shareholding in Alion Nation Sdn Bhd pursuant to Section 8(4) of the Act											

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party	Interested persons	Nature of relationship	Nature of transactions	Transaction values									
				FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FPE 2022 RM'000	%	1 July 2022 up to LPD RM'000	%
Davindra Singh Gendeh	Davindra Singh Gendeh	Davindra Singh Gendeh is our Vice President of Operations and director of NSY	Purchase of motor vehicle from Davindra Singh Gendeh to NSY	-	-	(80)	⁽⁴⁾ 0.1	-	-	-	-	-	-
M. Rajedar Singh A/L Mahindra	Davindra Singh Gendeh	Davindra Singh Gendeh is our Vice President of Operations and director of NSY. He is the brother of M. Rajedar Singh A/L Mahindra	Consultancy fees charged by M. Rajedar Singh A/L Mahindra to NSY for administrative and human resource services provided for the setting up of NSY's operations	-	-	(30)	⁽³⁾ 0.2	(30)	⁽³⁾ 0.1	-	-	-	-
Oneworks Lighting Sdn Bhd ⁽⁵⁾	Ooi Eng Leong, Tan Ah Geok and Lee Kim San	Ooi Eng Leong is our Managing Director, Promoter and substantial shareholder Tan Ah Geok is our Promoter and substantial shareholder	Purchase of electrical lighting equipment from Oneworks Lighting Sdn Bhd to NSM for installation at Plant 5	(47)	⁽⁴⁾ 0.1	-	-	-	-	-	-	(2)	⁽⁷⁾ N/A
		Oneworks Lighting Sdn Bhd was previously the associate company of Alion Nation, a company in which Ooi Eng Leong is the Director and substantial shareholder, Lee Kim San is the director and Tan Ah Geok is the substantial shareholder											

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party	Interested persons	Nature of relationship	Nature of transactions	Transaction values									
				FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FPE 2022 RM'000	%	1 July 2022 up to LPD RM'000	%
Rank Electronics Sdn Bhd	Davindra Singh Gendeh	Davindra Singh Gendeh is our Vice President of Operations, director of NSY and director of Rank Electronics Sdn Bhd	Consultancy fees charged by Rank Electronics Sdn Bhd to NSY for engineering support services	-	-	(22)	⁽³⁾ 0.1	(67)	⁽³⁾ 0.2	-	-	-	-
			Purchase of facilities equipment from Rank Electronics Sdn Bhd to NSY for our assembly and testing of semiconductor devices	-	-	(480)	⁽⁴⁾ 0.4	-	-	-	-	-	-
SkyGate F&B Sdn Bhd	Ooi Eng Leong and Tan Ah Geok	Ooi Eng Leong is our Managing Director, Promoter and substantial shareholder	Purchases of meal coupons as well as refreshments provided from SkyGate F&B Sdn Bhd to NSM for our employees and customers	(38)	⁽³⁾ 0.3	(24)	⁽³⁾ 0.1	-	-	-	-	-	-
		Tan Ah Geok is our Promoter and substantial shareholder											
		Ooi Eng Leong and Tan Ah Geok are the Directors and substantial shareholders of SkyGate F&B Sdn Bhd											
SkyGate Plastic ⁽⁵⁾	Ooi Eng Leong, Tan Ah Geok and Lee Kim San	Ooi Eng Leong is our Managing Director, Promoter and substantial shareholder	Purchase of raw materials from SkyGate Plastic to NSM for our EMS activities	(337)	⁽²⁾ 0.1	-	-	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party	Interested persons	Nature of relationship	Nature of transactions	Transaction values										
				FYE 2019 RM'000	% ⁽⁴⁾	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FPE 2022 RM'000	%	1 July 2022 up to LPD RM'000	%	
		Tan Ah Geok is our Promoter and substantial shareholder	Sales of used machinery from NSM to SkyGate Plastic	20	(4)~	-	-	-	-	-	-	-	-	-
		Lee Kim San is our Executive Director												
		SkyGate Plastic Sdn Bhd was previously a subsidiary of Alion Nation, a company in which Ooi Eng Leong is the Director and substantial shareholder, Lee Kim San is the Director and Tan Ah Geok is the substantial shareholder												
SkyGate Technology ⁽⁵⁾	Ooi Eng Leong, Tan Ah Geok and Lee Kim San	Ooi Eng Leong is our Director, Promoter and substantial shareholder Tan Ah Geok is our Promoter and substantial shareholder SkyGate Technology is a subsidiary of Alion Nation, a company in which Ooi Eng Leong is the Director and substantial shareholder, Lee Kim San is the Director and Kim San is the Director and	Rental expenses paid by NSM to SkyGate Technology for rental of certain machineries and premises for our EMS activities Purchase of raw materials from SkyGate Technology to NSY for our EMS activities Purchase of Plant 1 from SkyGate Technology to NSM	(480)	(2)0.2	(320)	(2)0.1	-	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party	Interested persons	Nature of relationship	Nature of transactions	Transaction values									
				FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FPE 2022 RM'000	%	1 July 2022 up to LPD RM'000	%
		Tan Ah Geok is the substantial shareholder	Purchase of Plant 2 from SkyGate Technology to NSM	(9,100)	⁽⁴⁾ 10.7	-	-	-	-	-	-	-	-
			Purchase of Plant 3 from SkyGate Technology to NSM	-	-	(13,200)	⁽⁴⁾ 11.8	-	-	-	-	-	-
VS Precision	Ooi Eng Leong	Ooi Eng Leong is our Director, Promoter and substantial shareholder	Purchase of materials from VS Precision to NSM for renovation, fixtures, tools, factory and safety equipment and machinery	(454)	⁽⁴⁾ 0.5	-	-	-	-	-	-	-	-
		Ooi Eng Leong is the Director and indirect substantial shareholder of VS Precision by virtue of his shareholding held in VS Solution Services pursuant to Section 8(4) of the Act	Purchase of spare parts and consumables from VS Precision to NSM for our EMS activities	(70)	⁽²⁾ ~	-	-	-	-	-	-	-	-
			Purchase of spare parts from VS Precision to NSM for maintenance of building and office equipment	(10)	⁽²⁾ ~	-	-	-	-	-	-	-	-
VS Solution Services ⁽⁶⁾	Ooi Eng Leong	Ooi Eng Leong is our Director, Promoter and substantial shareholder	Sale of plastic enclosures from NSM to VS Solution Services	2	⁽¹⁾ ~	1	⁽¹⁾ ~	-	-	-	-	-	-

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party	Interested persons	Nature of relationship	Nature of transactions	Transaction values									
				FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%	FPE 2022 RM'000	%	1 July 2022 up to LPD RM'000	%
		Ooi Eng Leong is a substantial shareholder of VS Solution Services	Purchase and installation of metal racking systems and machinery from VS Solution Services to NSM and NSY for our manufacturing facilities	(851)	⁽⁴⁾ 1.0	(1,389)	⁽⁴⁾ 1.2	(2,911)	⁽⁴⁾ 1.8	(1,857)	⁽⁴⁾ 1.1	(573)	⁽⁷⁾ N/A
			Purchase of spare parts and consumables from VS Solution Services to NSM and NSY for our manufacturing activities	(248)	⁽²⁾ 0.1	(117)	⁽²⁾ ~	(233)	⁽²⁾ ~	(49)	⁽²⁾ ~	(80)	⁽⁷⁾ N/A
			Purchase of spare parts from VS Solution Services to NSM for maintenance of building and office equipment	(110)	⁽³⁾ 0.8	(33)	⁽³⁾ 0.2	(33)	⁽³⁾ 0.1	(76)	⁽³⁾ 0.3	(161)	⁽⁷⁾ N/A
Skygate Sciences Sdn Bhd ⁽⁶⁾	Ooi Eng Leong and Tan Ah Geok	Ooi Eng Leong is our Managing Director, Promoter and substantial shareholder	Rental of Plant 7 from Skygate Sciences Sdn Bhd to NSM ⁽⁸⁾	-	-	-	-	-	-	(1,707)	⁽²⁾ 0.5	(1,707)	⁽⁷⁾ N/A
		Tan Ah Geok is our Promoter and substantial shareholder											
		Ooi Eng Leong is the Director and substantial shareholder of Skygate Sciences Sdn Bhd											

9. RELATED PARTY TRANSACTIONS (cont'd)

Related party	Interested persons	Nature of relationship	Nature of transactions	Transaction values					
				FYE 2019 RM'000	%	FYE 2020 RM'000	%	FYE 2021 RM'000	%

Tan Ah Geok is the substantial shareholder of Skygate Sciences Sdn Bhd

Notes:

- ~ Less than 0.1%
- (1) Calculated based on our Group's revenue for each of the respective financial years/period.
- (2) Calculated based on our Group's cost of sales for each of the respective financial years/period.
- (3) Calculated based on our Group's total administrative expenses for each of the respective financial years/period.
- (4) Calculated based on our Group's NA for each of the respective financial years/period.
- (5) Deemed interested by virtue of his shareholding held in Alion Nation pursuant to Section 8(4) of the Act.
- (6) These related party transactions are expected to recur after our Listing.
- (7) Not applicable as we did not prepare any financial statements from 1 July 2022 up to LPD.
- (8) The salient terms of the tenancy agreement between Skygate Sciences Sdn Bhd and NSM, NSY and NIM are as follows:

Parties	Date of tenancy agreement	Properties	Tenure	Renewal Term ⁽¹⁾	Monthly rental rate (RM)
Skygate Sciences Sdn Bhd (<i>Landlord</i>) and NSM, NSY and NIM (<i>tenants</i>)	Tenancy Agreement dated 28 February 2022 with Addendum dated 1 May 2022	total rented space of 227,654,025 sq ft located at Plant 7	12 months from 1 February 2022 ("Initial Tenure")	Automatic renewal and extension for additional 36 months at the same terms and conditions including the rental upon expiration of the Initial Tenure ("Automatic Extension Period").	341,481.04

Upon expiry of the Automatic Extension Period, the tenants shall have an option to renew the tenancy for an additional 36 months on the same terms and condition save for the rental shall be based on the then prevailing market rate to be agreed upon by both parties provided

9. RELATED PARTY TRANSACTIONS (cont'd)

Parties	Date of tenancy agreement	Properties	Tenure	Renewal Term ⁽ⁱ⁾	Monthly rental rate (RM)
				<p>always that any increase in the rental shall not exceed 10% of the rental and written notice of such intention to renew is given by the tenants to the landlord not later than 3 months before expiration of the Automatic Extension Period (“Further Extension Period”).</p> <p>Upon expiry of the Further Extension Period, the tenants shall have an option to further renew the tenancy for an additional 36 months on the same terms and conditions save for the rental shall be based on the then prevailing market rate to be agreed upon by both parties provided always that any increase in the rental shall not exceed 10% of the rental agreed during the Further Extension period and written notice of such intention to renew is given by the tenants to the landlord not later than 3 months before expiration of the Further Extension Period.</p>	

Note:

- (i) The tenancy granted to our Group is a fixed tenancy. During the Initial Tenure and the Automatic Extension Period, no early termination is allowed by either the landlord or the tenants. During such periods, both parties are not allowed to terminate the tenancy agreement for Plant 7. In the event that the tenants terminate the tenancy agreement, the tenants are liable to pay the remaining outstanding rentals not paid during the remaining tenancy periods. Both landlord and tenants agreed that both has the right to terminate the tenancy by giving 3 months’ notice in writing (in the form of letter) to the landlord or tenants before expiration of the Further Extension Period and any other period after the Further Extension Period.

9. RELATED PARTY TRANSACTIONS (cont'd)

As at the LPD, there are no related party transactions entered into but not yet effected.

Our Directors are of the view that the above related party transaction was conducted on an arm's length basis and on competitive commercial terms not more favourable to the related parties and were not to the detriment of our minority shareholders.

Moving forward, if there are potential related party transactions, the related parties must first inform our Audit and Risk Management Committee on their interests in the transaction and the nature of the transaction before the transaction is entered into.

Our Audit and Risk Management Committee is responsible for the review of all related party transactions to ensure that there is no conflict of interest. Our Audit and Risk Management Committee shall deliberate and determine if the related party transactions (if any) are undertaken on arm's length basis and on normal commercial terms, we have established the following procedures:

(a) Recurrent related party transactions

- (i) At least 2 other contemporaneous transactions with third parties for similar products and/or quantities will be used as comparison, wherever possible, to determine whether the price and terms offered by all related parties are fair and reasonable and comparable to those offered by third parties; or
- (ii) In the event that quotation or comparative pricing from third parties cannot be obtained, the transaction price will be determined by our Group based on those offered by third parties for substantially similar type of transaction to ensure that the recurrent related party transactions are not detrimental to us.

Our Board shall seek mandate from shareholders to enter into any recurrent related party transactions at general meetings of our Company. Due to its time-sensitive nature, the shareholders' mandate will enable us to enter into such recurrent transactions which are transacted in our ordinary course of business without having to convene numerous general meetings to approve such recurrent transactions as and when they are entered into.

(b) Other related party transactions

- (i) Whether the terms of the related party transaction are fair and on arm's length basis to our Group and would apply on the same basis if the transaction did not involve a related party;
- (ii) The rationale for our Group to enter into the related party transaction and the nature of alternative transactions, if any; and
- (iii) Whether the related party transaction would present a conflict of interest between our Group and the related parties, taking into account the size of the transaction and nature of the related parties' interest in the transaction.

Where required under the Listing Requirements, a related party transaction may require prior approval of shareholders at a general meeting to be convened. An independent adviser may be appointed to comment as to whether the related party transaction is fair and reasonable so far as the shareholders are concerned; and whether the transaction is to the detriment of minority shareholders. In such instances, the independent adviser shall also advise minority shareholders on whether they should vote in favour of the transaction.

9. RELATED PARTY TRANSACTIONS (cont'd)

For related party transaction that requires prior approval of shareholders, the Directors, major shareholders and/or persons connected to them, which have any interest, direct or indirect, in the proposed related party transaction will abstain from voting in respect of their direct and/or indirect shareholdings. Where a person connected with a Director or major shareholder has interest, direct or indirect, in any proposed related party transaction, the Director or major shareholder concerned will also abstain from voting in respect of his direct and/or indirect shareholdings.

In addition, to safeguard the interest of our Group and our minority shareholders, and to mitigate any potential conflict of interest situation, our Audit and Risk Management Committee will, amongst others, supervise and monitor any related party transaction and the terms thereof and report to our Board for further action. Where necessary, our Board would make appropriate disclosures in our annual report with regards to any related party transaction entered into by us.

9.2 TRANSACTIONS ENTERED INTO THAT ARE UNUSUAL IN THEIR NATURE OR CONDITIONS

There were no transactions that were unusual in their nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party for FYE 2019 to FYE 2021 as well as FPE 2022 and up to LPD.

9.3 LOANS MADE TO OR FOR THE BENEFIT OF THE RELATED PARTY

During the historical financial years under review and up to the LPD, our Group had provided advances to Alion Nation, SkyGate Technology, SkyGate Plastic and Oneworks Lighting Sdn Bhd for the purchase of raw materials and input components. The amount due from the related parties for the past 3 FYEs, FPE 2022 and as at LPD is as follows:

	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 30 June 2022	As at LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
• Loans					
- Short-term	-	-	-	-	-
- Long-term	-	-	-	-	-
• Advances	18,556	12,368	-	-	-
Total	18,556	12,368	-	-	-

As at the LPD, all advances were repaid by our related parties.

9.4 FINANCIAL ASSISTANCE PROVIDED FOR THE BENEFIT OF THE RELATED PARTY

Save as disclosed in Section 9.3, there was no financial assistance provided by us for the benefit of any related party for the financial years/period under review and up to the LPD.

9. RELATED PARTY TRANSACTIONS (cont'd)

9.5 OTHER TRANSACTIONS

9.5.1 Personal and corporate guarantees

Ooi Eng Leong and/or Tan Ah Geok as well as Alion Nation and SkyGate Technology (a company in which the Promoters are also presently the Directors and shareholders), have jointly and severally provided personal and corporate guarantees for the banking and financing facilities extended by Alliance Bank Malaysia Berhad, CIMB Bank Berhad, Hong Leong Bank Berhad, Hong Leong Islamic Bank Berhad, United Overseas Bank (Malaysia) Bhd, Ambank Islamic Berhad, SMFL Hire Purchase (Malaysia) Sdn Bhd and BMW Credit (Malaysia) Sdn Bhd (collectively, "Financiers") to our Group. The details of the amount guaranteed, outstanding amount and the guarantors for the respective banking facilities and/or leasing facilities as at LPD are as follows:

Name of Bank	Corporate guarantor	Personal guarantor	Type of facility	Outstanding amount (as at LPD)	
				Amount guaranteed RM'000	RM'000
Alliance Bank Malaysia Berhad	Alion Nation Group Sdn Bhd	Ooi Eng Leong	Bank facilities	4,641	1,881
			Overdraft facilities Leasing facilities	500 38,000	- 18,986
CIMB Bank Berhad	-	Ooi Eng Leong and Tan Ah Geok	Banking facilities Leasing facilities	5,000 3,000	4,903 1,278
			Hong Leong Bank Berhad	Alion Nation Group Sdn Bhd and SkyGate Technology (M) Sdn Bhd	Ooi Eng Leong and Tan Ah Geok
Hong Leong Islamic Bank Berhad	-	Ooi Eng Leong and Tan Ah Geok	Banking facilities	5,650	5,498
United Overseas Bank (Malaysia) Berhad	-	Ooi Eng Leong and Tan Ah Geok	Banking facilities	254,551	179,897

9. RELATED PARTY TRANSACTIONS (cont'd)

Name of Bank	Corporate guarantor	Personal guarantor	Type of facility	Outstanding amount (as at LPD)	
				Amount guaranteed RM'000	RM'000
Ambank Islamic Berhad	-	Ooi Eng Leong	Overdraft facilities Banking facilities Leasing facilities	4,000 86,000 30,000	- 80,502 6,983
SMFL Hire Purchase (Malaysia) Sdn Bhd	-	Ooi Eng Leong and Tan Ah Geok	Leasing facilities	26,850	22,060
BMW Credit (Malaysia) Sdn Bhd	-	Ooi Eng Leong	Leasing facilities	281	113

In conjunction with the Proposed Listing, the Group has obtained the conditional approvals from the Financiers to discharge the above personal guarantees by substituting the same with a corporate guarantee and/or other securities from NGH Group acceptable to the Financiers upon our successful listing and/or satisfactory review of our pro forma financial statements by our financiers.

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9. RELATED PARTY TRANSACTIONS (cont'd)

9.5.2 Loans and advances from related party

During the historical financial years/period under review and up to the LPD, our Group had received advances by Alion Nation, SkyGate Technology and SkyGate Plastic for the purchase of Plant 1 and Plant 2, purchase of raw materials, consumables and electronic components as well as payment of rental expenses, which are recorded as other payables of our Group. The amount due to the related parties for the past 3 FYEs, FPE 2022 and as at LPD is as follows:

	As at 31 December 2019	As at 31 December 2020	As at 31 December 2021	As at 30 June 2022	As at LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
• Loans					
- Short-term	-	-	-	-	-
- Long-term	-	-	-	-	-
• Advances	23,573	3,570	-	-	-
Total	23,573	3,570	-	-	-

As at the LPD, all advances were repaid.

9.5.3 Amount due to/from Directors

Save as disclosed below, there were no amount due to/from our Directors for the past 3 FYEs, FPE 2022 and as at LPD.

	FYE 2019	FYE 2020	FYE 2021	FPE 2022	As at LPD
	RM'000	RM'000	RM'000	RM'000	RM'000
Amount due to director⁽¹⁾					
Davindra Singh Gendeh	-	756	580	-	-

Note:

(1) The advances from Davindra is for the working capital requirements of NSY.

9.5.4 Promotions of any material assets acquired/to be acquired within the financial years and financial period under review preceding the date of this Prospectus

Save as disclosed in Section 6.7, none of our Directors or substantial shareholders had any interest, direct or indirect, in the promotion of or in any material assets which had been, within FYE 2019 to FYE 2021 as well as FPE 2022, acquired, disposed or leased or proposed to be acquired, disposed or leased to/by us.

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10. CONFLICT OF INTEREST

10.1 INTEREST IN SIMILAR BUSINESS AND IN BUSINESSES OF OUR CLIENTS AND SUPPLIERS

Save as disclosed below, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses or corporations carrying on a similar or related trade or are the customers and/or suppliers of our Group:

(a) VS Solution Services

VS Solution Services is our supplier since 2010 and had made purchases and installation of metal racking systems as well as production consumables and spare parts for our EMS activities at our EMS manufacturing facilities in Pulau Pinang. Purchases made from VS Solution Services represents less than 1.0% of our Group's purchases in the past 3 FYEs 2019 to 2021 as well as FPE 2022. VS Solution Services is principally engaged in the manufacturing of racking system, machinery and related components services. Ooi Eng Leong is our Managing Director as well as the Director and 37.5% shareholder of VS Solution Services. The other Directors of VS Solution Services are Chew Tien Kee and Goh Kiang Teng. The other shareholders are Goh Kiang Teng (37.5%), Chew Tien Kee (12.5%) and Goh Yin Ze (12.5%). These individuals are third parties and not related to the Promoters, Directors and key senior management of NGH.

Upon Listing, purchases made from VS Solution Services shall be deemed as related party transactions under the Listing Requirements.

In order to mitigate any potential conflict of interest, our Audit and Risk Management Committee has reviewed the transactions with VS Solution Services for the past 3 FYEs and will review all future transactions with VS Solution Services to ensure that all purchases made from VS Solution Services will be undertaken on arm's length basis. In addition, we will seek approval from shareholders for any related party transactions as required under the Listing Requirements.

Based on our Audit and Risk Management Committee's review, all transactions entered into with VS Solution Services for the financial years/period under review and up to the LPD were conducted on arm's length basis.

It is our Director's fiduciary duty to avoid conflict, and they are required to attend courses which provide them guidelines on their fiduciary duties. In order to mitigate any possible conflict of interest situation in the future, our Directors will declare to our Nominating Committee and our Board their interests in other companies at the onset and as and when there are changes in their respective interests in companies outside our Group. Our Nominating Committee will first then evaluate if such Director's involvement gives rise to an actual or potential conflict of interest with our Group's business after the disclosure provided by such Director. After a determination has been made on whether there is an actual or potential conflict of interest of a Director, our Nominating Committee will then:

- (a) immediately inform our Board of the conflict of interest situation;
- (b) make recommendations to our Board to direct the conflicted Director to:
 - (i) withdraw from all his executive involvement in our Group in relation to the matter that has given rise to the conflict of interest (in the case where the conflicted Director is an Executive Director); and

10. CONFLICT OF INTEREST (cont'd)

- (ii) abstain from all Board deliberation and voting in the matter that has given rise to the conflict of interest.

In relation to (b)(ii) above, the conflicted Director and persons connected to him (if applicable) shall be absent from any Board discussion relating to the recommendation of our Nominating Committee and the conflicted Director and persons connected to him (if applicable) shall not vote or in any way attempt to influence the discussion of, or voting on, the matter at issue. The conflicted Director, may however at the request of the Chairman of our Board, be present at our Board meeting to answer any questions.

In circumstances where a Director is determined to have a significant, ongoing and irreconcilable conflict of interest with our Group, and where such conflict of interest significantly impedes the Director's ability to carry out his fiduciary responsibility to our Group, our Nominating Committee may determine that a resignation of the conflicted Director from our Board is appropriate and necessary.

Where there are related party transactions between our Group with our Directors (or person connected to them) or companies in which our Directors (or person connected to them) have an interest, our Audit Committee will, amongst others, supervise and monitor such related party transaction and the terms thereof and report to our Board for further action. Please refer to Section 10.1 for the procedures to be taken to ensure that related party transactions (if any) are undertaken on arm's length basis.

10.2 DECLARATIONS OF CONFLICT OF INTEREST BY OUR ADVISERS

- (a) M&A Securities has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Adviser, Sponsor, Underwriter and Placement Agent for our Listing.
- (b) Wong Beh & Toh has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Solicitors for our Listing.
- (c) Grant Thornton Malaysia PLT has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as Auditors and Reporting Accountants for our Listing.
- (d) Protégé Associates has given its written confirmation that, as at the date of this Prospectus, there is no existing or potential conflict of interest in its capacity as IMR for our Listing.

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11. FINANCIAL INFORMATION

11.1 HISTORICAL FINANCIAL INFORMATION

Our Company was incorporated in Malaysia on 4 February 2021 under the Act as a private limited company. Our Company was subsequently converted to a public limited company on 30 April 2021. Our historical financial information throughout FYE 2019 to FYE 2021 as well as FPE 2022 has been prepared in accordance with MFRS and IFRS. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results or cash flows.

The audited combined financial statements for FYE 2019 to FYE 2021 as well as FPE 2022 were prepared in accordance with MFRS and IFRS. Our Group adopted MFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, MFRS 16 is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application of 1 January 2019. Our Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases under MFRS 117 and IC Interpretation 4 at the date of initial application. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results and cash flows position.

11.1.1 Combined statements of comprehensive income

The following table sets out a summary of our combined statements of comprehensive income for FYE 2019 to 2021 as well as FPE 2021 and FPE 2022 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 11.2 and 12, respectively.

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue	325,998	566,246	760,870	379,892	426,002
Cost of sales	(304,470)	(510,143)	(664,114)	(339,163)	(366,133)
GP	21,528	56,103	96,756	40,729	59,869
Other income	1,517	1,387	1,673	616	4,781
Administrative expenses	(13,338)	(19,944)	(28,566)	(13,214)	(19,170)
Profit from operations	9,707	37,546	69,863	28,131	45,480
Finance costs	(3,386)	(4,643)	(7,201)	(3,210)	(4,976)
PBT	6,321	32,903	62,662	24,921	40,504
Tax expenses	(1,057)	(2,233)	(3,115)	(1,969)	(7,119)
Net profit for the financial year	5,264	30,670	59,547	22,952	33,385
Profit for the financial year attributable to:					
- Owners of the Company	5,264	30,612	57,328	21,843	33,040
- Non-controlling interest	-	58	2,219	1,109	345
Net profit for the financial year	5,264	30,670	59,547	22,952	33,385
EBIT (RM'000) ⁽¹⁾	9,640	37,498	69,808	28,107	45,446
EBITDA (RM'000) ⁽¹⁾	25,342	57,811	96,078	40,629	62,252
GP margin (%)	6.6	9.9	12.7	10.7	14.1
PBT margin (%) ⁽²⁾	1.9	5.8	8.2	6.6	9.5
PAT margin (%) ⁽²⁾	1.6	5.4	7.8	6.0	7.8
Effective tax rate (%)	16.72	6.79	4.97	7.90	17.58
EPS (sen) ⁽³⁾	0.32	1.87	3.50	1.33	2.02
Diluted EPS (sen) ⁽⁴⁾	0.25	1.48	2.76	1.05	1.59

11. FINANCIAL INFORMATION (cont'd)
Notes:

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

	Audited			Unaudited	Audited
	FYE	FYE	FYE	FPE	FPE
	2019	2020	2021	2021	2022
	RM'000	RM'000	RM'000	RM'000	RM'000
PAT	5,264	30,670	59,547	22,952	33,385
Less:					
Interest income	67	48	55	24	34
Add:					
Finance costs	3,386	4,643	7,201	3,210	4,976
Taxation	1,057	2,233	3,115	1,969	7,119
EBIT	9,640	37,498	69,808	28,107	45,446
Add:					
Depreciation and amortisation	15,702	20,313	26,270	12,522	16,806
EBITDA	25,342	57,811	96,078	40,629	62,252

- (2) PBT margin and PAT margin is calculated based on the respective PBT and PAT against our revenue.
- (3) Calculated based on our PAT attributable to the owners of our Company divided by the share capital of 1,638,407,400 Shares upon completion of the Acquisition of NSM.
- (4) Calculated based on our PAT attributable to the owners of our Company divided by the enlarged share capital of 2,073,933,300 Shares after our IPO.

11.1.2 Combined statements of financial position

The following table sets out the combined statements of financial position of our Group as at 31 December 2019, 2020 and 2021 as well as FPE 2022 which have been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 11.2 and 12, respectively.

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
ASSETS				
Non-current assets				
Property, plant and equipment	144,099	182,501	209,663	228,364
Right-of-use assets	217	849	442	14,142
Investment in an associate	-	-	-	397
Total non-current assets	144,316	183,350	210,105	242,903
Current assets				
Inventories	52,587	100,117	152,840	226,497
Trade receivables	101,100	147,729	166,648	187,105
Contract asset	5,218	13,357	22,796	29,903
Other receivables, deposit and prepayments	6,825	8,946	7,807	12,536
Investment securities	314	326	386	352
Current tax assets	3,914	-	-	-
Short term deposits with licensed banks	2,678	8,969	10,477	19,751
Cash and bank balances	3,281	9,260	35,106	20,742
Total current assets	175,917	288,704	396,060	496,886
Total assets	320,233	472,054	606,165	739,789

11. FINANCIAL INFORMATION (cont'd)

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
<u>Non-current liabilities</u>				
Borrowings	45,197	77,953	87,056	65,063
Lease liabilities	108	458	36	10,214
Deferred tax liabilities	415	90	217	3,159
Total non-current liabilities	45,720	78,501	87,309	78,436
<u>Current liabilities</u>				
Trade payables	75,456	144,143	164,488	186,005
Other payables and accruals	46,964	58,882	51,849	82,116
Borrowings	66,551	76,373	143,024	209,401
Lease liabilities	114	406	422	4,016
Current tax liabilities	-	1,369	639	2,993
Total current liabilities	189,085	281,173	360,422	484,531
Total liabilities	234,805	359,674	447,731	562,967
<u>Equity</u>				
Invested equity	10,000	11,000	10,000	10,000
Retained profit and reserves	75,428	101,040	145,868	166,822
	85,428	112,040	155,868	176,822
Merger reserve	-	-	6	-
Non-controlling interest	-	340	2,560	-
Total equity	85,428	112,380	158,434	176,822
Total equity and liabilities	320,233	472,054	606,165	739,789

11.1.3 Combined statements of cash flows

The following table sets out the combined statements of cash flows of our Group for FYE 2019 to 2021 as well as FPE 2022 which has been extracted from the Accountants' Report. It should be read with the "Management's Discussion and Analysis of Results of Operations and Financial Condition" and Accountants' Report set out in Sections 11 and 12, respectively.

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
<u>Cash flows from operating activities</u>				
PBT	6,321	32,903	62,662	40,504
Adjustments for:				
Allowance for slow moving inventories				
– addition	2,000	5,499	993	3,506
– reversal	(891)	(2,342)	(2,500)	(2,648)
Depreciation of:				
– property, plant and equipment	15,588	19,739	25,861	14,985
– right-of-use-assets	114	574	408	1,821
Effects on lease termination	-	(11)	-	-
Fair value (gain)/loss on investment securities	(61)	(12)	60	34
Gain on disposal of investment in subsidiary	-	-	-	(3)
Gain on disposal of property, plant and equipment	(27)	(26)	(33)	(75)
Impairment loss on receivables	219	211	-	-
Interest expense	3,386	4,643	7,200	4,976
Interest income	(67)	(48)	(55)	(34)

11. FINANCIAL INFORMATION (cont'd)

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Property, plant and equipment written off	43	124	-	-
Unrealised loss/(gain) on foreign exchange	115	(808)	881	(2,920)
Operating profit before working capital changes	26,740	60,446	95,477	60,146
Changes in working capital:				
Change in inventories	(20,657)	(50,687)	(51,216)	(74,515)
Change in trade and other receivables	(23,250)	(50,408)	(15,867)	(19,742)
Change in trade and other payables	11,638	96,448	20,882	53,259
Change in contract assets	834	(8,139)	(9,439)	(7,107)
Cash generated (used in)/from operations	(4,695)	47,660	39,837	12,041
Income tax paid	(1,108)	(934)	(3,718)	(1,823)
Income tax refunded	116	3,659	-	-
Interest paid	(3,375)	(4,588)	(7,175)	(4,802)
Net cash (used in)/from operating activities	(9,062)	45,797	28,944	5,416
Cash flows from investing activities				
Cash flows effects of disposal of a subsidiary	-	-	-	(395)
Interest received	67	48	55	34
Placement of fixed deposits with license bank	-	-	-	(2,500)
Proceeds from disposal of property, plant and equipment	41	26	60	2,267
Purchase of investment securities	-	-	(120)	-
Effects of acquisition of subsidiaries	-	-	(994)	(5,000)
Purchase of property, plant and equipment	(39,783)	(39,646)	(26,214)	(16,664)
Net cash used in investing activities	(39,675)	(39,572)	(27,213)	(22,258)
Cash flows from financing activities				
Dividend paid	-	-	(5,000)	(12,500)
Drawdown of bankers' acceptance	15,413	5,472	55,152	30,770
Drawdown/(Repayment) of term loans	33,897	24,751	(4,259)	(2,588)
(Repayment)/Drawdown of revolving credit	(9,815)	838	8,765	1,398
Payment of lease liabilities	(120)	(608)	(432)	(1,923)
Repayment of finance lease	(7,636)	(7,047)	(10,503)	(8,487)
Proceeds from issuance of shares	-	1,282	~	-
Advances from/(Repayment to) former holding company and related companies	14,161	(18,628)	(17,590)	-
Net cash from financing activities	45,900	6,060	26,133	6,670
Net (decrease)/increase in cash and cash equivalents	(2,837)	12,285	27,864	(10,172)
Cash and cash equivalents at the beginning of the financial year	8,271	5,434	17,719	45,583
Cash and cash equivalents at the end of the financial year	5,434	17,719	45,583	35,411

Note:

~ Less than RM1,000

11. FINANCIAL INFORMATION (cont'd)**11.2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and segmental analysis of our combined financial statements for FYE 2019 to 2021 as well as FPE 2021 and FPE 2022 should be read with the Accountants' Report included in Section 12.

11.2.1 Overview of our operations**(a) Revenue**

Revenue arises mainly from sale of goods and rendering of services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to the customer. Revenue includes the manufacturing and assembling of electronic components and is recognised at the point in time upon shipment or delivery to a dedicated destination point.

(b) Cost of sales

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

(i) Raw materials consumed

Our Group's raw materials consumed mainly consist of optoelectronic devices, PCB, ICs, passive components, central processing units and other electronic components used in our EMS activities.

(ii) Direct labour

Our direct labour comprises salaries/wages, allowances, bonuses, employees' provident fund contributions, workers welfare as well as levy expenses paid for the hiring of production workers that we directly employ.

(iii) Manufacturing overheads and depreciation

Manufacturing overheads and depreciation mainly include depreciation of property, plant and equipment as well as right-of-use assets, factory utilities, upkeep of machineries, production related consumables, direct expenses for our EMS activities as well as expenses on short term lease of various machineries and equipment for our EMS activities.

(c) Other income

Other income mainly comprises bad debts recovered, fair value gain on investment securities, gain on disposal of property, plant and equipment, gain on foreign exchange, rental income, scrap sales, insurance claims received and solar energy income.

(d) Administrative expenses

Administrative expenses mainly consist of overheads incurred to maintain our operations such as staff costs, directors' remuneration, depreciation of property, plant and equipment, professional fees, office expenses, loss on foreign exchange, upkeep and maintenance expenses, insurance expenses as well as sales and marketing expenses.

11. FINANCIAL INFORMATION (cont'd)

(e) Finance cost

Finance cost mainly comprises interest expenses on our bank borrowings.

(f) Recent developments

Save for the Internal Restructuring and the COVID-19 pandemic outbreak (details as set out in Section 6.5.15), there were no other significant events subsequent to our audited combined financial statements for the financial years/period under review.

(g) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during FYE 2019 to 2021 as well as FPE 2022. In addition, our audited combined financial statements for the financial years/period under review were not subject to any audit qualifications.

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11. FINANCIAL INFORMATION (cont'd)

(A) Revenue

(i) Revenue by business segment and customer segments

Customer segments	Audited											
	FYE 2019			FYE 2020			FYE 2021					
	Turnkey RM'000	%	Consignment RM'000	%	Turnkey RM'000	%	Consignment RM'000	%	Turnkey RM'000	%	Consignment RM'000	%
Networking and telecommunications	194,059	59.5	4,572	1.4	366,541	64.7	5,236	0.9	472,029	62.0	1,912	0.2
Industrial instruments	63,514	19.5	15,714	4.9	53,406	9.4	18,638	3.3	69,712	9.2	16,033	2.1
Data computing	34	~	6,912	2.1	31,715	5.6	46,307	8.2	40,753	5.4	87,294	11.5
Consumer electronics	7,266	2.2	2,982	0.9	7,040	1.2	682	0.1	6,396	0.8	-	-
Automotive	9,660	3.0	9,216	2.8	5,388	1.0	6,937	1.2	7,425	1.0	13,819	1.8
Semiconductor	-	-	-	-	7,657	1.4	-	-	26,921	3.5	-	-
Others ⁽¹⁾	11,112	3.4	957	0.3	14,146	2.5	2,553	0.5	16,480	2.2	2,096	0.3
Total	285,645	87.6	40,353	12.4	485,893	85.8	80,353	14.2	639,716	84.1	121,154	15.9

Unaudited

Customer segments	Unaudited							
	FPE 2021			FPE 2022				
	Turnkey RM'000	%	Consignment RM'000	%	Turnkey RM'000	%	Consignment RM'000	%
Networking and telecommunications	224,072	59.0	1,657	0.4	283,500	66.6	-	-
Industrial instruments	33,943	8.9	9,469	2.5	48,726	11.4	5,796	1.4
Data computing	40,753	10.7	35,235	9.3	1	~	52,510	12.3
Consumer electronics	4,553	1.2	-	-	1,039	0.2	-	-
Automotive	4,824	1.3	5,153	1.4	2,682	0.6	13,039	3.1
Semiconductor	12,902	3.4	109	~	12,202	2.9	84	~
Others ⁽¹⁾	6,384	1.7	838	0.2	5,152	1.2	1,271	0.3
Total	327,431	86.2	52,461	13.8	353,302	82.9	72,700	17.1

Notes:

~ Less than 0.1%

(1) Mainly consists of manufacturers of medical devices, IoT, household electronic products and analytical instrumentation devices.

11. FINANCIAL INFORMATION (cont'd)

(ii) Revenue by geographical locations

The following table sets forth our Group's revenue by geographical location of our customers:

Countries	FYE 2019		Audited		FYE 2020		FYE 2021		Unaudited		Audited	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	232,586	71.4	398,679	70.4	532,864	70.0	262,541	69.1	316,905	74.4		
USA	40,358	12.4	61,564	10.9	41,577	5.4	16,519	4.4	14,338	3.4		
China	20	~	31,847	5.6	46,043	6.1	44,061	11.6	6,515	1.5		
Germany	18,360	5.6	15,797	2.8	15,265	2.0	7,763	2.0	13,395	3.1		
Australia	11,207	3.5	6,708	1.2	9,778	1.3	5,875	1.5	4,145	1.0		
Hong Kong	11,495	3.5	11,504	2.0	71,755	9.4	25,476	6.7	47,404	11.1		
Singapore	4,927	1.5	24,321	4.3	27,776	3.7	12,329	3.3	18,540	4.4		
France	3,900	1.2	7,075	1.2	13,012	1.7	4,064	1.1	3,871	0.9		
Denmark	3,045	0.9	2,792	0.5	2,172	0.3	1,159	0.3	629	0.1		
Others ⁽¹⁾	100	~	5,959	1.1	628	0.1	105	~	260	0.1		
Total	325,998	100.0	566,246	100.0	760,870	100.0	379,892	100.0	426,002	100.0		

Notes:

~ Less than 0.1%

(1) Other countries include Japan, Thailand, Taiwan, Switzerland, United Kingdom, Canada, Mexico, India and Hungary.

By geographical location, Malaysia remains our Group's largest revenue contributor for our EMS activities, contributing more than 70.0% of our total revenue during the financial years/period under review.

11. FINANCIAL INFORMATION (cont'd)**(iii) Commentaries on revenue****Comparison between FYE 2019 and FYE 2020****Turnkey activities**

Overall revenue generated from turnkey activities increased by approximately RM200.25 million or 70.1%, mainly due to the following:

- (i) increase in revenue contribution from Company A by approximately RM155.43 million or 107.22% due to the commencement of assembly and testing activities (comprising completed PCBA services, semi-finished sub-assemblies and fully-assembled electronic products) for its new generation of optical telecommunication modules and devices launched during the second half of FYE 2019. We have also commenced the PCBA services of assembly of completed PCBA into these optical telecommunication modules and devices.
- (ii) increase in orders of completed PCBs received from customers involved in the networking and telecommunications, data computing as well as other segments, which increased by RM48.26 million for assembly of mobile and computing devices as well as new range of smart workout machines and computing capable embedded processors.

During FYE 2020, we also expanded our EMS services into the semiconductor industry via NSY, where we recorded revenue contribution of RM7.66 million arising from the testing and assembly of solid-state lighting products for a semiconductor company based in Pulau Pinang. The impact from the changes in pricing, volume as well as business model mix are as follows:

- (i) average product pricing increased by approximately 28.9% during FYE 2020 due to the higher product pricing for the assembly and testing activities for new models in FYE 2020;
- (ii) the volume of product assembled/tested increased by approximately 31.9% during FYE 2020;
- (iii) the volume of turnkey activities constitutes 39.0% of total product volume during FYE 2020.

Consignment activities

Overall revenue generated increased by approximately RM40.00 million or 99.1%, mainly due to the following reasons:

- (i) commencement of final assembly activities performed for supercomputers and repurposing of certain electronic components for 2 MNCs involved in the data computing industry based in China and USA, which contributed revenue of approximately RM36.55 million. During FYE 2019, we mainly performed testing, prototyping and production trial runs for the assembly activities for these products, which generated revenue of RM6.91 million;
- (ii) increase in revenue contribution from an existing customer involved in the industrial instrument segment, which increased further by RM3.09 million or 24.7% from RM12.51 million during FYE 2019 to RM15.60 million during FYE 2020 due to assembly of water meter and heat cost allocator; and

11. FINANCIAL INFORMATION (cont'd)

- (iii) new completed PCB orders from 2 Taiwan-based contract manufacturers of RM9.66 million for use in the assembly of its customer's range of mobile and telecommunication devices.

However, the above increase in revenue was partially offset by the decrease in revenue contribution from an existing customer involved in the automotive segment, which decreased by RM3.85 million or 49.8% from RM7.73 million during FYE 2019 to RM3.88 million during FYE 2020.

The impact from the changes in pricing, volume as well as business model mix are as follows:

- (i) average product pricing increased by approximately 3.1% during FYE 2020 due to the higher product pricing for the assembly and testing activities for new models in FYE 2020;
- (ii) the volume of product assembled/tested increased by approximately 93.6% during FYE 2020;
- (iii) the volume of consignment activities constitutes 61.0% of total product volume during FYE 2020.

Comparison between FYE 2020 and FYE 2021

Turnkey activities

Overall revenue generated increased by approximately RM153.82 million or 31.7%, mainly due to the following:

- (i) further increase in revenue contribution from our major customers in the networking and telecommunications industry, mainly due to the following:
- increase in revenue contribution from Company A by approximately RM88.87 million or 29.6% due to the increase in assembly activities (comprising PCBA services, semi-finished sub-assemblies and fully-assembled electronic products) for its new generation of optical telecommunication modules and devices (which was launched since the second half of FYE 2019). We have also performed the PCBA services of assembly of completed PCBA into these optical telecommunication modules and devices.
 - increase in revenue contribution from a major MNC of RM17.43 million or 187.9% for the mass production of new models of two-way walkie-talkies.
- (ii) increase in revenue contribution from the industrial instruments segment by approximately RM16.31 million or 30.5% mainly due to increase in assembly and testing activities (comprising PCBA services and fully-assembled electronic products) of Robert Bosch's new range of power tools;
- (iii) increase in revenue contribution in the data computing segment by approximately RM9.04 million or 28.5% mainly due to increase in assembly activities (comprising completed PCBs) for Company C's mobile/computing devices;
- (iv) increase in revenue contribution in the automotive segment by approximately RM2.04 million or 37.8% mainly due to new PCB orders received from a customer in Australia for the assembly of its range of automotive systems and components; and

11. FINANCIAL INFORMATION (cont'd)

- (v) increase in revenue contribution from NSY by approximately RM19.26 million or 251.44%, from RM7.66 million in FYE 2020 to RM26.92 million in FYE 2021 due to increase in the testing and assembly activities of solid-state lighting products for a semiconductor company based in Penang.

The impact from the changes in pricing, volume as well as business model mix are as follows:

- (i) average product pricing increased by approximately 6.2% during FYE 2021, mainly due to the increase in value-added services provided to customers during FYE 2021 which are able to demand a higher selling price;
- (ii) the volume of product assembled/tested increased by approximately 23.9% during FYE 2021;
- (iii) the volume of turnkey activities constitutes 41.1% of total product volume during FYE 2021.

Consignment activities

Overall revenue generated increased by approximately RM40.81 million or 50.8%, mainly due to the following:

- (i) new final assembly activities performed for a China-based customer involved in the data computing industry for the assembly of supercomputers for RM65.37 million (FYE 2020: RM23.18 million); and
- (ii) repurposing of certain electronic components of RM21.23 million (FYE 2020: RM13.47 million).
- (iii) Increase in revenue contribution from a customer in the automotive segment by approximately RM7.32 million or 239.5%, from RM3.06 million during FYE 2020 to RM10.38 million during FYE 2021 due to increase in testing and assembly activities of its range of engine driver units.

However, the above increase in revenue was partially offset from the following:

- (i) decrease in revenue contribution from an existing customer involved in the industrial instrument segment, which decreased by RM2.87 million or 18.4% from RM15.60 million during FYE 2020 to RM12.73 million during FYE 2021 due to decrease in assembly activities for its range of water meter and heat cost allocator;
- (ii) decrease in revenue contribution from networking and telecommunication segment of RM3.32 million or 63.5%; and
- (iii) discontinuance of new completed PCB orders from 2 Taiwan-based contract manufacturers which lead to decrease in revenue levels of RM8.97 million for use in the assembly of its customer's range of mobile and telecommunication devices, mainly due to the difficulties in procuring sufficient raw materials, consumables and electronic components for undertaking the assembly of completed PCB as a result of interruptions of global chain supplies and transportation/freight caused by the global COVID-19 pandemic outbreak.

11. FINANCIAL INFORMATION (cont'd)

The impact from the changes in pricing, volume as well as business model mix are as follows:

- (i) average product pricing increased by approximately 32.9% during FYE 2021, mainly due to the higher product pricing for final assembly activities performed for new models for a major customer involved in the data computing industry during FYE 2021;
- (ii) the volume of product assembled/tested increased by approximately 13.5% during FYE 2021;
- (iii) the volume of consignment activities constitutes 58.9% of total product volume during FYE 2021.

Comparison between FPE 2021 and FPE 2022

Turnkey activities

Overall revenue generated from turnkey activities increased by approximately RM25.87 million or 7.9%, mainly due to the following:

- (i) further increase in revenue contribution from our major customers in the networking and telecommunications industry by approximately RM59.43 million or 26.5%, mainly due to the increase in revenue contribution from Company A by approximately RM43.84 million or 23.1% due to the increase in high value-added assembly activities (comprising PCBA services, semi-finished sub-assemblies and fully-assembled electronic products) for its new generation of optical telecommunication modules and devices (which was launched since the second half of FYE 2019); and
- (ii) increase in revenue contribution from the industrial instruments segment by approximately RM14.78 million or 43.6% mainly due to increase in assembly and testing activities (comprising PCBA services and fully-assembled electronic products) of Robert Bosch's range of power tools.

However, the above increase in revenue was partially offset from the following:

- (i) decrease in revenue contribution from the data computing segment by approximately RM40.75 million mainly due to the discontinuance of assembly activities (comprising completed PCBs) for Company C's range of mobile and computing devices during FYE 2021, due to global shortages of certain raw materials required for the manufacturing of Company C's range of mobile and computing devices;
- (ii) decrease in revenue contribution from the consumer electronics segment by approximately RM3.51 million or 77.2% mainly due to the discontinuance of assembly activities of LED products by a customer involved in the manufacturing of LED lighting fixtures due to the change in their product mix; and
- (iii) decrease in revenue contribution from the automotive segment by approximately RM2.14 million or 44.4% mainly due to reduction in PCB orders received from an automotive customer based in Australia for the assembly of its range of automotive systems and components for in-car audio systems as we have completed the purchase orders received from this particular customer.

The impact from the changes in pricing, volume as well as business model mix are as follows:

- (i) average product pricing decreased by approximately 0.8% during FPE 2022, mainly due to the discontinuance of assembly activities for electronic products with higher product pricing;

11. FINANCIAL INFORMATION (cont'd)

- (ii) the volume of product assembled/tested increased by approximately 8.8% during FPE 2022;
- (iii) the volume of turnkey activities constitutes 23.9% of total product volume during FPE 2022.

Consignment activities

Overall revenue generated increased by approximately RM20.24 million or 38.6%, mainly due to the following reasons:

- (i) increase in revenue contribution from a China-based customer involved in the data computing industry, which increased by approximately RM22.97 million or 105.2% (FPE 2021: RM21.84 million) arising from the final assembly activities performed of new model of supercomputers; and
- (ii) increase in revenue contribution from the automotive segment by approximately RM7.89 million or 153.0% mainly due to increase in PCBA orders delivered to a customer based in Singapore for the assembly of its range of in-car engine-controlled unit systems.

However, the above increase in revenue was partially offset from the following:

- (i) decrease in revenue contribution from an existing customer involved in the industrial instrument segment, which decreased by RM3.41 million or 45.2% from RM7.55 million during FPE 2021 to RM4.14 million during FPE 2022 due to decrease in assembly activities for its range of water meter and heat cost allocator as the business model for this particular customer has been changed from consignment arrangements to turnkey arrangements;
- (ii) decrease in revenue contribution from an existing customer involved in the data computing segment, which decreased by RM5.19 million mainly due to decrease in final assembly activities performed for repurposing of certain electronic components; and
- (iii) decrease in revenue contribution from the networking and telecommunication segment by approximately RM1.66 million mainly due to the discontinuance of assembly activities for 2 customers involved in the networking and telecommunication segments due to the change in their product mix.

The impact from the changes in pricing, volume as well as business model mix are as follows:

- (i) average product pricing increased by approximately 5.4% during FPE 2022, mainly due to higher product pricing for the final assembly activities performed for new model of supercomputer for a major customer involved in the data computing industry;
- (ii) the volume of product assembled/tested increased by approximately 31.5% during FPE 2022; and
- (iii) the volume of consignment activities constitutes 76.1% of total product volume during FPE 2022.

11. FINANCIAL INFORMATION (cont'd)

(B) Cost of sales, GP and GP margin

The fluctuation in our overall cost of sales was in tandem with our revenue for the financial years/period under review.

(i) Analysis of cost of sales, GP and GP margin by business segments

We set out below the breakdown of our cost of sales by business segments for the financial years/period under review:

	Audited											
	FYE 2019		FYE 2020		FYE 2021							
	Turnkey	Consignment	Turnkey	Consignment	Turnkey	Consignment						
RM'000	%	RM'000	%	RM'000	%	RM'000	%					
Raw materials consumed	243,501	80.0	-	-	423,176	82.9	2,291	0.5	543,558	81.8	1,062	0.2
Direct labour	17,129	5.6	16,812	5.5	21,850	4.3	26,198	5.1	31,128	4.7	32,304	4.9
Manufacturing overheads	7,784	2.6	7,639	2.5	10,129	2.0	12,273	2.4	17,807	2.7	20,037	3.0
Depreciation	5,856	1.9	5,749	1.9	6,258	1.2	7,968	1.6	8,248	1.2	9,970	1.5
Total	274,270	90.1	30,200	9.9	461,413	90.4	48,730	9.6	600,741	90.4	63,373	9.6

Unaudited

	Audited							
	FPE 2021		FPE 2022		FPE 2022			
	Turnkey	Consignment	Turnkey	Consignment	Turnkey	Consignment		
RM'000	%	RM'000	%	RM'000	%	RM'000	%	
Raw materials consumed	283,988	83.7	102	~	274,828	75.1	190	0.1
Direct labour	13,970	4.1	16,104	4.8	24,655	6.7	22,232	6.1
Manufacturing overheads	7,158	2.1	9,219	2.7	13,756	3.7	18,414	5.0
Depreciation	3,594	1.1	5,028	1.5	6,128	1.7	5,930	1.6
Total	308,710	91.0	30,453	9.0	319,367	87.2	46,766	12.8

Note:

~ Less than 0.01%.

The major components of our cost of sales are raw materials and input components consumed during FYE 2019 to 2021 as well as FPE 2022.

11. FINANCIAL INFORMATION (cont'd)

(ii) Analysis of cost of sales by cost component

The table below sets out our cost of sales for the financial years/period under review:

(aa) Raw materials consumed

The breakdown of the raw materials consumed by our Group is as follows:

Raw materials	FYE 2019		Audited FYE 2020		FYE 2021		Unaudited FPE 2021		Audited FPE 2022	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Optoelectronic devices	72,243	29.7	138,528	32.6	107,781	19.8	58,680	20.6	67,684	24.6
PCB	51,155	21.0	99,017	23.3	67,327	12.3	47,137	16.6	48,785	17.7
ICs	51,160	21.0	69,123	16.2	188,083	34.5	73,737	26.0	83,863	30.5
Passive components	40,812	16.8	55,818	13.1	77,805	14.3	37,253	13.1	38,319	13.9
Central processing units	-	-	25,914	6.1	28,146	5.2	28,146	9.9	-	-
Other components and raw materials ⁽¹⁾	28,131	11.5	37,067	8.7	75,478	13.9	39,137	13.8	36,367	13.3
Total	243,501	100.0	425,467	100.0	544,620	100.0	284,090	100.0	275,018	100.0

Note:

(1) Mainly comprises capacitors, resistors, transistors, diodes, inductors, solder paste, screens, lead frames, metal core PCBs, base materials, sawn wafers (thin slices of semiconductor), lead frames, epoxy adhesives/solder and wires.

The increase in raw materials consumed in FYE 2021 were in line with the increase in total revenue for the same period.

The high proportion of raw materials consumed compared to other costs of sales is a result of high proportion of our sales being undertaken on turnkey basis which includes the procurement of raw materials, consumables and electronic components by us. These raw materials, consumables and electronic components are generally widely available and sourced from both local and foreign suppliers, including suppliers specified/approved by our customers. The prices of these raw materials are mainly influenced by the overall market supply and demand conditions.

11. FINANCIAL INFORMATION (cont'd)

Raw materials and input components consumed for our EMS activities constitute 80.0%, 83.4%, 82.0%, 83.7% and 75.2% of our total cost of sales during FYE 2019, FYE 2020, FYE 2021, FPE 2021 and FPE 2022, respectively. These raw materials and input components consumed are dependent on the type of products assembled, requirements for our customers and complexities of the completed PCBs manufactured.

During FYE 2020, cost of raw materials consumed increased by approximately 74.7%, which was in tandem with the increase in our revenue levels by 73.7% during FYE 2020, mainly contributed by higher assembly and testing activities performed for Company A's new generation model of optical telecommunication modules and devices. The analysis of raw materials consumed are as follows:

- (i) increase in number of units of optoelectronic devices consumed by 58.6% mainly for undertaking semi-finished sub-assemblies activities of Company A's new generation model of optical telecommunication modules and devices. Correspondingly, the average price per unit increased by 20.8% due to higher specification optoelectronic devices purchased for use in the semi-finished sub-assemblies activities;
- (ii) increase in number of units of PCBs purchased by 70.7% or to fulfil additional demand for PCBA services for Company A's new generation model of optical telecommunication modules and devices. Correspondingly, the average price per unit increased by 13.2% due to higher specification of PCBs purchased for our PCBA services;
- (iii) increase in number of units of ICs purchased by 58.0% to fulfil the additional demand for PCBA services for Company A's new generation model of optical telecommunication modules and devices. However, the average price per unit decreased by 14.5% due to bulk purchase discounts enjoyed from our key suppliers; and
- (iv) increase in number of units of passive components purchased by 82.4% mainly for the semi-finished sub-assemblies activities of Company A's new generation model of optical telecommunication modules and devices. However, the average price per unit decreased by 22.2% due to bulk purchase discounts enjoyed for the purchase of passive components from our key suppliers;

During FYE 2021, cost of raw materials consumed further increased by approximately 28.0%, which was in tandem with the increase in our revenue levels by 34.4% during FYE 2021, mainly contributed by higher turnkey and consignment activities performed for our major customers, as analysed in Section 11.2.1(A) above. The analysis of raw materials consumed are as follows:

- (i) decrease in number of units of PCBs purchased by 54.5% as we were mainly focusing on performing assembly activities of supercomputers for a major customer involved in the data computing industry based in China. Correspondingly, the average price per unit increased by 49.6% due to better specification of PCBs purchased for our high-end level PCBA services performed for our customers;
- (ii) increase in number of units of ICs purchased by 120.9% to fulfil additional demand for additional PCBA services performed under the COB process to produce completed PCBs. Correspondingly, the average price per unit increased by 18.6% due to the global shortage of ICs worldwide and higher shipping cost incurred for the import of ICs from our foreign suppliers;

11. FINANCIAL INFORMATION (cont'd)

- (iii) increase in number of units of passive components purchased by 74.6% mainly for the semi-finished sub-assemblies activities of our customers products under turnkey and consignment activities. However, the average price per unit decreased further by 28.6% due to bulk purchase discounts enjoyed for the purchase of passive components from our key suppliers;
- (iv) increase in number of units of central processing units purchased by 107.4% mainly for the semi-finished sub-assemblies activities of our customers supercomputers. However, the average price per unit decreased by 46.9% due to change of specifications of central processing units used for assembly in our customers' range of mobile computing devices; and
- (v) increase in number of units of other components and raw materials purchased by 100.3% mainly for the semi-finished sub-assemblies activities of our customers various products under turnkey and consignment activities.

During FPE 2022, cost of raw materials consumed decreased by approximately 3.19%. The analysis of raw materials consumed are as follows:

- (i) increase in number of units of optoelectronic devices purchased by 4.9% as they were mainly used for high value-added assembly activities (comprising PCBA services, semi-finished sub-assemblies and fully-assembled electronic products) for Company A's new generation of optical telecommunication modules and devices;
- (ii) increase in number of units of ICs purchased by 5.5% due to additional PCBA services performed under the COB process to produce completed PCBs. The average price per unit continued to increase by 7.8% due to the continued global shortage of ICs worldwide and higher shipping cost incurred for the import of ICs from our foreign suppliers; and
- (iii) During FPE 2022, we did not purchase any central processing units as raw materials due to the discontinuance of assembly activities (comprising completed PCBs) for Company C's range of mobile and computing devices during FYE 2021.

(bb) Direct labour costs

Direct labour costs mainly consist of salaries/wages, allowances, bonuses, employees' provident fund contributions, workers welfare as well as levy expenses paid for the hiring of production workers (comprising of operators and technicians) that we directly employ. This is in line with the changes in our Group's average headcount from 1,061 in FYE 2019 to 1,284 in FYE 2020 and then to 1,780 in FYE 2021 and subsequently to 1,604 in FPE 2022.

11. FINANCIAL INFORMATION (cont'd)**(cc) Manufacturing overheads**

Manufacturing overheads comprise mainly the following:

- factory utilities and upkeep of machineries;
- production related consumables (such as solder paste, solder wires, solder ball, common flux, nitrogen and epoxy); and
- direct expenses such as packaging, freight and related charges, insurance, packing, crating and related charges, custom duties, transportation and handling charges as well as other miscellaneous costs incurred.

The breakdown of our manufacturing overheads during the financial years/periods under review are as follows:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	Turnkey RM'000	Consignment %	Turnkey RM'000	Consignment %	Turnkey RM'000	Consignment %
Factory utilities and upkeep of machineries	3,531	22.9	4,764	21.3	7,056	18.6
Production related consumables	2,400	15.6	3,340	14.9	7,643	20.2
Direct expenses	1,853	12.0	2,025	9.0	3,108	8.2
Total	7,784	50.5	10,129	45.2	17,807	47.0
	Audited					
	FPE 2021		FPE 2022		FPE 2023	
	Turnkey RM'000	Consignment %	Turnkey RM'000	Consignment %	Turnkey RM'000	Consignment %
Factory utilities and upkeep of machineries	3,115	19.0	5,047	15.7	4,306	13.4
Production related consumables	2,925	17.9	5,799	18.0	5,784	17.9
Direct expenses	1,118	6.8	2,910	9.1	8,324	25.9
Total	7,158	43.7	13,756	42.8	18,414	57.2

11. FINANCIAL INFORMATION (cont'd)

For FYE 2020, overall manufacturing overheads increased by approximately 45.3% or RM6.98 million due to the increase in our overall EMS activities performed at our various manufacturing facilities in Pulau Pinang, additional 5 SMT assembly added to our manufacturing capacity as well as commencement of Plant 5's manufacturing operations during FYE 2020.

For FYE 2021, overall manufacturing overheads further increased by approximately 68.9% or RM15.44 million due to the increase in our overall EMS activities performed at our various manufacturing facilities in Pulau Pinang and additional 5 SMT assembly added to our manufacturing capacity during FYE 2021.

For FPE 2022, overall manufacturing overheads further increased by approximately 96.4% or RM15.79 million due to the further increase in our overall EMS activities performed at our various manufacturing facilities in Pulau Pinang and additional 7 SMT assembly added to our manufacturing capacity during FPE 2022. The analysis of the increase in manufacturing overheads are as follows:

- (i) overall factory utilities and upkeep of machineries increased by approximately RM2.99 million or 47.0% due to increase in number of SMT assembly lines added from 20 SMT assembly lines as at 30 June 2021 to 30 SMT assembly lines as at 30 June 2022;
- (ii) overall production related consumables increased by approximately RM4.28 million or 58.6%, which is in line with the increase in our overall EMS activities; and
- (iii) direct expenses increased by approximately RM8.52 million or 314.4% due to increase in various direct expenses incurred for the consignment activities performed for our customer's range of supercomputers, which increased by approximately RM6.73 million or 422.5%. The higher direct expenses incurred mainly relates to additional works performed of RM1.58 million and additional cost incurred of RM5.49 million for the improvement works performed by our Group on a customer's products due to the change in product specifications. These costs were borne by our Group as a gesture of goodwill and to maintain long-term relationship with a customer.

(dd) Depreciation

Our depreciation expenses mainly include the depreciation on plant and machineries, right-of-use assets (mainly comprising of the lease of Plant 6, Plant 7 and warehouse space) as well as other supporting machineries, tools and equipment deployed in our Group's various manufacturing facilities in Seberang Perai, Pulau Pinang to support our EMS activities. The breakdown of our depreciation expenses are as follows:

11. FINANCIAL INFORMATION (cont'd)

	Audited											
	FYE 2019		FYE 2020		FYE 2021							
	Turnkey RM'000	Consignment %	Turnkey RM'000	Consignment %	Turnkey RM'000	Consignment %						
Plant and machineries	5,800	50.0	5,693	49.0	5,800	40.8	7,852	55.2	7,840	43.0	9,970	54.7
Right-of-use assets	56	0.5	56	0.5	458	3.2	116	0.8	408	2.3	-	-
Total	5,856	50.5	5,749	49.5	6,258	44.0	7,968	56.0	8,248	45.3	9,970	54.7

	Unaudited		Audited					
	FPE 2021		FPE 2022					
	Turnkey RM'000	Consignment %	Turnkey RM'000	Consignment %				
Plant and machineries	3,390	39.3	5,028	58.3	5,119	42.4	5,118	42.5
Right-of-use assets	204	2.4	-	-	1,009	8.4	812	6.7
Total	3,594	41.7	5,028	58.3	6,128	50.8	5,930	49.2

For FYE 2020, overall depreciation expenses increased by approximately 22.6% or RM2.62 million due to the increase in the purchase of various SMT machineries and equipment of RM33.07 million mainly for the expansion of additional 5 SMT assembly lines in Plant 5 as well as additional machineries and equipment purchased to support our existing SMT assembly lines in Plant 1 and Plant 2.

For FYE 2021, overall depreciation expenses further increased by approximately 28.1% or RM3.99 million due to the increase in the purchase of various SMT machineries and equipment of RM39.73 million mainly for the expansion of additional 5 SMT assembly lines in Plant 5 as well as additional machineries and equipment purchased to support our existing SMT assembly lines in Plant 1 and Plant 2.

For FPE 2022, overall depreciation expenses further increased by approximately 39.8% or RM3.44 million due to the increase in the purchase of various SMT machineries and equipment of RM16.01 million mainly for the expansion of additional 7 SMT assembly lines in Plant 5 and Plant 7 as well as commencement of lease of manufacturing space at Plant 7 from February 2022.

11. FINANCIAL INFORMATION (cont'd)

(iii) Analysis of GP and GP margin

The table below sets forth a breakdown of GP and GP margin by categories for the financial years/periods under review as follows:

	Audited						Unaudited		Audited	
	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	GP margin RM'000	%	GP margin RM'000	%	GP margin RM'000	%	GP margin RM'000	%	GP margin RM'000	%
Turnkey	11,375	4.0	24,481	5.0	38,975	6.1	18,721	5.7	33,935	9.6
Consignment	10,153	25.2	31,622	39.4	57,781	47.7	22,008	42.0	25,934	35.7
Overall	21,528	6.6	56,103	9.9	96,756	12.7	40,729	10.7	59,869	14.1

GP is generally dependent on the volume and pricing of the turnkey and consignment activities performed. Nevertheless, GP margin for consignment activities are generally higher than GP margin for turnkey activities due to the following differences:

- For consignment basis, our revenue is based on 'cost-plus' pricing model where we recognise our revenue based on the cost of product plus an agreed mark-up.
- For turnkey basis, we recognise our revenue based on a charge for the services rendered as most of the raw material are supplied by our customers.

(iv) Commentaries of cost of sales, GP and GP margin

Comparison between FYE 2019 and FYE 2020

Overall cost of sales increased by approximately RM205.67 million or 67.6%, in tandem with the increase in overall revenue generated by approximately 73.7% during the same financial period.

Turnkey activities

GP improved by RM13.11 million or 115.2% during FYE 2020 which was mainly due to increase in GP derived from the turnkey activities performed for Company A, where we have commenced the assembly and testing activities (comprising completed PCBA services, semi-finished sub-assemblies and fully-assembled electronic products) for its new generation of optical telecommunication modules and devices launched during the second half of FYE 2019. We have also commenced the PCBA services of assembly of completed PCBA into these optical telecommunication modules and devices.

Correspondingly, GP margin improved by 1.0% from 4.0% during FYE 2019 to 5.0% during FYE 2020, mainly due to the following:

- GP margin of 4.1% mainly contributed from our customers in the networking and telecommunication industry, particularly arising from the change in product mix for Company A's optical telecommunication module and devices. During FYE 2020, we have also provided the manufacturing of completed PCBs and additional value-added services (such as prototyping, inventory management and chip-specific works) for the assembly and testing activities of Company A's new range of optical telecommunication module, particularly where we have performed higher-value semi-finished sub-assemblies activities.

11. FINANCIAL INFORMATION (cont'd)

- (ii) due to the change in product mix of our existing customer's range of products, we had performed additional value-added activities and chip-specific works for the development and manufacturing of new type of completed PCBs to be assembled in their new range of smart workout machines and computing capable embedded processors, which commands higher GP margin; and
- (iii) NSY was established in January 2020 and recorded revenue, GP and GP margin of RM7.66 million, RM1.27 million and 16.6%, respectively, arising from the assembly and testing of solid-state lighting products for a semiconductor company based in Pulau Pinang.

Consignment activities

GP improved by RM21.47 million or 211.5% during FYE 2020 due to improvement in GP derived from the final assembly activities performed for our customers in the data computing and industrial instruments segment. Our GP were mainly derived from the final assembly activities for the following:

- (i) supercomputers and repurposing of certain electronic components for 2 MNCs involved in the data computing industry based in China and USA of RM15.35 million; and
- (ii) our existing customers in the industrial instrument segment for its range of water meter and heat cost allocator of RM7.87 million.

Correspondingly, GP margin further improved by 14.2% from 25.2% during FYE 2019 to 39.4% during FYE 2020, mainly due to the following:

- (i) we commenced full assembly phase of our customer's range of supercomputers and repurposing of certain electronic components for 2 MNCs based in China and USA, which resulted in the improvement of GP margin generated of 42.0%; and
- (ii) we have secured new orders from 2 Taiwan-based contract manufacturers of RM9.66 million for the development and assembly of new completed PCBs to be assembled in their customers' range of mobile and telecommunication devices, which commands higher GP margin of 33.4%.

Comparison between FYE 2020 and FYE 2021

Overall cost of sales increased by approximately RM153.97 million or 30.2%, in tandem with the increase in overall revenue generated by approximately 34.4% during FYE 2021.

Turnkey activities

Cost of sales increased by approximately RM139.33 million or 30.2%, which is in line with the increase in overall revenue levels of 31.7% during FYE 2021.

GP improved by RM14.49 million or 59.2% during FYE 2021 which was mainly due to the following reasons:

- (i) increase in GP derived from the turnkey activities performed for Company A, where we have commenced the assembly and testing activities (comprising completed PCBA services, semi-finished sub-assemblies and fully-assembled electronic products) for its new generation of optical telecommunication modules and devices launched during the second half of FYE 2019. We have also commenced the PCBA services of assembly of completed PCBA into these optical telecommunication modules and devices; and

11. FINANCIAL INFORMATION (cont'd)

- (ii) increase in GP contribution from the industrial instruments segment by approximately RM0.18 million or 4.2% arising from the increase in assembly and testing activities (comprising PCBA services and fully-assembled electronic products) of Robert Bosch's new model of power tools.

GP margin improved by 1.1% from 5.0% during FYE 2020 to 6.1% during FYE 2021 as a result of the following reasons:

- (i) due to the changes in product mix of our existing customer's range of products, where we performed additional value-added activities and chip-specific works for the development and manufacturing of new type of completed PCBs to be assembled in their new range of smart workout machines and computing capable embedded processors, which commands higher GP margin; and
- (ii) NSY recorded revenue, GP and GP margin of RM7.44 million and 27.6%, respectively, arising from the assembly and testing of solidstate lighting products for a semiconductor company based in Pulau Pinang.

Consignment activities

Cost of sales increased by approximately RM14.64 million or 30.1%, which is in line with the increase in overall revenue generated by approximately RM40.81 million or 50.8%.

GP improved by RM26.16 million or 82.7% during FYE 2021 which was mainly due to increase in gross profit derived from the following:

- (i) new final assembly activities performed for a China-based customer involved in the data computing industry for the assembly of supercomputers for RM21.13 million; and
- (ii) repurposing of certain electronic components of RM4.67 million.

Consequently, overall GP margin from consignment activities increased further by 8.3% from 39.4% during FYE 2020 to 47.7% during FYE 2021, mainly contributed by the consignment activities performed for the following customers:

- (i) data computing industry, which involves the assembly of their new range and models of supercomputer and computing devices, which generated GP margin of 47.2%;
- (ii) industrial instrument segment, mainly for the assembly and testing for a major customer for its range of water meter and heat cost allocator which generated GP margin of 48.6%; and
- (iii) repurposing of certain electronic components for a customer in the data computing industry, which generated GP margin of 48.6%.

Comparison between FPE 2021 and FPE 2022

Overall cost of sales increased by approximately RM26.97 million or 8.0%, in tandem with the increase in overall revenue generated by approximately RM46.11 million or 12.1% during the same financial period.

11. FINANCIAL INFORMATION (cont'd)

Turnkey activities

GP further improved by RM15.21 million or 81.3% during FPE 2022, which was mainly due to change in product mix whereby we performed higher assembly and testing activities for Company A (comprising completed PCBA services, semi-finished sub-assemblies and fully-assembled electronic products) for its new generation of optical telecommunication modules and devices.

GP margin improved by 3.9% from 5.7% during FPE 2021 to 9.6% during FPE 2022, mainly due to the following:

- (i) increase in final assembly and testing activities and additional value-added services (such as prototyping, inventory management and chip-specific works) provided to Company A which commanded better GP margin; and
- (ii) the discontinuance of turnkey activities (comprising completed PCBs) for Company C's range of mobile and computing devices, which generally consumed higher material cost (particularly central processing units as the key component for its assembly activities) thus resulting in lower GP margin derived.

Consignment activities

GP improved by RM3.93 million or 17.8% during FPE 2022 due to improvement in GP derived from the final assembly activities performed for our customers in the data computing and industrial instruments segment.

GP margin decreased by 6.3% from 42.0% during FPE 2021 to 35.7% during FPE 2022, mainly contributed by the consignment activities performed for the following customers:

- (i) data computing industry, which involves the assembly of their range and models of supercomputer and computing devices, which generated GP margin of 32.7% (FPE 2021: 42.0%); and
- (ii) industrial instrument segment, mainly for the assembly and testing for a major customer for its range of water meter and heat cost allocator which generated GP margin of 35.9% (FPE 2021: 42.0%).

The decrease in GP margin derived from the above customers during FPE 2022 was mainly due to additional works performed of RM1.58 million and additional cost incurred of RM5.49 million for the improvement works performed by our Group on our customer's products due to the product specifications, resulting in the decrease in GP margins mainly from the assembly of the supercomputer and computing devices. These costs were borne by our Group as a gesture of goodwill and to maintain long-term relationship with a customer.

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11. FINANCIAL INFORMATION (cont'd)**(C) Other income**

The following table sets out the breakdown of our Group's other income for the financial years/periods under review:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Bad debts recovered	23	1.5	-	-	-	-
Dividend income	-	-	-	-	5	0.3
Fair value gain on investment securities	61	4.0	12	0.9	-	-
Gain on disposal of property, plant and equipment	27	1.8	26	1.9	33	2.0
Gain on lease termination	-	-	11	0.8	-	-
Interest income	67	4.4	48	3.4	55	3.3
Gain on foreign exchange:						
- Realised	-	-	3	0.2	42	2.5
- Unrealised	-	-	(1)808	58.3	-	-
Rental income	601	39.6	-	-	-	-
Scrap sales ⁽²⁾	498	32.8	297	21.4	1,360	81.2
Solar energy income ⁽³⁾	186	12.3	182	13.1	175	10.5
Others ⁽⁴⁾	54	3.6	-	-	3	0.2
Total	1,517	100.0	1,387	100.0	1,673	100.0

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Dividend income	1	0.2	3	0.1
Gain on disposal of property, plant and equipment	13	2.1	75	1.6
Gain in disposal of a subsidiary	-	-	3	0.1
Interest income	24	3.9	34	0.7
Gain on foreign exchange:				
- Realised	248	40.2	-	-
- Unrealised	-	-	2,924	61.1
Rental income	-	-	135	2.8
Scrap sales ⁽²⁾	226	36.7	995	20.8
Solar energy income ⁽³⁾	91	14.8	72	1.5
Others ⁽⁴⁾	13	2.1	540	11.3
Total	616	100.0	4,781	100.0

Notes:

- (1) This relates to the unrealised gain arising mainly from the appreciation of RM against USD as at the reporting date of FYE 2020 which resulted in the translation of USD denominated foreign suppliers to a lower RM amount compared against the recorded amount based on the prevailing rate of RM against USD on the transaction date.
- (2) This relates to income generated from scrap sales of excess waste components (such as solder waste, plastic scraps, carton boxes and other mixed metals) sold to several third-party recycling companies in Pulau Pinang. The increase in income generated from the sale of scraps is due to change in mix of excess waste components sold, whereby higher value of scraps (such as solder waste and other mixed metals) were sold during FYE 2021. Our Group adopts an open tender policy for our scrap sales of excess waste

11. FINANCIAL INFORMATION (cont'd)

components, where we shall call for the open tender from potential third-party recycling companies to bid for the purchase of these excess waste components.

- (3) This relates to solar energy income derived from sale of renewable solar energy to Tenaga Nasional Berhad generated from the solar panels installed at the rooftops of Plant 2, with a capacity of 180.0 kilowatt per annum, for a period of 20 years from 2016 to 2036, at the tariff rate of RM0.7980 per kilowatt hour.
- (4) Other income mainly relates insurance claims, charges for burn-in process and charges on slow moving inventory. During FPE 2022, our other income mainly comprises of initial payment for insurance compensations on consequential losses received from our insurers for the unplanned shutdown of our manufacturing facilities during FYE 2021 due to COVID-19 pandemic outbreak (as highlighted in Section 6.5.15) of RM0.50 million.

Comparison between FYE 2019 and FYE 2020

Other income further decreased by approximately 8.6% or RM0.13 million, mainly due to the decrease in rental income of RM0.60 million, income generated from scrap sales and other raw materials, which decreased by approximately RM0.20 million or 40.4% during FYE 2020 due to less wastage of raw materials generated from our EMS activities. However, such decrease was partially offset by the increase in unrealised gain in foreign exchange of RM0.81 million during FYE 2020, which was mainly due to strengthening of RM against USD, thus reducing our RM equivalent of purchases made from our foreign suppliers.

Comparison between FYE 2020 and FYE 2021

Other income increased by approximately RM0.29 million or 20.6% from RM1.39 million during FYE 2020 to RM1.67 million during FYE 2021, which was mainly due to increase in income generated from scrap sales of various excess waste components generated from our EMS activities to several scrap metal vendors.

Comparison between FPE 2021 and FPE 2022

Other income increased by approximately 676.1% or RM4.17 million, mainly due to the following:

- (i) unrealised foreign exchange gain of RM2.92 million due to the strengthening of USD against RM which resulted in unrealised foreign exchange gain from the translation of USD denominated receivables as at FPE 2022;
- (ii) increase in scrap sales by approximately RM0.77 million or 340.3% due to change in mix of waste components sold, whereby higher value of scraps (such as solder waste, plastic scraps, carton boxes and other mixed metals) were sold during FPE 2022.

(D) Administrative expenses

The following table sets out the breakdown of our Group's administrative expenses for the financial years/periods under review:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Depreciation of property, plant and equipment ⁽¹⁾	4,095	30.7	6,087	30.6	8,051	28.2
Directors' remunerations	393	2.9	965	4.8	2,275	8.0
Fair value loss on investment securities	-	-	-	-	60	0.2
Impairment loss ⁽²⁾	219	1.6	211	1.1	-	-
Insurance expenses	652	4.9	701	3.5	839	2.9

11. FINANCIAL INFORMATION (cont'd)

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Office expenses	354	2.7	721	3.6	1,395	4.9
Professional fees ⁽³⁾	349	2.6	987	4.9	1,636	5.7
Property, plant and equipment written off ⁽⁴⁾	43	0.3	124	0.6	-	-
Loss on foreign exchange						
- Realised	332	2.5	269	1.4	73	0.3
- Unrealised	115	0.9	-	-	881	3.1
Salaries and related expenses	4,535	34.0	8,096	40.6	10,334	36.2
Sales and marketing	620	4.6	318	1.6	449	1.5
Upkeep and maintenance expenses ⁽⁵⁾	940	7.1	864	4.3	1,597	5.6
Others ⁽⁶⁾	691	5.2	601	3.0	976	3.4
Total	13,338	100.0	19,944	100.0	28,566	100.0
	Unaudited		Audited			
	FPE 2021		FPE 2022			
	RM'000	%	RM'000	%		
Depreciation of property, plant and equipment ⁽¹⁾	3,900	29.5	4,748	24.8		
Directors' remunerations	1,357	10.3	1,402	7.3		
Fair value loss on investment securities	34	0.3	34	0.2		
Insurance expenses	364	2.8	572	3.0		
Office expenses	837	6.3	713	3.7		
Professional fees ⁽³⁾	631	4.8	1,421	7.4		
Loss on foreign exchange						
- Realised	34	0.3	2,993	15.6		
- Unrealised	876	6.6	4	~		
Salaries and related expenses	3,785	28.6	5,239	27.3		
Sales and marketing	125	0.9	238	1.3		
Upkeep and maintenance expenses ⁽⁵⁾	777	5.9	1,326	6.9		
Others ⁽⁶⁾	493	3.7	480	2.5		
Total	13,214	100.0	19,170	100.0		

Notes:

~ Less than 0.01%.

- (1) This relates to the depreciation for our manufacturing facilities, office equipment, fixtures and fittings as well as motor vehicles.
- (2) These impairment losses relate to the impairment of our outstanding trade receivables from 1 customer which have entered into liquidation during the financial years/period under review.
- (3) These professional expenses mainly relate to legal, audit as well as technical and consultancy fees incurred for product technical and consultancy works performed for our EMS activities.
- (4) These mainly relate to obsolete plastic injection moulding machines located at Plant 3, which was written-off and subsequently disposed to third parties.
- (5) These mainly relate to the upkeep and maintenance of our Group's offices and buildings within our manufacturing facilities. Our upkeep and maintenance expenses are non-recurring in nature and are expected to remain constant for the remaining months of FYE 2022.

11. FINANCIAL INFORMATION *(cont'd)*

- (6) These include bank charges, brokerage fees, Goods and Service tax expenses, annual fees for various certifications, carriage outwards costs as well as quit rent paid for our manufacturing facilities.

Comparison between FYE 2019 and FYE 2020

Overall administrative expenses increased further by approximately RM6.61 million or 49.5%, mainly due to the following increases:

- (a) staff salaries and related expenses by approximately RM3.56 million or 78.5% as well as higher Directors' remunerations paid by approximately RM0.57 million or 145.5%, due to higher bonuses paid to our staff and Directors of RM1.16 million in line with the overall improved performance during FYE 2020, increase in salaries, allowances and welfares paid to our staff of RM1.58 million in line with the increase in our Group's average overall headcount of 24 staff, consisting of new hire of 19 staff for our operation in NSY which commenced in July 2020 and new hire of 5 managerial level staff for our operations in NSM; and
- (b) overall depreciation of property, plant and equipment increased by approximately RM2.00 million or 48.6%, arising from the acquisition of Plant 3 and completion of construction of Plant 5 in FYE 2020.

Comparison between FYE 2020 and FYE 2021

Overall administrative expenses increased further by approximately RM8.62 million or 43.2%, mainly due to the following increases:

- (a) staff salaries and related expenses by approximately RM2.24 million or 27.6% due to the following:
- (i) increase in salaries and allowances paid to the new hire of 5 managerial level staff amounting to RM1.14 million in line with the expansion of our EMS activities during FYE 2021;
 - (ii) full year recognition of staff salaries and related expenses amounting to RM0.53 million for the staff in NSY; and
 - (iii) increase in medical fees by RM0.83 million as a result of the COVID-19 pandemic.
- (b) increase in Directors' remunerations paid by approximately RM1.31 million or 135.8%, due to the increase in the remuneration and bonuses paid, in line with the increase in our Group's financial performance during FYE 2021;
- (c) loss on unrealised foreign exchange of RM0.81 million due to the strengthening RM against USD, which reduced the amount of revenue recognised from our USD-denominated sales to our major customers;
- (d) increase in overall depreciation of property, plant and equipment by approximately RM1.96 million or 32.3%, arising from the acquisition of Plant 3 and completion of construction of Plant 5 in second half FYE 2020 besides purchase of tools and equipment during the year;
- (e) increase in office expenses and professional fees by approximately RM1.32 million or 77.5% mainly due to stamping fees, disbursement fees and professional fees pertaining to the undertaking of banking facilities during FYE 2021; and
- (f) increase in upkeep and maintenance expenses by approximately RM0.73 million or 84.8% in line with the purchase of additional SMT machineries and equipment for our expansion of our EMS activities at Plant 5 during FYE 2021.

11. FINANCIAL INFORMATION (cont'd)

Comparison between FPE 2021 and FPE 2022

Overall administrative expenses increased by approximately RM5.96 million or 45.1%, mainly due to the following:

- (a) increase in staff salaries and related expenses by approximately RM1.45 million or 38.4% as well as higher Directors' remunerations paid by approximately RM0.05 million or 3.3%;
- (b) increase in realised foreign exchange loss by RM2.96 million due to the appreciation of USD against RM where foreign exchange losses were incurred for the settlement of USD-denominated receivables or payables; and
- (c) increase in depreciation expenses by RM0.85 million or 21.7% as a result of additional capital expenditure incurred for purchase of SMT machineries and equipment for Plant 5 and Plant 7.

(E) Finance costs

The breakdown of our finance costs for the financial years/periods under review are as follows:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
Interest expenses on:						
- Bankers' acceptances	1,943	57.4	2,294	49.4	3,002	41.7
- Finance leases	867	25.6	1,077	23.2	1,937	26.9
- Lease liabilities	11	0.3	55	1.2	26	0.4
- Overdraft	150	4.5	105	2.2	50	0.7
- Revolving credit	147	4.3	129	2.8	171	2.3
- Term loans	268	7.9	983	21.2	2,015	28.0
Total	3,386	100.0	4,643	100.0	7,201	100.0

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
Interest expenses on:				
- Bankers' acceptances	1,295	40.3	2,040	41.0
- Finance leases	800	24.9	1,448	29.1
- Lease liabilities	15	0.5	175	3.5
- Overdraft	62	1.9	78	1.6
- Revolving credit	44	1.4	236	4.7
- Term loans	994	31.0	999	20.1
Total	3,210	100.0	4,976	100.0

Comparison between FYE 2019 and FYE 2020

Finance cost increased by approximately RM1.26 million or 37.1% during FYE 2020, mainly due to the following:

- (a) increase in bankers' acceptance interest by RM0.35 million mainly due to higher drawdown for financing of our working capital requirements and purchase of raw materials;
- (b) higher interest on finance leases due to purchase of new machineries and equipment for installation of new SMT lines in Plant 5 during FYE 2020; and

11. FINANCIAL INFORMATION (cont'd)

- (c) higher interest on term loans due to completion of construction of Plant 5 during the first half of FYE 2020.

Comparison between FYE 2020 and FYE 2021

Finance cost increased by approximately RM2.56 million or 55.1% during FYE 2021, mainly due to the following:

- (a) increase in bankers' acceptance interest by RM0.71 million mainly due to higher drawdown for our working capital requirements and purchase of raw materials;
- (b) higher interest expenses on finance leases due to purchase of new machineries and equipment for installation of new SMT assembly lines in Plant 5 during FYE 2021; and
- (c) higher interest on term loans due to acquisition of Plant 1, Plant 2 and Plant 3.

Comparison between FPE 2021 and FPE 2022

Finance cost increased by approximately RM1.77 million or 55.0% during FPE 2022, mainly due to the following:

- (a) increase in bankers' acceptance interest and revolving credit interest by RM0.75 million and RM0.19 million, respectively mainly due to higher drawdown for financing of our working capital requirements and purchase of raw materials consumed; and
- (b) higher interest on finance leases by RM0.65 million mainly due to the purchase of new SMT machineries and equipment as well as ancillary equipment for installation in our manufacturing facilities.

(F) PBT and PBT margin

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
PBT (RM'000)	6,321	32,903	62,662	24,921	40,504
PBT margin (%)	1.9	5.8	8.2	6.6	9.5

Comparison between FYE 2019 and FYE 2020

Our Group's PBT for the FYE 2020 increased by approximately RM26.58 million or 420.5% mainly due to higher revenue generated from our EMS activities of approximately 73.7% or RM240.25 million and higher GP of approximately 160.6% or RM34.58 million. Our PBT margin increased significantly to 5.8% during FYE 2020 mainly arising from improvement in our GP margin from 6.6% during FYE 2019 to 9.9% during FYE 2020 due to improvement in GP margin derived from our consignment activities from 25.2% during FYE 2019 to 39.4% during FYE 2020. However, such increase was partially offset by the lower other income generated, which decreased by approximately 8.6% or RM0.13 million during FYE 2020.

Comparison between FYE 2020 and FYE 2021

Our Group's PBT for the FYE 2021 increased by approximately RM29.76 million or 90.4% due to the increase in overall revenue levels from our EMS activities of approximately RM194.62 million (or 34.4%) and increase in other income by approximately RM0.29 million (or 20.6%). Our PBT margin increased to 8.2% during FYE 2021 mainly arising from the following:

11. FINANCIAL INFORMATION (cont'd)

- (i) further improvement in our GP margin from 9.9% during FYE 2020 to 12.7% during FYE 2021 due to improvement in GP margin derived from our consignment activities from 39.4% during FYE 2020 to 47.7% during FYE 2021; and
- (ii) higher other income generated, which increased by approximately 20.6% or RM0.29 million during FYE 2021.

Comparison between FPE 2021 and FPE 2022

Our Group's PBT for the FPE 2022 increased by approximately RM15.58 million or 62.5% mainly due to higher revenue levels generated from our EMS activities of approximately 12.1% or RM46.11 million and higher GP of approximately 47.0% or RM19.14 million. Our PBT margin further increased 2.9%, from 6.6% during FPE 2021 to 9.5% during FPE 2022, mainly due to the following:

- (i) improvement in our GP margin from our turnkey activities of 3.9%; and
- (ii) increase in other income by approximately 676.1% or RM4.17 million, mainly due to unrealised foreign exchange gain arising from the appreciation of USD against RM and increase in scrap sales by RM0.77 million or 340.3% due to change in mix of excess waste components sold, whereby higher value of scraps (such as solder waste and other mixed metals) were sold during FPE 2022.

(G) Taxation

The following sets out the reconciliation of income tax expense applicable to our PBT at the Malaysian statutory tax rates to income tax expense at the effective tax rate of our Group:

	Audited			Unaudited	Audited
	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
PBT	6,321	32,903	62,662	24,921	40,503
Income tax at Malaysian statutory tax rate	(1,517)	(7,897)	(15,039)	(5,981)	(9,721)
Income not subject to tax	79	223	19	8	838
Double deductible of expenses	-	12	121	47	5
Expenses not deductible for tax purposes	(504)	(428)	(1,008)	(410)	(1,244)
Deferred tax movement not recognised	-	894	4,940	1,019	(6,087)
Pioneer income not subject to tax ⁽¹⁾	-	-	793	420	570
Utilisation of unabsorbed reinvestment allowances	884	4,909	6,777	2,646	8,754
Over / (Under) provision in prior year	1	54	282	282	(234)
Tax expenses for the year	(1,057)	(2,233)	(3,115)	(1,969)	(7,119)
Effective tax rate (%)	16.72	6.79	4.97	7.90	17.58
Malaysian statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0

Note:

- (1) This relates to the pioneer status granted to NSY with an income tax exemption of up to 70.0% of income for a period of 5 years, which was granted to NSY on 1 August 2020 by the Malaysian Investment Development Authority under the Promotion of Investments Act, 1986 arising from the production of automotive LED dice, automotive LED light engine and automotive LED light.

11. FINANCIAL INFORMATION (cont'd)

Comparison between FYE 2019 and FYE 2020

Our effective tax rate for the FYE 2020 was lower than the statutory tax rate mainly due to the following:

- (a) utilisation of previously unabsorbed reinvestment allowance claimed on qualifying capital expenditure incurred on machineries and equipment; and
- (b) movement of deferred tax assets not recognised.

The effective tax rate for FYE 2020 was lower as compared to FYE 2019 mainly due to the following:

- (a) higher capital allowances and reinvestment allowance claimed on qualifying capital expenditure incurred on machineries and equipment; and
- (b) reversal of the deferred tax liabilities provided in prior year.

Comparison between FYE 2020 and FYE 2021

Our effective tax rate for the FYE 2021 was lower than the statutory tax rate mainly due to the following:

- (a) utilisation of previously unabsorbed reinvestment allowance claimed on qualifying capital expenditure incurred on machineries and equipment;
- (b) pioneer income arising from NSY not subject to income tax; and
- (c) movement of deferred tax assets not recognised

The effective tax rate for FYE 2021 was lower as compared to FYE 2020 mainly due to the exemption of tax on 70% of the statutory business income arising from NSY.

Comparison between FPE 2021 and FPE 2022

Our effective tax rate for the FPE 2022 was lower than the statutory tax rate mainly due to the following:

- (a) utilisation of previously unabsorbed reinvestment allowance claimed on qualifying capital expenditure incurred on machineries and equipment; and
- (b) pioneer income arising enjoyed by NSY of RM0.57 million not subject to income tax.

During FPE 2022, our Group has claimed reinvestment allowance incentive for qualifying expenditure amounting to approximately RM18.52 million incurred for the purchase of new EMS machineries and equipment acquired to support our EMS activities as well as new machineries and equipment purchased for the setting up new SMT assembly lines. Approximately RM12.26 million remain unutilised as at 30 June 2022 and will expire in the year of assessment 2035.

11. FINANCIAL INFORMATION (cont'd)

11.2.2 REVIEW OF FINANCIAL POSITION

(A) Assets

	Audited			
	As at 31 December			As at 30
	2019	2020	2021	June 2022
	RM'000	RM'000	RM'000	RM'000
Non-current assets				
Property, plant and equipment ⁽¹⁾	144,099	182,501	209,663	228,364
Right-of-use assets ⁽²⁾	217	849	442	14,142
Investment in an associate	-	-	-	397
Total non-current assets	144,316	183,350	210,105	242,903
Current assets				
Inventories	52,587	100,117	152,840	226,497
Trade receivables	101,100	147,729	166,648	187,105
Contract assets	5,218	13,357	22,796	29,903
Other receivables, deposit and prepayments	6,825	8,946	7,807	12,536
Investment securities ⁽³⁾	314	326	386	352
Current tax assets	3,914	-	-	-
Short term deposits with licensed banks	2,678	8,969	10,477	19,751
Cash and bank balances	3,281	9,260	35,106	20,742
Total current assets	175,917	288,704	396,060	496,886
Total assets	320,233	472,054	606,165	739,789

Notes:

- (1) During the financial years/period under review, the number of SMT assembly lines operated by our Group are as follows:

	As at 31 December			As at 30
	2019	2020	2021	June 2022
No. of SMT assembly lines	13	18	23	30
No. of SMT machineries and equipment	57	80	105	125

- (2) This mainly relates to the recognition of interest on the right-of-use assets, which relates to the future rental payable on the lease of a warehouse facility by NSM located at the Perai Industrial Estate, Pulau Pinang and lease of Plant 6 arising from the adoption of MFRS 16. The said lease agreement for the warehouse facility has since been terminated on 30 June 2020.

- (3) This mainly relates to investments made by NSM in quoted securities in other stock exchanges.

Comparison between 31 December 2019 and 31 December 2020

Non-current assets

Our non-current assets further increased by approximately RM39.03 million or 27.0% mainly due to the acquisition of Plant 3 for RM13.20 million as well as additional machineries and equipment purchased of RM33.07 million for the setting up of new SMT assembly lines and renovations made. However, such increase was partially offset by depreciation charges of RM19.74 million.

11. FINANCIAL INFORMATION (cont'd)**Current assets**

Our current assets further increased by approximately RM112.79 million or 64.1% mainly due to the following:

- (a) increase in inventories by approximately RM47.53 million or 90.4% mainly due to the following:
 - (i) additional purchases of raw materials, consumables and electronic components used for our EMS activities of RM144.59 million during the fourth quarter of FYE 2020 to fulfil existing and new orders received for our EMS activities during the fourth quarter of FYE 2020;
 - (ii) finished goods of RM6.73 million for our customers in the data computing, telecommunication and networking as well as industrial instrument industries; and
 - (iii) goods in transit of RM18.14 million, which mainly relates to Company A's optical telecommunication modules and devices, fully assembled devices in transit of approximately RM11.44 million and central processing units for a major customer in the data computing industry of approximately RM4.54 million.
- (b) increase in trade receivables by RM46.63 million or 46.1% due to revenue recognised from our EMS activities of RM194.06 million during the fourth quarter of FYE 2020;
- (c) increase in contract assets by approximately RM8.14 million or 156.0% mainly due to the completed products assembled for 2 customers (comprising telecommunication devices and completed PCBs), which we have not invoiced. Based on the contractual arrangement with these 2 customers, we have the right to invoice goods delivered to our customer's designated point 60 days from the date of delivery;
- (d) increase in other receivables, deposit and prepayments by approximately RM2.12 million or 31.1% mainly due to increase in other receivables by RM1.51 million due to additional deposits paid for the purchase of new machineries and equipment for our new SMT assembly lines; and
- (e) increase in short term deposits placed with licensed banks by RM6.29 million or 234.9% as well as increase in cash and bank balances by RM5.98 million or 182.2% due to higher internally generated funds contributed by higher revenue recognised from our EMS activities during FYE 2020.

Comparison between 31 December 2020 and 31 December 2021**Non-current assets**

Our non-current assets further increased by approximately RM26.76 million or 14.6% mainly due to additional machineries and equipment purchased of RM44.65 million for the setting up of new SMT assembly lines as well as purchased of tools & fixtures. However, such increase was partially offset by the depreciation charges of RM25.86 million during FYE 2021.

Current assets

Our current assets increased by approximately RM107.36 million or 37.2% mainly due to the following:

- (a) increase in inventories by approximately RM52.72 million or 52.7% mainly due to the purchases of additional raw materials, consumables and electronic components for our EMS activities in tandem with the increase in revenue as well as our strategy to stock-up these inventories in view of the global shipping disruptions and shortages in various raw materials, consumables and electronic components for our EMS activities caused by the COVID-19 pandemic outbreak; and

11. FINANCIAL INFORMATION (cont'd)

- (b) increase in trade receivables by approximately RM18.92 million or 12.8% mainly due to revenue recognised from our EMS activities of RM231.58 million during the fourth quarter of FYE 2021; and
- (c) increase in cash and bank balances by approximately RM25.85 million or 279.1% mainly due to higher internally generated funds contributed by higher revenue recognised from our EMS activities during FYE 2021.

Comparison between 31 December 2021 and 30 June 2022

Non-current assets

Our non-current assets further increased by approximately RM32.80 million or 15.6% mainly due to the following:

- (a) increase in property, plant and equipment by RM18.70 million or 8.9% due to the following:
 - (i) additional SMT machineries and equipment purchased of RM16.01 million for the setting up of additional 7 SMT assembly lines;
 - (ii) purchase of new furniture and fittings of RM9.29 million for our EMS manufacturing operations; and
 - (iii) purchase of new machineries of RM7.42 million classified as capital work-in-progress for our EMS manufacturing operations;

However, the above increase in property, plant and equipment was partially offset by depreciation charges of RM14.99 million.

- (b) investment in NIM, our associate company of RM0.40 million during FPE 2022; and
- (c) increase in right-of-use assets by RM13.70 million or 3,099.5% as a result of the lease of a manufacturing space by NSM in Plant 7.

Current assets

Our current assets increased by approximately RM100.83 million or 25.5% mainly due to the following:

- (a) increase in inventories by approximately RM73.66 million or 48.2% mainly due to the purchases of additional raw materials consumed, consumables and electronic components for our EMS manufacturing activities in tandem with the increase in EMS activities as well as our strategy to stock-up these inventories in view of the global shipping disruptions and shortages in various raw materials, consumables and electronic components for our EMS activities caused by the global disruptions in global supply chain caused by the COVID-19 pandemic outbreak, the ongoing Russian-Ukraine conflict and ongoing trade war between the US and China;
- (b) increase in trade receivables by approximately RM20.46 million or 12.3% mainly due to higher revenue recognised from our EMS activities of RM225.41 million during the second quarter of FPE 2022;
- (c) increase in contract assets recognised by RM7.11 million or 31.2% mainly due to the completed products assembled for 3 customers (comprising telecommunication devices and completed PCBs), which have not been invoiced; and

11. FINANCIAL INFORMATION (cont'd)

- (d) increase in other receivables, deposit and prepayments by RM4.73 million or 60.6% mainly due to the following:
- (i) increase in prepayment made by RM1.05 million mainly for foreign worker recruitment expenses from our recruitment/service providers for our EMS activities. These prepayment expenses mainly relate to payment of levy expenses and processing fees for the hiring of foreign workers to support our EMS activities;
 - (ii) increase in deposit paid by RM1.22 million mainly for deposit payment to SkyGate Sciences for the rental of Plant 7; and
 - (iii) increase in other receivables by RM2.46 million, mainly due to advance payments made as upfront deposits paid for the purchase of raw materials and capital expenditure from our various suppliers.

(B) Liabilities

	Audited			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
<u>Non-current liabilities</u>				
Borrowings	45,197	77,953	87,056	65,063
Lease liabilities	108	458	36	10,214
Deferred tax liabilities	415	90	217	3,159
Total non-current liabilities	45,720	78,501	87,309	78,436
<u>Current liabilities</u>				
Trade payables	75,456	144,143	164,488	186,005
Other payables and accruals	46,964	58,882	51,849	82,116
Borrowings	66,551	76,373	143,024	209,401
Lease liabilities	114	406	422	4,016
Current tax liabilities	-	1,369	639	2,993
Total current liabilities	189,085	281,173	360,422	484,531
Total liabilities	234,805	359,674	447,731	562,967

Comparison between 31 December 2019 and 31 December 2020

Non-current liabilities

Non-current liabilities increased by approximately RM32.78 million or 71.7% mainly due to the increase in non-current borrowings of approximately RM32.76 million due to net drawdown in term loans of approximately RM22.81 million mainly for the construction of Plant 5 and finance lease liabilities of approximately RM9.95 million for the purchase of new machineries and equipment for our SMT assembly lines.

Current liabilities

Our current liabilities increased by RM92.09 million or 48.7% mainly due to the following:

- (a) increase in trade payables by approximately RM68.69 million or 91.0% mainly due to the increase in purchases of raw materials, consumables and electronic components to fulfil various new orders received by our major customers for our EMS activities;
- (b) increase in other payables and accruals by approximately RM11.92 million or 25.4% mainly due to the following reasons:

11. FINANCIAL INFORMATION (cont'd)

- (i) increase in accruals by approximately RM9.82 million or 191.9% from RM5.12 million as at 31 December 2019 to RM14.93 million as at 31 December 2020 due to bonuses and payroll accrued to our staff as well as accrued purchases of raw materials, consumables and electronic components; and
 - (ii) dividend payable to our shareholders of RM5.00 million.
- (c) increase in bank borrowings by approximately RM9.82 million or 14.8% mainly due to increase in utilisation of bankers' acceptance for the purchase of raw materials and term loans for the construction of Plant 5.

Comparison between 31 December 2020 and 31 December 2021**Non-current liabilities**

Non-current liabilities increased by approximately RM8.81 million or 11.2% mainly due to increase in finance lease facilities to finance the purchase of new SMT machineries and equipment and ancillary equipment. However, such increase was partially offset by the repayment of term loans amounting to RM4.37 million.

Current liabilities

Current liabilities increased by approximately RM79.25 million or 28.2% mainly due to the following:

- (a) increase in bank borrowings by RM66.65 million or 87.3% due to the following:
 - (i) increase in bankers' acceptance and revolving credit facilities of RM55.32 million and RM8.87 million, respectively, for the purchase of raw materials, consumables and electronic components for our EMS activities.
 - (ii) increase in finance lease facilities of RM2.85 million mainly for financing of new SMT machineries and equipment and ancillary equipment.
- (b) increase in trade payables by approximately RM20.35 million or 14.1% due to higher purchase of raw materials, consumables and electronic components made to support our increase in assembly orders received for our EMS activities during the fourth quarter of FYE 2021.

Comparison between 31 December 2021 and 30 June 2022**Non-current liabilities**

Non-current liabilities decreased by approximately RM8.87 million or 10.2% mainly due to the decrease in our overall bank borrowings by approximately RM21.99 million mainly arising from the reclassification of the term loan facilities (which was utilised for the construction of Plant 5) as current liabilities, which shall become due within the next 12 months. However, such decrease was partially offset by the increase in lease liabilities by approximately RM13.77 million mainly arising from the rental of Plant 7 from SkyGate Sciences.

Current liabilities

Current liabilities increased by approximately RM124.11 million or 34.4% mainly due to the following:

- (a) increase in trade payables by approximately RM21.52 million or 13.1% due to higher purchase of raw materials, consumables and electronic components made to support our increase in assembly orders received for our EMS activities;

11. FINANCIAL INFORMATION (cont'd)

- (b) increase in other payables and accruals by approximately RM30.27 million or 58.4% mainly due to the following:
- (i) outstanding payable amount of RM10.00 million to Davindra, being the 10 months' outstanding instalments of RM1,000,000 each month pursuant to the Acquisition of NSY, arising from the schedule of payment under the conditional share sale agreement entered into with Davindra on 25 January 2022 to acquire the remaining 49.0% equity interest in NSY comprising 281,750 ordinary shares for a total purchase consideration of RM15,000,000;
 - (ii) increase in accruals by approximately RM20.68 million due to increase in accruals for bonuses and payroll to our staff as well as accrued purchases of raw materials, consumables and electronic components.
- (c) increase in bank borrowings by RM66.38 million or 46.4%, mainly due to the following:
- (i) increase in utilisation of bankers' acceptance, overdraft and revolving credit facilities by RM36.24 million, for the purchase of raw materials, consumables and electronic components to support for the increase in our overall EMS activities during FPE 2022;
 - (ii) increase in utilisation of finance lease facilities of RM3.62 million mainly for the purchase of new SMT machineries and equipment as well as ancillary equipment for installation in our manufacturing facilities in Pulau Pinang; and
 - (iii) reclassification of the term loan facilities (which was utilised for construction of Plant 5) as current liabilities, which shall become due within the next 12 months.

11.2.3 IMPACT OF FOREIGN EXCHANGE RATES, INTEREST RATES AND/OR COMMODITY PRICES**(a) Impact of foreign exchange rates**

Our exposure to foreign currency risk arises primarily from sales and purchases that are denominated in currencies other than the functional currency of our Group. We have a natural hedge to the extent that payment for foreign currency payables are matched against receivables denominated in the same foreign currency. Our foreign currency risk arises when and to the extent these payment and receivable amounts do not match. The following is the breakdown of our sales based on currency denomination throughout the financial years/periods under review:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
RM	207,533	63.7	369,422	65.2	445,001	58.5
USD	118,465	36.3	196,824	34.8	315,869	41.5
Total	325,998	100.0	566,246	100.0	760,870	100.0

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
RM	237,455	62.5	62,765	14.7
USD	142,437	37.5	363,237	85.3
Total	379,892	100.0	426,002	100.0

11. FINANCIAL INFORMATION (cont'd)

Our raw materials purchased are mainly denominated in the following currencies, as tabulated below:

	Audited					
	FYE 2019		FYE 2020		FYE 2021	
	RM'000	%	RM'000	%	RM'000	%
RM	171,620	65.2	297,006	65.3	267,167	44.4
USD	88,466	33.6	153,000	33.6	325,030	54.1
EUR	1,323	0.5	3,033	0.7	6,169	1.0
JPY	1,467	0.6	1,764	0.4	2,331	0.4
Others ⁽¹⁾	173	0.1	50	~	377	0.1
Total	263,049	100.0	454,853	100.0	601,074	100.0

	Unaudited		Audited	
	FPE 2021		FPE 2022	
	RM'000	%	RM'000	%
RM	154,129	49.3	8,414	2.4
USD	154,740	49.5	329,584	94.9
EUR	2,159	0.7	8,009	2.3
JPY	1,314	0.4	1,269	0.4
Others ⁽¹⁾	185	0.1	77	~
Total	312,527	100.0	347,353	100.0

Notes:

~ Less than 0.1%

(1) Others currencies consist of GBP, AUD and SGD.

Our realised and unrealised gain/(loss) on foreign exchanges for FYE 2019 to 2021 as well as FPE 2021 and FPE 2022 are as follows:

	FYE 2019	FYE 2020	FYE 2021	FPE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000	RM'000
Realised (loss)/gain on foreign exchange	(332)	(266)	(30)	214	(2,993)
Unrealised (loss)/gain on foreign exchange	(115)	808	(881)	(876)	2,920
Net (loss)/gain	(447)	542	(911)	(662)	(73)

Realised gain/(loss) on foreign exchange represent the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange rate when the payments receipt/against the respective sales/purchase invoices.

If the foreign exchange rate as at the date of our invoice is higher as compared to the rate when the payment for the invoice is received, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our invoice is lower as compared to the rate when the payment for the invoice is received, we will record a realised gain on foreign exchange.

Unrealised loss on foreign exchange represents the difference in the foreign exchange rate as at the date of our outstanding invoices as compared to the foreign exchange spot rates as at the end of each financial year/period.

11. FINANCIAL INFORMATION (cont'd)**(b) Impact of interest rates**

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratio from FYE 2019 to 2021 as well as FPE 2021 and FPE 2022 is as follows:

	<u>Audited</u>			<u>Unaudited</u>	<u>Audited</u>
	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2021</u>	<u>FPE 2022</u>
Interest coverage ratio (times) ⁽¹⁾	2.8	8.1	9.7	8.8	9.1

Note:

(1) Computed based on EBIT over finance costs for FYE 2019 to 2021.

Our interest coverage ratio of between 2.8 times to 9.7 times for FYE 2019 to 2021 indicates that our Group has been able to generate sufficient EBIT to meet our interest servicing obligations.

(c) Impact of commodity prices

The key raw materials that we use in our EMS production process are not commodities.

11.2.4 Impact of inflation

Our Group's financial performance during the financial years/period under review was not significantly affected by the impact of inflation. However, our Group is confident of passing on the effect of higher product costs due to inflation to our customers. There is no assurance that our business will not be adversely affected by the impact of inflation in the future.

11.2.5 Impact of government, economic, fiscal or monetary policies

There were no Government, economic, fiscal or monetary policies or factors which have materially affected our financial performance during FYE 2019 to 2021 as well as FPE 2021 and FPE 2022.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in Government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in Section 8.

11.3 LIQUIDITY AND CAPITAL RESOURCES**11.3.1 Working capital**

We have been financing our operations and working capital requirements through combination of existing cash and bank balances, cash generated from our operating activities, credit extended by our suppliers as well as various credit facilities extended to us by financial institutions. The principal use of our borrowings is for our acquisition of property, plant and equipment and working capital requirements.

Our Group also recorded net current liabilities position of RM13.17 million as at 31 December 2019, mainly due to the increase in our current liabilities position as described in Section 11.2.2(B) above.

11. FINANCIAL INFORMATION (cont'd)

Our Group have since recorded positive operating cash flow of RM45.80 million during FYE 2020, while its current ratio improved from 0.93 times as at 31 December 2019 to 1.03 times as at 31 December 2020. The improvement was mainly due to increase in inventories, trade receivables, short term deposits with licensed banks as well as cash and bank balances, which was in line with our Group's revenue growth during FYE 2020. Upon Listing, our Group's current ratio will improve further to 1.35 times. The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

As at 31 December 2021, we have cash and bank balances of RM35.11 million, short term deposits with licensed banks of RM10.48 million and working capital of RM35.64 million (being the difference between our current assets of RM396.06 million and current liabilities of RM360.42 million), demonstrating our Group's ability to meet our short-term obligations.

As at 30 June 2022, we have cash and bank balances of RM20.74 million, short term deposits with licensed banks of RM19.75 million and working capital of RM12.36 million (being the difference between our current assets of RM496.89 million and current liabilities of RM484.53 million), demonstrating our Group's ability to meet our short-term obligations.

Based on the pro forma combined statement of financial position of our Group as at 30 June 2022 (after the Internal Restructuring but before the Public Issue), our total equity attributable to the owners of the Company stands at RM176.82 million with a gearing level of 1.55 times. Our gearing level after the Internal Restructuring, Public Issue and utilisation of proceeds stands at 0.50 times.

After taking into consideration the following, our Board is confident that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus:

- (a) our cash and bank balances as at 30 June 2022 of RM20.74 million and short-term deposits with licensed banks of RM19.75 million;
- (b) our banking facilities (excluding finance lease liabilities and term loans) of up to a limit of RM281.84 million as at the LPD, of which RM192.41 million has been utilised;
- (c) our expected future cash flows from operations taking into account our unbilled purchase orders received from customers of RM369.55 million as at the LPD; and
- (d) our pro forma NA position and gearing level as at 30 June 2022 after the Internal Restructuring, Public Issue and utilisation of proceeds of RM335.51 million and 0.50 times, respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work closely with our marketing and sales staff for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while allowing us to maintain cordial relationship with our customers.

Given that we still have sufficient unutilised banking facilities as at LPD and based on our existing unbilled order book as at LPD, we do not foresee additional external financing to fund our working capital within the next 12 months from the date of this Prospectus. However, we will carefully consider our cash position and ability to obtain further financing before making significant capital commitments.

11. FINANCIAL INFORMATION (cont'd)**11.3.2 Review of cash flow position**

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Net cash (used in)/from operating activities	(9,062)	45,797	28,944	5,416
Net cash used in investing activities	(39,675)	(39,572)	(27,213)	(22,258)
Net cash from financing activities	45,900	6,060	26,133	6,670
Net (decrease)/increase in cash and cash equivalents	(2,837)	12,285	27,864	(10,172)
Cash and cash equivalents at the beginning of the year	8,271	5,434	17,719	45,583
Cash and cash equivalents at the end of the year	5,434	17,719	45,583	35,411

(a) Commentaries of cash flows movement**FYE 2019****Net cash used in operating activities**

For FYE 2019, net cash used in operating activities was RM9.06 million. We collected RM305.64 million from our customers and income tax refunded of RM0.12 million, of which the total amount of RM83.93 million recorded as revenue during the fourth quarter of FYE 2018 was collected from our customers during the first quarter of FYE 2019. This was offset by cash payments of RM314.82 million, mainly for:

- (i) RM249.48 million paid to our trade suppliers for various components;
- (ii) RM60.85 million paid for our operating expenses and staff salaries; and
- (iii) interest expenses paid of RM3.38 million and income tax paid of RM1.11 million.

During FYE 2019, our Group recorded net cash payment of RM9.18 million mainly due to the following:

- (i) lower cash collection from our customers of RM305.64 million, as evidenced by the increase in trade and other receivables by approximately RM22.85 million mainly due to increase in revenue recognised from our EMS activities of RM104.02 million during the fourth quarter of FYE 2019 which are not due for collection; and
- (ii) higher cash payment to our trade suppliers of RM314.82 million as our Group has made advance purchases of raw materials, consumables and electronic components of RM79.09 million during the end of third quarter of FYE 2019 to fulfil existing and new orders amounting to RM104.02 million during the fourth quarter of FYE 2019. Payments to our suppliers were made during the fourth quarter of FYE 2019 while collections will only be expected in the first quarter of FYE 2020 when the sales are completed.

Net cash used in investing activities

Net cash used in investing activities was RM39.68 million, which mainly relates to the following:

- (i) purchase of Plant 1 and Plant 2 from SkyGate Technology of RM16.10 million;
- (ii) construction and renovation cost of Property 5 of RM17.71 million;
- (iii) purchase of new machineries and equipment for our SMT assembly lines, which mainly comprise of SMT machines, reflow ovens, AOI system, advanced 3D solder paste inspection system and related machineries and equipment, which are mainly located at

11. FINANCIAL INFORMATION (cont'd)

Plants 1 and 2 as well as for future expansion at Plant 5. This is anticipation for the setting up and enhancement of our existing SMT assembly lines to cater for increase in assembly and testing activities for Company A's new generation of optical telecommunication modules and devices on turnkey basis, which commenced during the second half of FYE 2019.

- (iv) purchase of motor vehicles of RM0.59 million.

This was offset with the interest income of RM0.07 million and disposal of plastic injection moulding machines of RM0.04 million.

Net cash generated from financing activities

Net cash generated in financing activities was RM45.90 million mainly due to the following:

- (i) net drawdown of bankers' acceptances of RM15.41 million for the financing of working capital requirements (comprising purchase of raw materials, consumables and electronic components for EMS activities);
- (ii) net drawdown of term loan of RM33.90 million for the construction of Plant 5;
- (iii) net repayment from SkyGate Technology of RM5.42 million (after offsetting the advances to SkyGate Technology of RM3.70 million); and
- (iv) advances received from related companies of RM23.57 million (namely SkyGate Technology and SkyGate Plastic) for the following purposes:
 - Purchase of Plant 1 and Plant 2 from SkyGate Technology of RM16.10 million
 - Advances from SkyGate Technology and SkyGate Plastic of RM6.53 million and RM0.94 million respectively for our working capital requirements.

The above was offset mainly from the advances to former holding company of RM14.85 million, net repayment of finance leases of RM7.63 million, payment of lease liabilities of RM0.12 million and net repayment of revolving credit facilities of RM9.82 million.

FYE 2020

Net cash from operating activities

For FYE 2020, we generated net operating cash flows of RM45.80 million. We collected RM508.39 million from our customers and received income tax refund of RM3.66 million by the tax authorities due to overpayment of taxes paid for the year of assessment from 2015 to 2018. Included in these collections were the amount collected from our trade receivables as at 31 December 2019 which stood at RM101.10 million. These trade receivables are from sales made during the fourth quarter of FYE 2019. We have collected most of these trade receivables during the first quarter of FYE 2020.

These cash collections were partially offset by cash payments of RM466.25 million, mainly for:

- (i) RM376.45 million paid to our trade suppliers;
- (ii) RM84.28 million paid for our operating expenses and staff salaries; and
- (iii) interest expenses paid of RM4.58 million as interest for our financing facilities utilised as well as income tax paid of RM0.94 million.

11. FINANCIAL INFORMATION (cont'd)**Net cash used in investing activities**

For FYE 2020, we recorded net cash used in investing activities of RM39.57 million mainly comprising:

- (i) purchase of Plant 3 of RM13.20 million as well as construction and renovation cost of Plant 5 of RM2.37 million;
- (ii) purchase of new machineries and equipment for the setting up of new SMT assembly lines of RM21.37 million, which mainly comprise of SMT machines, reflow ovens, AOI system, advanced 3D solder paste inspection system, automatic vision printer and related machineries and equipment, which are mainly located at Plants 1, 2 and 5. This is to cater to the expansion of an additional of 5 SMT assembly lines during FYE 2020 to cater for increase in assembly and testing activities for the following:
 - Company A's new generation of optical telecommunication modules and devices on turnkey basis;
 - manufacturing of PCBs for assembly in mobile and computing devices as well as new range of smart workout machines and computing capable embedded processors; and
 - final assembly activities performed for supercomputers for a customer involved in the data computing industry based in China.
- (iii) purchase of new furniture and fittings for installation at the Plant 6 of RM0.83 million.

Net cash generated from financing activities

The net cash generated from financing activities of RM6.06 million in FYE 2020 was mainly due to the following:

- (i) drawdown of term loan facilities of RM24.75 million for the construction of Plant 5 during FYE 2020 as well as drawdown of bankers' acceptances of RM5.47 million for the purchase of raw materials and working capital requirements;
- (ii) proceeds from the issuance of new ordinary shares in NSY of RM0.28 million and NIM of RM1.00 million; and
- (iii) drawdown of revolving credit facilities of RM0.84 million for the purchase of raw materials and consumables,

which was offset with the payment of lease liabilities of RM0.61 million and payment of finance leases of RM7.04 million as well as repayment to former holding company and related companies amounting to RM18.63 million.

FYE 2021**Net cash from operating activities**

For FYE 2021, we generated net operating cash flows of RM28.94 million. We collected RM732.51 million from our customers as well as receipt of other income (mainly from sale of scraps and other materials) of RM2.78 million. Included in these collections were the amount collected from our trade receivables as at 31 December 2020 which stood at RM147.7 million. However, the above was partially offset by cash payments made of RM706.35 million, mainly for the following:

11. FINANCIAL INFORMATION (cont'd)

- (i) RM573.50 million paid to our trade suppliers;
- (ii) RM121.96 million paid for our operating expenses and staff salaries; and
- (iii) interest expenses paid of RM7.17 million for our financing facilities utilised as well as income tax paid of RM3.72 million.

Net cash used in investing activities

For FYE 2021, we recorded net cash used in investing activities of RM27.21 million mainly comprising:

- (i) purchase of new machineries and equipment for the setting up of new SMT assembly lines of RM26.21 million, which mainly comprise of SMT machines, reflow ovens, AOI system, advanced 3D solder paste inspection system, automatic vision printer, COB aligners, die bonders and related machineries and equipment, which are mainly located at Plants 1, 2 and 5. This is to cater to the expansion of an additional of 5 SMT assembly lines to cater for increase in assembly and testing activities for the following:
 - Company A's final assembly activities of optical telecommunication modules and devices as well as PCBA services of assembly of completed PCBA into these optical telecommunication modules and devices on turnkey basis;
 - final assembly activities performed for the assembly of supercomputers as well as assembly and testing activities (comprising PCBA services and fully-assembled electronic products) of Robert Bosch's range of power tools; and
 - assembly activities (comprising completed PCBs) for Company C's mobile/computing devices.
- (ii) purchase of investment securities and acquisition of 60.0% equity interest in NIM of RM1.11 million.

Net cash generated from financing activities

The net cash generated from financing activities of RM26.13 million in FYE 2021 was mainly due to net drawdown of bankers' acceptance and revolving credit facilities of approximately RM63.92 million for the purpose of working capital financing.

This has been partially offset by settlement to former holding company and related companies of RM17.59 million, payment of lease liabilities of RM0.43 million, net repayment of term loan facilities and finance lease liabilities of RM14.76 million as well as payment of dividend of RM5.00 million.

FPE 2022

Net cash generated from operating activities

For FPE 2022, net cash generated from operating activities was RM5.42 million. We collected RM398.41 million from our customers, of which the total amount of RM231.58 million recorded as revenue during the fourth quarter of FYE 2021 was collected from our customers during the first quarter of FYE 2022. This was offset by cash payments of RM393.00 million, mainly for:

- (i) RM323.31 million paid to our trade suppliers for various consumables and components for our EMS activities;
- (ii) RM63.06 million paid for our operating expenses and staff salaries; and

11. FINANCIAL INFORMATION (cont'd)

- (iii) interest expenses paid of RM4.80 million for our financing facilities and income tax paid of RM1.82 million.

Net cash used in investing activities

Net cash used in investing activities was RM22.26 million, which mainly relates to the following:

- (i) RM5.00 million for acquisition of 49% remaining shareholding in NSY; and
(ii) RM16.66 million purchase of new machineries and equipment for our assembly lines.

However, this was slightly moderated with the proceed from disposal of machinery and equipment which amounted to RM2.27 million.

Net cash generated from financing activities

Cash generated from financing activities was contributed from net drawdown of bankers' acceptances of RM30.77 million and revolving credit of RM1.40 million to partly fund our working capital requirements.

However, the outflow of financing activities was contributed mainly by the dividend payment of RM12.50 million paid to our shareholders, RM8.49 million arising from the net of repayment of finance leases, RM2.59 million arising from the net repayment of term loan as well as RM1.92 million arising from the net payment of lease liabilities.

Net decrease in cash and cash equivalents

Net decrease in cash and cash equivalents was RM10.17 million, mainly due to the net cash used in investing activities of RM22.26 million, which in turn was mainly due to the purchase of machineries and equipment for our assembly lines for RM16.66 million.

However, this was partially offset by the following:

- (i) net cash generated from operating activities of RM5.42 million, mainly due to higher collection from customers as compared to payments to trade suppliers; and
(ii) net cash generated from financing activities of RM6.67 million, mainly due to net drawdown of bankers' acceptances of RM30.77, offset by the payment of dividends of RM12.50 million and repayment of finance leases of RM8.49 million.

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11. FINANCIAL INFORMATION (cont'd)

11.3.3 Borrowings

All of our borrowings are secured, interest-bearing and denominated in RM and USD. Our total outstanding borrowings are set out below:

	Purposes	Interest rate % per annum	Tenure	As at 30 June 2022		As at the LPD	
				RM'000	RM'000	RM'000	RM'000
<u>Current</u>							
<u>In RM</u>							
Bankers' acceptance	Purchase of raw materials and working capital requirements	3.29 – 3.64	1 to 3 months	89,521		105,662	
Term loans	<ul style="list-style-type: none"> Purchase of Plant 1, Plant 2 and Plant 3 as well as repayment of amount owing to SkyGate Technology 	3.49 – 4.54	51 to 180 months	2,763		2,762	
Finance leases	<ul style="list-style-type: none"> Purchase of machineries, equipment and motor vehicles 	1.68 – 3.10	3 to 5 years	14,559		16,718	
Revolving credit	<ul style="list-style-type: none"> Working capital requirements 	3.74 – 4.32	1 to 2 months	14,000		14,000	
Overdraft	<ul style="list-style-type: none"> Working capital requirements 	5.95 – 6.67	Payable upon demand	2,582		-	
			Subtotal	123,425		139,142	
<u>In USD</u>							
Bankers' acceptance	Purchase of raw materials and working capital requirements	1.75 – 3.89	1 to 3 months	57,072		72,752	
Term loans	<ul style="list-style-type: none"> Financing of construction cost of Plant 5 	2.77	42 months	28,904		78,608	
			Subtotal	85,976		151,360	
			Total current borrowings	209,401		290,502	
<u>Non-current</u>							
<u>In RM</u>							
Term loans	<ul style="list-style-type: none"> Purchase of Plant 1, Plant 2, Plant 3 as well as repayment of amount owing to SkyGate Technology 	3.49 – 4.54	51 to 180 months	26,260		25,105	

11. FINANCIAL INFORMATION (cont'd)

	Purposes	Interest rate % per annum	Tenure	As at 30 June 2022		As at the LPD	
				RM'000	RM'000	RM'000	RM'000
Finance leases	• Purchase of machineries, equipment and motor vehicles	1.68 – 3.10	3 to 5 years	38,803		42,011	
				65,063		67,116	
				274,464		357,618	

Pro forma gearing (times)

After Internal Restructuring but before the Public Issue ⁽¹⁾	1.55
After Internal Restructuring, Public Issue and utilisation of proceeds ⁽²⁾	0.50

Notes:

- (1) Computed based on our pro forma shareholders' funds of RM176.82 million in the pro forma combined statements of financial position after the Acquisition of NSM but before the Public Issue.
- (2) Computed based on our pro forma shareholders' funds of RM335.51 million in the pro forma combined statements of financial position after the Acquisition of NSM, Public Issue and utilisation of proceeds.

Our pro forma gearing ratio is expected to decrease from 1.55 times (before the Public Issue) to 0.50 times (after the Public Issue and utilisation of proceeds) due to the repayment of borrowings and increase in shareholders' funds arising from the issuance of new Shares pursuant to the Public Issue.

In conjunction with our Listing, we have applied to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. As at LPD, we have received conditional approvals from our financiers to discharge the above guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financial institutions.

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11. FINANCIAL INFORMATION (cont'd)

The maturity profile based on the undiscounted contractual repayment obligation of our total borrowings as of the dates indicated is as follows:

	Audited			Audited
	As at 31 December			FPE 2022
	2019	2020	2021	RM'000
	RM'000	RM'000	RM'000	RM'000
Within one year	68,443	79,951	146,378	213,209
One to two years	8,449	13,644	44,079	19,969
Two to five years	38,337	51,957	28,747	35,654
More than five years	1,729	22,460	22,176	17,612
Total contractual cash flow	116,958	168,012	241,380	286,444
Total carrying amount	111,748	154,326	230,080	274,464
Gearing ratio ⁽ⁱ⁾	1.31	1.38	1.48	1.55

Note:

- (i) Computed based on the carrying amount of the total borrowings over total equity attributable to owners of our Group.

Our interest-bearing borrowings carry the following interest rates for FYE 2019 to 2021 as well as FPE 2022:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	% per annum			
Bankers' acceptance	3.08 – 5.70	1.65 – 4.48	1.55 – 3.36	1.75 – 3.89
Bank overdraft	6.39 – 6.87	6.39 – 6.87	-	5.95 – 6.67
Secured term loans	2.99 – 4.57	3.25 – 4.04	1.36 – 4.04	2.77 – 4.54
Secured finance leases (fixed)	1.68 – 3.50	1.68 – 3.50	1.68 – 3.50	1.68 – 3.10
Revolving credit	4.82	3.44	1.76 – 4.09	3.74 – 4.32

Our Group has no foreign currency borrowings other than certain bankers' acceptance and term loans, which are financed in USD for the purchase of raw materials for our EMS activities as well as construction of Plant 5.

As at LPD, we do not have any borrowings which are non-interest bearing. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the financial years/period under review as well as the subsequent financial period up to LPD.

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

From FYEs 2019 to 2021 as well as FPE 2022, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11. FINANCIAL INFORMATION (cont'd)**11.3.4 Types of financial instruments used, treasury policies and objectives**

As at LPD, save for our borrowings as disclosed in Section 11.3.3, we do not utilise any other financial instruments. We mainly receive proceeds in USD in respect of our foreign sales and pay for purchases denominated in USD with our foreign currency accounts.

We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for finance leases which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds or base lending rate plus a rate which varies depending on the different types of bank facilities.

The usages of these banking facilities are for working capital as well as acquisition of property, plant and equipment.

11.3.5 Material capital commitments, litigation and contingent liabilities**(a) Material capital commitments for capital expenditure**

As at LPD, save for the utilisation of proceeds for the purchase of machineries and equipment and as disclosed below, we do not have any other material capital commitments:

	RM'000
Approved and contracted for:	
Purchase of various EMS machineries and equipment comprising of SMT assembly machines, AOI system, COB aligners and epoxy die bonders	20,354
Expansion and upgrading of manufacturing facilities within Plant 5	12,607
Construction of storage facilities within Plant 6	356

We expect to meet our material commitments through our cash and bank balances on hand, as well as cash generated from future operations, bank borrowings and funding from other financing activities (if required) as well as the utilisation of the amount of RM165.50 million to be raised from the Public Issue.

(b) Material litigations and contingent liabilities

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

(i) Kuala Lumpur High Court Civil Suit No.: WA-22NCVC-535-08/2020

BMW Credit (Malaysia) Sdn Bhd ("Plaintiff" or "BMW Credit")

-v-

1. Lumileds Malaysia Sdn Bhd ("1st Defendant" or "Lumileds")

2. NationGate System Sdn Bhd ("2nd Defendant" or "NSY")

(By Original action)

Optotronics Semiconductors Sdn Bhd ("**Optotronic**") was appointed to manufacture products for Lumileds with the machines of which Lumileds claimed ownership ("**the Machines**"). In 2018, Optotronic obtained hire purchase facilities from BMW Credit to lease the Machines but it defaulted in payment and was in liquidation. Subsequently, BMW Credit obtained a court order for Optotronic and/or any third party to deliver the machineries to BMW Credit.

11. FINANCIAL INFORMATION (cont'd)

By a manufacturing agreement dated 15 July 2020, Lumileds formally appointed NSY to manufacture products for Lumileds with the Machines. To be appointed as the contract manufacturer of Lumileds, NSY was required by Lumileds to enter into the said manufacturing services agreement where it sets out the general terms and conditions in relation to the engagement of NSY as the contract manufacturer to Lumileds to provide certain manufacturing and assembly services and to consign to NSY certain materials to be used in the connection therewith. It is a normal arrangement for NSY to retain its customers' machines in its premises under the said consignment arrangement. As at the LPD, save for the above consignment arrangement, NSY does not have any other similar arrangements as above with any other customers at Plant 6. The value of these machineries is not recorded as our property, plant and equipment and as such the value of these machineries cannot be ascertained. In BMW Credit's attempt to recover the Machines through the court's execution process, NSY successfully denied BMW Credit access to the premises. Although the machineries do not belong to NSY, we may still be potentially liable for any damages or if these machineries are stolen from our manufacturing facilities, hence NSY could not permit BMW Credit to have access to the machineries without the permission of Lumileds. BMW then filed the above civil suit No. WA-22NCVC-535-08/2020 against Lumileds and NSY for recovery of the machineries.

The High Court has fixed the next case management on 19 December 2022.

The legal counsel acting for NSY is of the view that NSY has a fair chance to win the case.

(ii) Kuala Lumpur High Court Civil Suit No.: WA-22NCVC-427-06/2021

This is a civil instituted by Lumileds against BMW for a declaratory order that Lumileds is the legal and beneficial owners of the Machine and to set aside the Judgment obtained by BMW Credit. BMW Credit filed a counter-claim against Lumileds and NSY. The facts and claims of BMW's counter-claim are identical to the above suit No. WA-22NCVC-535-08-2020. NSY has filed an application for striking out on the ground of multiplicity of proceedings and the High Court has fixed the case management on 28 July 2022. The civil suit was withdrawn on 28 July 2022.

(iii) Taiwan New Taipei District Court**NSM vs Hon Hai Precision Industry Co. Ltd ("Defendant" or "HHP")**

NSM and HHP entered into a Subcontract Service Agreement dated 23 March 2020 wherein HHP appointed NSM as its subcontractor to produce equipment known as "ICT TR8001/TR8100" by way of outsourcing arrangement ("**Contract**"). In the statement of work pursuant to the Contract, the Defendant agreed to place a minimum order of 1,304,348 units, with expected revenue of RM25,932,531.70 (based on the exchange rate of USD1.00:RM 4.0130 as at 31 December 2020), representing approximately 4.60% of the the Group's total revenue in FYE 2020 of RM566,246,159, within 365 days from the production ramp-up, failing which, the Defendant will compensate the Plaintiff for the pro-rata expense of the equipment and deficit of production volume. At the end of the contract period on 24 March 2021, there was only 273,344 units ordered. Despite various demands from NSM, the Defendant failed to settle the contractual compensation sum. NSM had on 17 January 2022 filed a court application at Taiwan New Taipei District Court to claim for a total compensation due and payable from the Defendant to the Plaintiff of USD5,560,823.12 with 5% interest per annum from 25 March 2021.

As at the LPD, both parties have mutually reached an amicable settlement for the lawsuit, whereby NSM has withdrawn the above lawsuit from the Taiwan New Taipei District Court and both parties have agreed to continue with their business relationship by entering into a new manufacturing and supply agreement to undertake new EMS opportunities.

11. FINANCIAL INFORMATION (cont'd)
11.4 KEY FINANCIAL RATIOS

The following table sets forth certain key financial ratios of our Group based on the combined financial statements of our Group for the financial years/period under review:

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
Trade receivables turnover period (days) ⁽¹⁾	101	80	75	76
Trade payables turnover period (days) ⁽²⁾	78	79	85	87
Inventory turnover period (days) ⁽³⁾	51	55	70	94
Current ratio (times) ⁽⁴⁾	0.93	1.03	1.09	1.03
Gearing ratio (times) ⁽⁵⁾	1.31	1.38	1.48	1.55

Notes:

- (1) Computed based on the following:

$$\frac{(\text{Opening trade receivables} + \text{closing trade receivables}) / 2}{\text{Revenue}} \times 365 / 182 \text{ days}$$

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Opening trade receivables	80,421	101,100	147,729	166,648
Closing trade receivables	101,100	147,729	166,648	187,105
Revenue	325,998	566,246	760,870	426,002
Average trade receivable turnover period (days)	101	80	75	76

- (2) Computed based on the following:

$$\frac{(\text{Opening trade payables} + \text{closing trade payables}) / 2}{\text{Cost of sales}} \times 365 / 182 \text{ days}$$

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Opening trade payables	55,478	75,456	144,143	164,488
Closing trade payables	75,456	144,143	164,488	186,005
Cost of sales	304,470	510,143	664,114	366,133
Average trade payable turnover period (days)	78	79	85	87

- (3) Computed based on the following:

$$\frac{(\text{Opening inventories} + \text{closing inventories}) / 2}{\text{Cost of sales}} \times 365 / 182 \text{ days}$$

	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Opening inventory	33,039	52,587	100,117	152,840
Closing inventory	52,587	100,117	152,840	226,498
Cost of sales	304,470	510,143	664,114	366,133
Average inventory turnover period (days)	51	55	70	94

11. FINANCIAL INFORMATION (cont'd)

- (4) Computed based on current assets over current liabilities as at year end for each of FYEs 2019 to 2021 as well as FPE 2022.
- (5) Computed based on the total borrowings over total equity attributable to owners of the Company as at year end for each of FYEs 2019 to 2021 as well as FPE 2022.

11.4.1 Trade receivables

The normal credit period offered by our Group in respect of our trade receivables is between 30 to 120 days from the date of invoice on a case-by-case basis by taking into consideration various factors such as our business relationship with our customers and credit history of the customers while new customers are subject to our credit verification and assessment process. Other credit terms can sometimes be negotiated (such as for new customers or large orders) upon the request of our customer. Such terms would be assessed and approved on a case-by-case basis. All of our outstanding trade receivables are closely monitored by our finance and business unit teams.

We have been able to maintain our trade receivables turnover period lower than 120 days during the financial years/period under review. The higher trade receivables turnover period in FYE 2019 was due to increased orders received towards the year end in which case, the sales and shipments were transacted in the fourth quarter of the FYE 2019 but payment was only received in the first quarter of FYE 2020. As at 30 June 2022, the trade receivables of our Group stood at approximately RM187.11 million which can be analysed as follows:

	Within credit terms	Not more than 30 days overdue	Between 31 to 60 days overdue	Between 61 to 90 days overdue	More than 90 days overdue
Trade receivables (RM'000)	176,336	8,257	2,100	85	327
% of total trade receivables	94.3	4.4	1.1	~	0.2
Subsequent collections up to LPD (RM'000)	175,149	8,245	2,095	70	327
Trade receivables net of subsequent collections (RM'000)	1,187	12	5	15	-
% of trade receivables net of subsequent collections from total trade receivables	0.6	~	~	~	-

Note:

~ Less than 0.1%

As at 30 June 2022, our Group's trade receivables amount to approximately RM187.11 million, of which RM 10.77million or 5.7% of our trade receivables exceeded the normal credit period. Subsequent to 30 June 2022 and up to LPD, we have collected RM185.89 million, representing 99.3% of the total trade receivables as at 30 June 2022.

For FYE 2021, trade receivables turnover period decreased from 80 days in FYE 2020 to 75 days mainly due to higher collections from our major customers in the fourth quarter of FYE 2021. For FYE 2020, trade receivables turnover period decreased from 101 days in FYE 2019 to 80 days mainly due to higher collections from our major customers in the fourth quarter of FYE 2020.

11. FINANCIAL INFORMATION (cont'd)

Our trade receivables turnover period for the financial years/period under review was between 75 to 101 days. Most of our trade receivables as at the end of the financial years/period under review are within our normal credit period granted to our customers. Save for the impairment loss recorded of RM0.22 million and RM0.21 million during FYE 2019 and FYE 2020, respectively, mainly due to the liquidation of our customer, majority of our other trade receivables exceeding our normal credit period have been fully settled in the subsequent financial years/period.

Our Group has not encountered any major disputes with our trade receivables. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections after 30 June 2022. Our Group has put in place a credit procedure to monitor and minimise the exposure of default. Receivables are monitored on a regular and an ongoing basis. Our Group will assess the collectability of trade receivables on an individual customer basis and impairment will be made for those customers where recoverability is uncertain based on our past dealings with customers. Where receivables have been written off, we will continue to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

11.4.2 Trade payables

As at 30 June 2022, the trade payables of our Group stood at around RM186.01 million which can be analysed as follows:

	Within credit terms	Not more than 30 days overdue	Between 31 to 60 days overdue	Between 61 to 90 days overdue	More than 90 days overdue
Trade payables (RM'000)	153,722	24,676	7,371	130	106
% of total trade payables	82.6	13.3	4.0	0.1	~
Subsequent payments up to LPD (RM'000)	153,517	24,676	7,361	130	106
Trade payables net of subsequent payments (RM'000)	205	-	10	-	-
% of trade payables net of subsequent payments to total trade payables	0.1	-	~	-	-

Note:

~ Less than 0.1%

The normal credit terms granted by our suppliers are generally between 30 to 120 days. Any outstanding trade payables which are overdue more than credit terms provided comprise of payments which have been delayed pending clearance of discrepancies.

Our average trade payables turnover period as at FYE 2019, FYE 2020, FYE 2021 and FPE 2022 were 78 days, 79 days, 85 days and 87 days, respectively, which is within the credit period given by our suppliers. The higher trade payables turnover period in the FYE 2021 was due to increased purchases of raw materials during the fourth quarter of FYE 2021, as a result of an increase in our overall EMS activities.

11. FINANCIAL INFORMATION (cont'd)

As at LPD, we have paid RM185.79 million or approximately 99.9% of our trade payables as at 30 June 2022. As at LPD, there are no disputes in respect of our outstanding trade payables exceeding credit period. Nevertheless, we are not aware of any legal action initiated by our suppliers to demand for payment.

11.4.3 Inventories

A summary of our inventories turnover period for the past FYE 2019 to FYE 2021 as well as FPE 2022 are set out below:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	RM'000	RM'000	RM'000	RM'000
Raw materials	48,697	74,786	130,476	201,519
Work-in-progress	-	457	322	455
Finished goods	3,890	6,730	7,629	8,788
Goods in transit	-	18,144	14,413	15,735
Total	52,587	100,117	152,840	226,497
Average inventory turnover period (days)	51	55	70	94

Our inventories comprise:

- (a) raw materials, consumables and electronic components (i.e. optoelectronic devices, PCB, ICs, passive components, various electronic components as well as production consumables) as well as work-in-progress which mainly comprise the assembly and testing of solid-state lighting products produced by NSY;
- (b) finished goods comprising inventories for our customers in the data computing, telecommunication and networking as well as industrial instrument industries; and
- (c) In FYE 2020, goods in transit which mainly relates to Company A's optical telecommunication modules and devices in transit of approximately RM11.44 million and central processing units for a major customer in the data computing industry of approximately RM4.54 million. In FYE 2021, goods in transit mainly relates to integrated circuits besides passive components such as resistors and capacitors. In FPE 2022, goods in transit mainly relates to optoelectronic devices, completed PCBs, ICs, passive components and various electronic components.

Raw materials and input components supplied by our customers under consignment arrangement are not classified as our inventories. Our inventory turnover period for FYE 2019 to FYE 2021 and FYE 2022 is within the range of 51 days to 94 days. The higher inventory turnover period for FYE 2021 was mainly due to the global shipping disruptions and shortages in various raw materials, consumables and electronic components for our EMS activities caused by the COVID-19 pandemic outbreak.

Our inventory turnover period for FPE 2022 is 94 days. The higher inventory turnover period for FPE 2022 was mainly due to increase in inventories by approximately RM73.66 million or 48.2% due to the following reasons:

- (a) increase in purchases of optoelectronic devices, PCB and ICs in anticipation of increase in sale orders received from customers in the networking and telecommunication as well as industrial instrument industries in the second half of FYE 2022;

11. FINANCIAL INFORMATION (cont'd)

- (b) we have undertaken the strategy of making advance purchases of additional raw materials consumed, consumables and electronic components for our EMS manufacturing activities in tandem with the increase in EMS activities as well as our strategy to stock-up these inventories to minimise the impact of continued global shipping disruptions and shortages in various raw materials, consumables and electronic components for our EMS activities caused by the global disruptions in global supply chain caused by the COVID-19 pandemic outbreak, the ongoing Russian-Ukraine conflict and ongoing trade war between the US and China.

11.4.4 Current ratio

	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Current assets	175,917	288,704	396,060	496,886
Current liabilities	189,085	281,173	360,422	484,531
Net current (liabilities)/assets	(13,168)	7,531	35,638	12,355
Current ratio (times) ⁽ⁱ⁾	0.93	1.03	1.10	1.03

Note:

- (i) Computed based on current assets over current liabilities.

Although our current assets position has increased as at 31 December 2019, our current ratio was at 0.93 times as at 31 December 2019 due to the increase in overall current liabilities position, as follows:

- (a) increase in trade payables by approximately RM19.98 million or 36.0% due to higher purchase of raw materials, consumables and electronic components to support our increase in assembly orders received during the fourth quarter of FYE 2019;
- (b) increase in other payables by approximately RM5.16 million or 12.3% due to increase in amount owing to our former holding and relating companies (namely SkyGate Technology) from RM22.46 million as at 31 December 2018 to RM36.20 million as at 31 December 2019; and
- (c) increase in borrowings of RM8.08 million or 13.8% due to additional drawdown on bankers' acceptance of RM15.31 million for the purchase of raw materials, consumables and electronic components for our EMS activities.

Our current ratio of 1.03 times as at 31 December 2020 experienced an improvement as compared to the preceding financial year mainly due to:

- (a) increase in trade receivables by RM46.63 million or 46.1% due to revenue recognised from our EMS activities of RM194.06 million during the fourth quarter of FYE 2020;
- (b) increase in inventories by approximately RM47.53 million or 90.4%; and
- (c) increase in short term deposits placed with licensed banks by RM6.29 million or 234.9% as well as increase in cash and bank balances by RM5.98 million or 182.2% due to higher internally generated funds contributed by higher revenue recognised from our EMS activities during FYE 2020.

11. FINANCIAL INFORMATION (cont'd)

Our current ratio further improved to 1.10 times as at 31 December 2021 as compared to the preceding financial year mainly due to:

- (a) increase in trade receivables by RM18.92 million or 12.8% due to revenue recognised from our EMS activities of RM224.65 million during the fourth quarter of FYE 2021;
- (b) increase in inventories by approximately RM52.7 million or 52.7%; and
- (c) increase in short term deposits placed with licensed banks by RM1.51 million or 16.8% as well as increase in cash and bank balances by RM25.85 million or 279.1% due to more collection from customers.

Our current ratio decreased from 1.10 times as at 31 December 2021 to 1.03 times as at 30 June 2022, mainly due to the following reasons:

- (a) increase in trade payables by approximately RM21.52 million or 13.1% due to higher purchase of raw materials, consumables and electronic components made to support our increase in assembly orders received for our EMS activities;
- (b) increase in other payables and accruals by approximately RM30.27 million or 58.4% mainly due to the following:
 - (i) outstanding payable amount of RM10.00 million to Davindra arising from the conditional share sale agreement entered into with Davindra on 25 January 2022 to acquire the remaining 49.0% equity interest in NSY comprising 281,750 ordinary shares for a total purchase consideration of RM15,000,000;
 - (ii) increase in accruals by approximately RM20.68 million due to increase in accruals for bonuses and payroll to our staff as well as accrued purchases of raw materials, consumables and electronic components.
- (b) increase in bank borrowings by RM66.38 million or 46.4% due to the following:
 - (i) increase in utilisation of bankers' acceptance, overdraft and revolving credit facilities of RM36.24 million, for the purchase of raw materials, consumables and electronic components to support for the increase in our overall EMS activities during FPE 2022;
 - (ii) increase in utilisation of finance lease facilities of RM3.62 million mainly for the purchase of new SMT machineries and equipment as well as ancillary equipment for installation in our manufacturing facilities in Pulau Pinang; and
 - (iii) reclassification of the term loan facilities (which was utilised for construction of Plant 5) as current liabilities, which shall become due within the next 12 months.

11.4.5 Gearing ratio

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

	Audited			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	RM'000	RM'000	RM'000	RM'000
Total borrowings	111,748	154,326	230,080	274,464
Total equity attributable to owners of our Group	85,428	112,040	155,868	176,822
Gearing ratio (times)	1.31	1.38	1.48	1.55

11. FINANCIAL INFORMATION (cont'd)

Our Group's gearing ratio increased from 1.31 times as at 31 December 2019 to 1.38 times and 1.48 times as at 31 December 2020 and 31 December 2021, respectively. This was mainly due to higher utilisation of bankers' acceptance besides revolving credit for working capital purposes.

Our Group's gearing ratio increased from 1.48 times as at 31 December 2021 to 1.55 times as at 30 June 2022. This was mainly due to the following reasons:

- (a) higher utilisation of bankers' acceptance, overdraft and revolving credit by RM36.24 million for the purchase of raw materials, consumables and electronic components to support for the increase in our overall EMS activities during FPE 2022;
- (b) increase in utilisation of finance lease facilities of RM10.73 million mainly for the purchase of new SMT machineries and equipment as well as ancillary equipment for installation in our manufacturing facilities in Pulau Pinang.

11.5 TREND INFORMATION

Based on our track record for the financial years/period under review, including our segmental analysis of revenue and profitability, the following trends may continue to affect our business:

- (a) Company A has been our major revenue contributor of 44.5%, 53.1%, 51.1% and 54.8% of our Group's total revenue during FYE 2019 to FYE 2021 as well as FPE 2022, respectively. During FYE 2019 to FYE 2021 as well as FPE 2022, more than 70.0% of our Group's total revenue was derived from Malaysia, with the balance mainly from USA, China, Germany, Australia, Hong Kong, Singapore, France, Hungary and Denmark. We expect such revenue segmentation to continue in the future;
- (b) the main components of our cost of sales are raw materials consumed and direct labour cost. Moving forward, our cost of sales is expected to fluctuate in tandem with our revenue levels. Our cost of sales is dependent on amongst others, the availability and price fluctuation of raw materials and labour costs; and
- (c) we achieved a GP margin of 6.6%, 9.9%, 12.7% and 14.1% for FYE 2019, FYE 2020, FYE 2021 and FPE 2022, respectively. We expect to maintain our GP margin within the same range in the future. This would depend on, amongst others, our continued ability to manage our costs efficiently.

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

- (a) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position and operations, other than those discussed in this section, Section 6 and Section 8;
- (b) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical combined financial statements not necessarily indicative of the future financial performance and position other than those discussed in this section, Section 6 and Section 8;
- (c) known trends, demands, commitments, events or uncertainties that have resulted in a substantial increase in our Group's revenue save for those that had been discussed in this section, Section 7 and Section 8;
- (d) material commitments for capital expenditure as set out in Section 11.3.5; and

11. FINANCIAL INFORMATION (cont'd)

- (e) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as discussed in Section 6.5.15.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the EMS industry as set out in the Industry Overview in Section 7, our Group's competitive strengths as set out in Section 6.5.6 and our business strategies and prospects as set out in Section 6.6.

Save as disclosed in Section 11.2, there are no other factors which are likely to have a material effect on our financial conditions and results of operations or cause our Group's historical financial statements to be not necessarily indicative of our future financial performance.

Since 2020, due to the outbreak of COVID-19 pandemic, the Government of Malaysia imposed various MCOs and lockdown measures which impacted most of the economic sectors and activities, especially those operating in non-essential services.

Despite the impact of the COVID-19 pandemic, we did not experience any cancellation or reduction in purchase orders from our customers. We also did not experience any claims arising from delayed delivery during this period. Thus, our Board is optimistic about the future prospects of our Group given the positive outlook of the EMS industry in Malaysia and globally as set out in the IMR Report in Section 7, our Group's competitive strengths and key strengths as set out in Section 6.5.6 and our Group's business strategies and prospects as set out in Section 6.6.

11.6 ORDER BOOK

Our sales are based on confirmed purchase orders from our customers. We do not maintain an order book as we do not enter into any long-term agreements with our customers. We generate our revenue as and when we deliver the assembled products and completed PCBs based on purchase orders received.

Our unbilled purchase orders as at LPD amounts to RM369.55 million, details as follows:

Segment	RM'000
Turnkey	329,786
Consignment	39,763
Total	369,549

These purchase orders are expected to be billed upon delivery progressively over the next 12 months.

11.7 DIVIDENDS

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

11. FINANCIAL INFORMATION (cont'd)

results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective board of directors deem relevant.

Our Group presently does not have any formal dividend policy. The declaration of interim dividends and the recommendation of final dividends are subject to the discretion of our Board and any final dividends for the year are subject to shareholders' approval. It is our intention to pay dividends to shareholders in the future; however, such payments will depend upon a number of factors, including our Group's financial performance, capital expenditure requirements, general financial condition and any other factors considered relevant by our Board. Dividend payments, capital gains and profits from dealing in our Shares will not be subject to Malaysian taxation (not applicable to entities including companies with trading of shares as their principal activity). No withholding tax is imposed on the above transactions.

During FYEs 2019 to 2021 as well as FPE 2022 and up to LPD, we declared and paid the following dividends:

	<u>FYE 2019</u> <u>RM'000</u>	<u>FYE 2020</u> <u>RM'000</u>	<u>FYE 2021</u> <u>RM'000</u>	<u>FPE 2022</u> <u>RM'000</u>	<u>Up to LPD</u> <u>RM'000</u>
Dividends declared	-	(1)5,000	(2)12,500	-	-

Notes:

- (1) For FYE 2020, dividend of RM5.00 million was declared on 31 December 2020 and paid in March 2021. The dividends paid of RM5.00 million represent 16.3% of our PAT attributable to owners of the Company.
- (2) For FYE 2021, dividend of RM12.50 million was declared on 31 December 2021, of which RM12.50 million have been paid as at LPD. The dividends paid of RM12.50 million represent 21.8% of our PAT attributable to owners of the Company.

Save as disclosed above, there are no other pre-IPO dividends proposed to be declared or paid up to our Listing.

11.8 SIGNIFICANT CHANGES

Our Directors are not aware of any significant changes that has occurred which may have a material effect on our financial position and results since the date of our audited combined financial statements for FYE 2021 and FPE 2022.

11.9 CAPITALISATION AND INDEBTEDNESS

The table below summarises our capitalisation and indebtedness:

- (a) based on latest unaudited combined financial information of our Group as at 31 October 2022; and
- (b) after adjusting for the effects of the Public Issue and utilisation of proceeds.

11. FINANCIAL INFORMATION (cont'd)

	⁽¹⁾ As at 31 October 2022 RM'000	I After Public Issue RM'000	II After I and utilisation of proceeds RM'000
Capitalisation			
Shareholders' equity	217,125	382,625	375,816
Total capitalisation	217,125	382,625	375,816
Indebtedness			
Non-current			
Borrowings	67,646	67,646	43,537
Current			
Borrowings	282,595	282,595	201,195
Total indebtedness	350,241	350,241	244,732
Gearing ratio (times)⁽²⁾	1.61	0.92	0.65

Notes:

- (1) On the assumption that the Acquisition of NSM is completed as at the LPD.
(2) Calculated based on the total indebtedness divided by total capitalisation.

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12. ACCOUNTANTS' REPORT

NATIONGATE HOLDINGS BERHAD
(Registration No.: 202101004230 (1404529-K))
(Incorporated in Malaysia)

ACCOUNTANTS' REPORT ON THE
COMBINED FINANCIAL STATEMENTS
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2022
AND
FOR THE FINANCIAL YEARS ENDED
31 DECEMBER 2021, 31 DECEMBER 2020 AND 31 DECEMBER 2019

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member Firm of Grant Thornton International Ltd.

12. ACCOUNTANTS' REPORT (cont'd)



The Board of Directors
NationGate Holdings Berhad
2005 Tingkat Perusahaan Satu
Kawasan Perindustrian Prai
13600 Perai
Penang

Dear Sirs,

Grant Thornton Malaysia PLT

Level 5, Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

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Reporting Accountants' Opinion on The Combined Financial Statements Contained in The Accountants' Report of NationGate Holdings Berhad ("NGH" or "Company")

Opinion

We have audited the accompanying combined financial statements of the Company and its combining entity, NationGate Solution (M) Sdn. Bhd., (collectively known as "Group") which comprises the combined statements of financial position as at 31 December 2019, 2020 and 2021 and 30 June 2022 and the combined statements of comprehensive income, combined statements of changes in equity and combined statements of cash flows for the financial years/period then ended and a summary of accounting policies and other explanatory notes, as set out on pages 4 to 76.

The combined financial statements of the Group have been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion into the Prospectus of NGH in connection with the listing of and quotation for the entire enlarged issued share capital of NGH on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") via an initial public offering ("IPO") and for no other purposes.

In our opinion, the accompanying combined financial statements give a true and fair view of the combined statements of financial position of the Group as at 31 December 2019, 2020 and 2021 and 30 June 2022 and of their combined financial performance and combined cash flows for the financial years/period then ended in accordance with Malaysian Financial Reporting Standards and International Financial Reporting Standards.

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 *Reporting Accountants' Responsibilities for the Audit of the Combined 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 in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Code of Ethics for Professional Accountants (including International Independence Standards) ("IESBA Code") issued by the International Ethics Standards Board for Accountants, and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Audit | Tax | Advisory

Chartered Accountants

Grant Thornton Malaysia PLT [201906003682 [LLP002249]-LCA] [AF 0737] is a Limited Liability Partnership and is a member firm of Grant Thornton International Ltd (GTH), a private company limited by guarantee, incorporated in England and Wales.

Grant Thornton Malaysia PLT was registered on 1 January 2020 and with effect from that date, Grant Thornton Malaysia [AF 0737], a conventional partnership was converted to a Limited Liability Partnership.

grantthornton.com.my

12. ACCOUNTANTS' REPORT (cont'd)**Responsibilities of the Directors for the Combined Financial Statements**

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

In preparing the combined financial statements of the Group, the Directors are responsible for assessing the Group'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 cease operations, or have no realistic alternative but to do so.

Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements

Our objectives are to obtain reasonable assurance about whether the combined financial statements of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a reporting accountants' 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 combined 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:

- Identify and assess the risks of material misstatement of the combined financial statements of the Group, 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.
- 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 internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- 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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our reporting accountants' report to the related disclosures in the Financial Information of the Group 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 report. However, future events or conditions may cause the Group to cease to continue as a going concern.

12. ACCOUNTANTS' REPORT (cont'd)



Reporting Accountants' Responsibilities for the Audit of the Combined Financial Statements (cont'd)


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: (cont'd)

- Evaluate the overall presentation, structure and content of the combined financial statements of the Group, including the disclosures, and whether the combined financial statements of the Group represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express our opinion on the combined financial information of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicated 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 identified during our audit.

Restriction on Distribution and Use

This report is made solely to the Company for inclusion in this Prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad and should not be relied upon for any other purposes. We do not assume responsibility to any other person for the content of this report.



Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494-LCA)
Chartered Accountants



Terence Lau Han Wen
No. 03298/04/2023 J
Chartered Accountant

Penang

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
Registration No.: 202101004230 (1404529-K)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF FINANCIAL POSITION

	Note	Audited			
		30.06.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
ASSETS					
Non-current assets					
Property, plant and equipment	4	228,363,936	209,662,785	182,501,203	144,098,738
Right-of-use assets	5	14,141,633	441,783	849,583	217,451
Investment in an associate	6	396,601	-	-	-
		<u>242,902,170</u>	<u>210,104,568</u>	<u>183,350,786</u>	<u>144,316,189</u>
Current assets					
Inventories	7	226,497,353	152,840,212	100,116,542	52,587,210
Trade receivables	8	187,104,483	166,647,806	147,728,894	101,100,115
Contract assets	9	29,903,385	22,796,011	13,356,998	5,217,539
Other receivables, deposits and prepayments	10	12,535,918	7,807,550	8,946,377	6,824,522
Investment securities	11	352,399	385,652	325,553	313,823
Current tax assets		-	-	-	3,914,186
Short term deposits with licensed banks	12	19,750,899	10,477,297	8,969,369	2,677,962
Cash and bank balances	13	20,742,184	35,106,286	9,260,350	3,281,201
		<u>496,886,621</u>	<u>396,060,814</u>	<u>288,704,083</u>	<u>175,916,558</u>
TOTAL ASSETS		<u>739,788,791</u>	<u>606,165,382</u>	<u>472,054,869</u>	<u>320,232,747</u>
EQUITY AND LIABILITIES					
Equity					
Equity attributable to owners of the Company					
Share capital	14	2	2	-	-
Invested equity	14	10,000,000	10,000,000	11,000,000	10,000,000
Retained profits	15	166,822,067	145,868,421	101,040,755	75,428,069
		<u>176,822,069</u>	<u>155,868,423</u>	<u>112,040,755</u>	<u>85,428,069</u>
Merger reserve	16	-	6,077	-	-
Non-controlling interest	17	-	2,559,567	340,266	-
Total equity		<u>176,822,069</u>	<u>158,434,067</u>	<u>112,381,021</u>	<u>85,428,069</u>
Non-current liabilities					
Borrowings	18	65,062,763	87,056,190	77,953,439	45,197,201
Lease liabilities	5	10,214,074	35,887	457,841	107,949
Deferred tax liabilities	19	3,159,000	217,000	90,000	415,000
		<u>78,435,837</u>	<u>87,309,077</u>	<u>78,501,280</u>	<u>45,720,150</u>
Current liabilities					
Trade payables	20	186,005,153	164,487,756	144,143,351	75,456,310
Other payables and accruals	21	82,116,178	51,849,053	58,881,548	46,964,030
Borrowings	18	209,400,903	143,024,069	76,372,673	66,550,607
Lease liabilities	5	4,015,533	421,954	406,326	113,581
Current tax liabilities		2,993,118	639,406	1,368,670	-
		<u>484,530,885</u>	<u>360,422,238</u>	<u>281,172,568</u>	<u>189,084,528</u>
Total liabilities		<u>562,966,722</u>	<u>447,731,315</u>	<u>359,673,848</u>	<u>234,804,678</u>
TOTAL EQUITY AND LIABILITIES		<u>739,788,791</u>	<u>606,165,382</u>	<u>472,054,869</u>	<u>320,232,747</u>

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
 Registration No.: 202101004230 (1404529-K)
 (Incorporated in Malaysia)

COMBINED STATEMENTS OF COMPREHENSIVE INCOME

	Note	Audited 1.1.2022 to 30.6.2022 RM	Unaudited 1.1.2021 to 30.6.2021 RM	-----Audited----- 1.1.2021 to 31.12.2021 RM	1.1.2020 to 31.12.2020 RM	1.1.2019 to 31.12.2019 RM
Revenue	22	426,001,552	379,892,430	760,869,657	566,246,159	325,997,671
Cost of sales		(366,132,952)	(339,162,607)	(664,114,880)	(510,142,643)	(304,470,008)
Gross profit		59,868,600	40,729,823	96,754,777	56,103,516	21,527,663
Other income		4,780,927	615,560	1,673,617	1,387,388	1,517,292
Administrative expenses		(19,170,172)	(13,213,979)	(28,565,992)	(19,943,358)	(13,338,145)
Operating profit		45,479,355	28,131,404	69,862,402	37,547,546	9,706,810
Finance costs		(4,976,399)	(3,210,032)	(7,200,773)	(4,643,360)	(3,385,916)
Profit before taxation	23	40,502,956	24,921,372	62,661,629	32,904,186	6,320,894
Taxation	24	(7,118,629)	(1,969,411)	(3,114,662)	(2,232,984)	(1,057,042)
Profit for the financial year		<u>33,384,327</u>	<u>22,951,961</u>	<u>59,546,967</u>	<u>30,671,202</u>	<u>5,263,852</u>
Profit for the financial year attributable to:						
Owners of the Company		33,039,824	21,843,448	57,327,666	30,612,686	5,263,852
Non-controlling interest	17	<u>344,503</u>	<u>1,108,513</u>	<u>2,219,301</u>	<u>58,516</u>	<u>-</u>
Net profit, representing total comprehensive income for the financial year		<u>33,384,327</u>	<u>22,951,561</u>	<u>59,546,967</u>	<u>30,671,202</u>	<u>5,263,852</u>
Basic earnings per ordinary share (RM)	25	<u>3.30</u>	<u>2.18</u>	<u>5.73</u>	<u>3.06</u>	<u>0.53</u>

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
Registration No.: 202101004230 (1404529-K)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital RM	Invested Equity RM	Merger Reserve RM	[-Distributable-]			Non- controlling interest RM	Total equity RM
					Retained Profits RM	Total RM	Total equity RM		
Balance at 1 January 2019		-	10,000,000 ⁽ⁱ⁾	-	70,164,217	80,164,217	-	80,164,217	
Total comprehensive income for the financial year		-	-	-	5,263,852	5,263,852	-	5,263,852	
Balance as at 31 December 2019/1 January 2020		-	10,000,000	-	75,428,069	85,428,069	-	85,428,069	
Total comprehensive income for the financial year		-	-	-	30,612,686	30,612,686	58,516	30,671,202	
<i>Transaction with owners:</i>									
Incorporation of NSY ⁽ⁱⁱ⁾		-	-	-	-	-	281,750	281,750	
Incorporation of NIM ⁽ⁱⁱⁱ⁾		-	1,000,000	-	-	1,000,000	-	1,000,000	
Dividend	26	-	-	-	(5,000,000)	(5,000,000)	-	(5,000,000)	
		-	1,000,000	-	(5,000,000)	(4,000,000)	281,750	(3,718,250)	
Balance as at 31 December 2020		-	11,000,000	-	101,040,755	112,040,755	340,266	112,381,021	

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
Registration No.: 202101004230 (1404529-K)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM	Invested Equity RM	Merger Reserve RM	-Distributable-			Non- controlling interest RM	Total equity RM
					Retained Profits RM	Total RM	Total RM		
Balance as at 1 January 2021		-	11,000,000	-	101,040,755	112,040,755	340,266	112,381,021	
Total comprehensive income for the financial year		-	-	-	57,327,666	57,327,666	2,219,301	59,546,967	
<i>Transaction with owners:</i>									
Issuance of shares ^(iv)		2	-	-	-	2	-	2	
Effects of acquisition of subsidiary ^(v)		-	(1,000,000)	6,077	-	(993,923)	-	(993,923)	
Dividend	26	-	-	-	(12,500,000)	(12,500,000)	-	(12,500,000)	
		2	(1,000,000)	6,077	(12,500,000)	(13,493,921)	-	(13,493,921)	
Balance as at 31 December 2021		2	10,000,000	6,077	145,868,421	155,874,500	2,559,567	158,434,067	

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD

Registration No.: 202101004230 (1404529-K)

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Share Capital RM	Invested Equity RM	Merger Reserve RM	[-Distributable-]			Non- controlling interest RM	Total equity RM
				Retained Profits RM	Total RM	Total equity RM		
Balance as at 1 January 2022	2	10,000,000	6,077	145,868,421	155,874,500	2,559,567	158,434,067	
Total comprehensive income for the financial period	-	-	-	33,039,824	33,039,824	344,503	33,384,327	
<i>Transaction with owners:</i>								
Increase in equity interest of a subsidiary ^(vi)	-	-	-	(12,095,930)	(12,095,930)	(2,904,070)	(15,000,000)	
Disposal of a subsidiary ^(vii)	-	-	(6,077)	9,752	3,675	-	3,675	
	-	-	(6,077)	(12,086,178)	(12,092,255)	-	(14,996,325)	
Balance as at 30 June 2022	2	10,000,000	-	166,822,067	176,822,069	-	176,822,069	

(i) This denotes the share capital of NationGate Solution (M) Sdn. Bhd. ("NSM").

(ii) NationGate System Sdn. Bhd. ("NSY") was incorporated by NSM and a third party on 10 January 2020.

(iii) NationGate Integration (M) Sdn. Bhd. ("NIM") was incorporated on 15 September 2020.

(iv) Issuance of shares pursuant to the incorporation of NGH on 4 February 2021.

(v) NSM had on 28 April 2021 acquired 100% equity interest in NIM which was previously under the control of the Mr. Ooi Eng Leong and Ms. Tan Ah Geok (collectively "Promoters").

(vi) NSM had on 17 February 2022 acquired the remaining 49% equity interest in NSY and subsequently NSY became a wholly-owned subsidiary of NSM.

(vii) NSM had on 8 June 2022 disposed 60% equity interest in NIM to Goldtek Technology Co. Ltd ("Goldtek") and NIM subsequently became an associate of NSM.

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
Registration No.: 202101004230 (1404529-K)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS

Note	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	-----Audited----- 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit before taxation	40,502,956	24,921,372	62,661,629	32,904,186	6,320,894
Adjustments for:					
Allowance for slow moving inventories					
- addition	3,505,642	1,846,530	993,019	5,499,360	1,999,786
- reversal	(2,648,335)	(3,783,231)	(2,500,455)	(2,341,637)	(890,600)
Depreciation					
- property, plant and equipment	14,985,364	12,318,218	25,861,813	19,738,801	15,588,058
- right-of-use assets	1,820,615	203,900	407,800	574,134	113,453
Effects of lease termination	-	-	-	(11,176)	-
Fair value loss/(gain) on investment securities	33,363	34,083	59,983	(11,759)	(60,555)
Gain on disposal of investment in subsidiary	(2,678)	-	-	-	-
Gain on disposal of property, plant and equipment	(74,996)	(13,125)	(33,125)	(25,555)	(26,718)
Impairment loss on receivables	-	-	-	210,962	218,638
Interest expense	4,976,399	3,210,032	7,200,773	4,643,360	3,385,916
Interest income	(34,045)	(24,062)	(55,223)	(48,534)	(67,491)
Property, plant and equipment written off			-	124,003	42,885
Unrealised (gain)/loss on foreign exchange	(2,920,379)	876,392	881,397	(807,938)	115,371
Operating profit before working capital changes	60,143,906	39,590,109	95,477,611	60,448,207	26,739,637
Increase in inventories	(74,514,448)	(18,361,450)	(51,216,234)	(50,687,055)	(20,657,090)
(Increase)/Decrease in receivables	(19,740,636)	34,179,492	(15,867,153)	(50,408,554)	(23,250,192)
Increase/(Decrease) in payables	53,260,126	(45,470,913)	20,881,340	96,447,698	11,638,245
(Increase)/Decrease in contract assets	(7,107,374)	241,914	(9,439,013)	(8,139,459)	834,415
Cash generated from/(used in) operations	12,041,574	10,179,152	39,836,551	47,660,837	(4,694,985)
Income tax paid	(1,822,917)	(798,750)	(3,716,926)	(934,242)	(1,107,824)
Income tax refunded	-	-	-	3,659,114	115,820
Interest paid	(4,801,693)	(3,195,278)	(7,175,099)	(4,588,055)	(3,375,290)
Net cash from/(used in) operating activities carried forward	5,416,964	6,185,124	28,944,526	45,797,654	(9,062,279)

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD

Registration No.: 202101004230 (1404529-K)

(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Note	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	-----Audited----- 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Net cash from/(used in) operating activities brought forward		5,416,964	6,185,124	28,944,526	45,797,654	(9,062,279)
CASH FLOWS FROM INVESTING ACTIVITIES						
Cash flows effects of disposal of a subsidiary	A	(394,856)	-	-	-	-
Effects of acquisition of subsidiaries	B	(5,000,000)	(993,923)	(993,923)	-	-
Interest received		34,045	24,062	55,223	48,534	67,491
Placement of fixed deposits with licensed bank		(2,500,000)	-	-	-	-
Proceeds from disposal of property, plant and equipment		2,267,200	40,000	60,000	25,556	41,000
Purchase of investment securities		-	(120,000)	(120,000)	-	-
Purchase of property, plant and equipment	C	(16,664,629)	(14,307,784)	(26,214,307)	(39,646,167)	(39,782,245)
Net cash used in investing activities		(22,258,240)	(15,357,645)	(27,213,007)	(39,572,077)	(39,673,754)
CASH FLOWS FROM FINANCING ACTIVITIES						
Dividend paid		(12,500,000)	(5,000,000)	(5,000,000)	-	-
Drawdown of bankers' acceptance	D	30,769,802	35,918,794	55,152,552	5,472,188	15,412,808
(Repayment)/Drawdown of term loan	D	(2,587,776)	(2,355,208)	(4,258,945)	24,751,000	33,897,226
Drawdown/(Repayment) of revolving credit	D	1,397,519	837,427	8,764,865	837,617	(9,815,685)
Payment of lease liabilities	D	(1,923,405)	(216,000)	(432,000)	(607,758)	(120,000)
Proceeds from issuance of shares		-	2	2	1,281,750	-
Repayment of finance lease (Repayment to)/Advances from former holding company and related companies	D	(8,487,123)	(4,859,769)	(10,503,301)	(7,046,760)	(7,636,375)
	D	-	(17,590,566)	(17,590,566)	(18,628,028)	14,161,219
Net cash from financing activities		6,669,017	6,734,680	26,132,607	6,060,009	45,899,193
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS CARRIED FORWARD		(10,172,259)	(2,437,841)	27,864,126	12,285,586	(2,836,840)

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
Registration No.: 202101004230 (1404529-K)
(Incorporated in Malaysia)

COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

Note	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	-----Audited----- 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
NET (DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS BROUGHT FORWARD	(10,172,259)	(2,437,841)	27,864,126	12,285,586	(2,836,840)
CASH AND CASH EQUIVALENTS AT BEGINNING	<u>45,583,583</u>	<u>17,719,457</u>	<u>17,719,457</u>	<u>5,433,871</u>	<u>8,270,711</u>
CASH AND CASH EQUIVALENTS AT END	<u>35,411,324</u>	<u>15,281,616</u>	<u>45,583,583</u>	<u>17,719,457</u>	<u>5,433,871</u>
Represented by:					
Cash and bank balances	20,742,184	10,179,586	35,106,286	9,260,350	3,281,201
Short term deposits with licensed banks	19,750,899	5,320,319	10,477,297	8,969,369	2,677,962
Less: Deposits pledged with licensed bank	<u>(2,500,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	37,993,083	15,499,905	45,583,583	18,229,719	5,959,163
Less: Bank overdrafts	<u>(2,581,759)</u>	<u>(218,289)</u>	<u>-</u>	<u>(510,262)</u>	<u>(525,292)</u>
	<u>35,411,324</u>	<u>15,281,616</u>	<u>45,583,583</u>	<u>17,719,457</u>	<u>5,433,871</u>

A. Cash flows effects of disposal of a subsidiary

Total proceeds from disposal of a subsidiary	600,000	-	-	-	-
Less: cash position of a subsidiary on disposal	<u>(994,856)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash outflow	<u>(394,856)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

B. Effects of acquisition of subsidiaries

Total investment cost	15,000,000	993,923	993,923	-	-
Less: Amount payable to former shareholder of a subsidiary (included in other payables)	<u>(10,000,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net cash outflow	<u>5,000,000</u>	<u>993,923</u>	<u>993,923</u>	<u>-</u>	<u>-</u>

The total investment cost of RM15 million is to be settled via 15 monthly instalments of RM1 million each.

12. ACCOUNTANTS' REPORT (cont'd)

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	-----Audited----- 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
C. Purchase of property, plant and equipment					
Total acquisition cost	35,878,719	25,352,886	53,050,270	58,265,270	49,451,554
Acquired under finance lease	<u>(19,214,090)</u>	<u>(11,045,102)</u>	<u>(26,835,963)</u>	<u>(18,619,103)</u>	<u>(9,669,309)</u>
Total cash acquisition	<u>16,664,629</u>	<u>14,307,784</u>	<u>26,214,307</u>	<u>39,646,167</u>	<u>39,782,245</u>

D. Liabilities arising from financing activities

Reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities is as follows:

	Balance at beginning RM	Net Cash flows RM	Foreign exchange movement RM	Others RM	Balance at end RM
30.6.2022 (Audited)					
Bankers' acceptance	114,260,581	30,769,802	1,563,055	-	146,593,438
Finance lease liabilities	42,634,826	(8,487,123)	-	19,214,090 ¹	53,361,793
Revolving credit	12,670,400	1,397,519	(67,919)	-	14,000,000
Term loans	60,514,452	(2,587,776)	-	-	57,926,676
Lease liabilities	<u>457,841</u>	<u>(1,923,405)</u>	<u>-</u>	<u>15,695,171</u> ²	<u>14,229,607</u>
Total liabilities arising from financing activities	<u>230,538,100</u>	<u>19,169,017</u>	<u>1,495,136</u>	<u>34,909,261</u>	<u>286,111,514</u>
30.6.2021 (Unaudited)					
Advances from former holding company and related companies	17,590,566	(17,590,566)	-	-	-
Bankers' acceptance	58,938,190	35,918,794	228,943	-	95,085,927
Finance lease liabilities	26,302,164	(4,859,769)	-	11,045,102 ¹	32,487,497
Revolving credit	3,802,099	837,427	-	-	4,639,526
Term loans	64,773,397	(2,355,208)	-	-	62,418,189
Lease liabilities	<u>864,167</u>	<u>(216,000)</u>	<u>-</u>	<u>14,754</u> ²	<u>662,921</u>
Total liabilities arising from financing activities	<u>172,270,583</u>	<u>11,734,678</u>	<u>228,943</u>	<u>11,059,856</u>	<u>195,294,060</u>

12. ACCOUNTANTS' REPORT (cont'd)

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

D. Liabilities arising from financing activities (cont'd)

	Balance at beginning RM	Net Cash flows RM	Foreign exchange movement RM	Others RM	Balance at end RM
31.12.2021 (Audited)					
Advances from former holding company and related companies	17,590,566	(17,590,566)	-	-	-
Bankers' acceptance	58,938,190	55,152,552	169,839	-	114,260,581
Finance lease liabilities	26,302,164	(10,503,301)	-	26,835,963 ¹	42,634,826
Revolving credit	3,802,099	8,764,865	103,436	-	12,670,400
Term loans	64,773,397	(4,258,945)	-	-	60,514,452
Lease liabilities	864,167	(432,000)	-	25,674 ²	457,841
Total liabilities arising from financing activities	<u>172,270,583</u>	<u>31,132,605</u>	<u>273,275</u>	<u>26,861,637</u>	<u>230,538,100</u>
31.12.2020 (Audited)					
Advances from former holding company and related companies	36,207,065	(18,628,028)	11,529	-	17,590,566
Bankers' acceptance	53,470,298	5,472,188	(4,296)	-	58,938,190
Finance lease liabilities	14,729,821	(7,046,760)	-	18,619,103 ¹	26,302,164
Revolving credit	3,000,000	837,617	(35,518)	-	3,802,099
Term loans	40,022,397	24,751,000	-	-	64,773,397
Lease liabilities	221,530	(607,758)	-	1,250,395 ²	864,167
Total liabilities arising from financing activities	<u>147,651,111</u>	<u>4,778,259</u>	<u>(28,285)</u>	<u>19,869,498</u>	<u>172,270,583</u>

12. ACCOUNTANTS' REPORT (cont'd)

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COMBINED STATEMENTS OF CASH FLOWS (CONT'D)

D. Liabilities arising from financing activities (cont'd)

	Balance at beginning RM	Net Cash flows RM	Foreign exchange movement RM	Others RM	Balance at end RM
31.12.2019 (Audited)					
Advances from former holding company and related companies	22,052,297	14,161,219	(6,451)	-	36,207,065
Bankers' acceptance	38,163,651	15,412,808	(106,161)	-	53,470,298
Finance lease liabilities	12,696,887	(7,636,375)	-	9,669,309 ¹	14,729,821
Revolving credit	12,815,685	(9,815,685)	-	-	3,000,000
Term loans	6,125,171	33,897,226	-	-	40,022,397
Lease liabilities	330,904	(120,000)	-	10,626 ²	221,530
Total liabilities arising from financing activities	92,184,595	45,899,193	(112,612)	9,679,935	147,651,111

Notes:

¹ The amount represents the addition of finance lease liabilities during the financial year.

² The amount consists of non-cash items represented by:

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	-----Audited----- 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Accretion of interest	174,706	14,754	25,764	55,305	10,626
Addition during the period/year	15,520,465	-	-	2,257,262	-
Termination of lease contracts	-	-	-	(1,062,172)	-
	15,695,171	14,754	25,764	1,250,395	10,626

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

This report has been prepared solely to comply with the Prospectus Guidelines issued by the Securities Commission Malaysia and for inclusion in the Prospectus of NGH in connection with the listing of and quotation for the entire enlarged issued share capital of NGH on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") via an initial public offering ("IPO").

Introduction

NGH was incorporated on 4 February 2021 under the Companies Act 2016 in Malaysia as a private limited company and subsequently converted into a public limited company on 27 April 2021 and assumed its present name. NGH was incorporated to act as the vehicle for the listing of NSM on the ACE Market of Bursa Securities.

The registered office of NGH is located at Suite A, Level 9, Wawasan Open University, 54 Jalan Sultan Ahmad Shah, 10050 Georgetown Penang, while its principal place of business is located at 2005, Tingkat Perusahaan Satu, Kawasan Perindustrian Prai, 13600 Perai, Penang.

The principal activity of NGH is that of investment holding.

Internal Restructuring

Prior to the IPO, the following internal restructuring was undertaken:

(i) Acquisition of remaining equity interest in NSY by NSM

On 25 January 2022, NSM entered into a conditional sale share agreement with Davindra Singh Gendeh to acquire 281,750 ordinary shares, representing the remaining 49% equity interest in NSY for a total cash consideration of RM15,000,000 to be settled via 15 monthly instalments of RM1,000,000 each. The consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration based on price earnings multiple of 6.8 times of NSY's unaudited profit after tax for the financial year ended 31 December 2021. The transaction was completed on 17 February 2022 and NSY became a wholly-owned subsidiary of NSM.

(ii) Acquisition and restructuring of NIM by NSM

NSM acquired 1,000,000 ordinary shares in NIM, representing 100.0% equity interests in NIM from Mr. Ooi Eng Leong and Ms. Tan Ah Geok (collectively "Promoters"), for a total cash consideration of RM993,923 on 21 April 2021. The said cash consideration was arrived at on a willing-buyer willing-seller basis after taking into consideration the audited net assets ("NA") position of NIM as at 31 December 2020 of RM993,523. The transaction was completed on 28 April 2021 and consequently NIM became a wholly-owned subsidiary of NSM.

On 1 March 2022, NSM entered into a business collaboration agreement with Goldtek Technology Co. Ltd. ("Goldtek") to dispose of 60% equity interest in NIM comprising of 600,000 ordinary shares for a total sale consideration of RM600,000. The disposal was completed on 8 June 2022 and NIM ceased to be an indirect wholly-owned subsidiary of NSM and subsequently became an associate of NSM.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS**1. GENERAL INFORMATION (CONT'D)****(iii) Acquisition of NSM by NGH**

On 14 June 2022, NGH entered into a conditional share sale agreement with the Promoters, to acquire the entire equity interest in NSM comprising 10,000,000 ordinary shares for a total purchase consideration of RM143,360,647. The purchase consideration was satisfied by NGH issuing 1,638,407,398 new shares to the Promoters at an issue price of RM0.0875 each. The total purchase consideration of RM143,360,647 was arrived at on a "willing-buyer willing-seller" basis after taking into consideration the pro forma consolidated net asset of NSM as at 31 December 2021 of RM143,447,572. The pro forma consolidated net assets takes into account the audited consolidated net asset of NSM as at 31 December 2021 adjusted for the effects of (i) and (ii) above on the assumption that the transactions were undertaken on 31 December 2021.

The acquisition of NSM was conditional upon the approval of Bursa Securities being obtained for NGH's IPO application, which was obtained on 13 October 2022. The acquisition of NSM was completed on 20 October 2022. Thereafter, NSM became a wholly-owned subsidiary of NGH.

Movement of share capital of NGH

The movements of NGH share capital since its incorporation are set out below:

Date of Allotment	No. of Shares allotted	Consideration/Type of Issue RM	Cumulative share capital RM
4 February 2021	2	2.00 / Subscribers' shares	2
20 October 2022	1,638,407,398	143,360,647/ Consideration for the Acquisition of NSM	143,360,649

As at the LPD, NGH does not has any outstanding warrant, option, convertible securities and uncalled capital.

Upon completion of the IPO, the enlarged issued share capital of NGH will increase from RM143,360,649 comprising 1,638,407,400 ordinary shares to RM308,860,491 comprising 2,073,933,300 ordinary shares.

Details of combining entities as at 30 June 2022

Name of the Company	Effective ownership	Principal activities	Date of incorporation	Country of incorporation
NSM	100%	Assembly and testing of electronic components and products	30 March 2010	Malaysia
NSY	100%	Assembly and testing of semiconductor devices	10 January 2020	Malaysia
NIM	40%	Yet to commence operation. The intended principal activity is in the provision of electronics manufacturing services ("EMS") activities	15 September 2020	Malaysia

12. ACCOUNTANTS' REPORT (cont'd)

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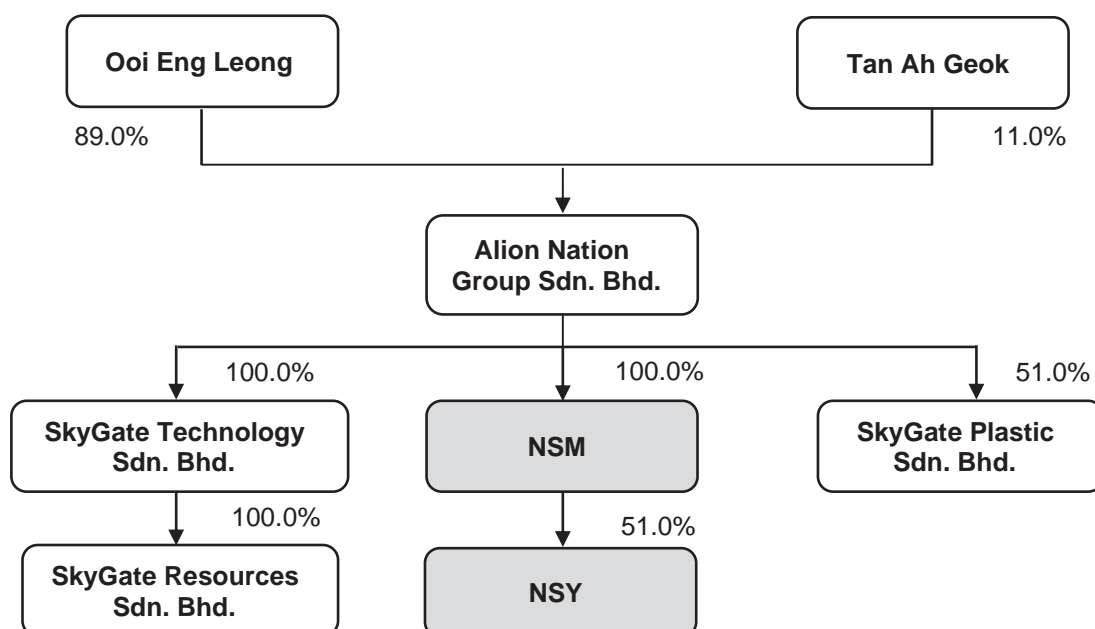
NOTES TO THE COMBINED FINANCIAL STATEMENTS

1. GENERAL INFORMATION (CONT'D)

Group structure of the combining entities before and after the acquisitions and IPO is as follows:

(a) Before acquisition of NSM by the Promoters

Prior to the acquisition of NSM by the Promoters, NSM was part of the Alion Nation Group Sdn. Bhd.'s group of companies. The shareholdings of Alion Nation Group Sdn. Bhd. and its group structure are as follows:



The Promoters acquired 10,000,000 ordinary shares in NSM, representing 100% equity interest in NSM from Alion Nation Group Sdn. Bhd. on 28 August 2020.

12. ACCOUNTANTS' REPORT (cont'd)

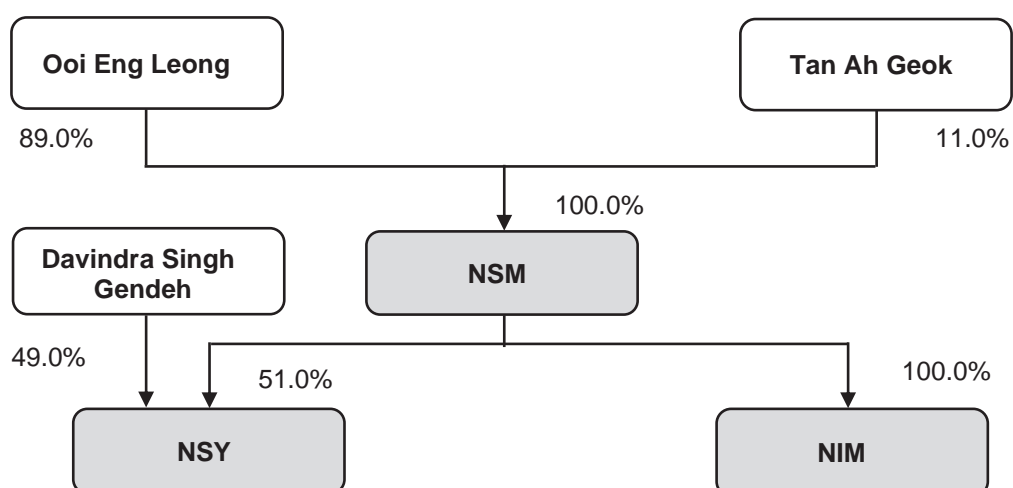
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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. GENERAL INFORMATION (CONT'D)

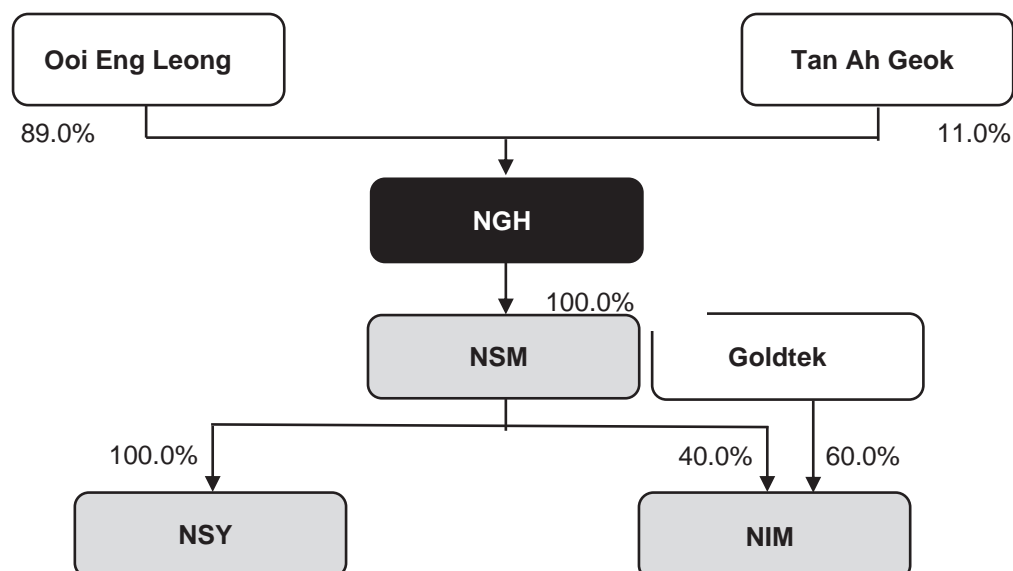
Group structure of combining entities before and after the acquisitions and IPO is as follows (cont'd):

(b) Before the Internal Restructuring and IPO



NSM acquired 100% equity interest in NIM from the Promoters on 28 April 2021.

(c) After the Internal Restructuring but before IPO



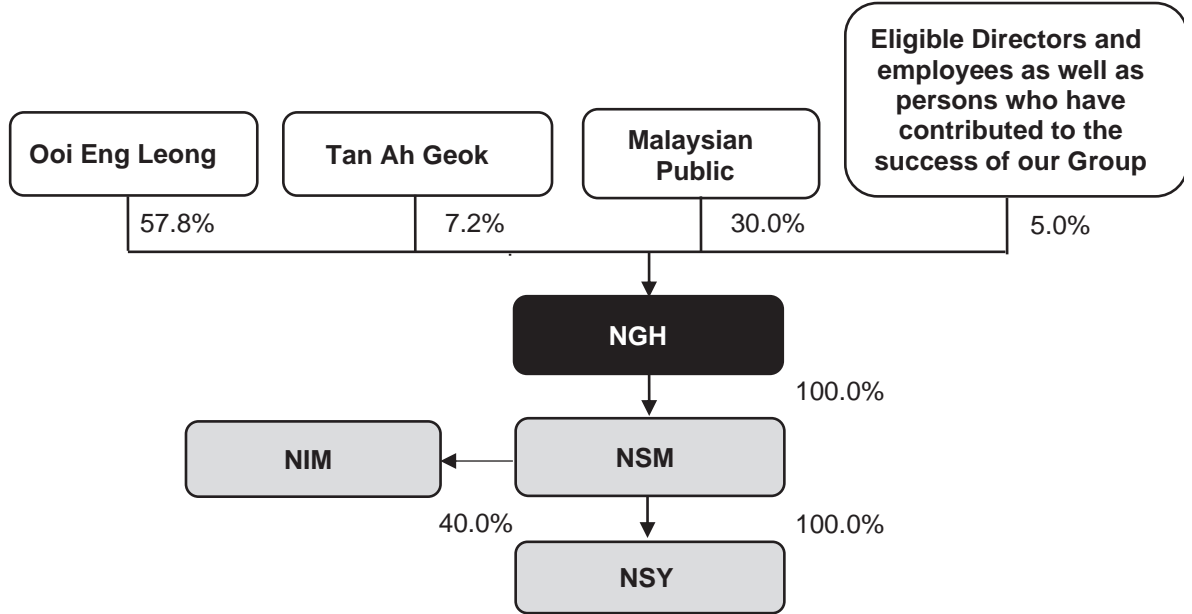
12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. GENERAL INFORMATION (CONT'D)

(d) After the Internal Restructuring and IPO



IPO Listing Scheme

(a) Public Issue

A total of 435,525,900 new NGH ordinary shares (“Issued Shares”) representing 21.0% of the enlarged share capital of NGH are offered at an issue price of RM0.38 per share and shall be allocated in the following manner:

- 103,696,800 Issue Shares, representing 5.0% of our enlarged issued share capital are made available for application by the Malaysian Public,
- 103,696,800 Issue Shares, representing 5.0% of our enlarged issued share capital are made available for application by our eligible Directors and employees, as well as persons who have contributed to the success of the NGH Group, and
- 228,132,300 Issue Shares, representing 11.0% of our enlarged issued share capital by way of private placement to selected investors.

(b) Offer for Sale

Mr. Ooi Eng Leong and Ms. Tan Ah Geok (collectively “Promoters”) will undertake an offer for sale of 290,351,300 existing ordinary shares in NGH (“Offer Shares”), representing approximately 14.0% of the enlarged issued share capital of NGH, at RM0.38 per Offer Share and shall be allocated in the following manner:

- 259,242,000 Offer Shares by way of private placement to identified Bumiputera shareholders approved by the Ministry of International Trade and Industry, and
- 31,109,300 Offer Shares by way of private placement to selected investors.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

1. GENERAL INFORMATION (CONT'D)

IPO Listing Scheme (cont'd)

(c) Listing

NGH's entire enlarged issued share capital of RM308,860,491 comprising 2,073,933,300 ordinary shares shall be listed on the ACE Market of Bursa Malaysia Securities Berhad.

2. BASIS OF PREPARATION OF THE COMBINED FINANCIAL STATEMENTS

The combined entities are NGH and NSM (collectively "Group"). The combined financial statements of the Group have been prepared as if the Group has been operating as a single economic entity throughout the financial period ended 30 June 2022 and financial years ended 31 December 2019, 2020 and 2021, since the combining entities were under common control by the Promoters for the financial years under review.

2.1 Statement of Compliance

The combined financial statements of the Group for the financial period ended 30 June 2022 and financial years ended 31 December 2019, 2020 and 2021, have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") and International Financial Reporting Standards ("IFRS") and in compliance with the Chapter 10, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia.

2.1.1 Changes in accounting policies

During the financial years under review, the Group adopted all relevant MFRS standards which are approved by the Malaysian Accounting Standards Board ("MASB") and became effective during the relevant financial years under review. The adoption of all these MFRS standards did not result in any change to the accounting policies of the Group other than as follows:

MFRS 16 Leases - effective 1 January 2019

MFRS 16 replaces the guidance in MFRS 117, Leases, IC Interpretation 4, Determining whether an Arrangement contains a Lease, IC Interpretation 115, Operating Leases – Incentives and IC Interpretation 127, Evaluating the Substance of Transactions Involving the Legal Form of a Lease.

MFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligations to make lease payments. There are recognition exemptions for short-term leases and leases of low-value items. Lessor accounting remains similar to the current standard which continues to be classified as finance or operating lease.

The Group adopted *MFRS 16* using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases under *MFRS 117* and *IC Interpretation 4* at the date of initial application.

The adoption of MFRS 16 has no material financial impact to the combined financial statements of the Group save for long-term leases of car park facilities for employees, warehouse and a factory entered into by the Group which warrants recognition on the statement of financial position as disclosed in Note 5 to the combined financial statements.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.2 Basis of Measurement

The combined financial statements of the Group are prepared under the historical cost convention unless otherwise indicated in the summary of accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumption that market participants would use when pricing the asset or liability, assuming that market participants act in their best economic interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to their fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities.
- Level 2 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is directly or indirectly observable.
- Level 3 - Valuation techniques for which the lowest level input that is significant to their fair value measurement is unobservable.

2.3 Functional and Presentation Currency

The combined financial statements are presented in Ringgit Malaysia ("RM") which is also the Group's functional currency.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.4 Standards Issued But Not Yet Effective

Effective for annual periods beginning on or after 1 January 2023

MFRS 17 Insurance Contracts

Amendments to MFRS 4 Insurance Contracts - Extension of the Temporary Exemption from Applying MFRS 9 Financial Instruments

Amendments to MFRS 17 Insurance Contracts

Amendments to MFRS 17 Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information

Amendments to MFRS 101 Presentation of Financial Statement: Classification of Liabilities as Current or Non-current

Amendments to MFRS 101 Presentation of Financial Statements - Disclosure of Accounting Policies

Amendments to MFRS 108 Accounting Policies, Changes in Accounting Estimates and Errors - Definition of Accounting Estimates

Amendments to MFRS 112 Income Taxes - Deferred Tax Related to Assets and Liabilities arising from a Single Transaction

Deferred to a date to be determined by the MASB

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 Group will adopt the above accounting pronouncements when they become effective in the respective financial periods. Preliminary assessment indicates that these accounting pronouncements are not expected to have any material impacts to the combined financial statements of the Group upon adoption.

2.5 Significant Accounting Estimates and Judgements

The preparation of financial statements require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

2. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONT'D)

2.5 Significant Accounting Estimates and Judgements (cont'd)

The key assumptions concerning the future and other key sources of estimation uncertainty and judgements at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

Useful lives of depreciable assets

The Group's major fixed assets which are subject to key sources of estimation uncertainty are its machinery and equipment. Management estimates the useful lives of these assets to be 8 to 25 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of the machinery and equipment. Therefore, future depreciation charges could be revised.

Impairment of property, plant and equipment

The Group performs an impairment review as and when there are impairment indicators to ensure that the carrying value of its property, plant and equipment does not exceed their recoverable amount. The recoverable amount represents the present value of the estimated future cash flows expected to arise from continuing operations. Therefore, in arriving at the recoverable amount, management exercises judgement in estimating the future cash flows, growth rate and discount rate.

Inventories

The management reviews for damage, slow-moving and obsolete inventories. This review requires judgements and estimates. Possible changes in these estimates could result in revision to the valuation of inventories.

Provision for expected credit losses ("ECL") of receivables

The Group uses a provision matrix to calculate ECL for receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit losses is a significant estimate. The amount of expected credit losses is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of a customer's actual default in the future.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. ACCOUNTING POLICIES

The following accounting policies adopted by the Group are consistently applied throughout the financial years under review unless otherwise stated.

3.1 Basis of Combination

3.1.1 Combining entities

The combined financial statements comprise the financial statements of the Company and its combining entities as at the reporting dates. The financial statements of the Company and its combining entities used in the preparation of the combined financial statements are prepared as of the same reporting dates.

The combining entities are entities, including structured entities, under common control of the shareholders that control the Company and the combining entities ("Controlling Shareholders"), and are accounted for as if the Company and the combining entities are a single economic entity at the beginning of the earlier comparative period presented or, if later, at the date that common control was established; for this purpose, comparatives are restated. The assets and liabilities of the combining entities are recognised at the carrying amounts recognised in respective combining entities' financial statements. The components of equity of the combining entities are added to the same components within the Group's equity and any resulting gain or loss is recognised directly in equity.

The Controlling Shareholders control an entity when they are exposed, or have rights, to variable returns from their involvement with the entity and have the ability to affect those returns through their power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Controlling Shareholders also consider they have de facto power over an investee when, despite not having the majority of voting rights, they have the current ability to direct the activities of the investee that significantly affect the investee's return.

3.1.2 Business combinations

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisitions, the Group measures the cost of goodwill at the acquisition date as:

- the fair value of the consideration transferred, plus
- the recognised amount of any non-controlling interest in the acquiree, plus
- if the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree, less
- the net recognised amount at fair value of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether to recognise non-controlling interest in the acquiree either at fair value, or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Acquisition related costs are expensed as incurred and included in administrative expenses.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**3. ACCOUNTING POLICIES (CONT'D)****3.1.2 Business combinations (cont'd)**

For business combinations under common control accounted using the merger method of accounting at the date of common control is established, the cost of merger is cancelled with the values of the ordinary shares received and any resulting credit or debit differences is classified as merger reserve or merger deficit within the equity.

3.1.3 Loss of control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss.

If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

3.1.4 Associates

Associates are entities, including unincorporated entities, in which the Group has significant influence, but not control, over the financial and operating policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method less any impairment losses, unless it is classified as held for sale or distribution. The cost of the investment includes transaction costs. The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the associates, after adjustments if any, to align the accounting policies with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an associate, the carrying amount of that interest including any long-term investments is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation or has made payments on behalf of the associate.

When the Group ceases to have significant influence over an associate, any retained interest in the former associate at the date when significant influence is lost is measured at fair value and this amount is regarded as the initial carrying amount of a financial asset. The difference between the fair value of any retained interest plus proceeds from the interest disposed of and the carrying amount of the investment at the date when equity method is discontinued is recognised in the profit or loss.

When the Group's interest in an associate decreases but does not result in a loss of significant influence, any retained interest is not re-measured. Any gain or loss arising from the decrease in interest is recognised in profit or loss. Any gains or losses previously recognised in other comprehensive income are also reclassified proportionately to the profit or loss if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

Investments in associates are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. ACCOUNTING POLICIES (CONT'D)

3.1.5 Non-controlling interests

Non-controlling interests at the end of the reporting period, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the comprehensive income for the year between non-controlling interests and the owners of the Company.

Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if that results in a deficit balance.

3.2 Property, Plant and Equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Property, plant and equipment are depreciated on the straight-line method to write off the cost of each asset to its residual value over its estimated useful life, at the following annual rates:

Leasehold land and buildings	Amortise over the lease period of 22, 51 and 55 years
Building improvements	Amortise over the lease period of the leasehold land and building
Plant and machinery (including solar photovoltaic "PV" system)	4% - 12.50%
Furniture and fittings	12.50% - 33.33%
Renovation	20%
Motor vehicles	20%

Capital work-in-progress represents assets under construction, and which are not ready for commercial use at the end of the reporting period. Capital work-in-progress is stated at cost, and is transferred to the relevant category of assets and depreciated accordingly when the assets are completed and ready for commercial use.

The residual value, useful life and depreciation method are reviewed at the end of each reporting period to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment.

Property, plant and equipment are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising on the disposal of property, plant and equipment are determined as the difference between the disposal proceeds and the carrying amount of the assets and are recognised in profit or loss in the financial year in which the asset is derecognised.

12. ACCOUNTANTS' REPORT *(cont'd)*

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. ACCOUNTING POLICIES (CONT'D)

3.3 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. A contract is a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. At the commencement of a lease, the Group recognises a right-of-use asset and a corresponding lease liability.

Right-of-use assets

The Group recognises right-of-use asset at the commencement date of the lease (i.e., the date the underlying assets are available for use). Right-of-use asset are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability. The cost of right-of-use asset includes the amount of lease liability recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use asset is also subject to impairment as described in section 3.4 hereof.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees.

In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies recognition exemption for short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**3. ACCOUNTING POLICIES (CONT'D)****3.3 Leases (cont'd)****Group as lessor**

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income is accounted for on a straight-line basis over the lease term and is included in profit or loss. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised over the lease term on the same basis as rental income.

3.4 Impairment of Non-Financial Assets

The Group assesses at the end of each reporting period whether there is an indication that an asset other than inventories may be impaired. For the purpose of impairment testing, recoverable amount (i.e., the higher of the fair value less cost to sell and value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units ("CGU") to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in the profit or loss except for assets that were previously revalued where the revaluation surplus was taken to other comprehensive income. In this case the impairment loss is also recognised in other comprehensive income up to the amount of any previous revaluation surplus.

An impairment loss for an asset is reversed if, and only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

3.5 Inventories

Inventories are measured at the lower of cost and net realisable value.

The cost of inventories is calculated using the weighted average cost method, and includes costs incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity.

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

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. ACCOUNTING POLICIES (CONT'D)

3.6 Financial Instruments

3.6.1 Recognition

Financial assets or financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument.

3.6.2 Classification and measurement of financial assets

Financial assets, other than those designated as hedging instruments, are classified into the following categories:

- (i) amortised cost ("AC");
- (ii) fair value through profit or loss ("FVTPL"); and
- (iii) fair value through other comprehensive income ("FVOCI").

However, in the current financial year, the Group does not have any financial assets which are categorised as FVOCI.

(i) Financial assets at AC

Financial assets are measured at AC if the assets meet the following conditions :

- they are held within a business model whose objective is to hold the financial assets and collect its contractual cash flows.
- the contractual terms of the financial assets give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, these are measured at AC using the effective interest method. The Group's cash and cash equivalents, trade and other receivables fall into this category of financial instruments.

(ii) Financial assets at FVTPL

Financial assets that are held within a different business model other than 'hold to collect' or 'hold to collect and sell' are categorised at fair value through profit and loss. Further, irrespective of business model financial assets whose contractual cash flows are not solely payments of principal and interest are accounted for at FVTPL.

Assets in this category are measured at fair value with gains or losses recognised in profit or loss. The fair values of financial assets in this category are determined by reference to active market transactions or using a valuation technique where no active market exists. The Group's investment in quoted shares fall into this category of financial instruments.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**3. ACCOUNTING POLICIES (CONT'D)****3.6 Financial Instruments (cont'd)****3.6.3 Financial assets - Impairment**

Impairment requirements use more forward-looking information to recognise expected credit losses ("ECL"). Instruments within the scope of the new requirements included loans, trade and other receivables and other debt-type financial assets measured at amortised cost and financial assets at FVOCI.

Recognition of credit losses is no longer dependent on the Group first identifying a credit loss event. Instead, the Group considers a broader range of information when assessing credit risk and measuring ECL, including past events, current conditions, reasonable and supportable forecasts that affect the expected collectability of the future cash flows of the instrument.

In applying this forward-looking approach, a distinction is made between:

Stage 1 - financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk, and

Stage 2 - financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low.

Stage 3 would cover financial assets that have objective evidence of impairment at the reporting date.

'12-month ECL' are recognised for the Stage 1 category while 'lifetime ECL' are recognised for the Stage 2 category.

Measurement of the ECL is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

The ECL model for trade receivables is described in Note 30.3.

3.6.4 Classification and measurement of financial liabilities

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group has designated a financial liability at fair value through profit or loss. The Group financial liabilities consist of borrowings, trade and other payables.

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for derivatives and financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss (other than derivative financial instruments that are designated and effective as hedging instruments).

All interest-related charges and, if applicable, changes in an instrument's fair value that are reported in profit or loss are included within finance costs or finance income.

3.6.5 Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is currently a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**3. ACCOUNTING POLICIES (CONT'D)****3.6 Financial Instruments (cont'd)****3.6.6 Derecognition**

A financial asset or part of it is derecognised, when and only when the contractual rights to the cash flows from the financial asset expire or the financial asset is transferred to another party without retaining control or substantially all risks and rewards of the asset. On derecognition of a financial asset, the difference between the carrying amount and the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in equity is recognised in the profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6.7 Regular way purchase or sale of financial assets

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the market place concerned.

A regular way purchase or sale of financial assets is recognised and derecognised, as applicable, using trade date accounting. Trade date accounting refers to:

- (a) the recognition of an asset to be received and the liability to pay for it on the trade date, and
- (b) derecognition of an asset that is sold, recognition of any gain or loss on disposal and the recognition of a receivable from the buyer for payment on the trade date.

3.6.8 Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Fair value arising from the issuance of financial guarantee contracts are classified as deferred income and are amortised to profit or loss using a straight-line method over the contractual period or, when there is no specified contractual period, recognised in profit or loss upon discharge of the guarantee. When settlement of a financial guarantee contract becomes probable, an estimate of the obligation is made. If the carrying value of the financial guarantee contract is lower than the obligation, the carrying value is adjusted to the obligation amount and accounted for as a provision.

3.7 Cash and Cash Equivalents

Cash comprises cash in hand, cash at bank and demand deposits. Cash equivalents are short term and highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value, against which bank overdraft balances, if any, are deducted.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**3. ACCOUNTING POLICIES (CONT'D)****3.8 Provisions**

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

Provisions are measured at the present value 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 cost expense.

3.9 Revenue Recognition

Revenue arises mainly from sale of goods and rendering of services. Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangement because it typically controls the goods or services before transferring them to the customer.

Sale of electronic components

Revenue from sale of electronic components includes the manufacturing, assembling and testing of electronic components and revenue is recognised at a point in time upon shipment or delivery to a dedicated destination point.

Rental income

Rental income is accounted for on a straight-line basis over the lease terms. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease

3.9.1 Other income**Interest income**

Interest income is recognised on a time proportion basis using the applicable effective interest rate.

3.9.2 Contract balances**Trade receivables**

A receivable represents the Group's right to receive an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract assets

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. ACCOUNTING POLICIES (CONT'D)

3.10 Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset are capitalised during the period of time that is necessary to complete and prepare the asset for its intended use or sale. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress until the assets are substantially completed for their intended use or sale.

Borrowing costs consist of interest and other costs that the Company incurred in connection with the borrowing of funds.

3.11 Employee Benefits

Short term benefits

Wages, salaries, bonuses and social security contributions are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

Defined contribution plan

As required by law, companies in Malaysia make contributions to the national pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

3.12 Income Tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the liability method, providing for temporary differences between the carrying amounts of assets and liabilities in the statement of financial position and their tax bases.

Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. ACCOUNTING POLICIES (CONT'D)

3.12 Income Tax (cont'd)

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised. Deferred tax assets are reviewed at the end of each reporting period and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

3.13 Foreign Currency Translations

Transactions in foreign currencies are translated to the functional currency of the Group at exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are translated to the functional currency at the exchange rate at that date.

Non-monetary assets and liabilities measured at historical cost in a foreign currency at the end of the reporting period are translated to the functional currency at the exchange rate at the date of the transaction except for those measured at fair value shall be translated at the exchange rate at the date when the fair value was determined.

Exchange differences arising from the settlement of foreign currency transactions and from the translation of foreign currency monetary assets and liabilities are recognised in profit or loss.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains or losses are recognised directly in other comprehensive income.

3.14 Goods and Services Tax ("GST") and Sales and Service Tax ("SST")

GST is a consumption tax based on the value-added concept. GST is imposed on goods and services at every production and distribution stage in the supply chain including importation of goods and services, at the applicable tax rate of 6%. Input tax that a company pays on business purchases is offset against output tax.

Revenue, expenses and assets are recognised net of GST except:

- where the GST incurred in a purchase of asset or service is not recoverable from the authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with GST inclusive.

The net GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**3. ACCOUNTING POLICIES (CONT'D)****3.14 Goods and Services Tax ("GST") and Sales and Service Tax ("SST") (cont'd)**

The Finance Ministry has zero rated the GST effective from 1 June 2018. The government has replaced the GST with SST which came into effect on 1 September 2018. The rate for sales tax is fixed at 5% or 10%, while the rate for service tax is fixed at 6%.

The SST payable to the taxation authority is included as part of payables in the statement of financial position.

The SST has two elements: a service tax that is charged and levied on taxable services provided by any taxable person in Malaysia in the course and furtherance of business, and a single stage sales tax levied on imported and locally manufactured goods, either at the time of importation or at the time the goods are sold or otherwise disposed of by the manufacturer.

3.15 Share Capital, Share Issuance Costs and Dividends**Classification**

Ordinary shares are classified as equity. Other shares are classified as equity and/or liability according to the economic substance of the particular instrument.

Share issuance costs

Incremental external costs directly attributable to the issuance of new shares are deducted against equity.

Dividends

Dividends on ordinary shares are accounted for in shareholders' equity as an appropriation of retained profits and recognised as a liability in the period in which they are declared and approved.

3.16 Earnings Per Ordinary Share

The Group presents basic earnings per share data for its ordinary shares ("EPS").

Basic EPS is calculated by dividing the profit or loss attribute to shareholders of the Company by the weighted average number of ordinary shares in issue during the period, adjusted for own shares held.

3.17 Operating Segments

Operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. Operating segment results are reviewed regularly by the chief operating decision makers, which in this case are the Chief Executive Officer and Executive Director of the Group, to make decision about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

3. ACCOUNTING POLICIES (CONT'D)

3.18 Related Parties

A related party is a person or entity that is related to the Group. A related party transaction is a transfer of resources, services or obligations between the Group and its related party, regardless of whether a price is charged.

- (a) A person or a close member of that person's family is related to the Company if that person:
- (i) Has control or joint control over the Group;
 - (ii) Has significant influence over the Group; or
 - (iii) Is a member of the key management personnel of the Group including its ultimate holding company.
- (b) An entity is related to the Group if any of the following conditions applies:
- (i) The entity and the Group are members of the same group.
 - (ii) The entity is an associate or joint venture of the other entity.
 - (iii) Both entities are joint ventures of the same third party.
 - (iv) The Group is a joint venture of a third entity and the other entity is an associate of the same third entity.
 - (v) The entity is a post-employment benefit plan for the benefits of employees of either the Group or an entity related to the Group.
 - (vi) The entity is controlled or jointly-controlled by a person identified in (a) above.
 - (vii) A person identified in (a)(i) above has significant influence over the Group or is a member of the key management personnel of the entity.
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the Group.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS

4. PROPERTY, PLANT AND EQUIPMENT

Cost	Leasehold land RM	Buildings RM	Buildings improvements RM	Plant and machinery RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At 1 January 2019	5,160,646	3,731,804	2,857,613	90,196,983	15,466,255	6,691,602	3,312,976	22,400,357	149,818,236
Additions	5,050,000	11,050,000	-	7,955,268	7,091,021	88,975	593,866	17,622,424	49,451,554
Disposals	-	-	-	(228,501)	-	-	(105,510)	-	(334,011)
Written-off	-	-	-	(56,259)	-	-	(16,500)	-	(72,759)
At 31 December 2019/ 1 January 2020	10,210,646	14,781,804	2,857,613	97,867,491	22,557,276	6,780,577	3,784,832	40,022,781	198,863,020
Additions	3,960,000	11,955,438	-	33,070,075	6,065,807	985,404	846,735	1,381,811	58,265,270
Disposals	-	-	-	(1,414,936)	-	-	(349,094)	-	(1,764,030)
Reclassification	-	41,033,265	-	-	77,860	293,467	-	(41,404,592)	-
Written-off	-	-	-	(1,605,701)	-	-	-	-	(1,605,701)
At 31 December 2020/ 1 January 2021	14,170,646	67,770,507	2,857,613	127,916,929	28,700,943	8,059,448	4,282,473	-	253,758,559
Additions	153,615	358,774	-	39,730,076	10,645,705	1,500,437	532,163	129,500	53,050,270
Disposals	-	-	-	(30,000)	-	-	(164,665)	-	(194,665)
At 31 December 2021	14,324,261	68,129,281	2,857,613	167,617,005	39,346,648	9,559,885	4,649,971	129,500	306,614,164

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Cost	Leasehold land RM	Buildings RM	Buildings improvements RM	Plant and machinery RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At 1 January 2022	14,324,261	68,129,281	2,857,613	167,617,005	39,346,648	9,559,885	4,649,971	129,500	306,614,164
Additions	-	-	-	16,005,492	9,286,953	3,167,305	2,500	7,416,469	35,878,719
Disposals	-	-	-	(12,112,657)	-	-	(519,533)	-	(12,632,190)
At 30 June 2022	14,324,261	68,129,281	2,857,613	171,509,840	48,633,601	12,727,190	4,132,938	7,545,969	329,860,693
Accumulated Depreciation									
At 1 January 2019	141,173	99,291	183,688	25,579,344	8,764,716	2,273,373	2,484,242	-	39,525,827
Current charge	106,684	101,201	61,054	11,492,659	2,166,939	1,296,821	362,700	-	15,588,058
Disposals	-	-	-	(214,219)	-	-	(105,510)	-	(319,729)
Written-off	-	-	-	(13,375)	-	-	(16,499)	-	(29,874)
At 31 December 2019	247,857	200,492	244,742	36,844,409	10,931,655	3,570,194	2,724,933	-	54,764,282

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land RM	Buildings RM	Buildings improvements RM	Plant and machinery RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Accumulated Depreciation									
At 1 January 2020	247,857	200,492	244,742	36,844,409	10,931,655	3,570,194	2,724,933	-	54,764,282
Current charge	257,660	967,228	61,054	13,651,744	3,080,593	1,374,685	345,837	-	19,738,801
Disposals	-	-	-	(1,414,935)	-	-	(349,094)	-	(1,764,029)
Written-off	-	-	-	(1,481,698)	-	-	-	-	(1,481,698)
At 31 December 2020/ 1 January 2021	505,517	1,167,720	305,796	47,599,520	14,012,248	4,944,879	2,721,676	-	71,257,356
Current charge	323,936	1,458,044	61,054	17,810,878	4,179,457	1,545,282	483,162	-	25,861,813
Disposals	-	-	-	(3,125)	-	-	(164,665)	-	(167,790)
At 31 December 2021	829,453	2,625,764	366,850	65,407,273	18,191,705	6,490,161	3,040,173	-	96,951,379

12. ACCOUNTANTS' REPORT (cont'd)

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4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold land RM	Buildings RM	Buildings improvements RM	Plant and machinery RM	Furniture and fittings RM	Renovation RM	Motor vehicles RM	Capital work-in- progress RM	Total RM
Accumulated Depreciation									
At 1 January 2022	829,453	2,625,764	366,850	65,407,273	18,191,705	6,490,161	3,040,173	-	96,951,379
Current charge	162,091	740,879	30,527	10,236,926	2,735,414	789,066	290,461	-	14,985,364
Disposals	-	-	-	(9,920,453)	-	-	(519,533)	-	(10,439,986)
At 30 June 2022	991,544	3,366,643	397,377	65,723,746	20,927,119	7,279,227	2,811,101	-	101,496,757
Net carrying amount									
As at 31 December 2019	9,962,789	14,581,312	2,612,871	61,023,082	11,625,621	3,210,383	1,059,899	40,022,781	144,098,738
As at 31 December 2020	13,665,129	66,602,787	2,551,817	80,317,409	14,688,695	3,114,569	1,560,797	-	182,501,203
As at 31 December 2021	13,494,808	65,503,517	2,490,763	102,209,732	21,154,943	3,069,724	1,609,798	129,500	209,662,785
As at 30 June 2022	13,332,717	64,762,638	2,460,236	105,786,094	27,706,482	5,447,963	1,321,837	7,545,969	228,363,936

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

- (i) The leasehold land and buildings of the Group are charged to licensed banks as security for banking facilities granted to the Group.
- (ii) The information on right-of-use assets included in property, plant and equipment is as follows:

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Carrying amount				
Leasehold land	13,332,717	13,494,808	13,665,129	9,962,789
Plant and machinery	47,279,184	59,784,625	43,158,039	26,566,264
Motor vehicles	1,099,043	1,398,346	1,359,141	901,840
Furniture and fittings	<u>1,175,832</u>	<u>708,336</u>	<u>512,682</u>	<u>591,744</u>
	<u>62,886,776</u>	<u>75,386,115</u>	<u>58,694,991</u>	<u>38,022,637</u>

- (iii) The carrying amount of property, plant and equipment acquired under finance lease liabilities are as follows:

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Plant and machinery	47,279,184	59,784,625	43,158,039	26,566,264
Motor vehicles	1,099,043	1,398,346	1,359,141	901,840
Furniture and fittings	<u>1,175,832</u>	<u>708,336</u>	<u>512,682</u>	<u>591,744</u>
	<u>49,554,059</u>	<u>61,891,307</u>	<u>45,029,862</u>	<u>28,059,848</u>

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

The Group has lease contracts for premises used as warehouse and factory for its operations and which generally have lease term of 1 to 2 years with the option to extend the lease for another 3 years. The Group expects that it is reasonably certain that it will exercise the option to extend the lease and has factored the extension options as part of the lease term for the lease of warehouse and factory. The lease contract restricts the Group from assigning and subleasing the leased asset.

The Group also has certain leases of premise, factory equipment and office equipment with lease term of 12 months or less and leases of office equipment of low value. Such lease payments are charged to profit or loss as lease rental on the straight-line basis over the lease term.

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5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

Right-of-use assets

Set out below are the carrying amount of right-of-use assets recognised and the movements during the financial year:

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Balance at beginning	441,783	849,583	217,451	330,904
Addition	15,520,465	-	2,257,262	-
Depreciation	(1,820,615)	(407,800)	(574,134)	(113,453)
Derecognition *	-	-	(1,050,996)	-
	<u>14,141,633</u>	<u>441,783</u>	<u>849,583</u>	<u>217,451</u>

The Group's right-of-use assets comprise of warehouse and factory.

Lease liabilities

Set out below are the carrying amount of lease liabilities recognised and the movements during the financial year:

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Balance at beginning	457,841	864,167	221,530	330,904
Addition	15,520,465	-	2,257,262	-
Accretion of interest	174,706	25,674	55,305	10,626
Payments	(1,923,405)	(432,000)	(607,758)	(120,000)
Derecognition *	-	-	(1,062,172)	-
Balance at end	<u>14,229,607</u>	<u>457,841</u>	<u>864,167</u>	<u>221,530</u>
Represented by:				
Non-current liabilities	10,214,074	35,887	457,841	107,949
Current liabilities	4,015,533	421,954	406,326	113,581
	<u>14,229,607</u>	<u>457,841</u>	<u>864,167</u>	<u>221,530</u>

* Derecognition due to termination of lease contracts for warehouse and car park facilities on 30 June 2020.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

The following are the amounts recognised in profit or loss:

	Audited	Unaudited	-----Audited-----		
	30.6.2022	30.6.2021	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM	RM
Accretion of interest on lease liabilities	174,706	14,754	25,674	55,305	10,626
Depreciation of right-of-use assets	1,820,615	203,900	407,800	574,134	113,453
Lease payments for:					
- Low value assets	33,368	19,300	63,320	44,780	27,227
- Short-term leases	13,200	9,823	13,150	383,400	654,300
Income relating to lease of factory	-	-	-	-	(600,761)
	<u>2,041,889</u>	<u>247,777</u>	<u>509,944</u>	<u>1,057,619</u>	<u>204,845</u>

The Group's total cash outflow for leases amounted to RM1,969,973 (30.6.2021: RM245,123; 31.12.2021: RM508,470; 31.12.2020: RM1,035,938; 31.12.2019: RM801,527).

6. INVESTMENT IN AN ASSOCIATE

	-----Audited-----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM
Unquoted shares, at cost:	<u>396,601</u>	<u>-</u>	<u>-</u>	<u>-</u>

Details of the associate which is incorporated and its principal place of business is in Malaysia is as follows:

Name	Effective Equity Interest 30.6.2022 %	Principal Activities
NIM	40	Refer to Note 1

NIM became an associate of the Group effective on 8 June 2022 and has yet to commence operations. The share of the associate's results for the financial period ended 30 June 2022 has not been reflected as it is insignificant to the Group.

12. ACCOUNTANTS' REPORT (cont'd)

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7. INVENTORIES

	----- Audited -----				
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM	
Raw materials	201,518,783	130,475,751	74,786,776	48,697,604	
Work-in-progress	454,968	321,798	456,536	-	
Finished goods	8,788,303	7,629,450	6,729,636	3,889,606	
Goods-in-transit	15,735,299	14,413,213	18,143,594	-	
	<u>226,497,353</u>	<u>152,840,212</u>	<u>100,116,542</u>	<u>52,587,210</u>	
	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	----- Audited -----		
	30.6.2022 RM	30.6.2021 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Recognised in profit or loss:					
Inventories recognised as cost of sales	365,275,645	341,099,308	665,622,316	506,984,920	303,360,822
Write-down to net realisable value:					
- Addition	3,505,642	1,846,530	993,019	5,499,360	1,999,786
- Reversal	(2,648,335)	(3,783,231)	(2,500,455)	(2,341,637)	(890,600)

The reversal of inventories written-down was made when the related inventories were consumed in the production of goods or sold.

8. TRADE RECEIVABLES

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Trade receivables	187,104,483	166,647,806	149,155,494	102,315,753
Less: Allowance for expected credit losses				
Balance at beginning	-	(1,426,600)	(1,215,638)	(997,000)
Current year *	-	-	(210,962)	(218,638)
Written-off	-	1,426,000	-	-
Balance at end	<u>-</u>	<u>-</u>	<u>(1,426,600)</u>	<u>(1,215,638)</u>
	<u>187,104,483</u>	<u>166,647,806</u>	<u>147,728,894</u>	<u>101,100,115</u>

*Allowance for expected credit losses is recognised in administrative expenses of the combined statements of comprehensive income.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**8. TRADE RECEIVABLES (CONT'D)**

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
The currency profile of the trade receivables is as follows:-				
Ringgit Malaysia	8,566,893	64,680,898	82,011,871	75,981,123
United States Dollar ("US Dollar")	178,537,590	101,966,908	65,717,023	25,118,165
Euro	-	-	-	827
	<u>187,104,483</u>	<u>166,647,806</u>	<u>147,728,894</u>	<u>101,100,115</u>

Included in trade receivables are the following: -

- (i) an amount of RM Nil (31.12.2021: RM Nil; 31.12.2020: RM1,785,705; 31.12.2019: RM1,923,200) due from a company in which certain directors of the Group have substantial financial interests.
- (ii) the normal credit terms granted to trade receivables throughout the financial period/years under review range from 30 to 120 days. Other credit terms are assessed and approved on a case-by-case basis.

9. CONTRACT ASSETS

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Balance at beginning	22,796,011	13,356,998	5,217,539	6,051,954
Increase as a result of recognising revenue	29,903,385	22,796,011	13,356,998	5,217,539
Decrease due to issuance of sales invoices	<u>(22,796,011)</u>	<u>(13,356,998)</u>	<u>(5,217,539)</u>	<u>(6,051,954)</u>
Balance at end	<u>29,903,385</u>	<u>22,796,011</u>	<u>13,356,998</u>	<u>5,217,539</u>

Contract assets are in respect of goods delivered but not yet invoiced. Provisions of the contract entered with the customer enable the Group the right to invoice goods delivered to the customer's destination point 60 days from the date of delivery regardless of whether the goods are picked up by the customer. As such, revenue is recognised at point of delivery since the Group has satisfied all its performance obligations.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**10. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Other receivables	4,445,555	1,987,327	4,332,585	1,746,358
Refundable deposits	2,472,042	1,251,828	572,648	296,708
Prepayments	5,618,321	4,568,395	4,041,144	4,328,702
GST claimable	-	-	-	452,754
	<u>12,535,918</u>	<u>7,807,550</u>	<u>8,946,377</u>	<u>6,824,522</u>

The currency profile of the other receivables, deposits and prepayments is as follows:-

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Ringgit Malaysia	10,487,799	6,721,854	5,671,023	6,309,960
US Dollar	1,801,119	1,084,763	1,694,933	457,246
Japanese Yen	245,331	-	1,580,421	-
Chinese Renminbi	-	933	-	49,174
Euro	909	-	-	7,489
Singapore Dollar	760	-	-	653
	<u>12,535,918</u>	<u>7,807,550</u>	<u>8,946,377</u>	<u>6,824,522</u>

Included in other receivables, deposits and prepayments is an amount of RM Nil (31.12.2021: RM Nil; 31.12.2020: RM3,756, 31.12.2019: RM150,000) due from an associate and related companies of the combining entities prior to the acquisition of NSM by the Promoters.

11. INVESTMENT SECURITIES

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Fair value through profit or loss:				
<u>Shares quoted in Malaysia</u>				
Balance at beginning	249,000	321,000	312,000	246,000
Fair value adjustment	(18,000)	(72,000)	9,000	66,000
Balance at end/Balance carried forward	231,000	249,000	321,000	312,000

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11. INVESTMENT SECURITIES (CONT'D)

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Balance brought forward	231,000	249,000	321,000	312,000
<u>Shares quoted outside Malaysia</u>				
Balance at beginning	5,252	4,553	1,823	7,277
Fair value adjustment	(1,563)	617	2,759	(5,445)
Unrealised gain/(loss) on foreign exchange	110	82	(29)	(9)
Balance at end	3,799	5,252	4,553	1,823
<u>Quoted warrants in Malaysia</u>				
Balance at beginning	29,400	-	-	-
Additions	-	39,200	-	-
Fair value adjustments	(12,600)	(9,800)	-	-
Balance at end	16,800	29,400	-	-
<u>Quoted redeemable preference shares in Malaysia</u>				
Balance at beginning	102,000	-	-	-
Additions	-	120,000	-	-
Fair value adjustment	(1,200)	(18,000)	-	-
Balance at end	100,800	102,000	-	-
	<u>352,399</u>	<u>385,652</u>	<u>325,553</u>	<u>313,823</u>

The currency profile of investment securities is as follows:-

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Ringgit Malaysia	348,600	380,400	321,000	312,000
Singapore Dollar	3,799	5,252	4,553	1,823
	<u>352,399</u>	<u>385,652</u>	<u>325,553</u>	<u>313,823</u>

12. ACCOUNTANTS' REPORT (cont'd)

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12. SHORT TERM DEPOSITS WITH LICENSED BANKS

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Fixed deposits	2,500,000	-	-	-
Repo	17,250,899	9,477,297	8,969,369	6,824,522
Short-term investment	-	1,000,000	-	-
	<u>19,750,899</u>	<u>10,477,297</u>	<u>8,969,369</u>	<u>6,824,522</u>

The effective interest rates per annum of short term deposits with licensed banks at the end of the reporting period are as follows:

	----- Audited -----			
	30.6.2022 %	31.12.2021 %	31.12.2020 %	31.12.2019 %
Fixed deposits	1.70	-	-	-
Repo	1.50	1.25	2.10 to 2.75	1.75 to 2.30
Short-term investment	-	1.20	-	-

The maturities of short term deposits with licensed banks at the end of the reporting period are as follows:

	----- Audited -----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
Fixed deposit	1 to 6 months	-	-	-
Repo	1 day	1 day	1 day	1 day
Short-term investment	-	7 days	-	-

Fixed deposits with a licensed bank of **RM2,500,000** (31.12.2021: RM Nil; 31.12.2020: RM Nil; 31.12.2019: RM Nil) has been pledged as securities for banking facilities granted to the NSM.

The short-term investment represents investment in unit trusts and can be redeemed at any time upon notice given to the financial institution. The unit trusts invest in a mixture of money market instruments with different maturity period.

13. CASH AND BANK BALANCES

The currency profile of cash and bank balances is as follows:-

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Ringgit Malaysia	365,429	2,275,814	1,231,023	210,664
US Dollar	20,376,755	32,830,472	8,029,327	3,070,537
	<u>20,742,184</u>	<u>35,106,286</u>	<u>9,260,350</u>	<u>3,281,201</u>

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14. SHARE CAPITAL AND INVESTED EQUITY

Share capital

	Audited							
	Number of shares 30.6.2022 Units	Amount 30.6.2022 RM	Number of shares 31.12.2021 Units	Amount 31.12.2021 RM	Number of shares 31.12.2020 Units	Amount 31.12.2020 RM	Number of shares 31.12.2019 Units	Amount 31.12.2019 RM
Issued and fully paid with no par value: At the date of incorporation/end of financial period/year	2	2	2	2	-	-	-	-

Invested equity

	Audited							
	Number of shares 30.6.2022 Units	Amount 30.6.2022 RM	Number of shares 31.12.2021 Units	Amount 31.12.2021 RM	Number of shares 31.12.2020 Units	Amount 31.12.2020 RM	Number of shares 31.12.2019 Units	Amount 31.12.2019 RM
Issued and fully paid with no par value: Balance at beginning Incorporation of NIM Effects of acquisition of subsidiary	10,000,000	10,000,000	11,000,000	11,000,000	10,000,000	10,000,000	10,000,000	10,000,000
	-	-	-	-	1,000,000	1,000,000	-	-
	-	-	(1,000,000)	(1,000,000)	-	-	-	-
Balance at end	10,000,000	10,000,000	10,000,000	10,000,000	11,000,000	11,000,000	10,000,000	10,000,000

12. ACCOUNTANTS' REPORT (cont'd)

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15. RETAINED PROFITS

The franking of dividends is under the single tier system and therefore there is no restriction to distribute dividends subject to the availability of retained profits.

16. MERGER RESERVE

The merger reserve arose from the difference between the carrying value of the investment and the nominal value of the shares of a subsidiary upon consolidation under the merger accounting principles.

17. NON-CONTROLLING INTEREST

The disclosure relevant to the non-controlling interest ("NCI") of a subsidiary of the Group, NSY is as follows:

	-----Audited-----		
	30.6.2022	31.12.2021	31.12.2020
	RM	RM	RM
NCI percentage of ownership and voting interest (%)	-	49%	49%
Share of net assets	281,750	281,750	281,750
Profit allocated to NCI	2,622,320	2,277,817	58,516
Less: Acquisition of remaining equity interest in NSY	<u>(2,904,070)</u>	<u>-</u>	<u>-</u>
Balance at end	<u>-</u>	<u>2,559,567</u>	<u>340,266</u>

The summary of financial information of NSY as at the end of the reporting period are:

	-----Audited-----		
	30.6.2022	31.12.2021	31.12.2020
	RM	RM	RM
Financial position			
Non-current assets	-	2,397,875	2,469,288
Current assets	-	8,083,528	4,261,416
Non-current liabilities	-	(1,721,216)	(3,079,517)
Current liabilities	-	<u>(3,536,581)</u>	<u>(2,956,767)</u>
Net assets	<u>-</u>	<u>5,223,606</u>	<u>340,266</u>
Financial performance			
Revenue	<u>-</u>	<u>26,921,232</u>	<u>7,657,657</u>
Profit for the period, representing total comprehensive income for the period	<u>-</u>	<u>4,529,186</u>	<u>119,420</u>

12. ACCOUNTANTS' REPORT (cont'd)

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17. NON-CONTROLLING INTEREST (CONT'D)

	-----Audited-----		
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM
Cash flows			
Net cash from/(used in) operating activities	-	3,502,368	(929,137)
Net cash used in investing activities	-	(770,826)	(1,354,901)
Net cash (used in)/from financing activities	-	(1,492,511)	2,433,621
	<u>-</u>	<u>(1,492,511)</u>	<u>2,433,621</u>
Net increase in cash	-	1,239,031	149,583
	<u>-</u>	<u>1,239,031</u>	<u>149,583</u>

18. BORROWINGS

	-----Audited-----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Non-current liabilities				
Secured:				
Finance lease liabilities	38,803,009	31,698,921	18,220,376	8,270,804
Term loans	26,259,754	55,357,269	59,733,063	36,926,397
	<u>65,062,763</u>	<u>87,056,190</u>	<u>77,953,439</u>	<u>45,197,201</u>
Current liabilities				
Secured:				
Bank overdraft	2,581,759	-	510,262	525,292
Bankers' acceptance	146,593,438	114,260,581	58,938,190	53,470,298
Finance lease liabilities	14,558,784	10,935,905	8,081,788	6,459,017
Revolving credit	14,000,000	12,670,400	3,802,099	3,000,000
Term loans	31,666,922	5,157,183	5,040,334	3,096,000
	<u>209,400,903</u>	<u>143,024,069</u>	<u>76,372,673</u>	<u>66,550,607</u>
Total borrowings	<u>274,463,666</u>	<u>230,080,259</u>	<u>154,326,112</u>	<u>111,747,808</u>
The currency profile of borrowings is as follows:				
Ringgit Malaysia	188,487,342	165,950,881	117,919,867	72,057,035
US Dollar	85,976,324	64,129,378	36,406,245	39,690,773
	<u>274,463,666</u>	<u>230,080,259</u>	<u>154,326,112</u>	<u>111,747,808</u>

12. ACCOUNTANTS' REPORT (cont'd)

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18. BORROWINGS (CONT'D)

The borrowings except for finance lease liabilities are secured by way of:

- (i) Legal charge over certain leasehold land and buildings of the Group;
- (ii) Joint and several guarantee by the promoters of the Group;
- (iii) Corporate guarantee of the holding company and a related company of the combining entities prior to the internal restructuring; and
- (iv) Fixed deposit of a related company of the combining entities prior to the internal restructuring.

The finance lease liabilities are secured over the leased assets as disclosed in Note 4 to the financial statements.

A summary of the effective interest rates and the maturities of the borrowings are as follows:

	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 year and less than 5 years RM	More than 5 years RM
Audited 30.6.2022						
Bankers' acceptance	1.75 to 3.89	146,593,438	146,593,438	-	-	-
Bank overdraft	5.95 to 6.67	2,581,759	2,581,759	-	-	-
Finance lease liabilities	1.68 to 3.10	53,361,793	14,558,784	14,605,845	24,197,164	-
Revolving credit	3.74 to 4.32	14,000,000	14,000,000	-	-	-
Term loans	2.77 to 4.54	57,926,676	31,666,922	2,772,783	8,036,971	15,450,000
Audited 31.12.2021						
Bankers' acceptance	1.55 to 3.36	114,260,581	114,260,581	-	-	-
Finance lease liabilities	1.68 to 3.50	42,634,826	10,935,905	11,278,043	17,342,552	3,078,326
Revolving credit	1.76 to 4.09	12,670,400	12,670,400	-	-	-
Term loans	1.36 to 4.04	60,514,452	5,157,183	30,471,632	8,264,802	16,620,835

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

18. BORROWINGS (CONT'D)

	Average effective interest rate per annum (%)	Total RM	Within 1 year RM	More than 1 year and less than 2 years RM	More than 2 year and less than 5 years RM	More than 5 years RM
Audited 31.12.2020						
Bankers' acceptance	1.65 to 4.48	58,938,190	58,938,190	-	-	-
Bank overdraft	6.39 to 6.87	510,262	510,262	-	-	-
Finance lease liabilities	1.68 to 3.50	26,302,164	8,081,788	5,608,305	12,612,071	-
Revolving credit	3.44	3,802,099	3,802,099	-	-	-
Term loans	3.25 to 4.04	64,773,397	5,040,334	5,046,995	35,685,351	19,000,717
Audited 31.12.2019						
Bankers' acceptance	3.08 to 5.70	53,470,298	53,470,298	-	-	-
Bank overdraft	6.39 to 6.87	525,292	525,292	-	-	-
Finance lease liabilities	1.68 to 3.50	14,729,821	6,459,017	3,874,344	4,396,460	-
Revolving credit	4.82	3,000,000	3,000,000	-	-	-
Term loans	2.99 to 4.57	40,022,397	3,096,000	3,096,000	32,192,397	1,638,000

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

19. DEFERRED TAX LIABILITIES

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Balance at beginning	217,000	90,000	415,000	-
Recognised in profit or loss	2,859,000	111,000	(325,000)	415,000
	<u>3,076,000</u>	<u>201,000</u>	<u>90,000</u>	<u>415,000</u>
Under provision in prior year	83,000	16,000	-	-
	<u>3,159,000</u>	<u>217,000</u>	<u>90,000</u>	<u>415,000</u>

The following deferred tax liabilities/(assets) after appropriate offsetting, are as follows:

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Deferred tax liabilities	3,159,000	217,000	90,000	4,171,000
Deferred tax assets	-	-	-	(3,756,000)
	<u>3,159,000</u>	<u>217,000</u>	<u>90,000</u>	<u>415,000</u>

The deferred tax liabilities/(assets) as at the end of the reporting period are represented by temporary differences arising from:

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Property, plant and equipment	10,231,000	217,000	90,000	4,171,000
Unabsorbed reinvestment allowance	(2,942,000)	-	-	-
Others	(4,130,000)	-	-	(3,756,000)
	<u>3,159,000</u>	<u>217,000</u>	<u>90,000</u>	<u>415,000</u>

12. ACCOUNTANTS' REPORT (cont'd)

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20. TRADE PAYABLES

The currency profile of trade payables is as follows:

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Ringgit Malaysia	19,331,170	45,119,000	58,386,143	60,504,877
US Dollar	166,058,264	116,896,770	85,400,627	14,365,675
Japanese Yen	350,574	603,314	310,635	293,491
Euro	213,213	1,868,672	45,946	269,955
Pound Sterling	51,932	-	-	-
Singapore Dollar	-	-	-	22,312
	<u>186,005,153</u>	<u>164,487,756</u>	<u>144,143,351</u>	<u>75,456,310</u>

Included in trade payables are the following:

- (i) an amount of RM Nil (31.12.2021: RM Nil; 31.12.2020: RM Nil, 31.12.2019: RM324,890) due to companies in which a director of the Group has substantial financial interests.
- (ii) the normal credit terms granted by trade payables throughout the financial period/years under review range from 30 to 120 days and are non-interest bearing.

21. OTHER PAYABLES AND ACCRUALS

	----- Audited -----			
	30.6.2022 RM	31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Other payables	43,828,071	21,563,701	37,844,658	41,544,622
Accruals	37,611,557	16,931,441	14,931,640	5,115,095
Deposits received	676,550	274,050	349,000	304,313
Amount due to director	-	579,861	756,250	-
Dividend payable	-	12,500,000	5,000,000	-
	<u>82,116,178</u>	<u>51,849,053</u>	<u>58,881,548</u>	<u>46,964,030</u>

The currency profile of other payables and accruals is as follows:

Ringgit Malaysia	78,450,988	45,488,897	54,122,378	45,567,817
US Dollar	3,642,744	6,295,887	4,586,034	1,228,021
Singapore Dollar	-	62,194	-	-
Euro	-	-	131,326	168,192
Japanese Yen	22,446	2,075	41,810	-
	<u>82,116,178</u>	<u>51,849,053</u>	<u>58,881,548</u>	<u>46,964,030</u>

12. ACCOUNTANTS' REPORT (cont'd)

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21. OTHER PAYABLES AND ACCRUALS (CONT'D)

Included in other payables are the following:

- (i) an amount of RM Nil (31.12.2021: RM768,786; 31.12.2020: RM750,301, 31.12.2019: RM105,511) due to companies in which the directors of the Group have substantial financial interests. This amount is unsecured, non-interest bearing and is repayable on demand.
- (ii) an amount of RM Nil (31.12.2021: RM Nil; 31.12.2020: RM17,590,566, 2019: RM36,207,065) due to holding company and related companies of the combining entities prior to the acquisition of NSM by the Promoters. This amount is unsecured, non-interest bearing and is repayable on demand.

22. REVENUE

Disaggregated revenue information

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	----- 31.12.2021 RM	Audited----- 31.12.2020 RM	31.12.2019 RM
Type of services:					
Provision of assembly and testing of electronic components and products	426,001,552	379,892,430	760,869,657	566,246,159	325,997,671
Timing of revenue recognition:					
At point in time	426,001,552	379,892,430	760,869,657	566,244,659	325,886,945
Over time	-	-	-	1,500	110,726
	<u>426,001,552</u>	<u>379,892,430</u>	<u>760,869,657</u>	<u>566,246,159</u>	<u>325,997,671</u>
Geographical markets of revenue:					
Malaysia	316,904,556	262,540,914	532,863,726	398,679,043	232,586,438
USA	14,338,326	16,519,217	41,576,756	61,564,158	40,357,446
China	6,514,628	44,060,783	46,043,046	31,846,532	20,347
Singapore	18,539,984	12,329,511	27,776,116	24,321,198	4,927,271
Germany	13,395,166	7,762,648	15,265,400	15,797,069	18,360,101
Hong Kong	47,403,879	25,475,825	71,755,158	11,503,955	11,494,440
France	3,870,521	4,063,946	13,011,560	7,074,786	3,900,070
Australia	4,144,958	5,875,073	9,777,830	6,707,728	11,207,374
Denmark	629,441	1,159,429	2,172,327	2,792,527	3,044,761
Others	260,093	105,084	627,738	5,959,163	99,423
Total revenue from contracts with customers	<u>426,001,552</u>	<u>379,892,430</u>	<u>760,869,657</u>	<u>566,246,159</u>	<u>325,997,671</u>

12. ACCOUNTANTS' REPORT (cont'd)

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23. PROFIT BEFORE TAXATION

This is arrived at:

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
After charging:					
Depreciation of property, plant and equipment	14,985,364	12,318,218	25,861,813	19,738,801	15,588,058
Depreciation of right-of-use assets	1,820,615	203,900	407,800	574,134	113,453
Fair value loss on investment securities	33,363	73,283	99,183	-	-
Impairment loss on receivables	-	-	-	210,962	218,638
Interest expenses on:					
- Accretion of interest on lease liabilities	174,706	14,754	25,674	55,305	10,626
- Bankers' acceptance	2,040,188	1,294,578	3,002,140	2,294,130	1,942,644
- Bank overdraft	78,469	61,698	50,119	105,007	150,309
- Finance lease	1,448,356	800,317	1,937,141	1,076,588	866,968
- Revolving credit	235,896	44,166	171,238	129,294	147,146
- Term loans	998,784	994,519	2,014,461	983,036	268,223
Lease payments for:					
- Low value assets	33,368	19,300	63,320	44,780	27,227
- Short term leases	13,200	9,823	13,150	383,400	654,300
Preliminary expenses	-	-	1,468	6,635	-
Property, plant and equipment written off	-	-	-	124,003	42,885
Realised loss on foreign exchange	2,992,675	-	72,675	269,118	331,639
Staff costs *	48,774,005	31,521,313	65,536,702	50,658,818	35,681,838
Unrealised loss on foreign exchange	4,065	876,392	881,397	-	115,371
Write-down of inventories to net realisable value					
- addition	3,505,642	1,846,530	993,019	5,499,360	1,999,786
- reversal	(2,648,335)	(3,783,231)	(2,500,455)	(2,341,637)	(890,600)

12. ACCOUNTANTS' REPORT (cont'd)

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23. PROFIT BEFORE TAXATION (CONT'D)

	Audited	Unaudited	I-----Audited-----I		
	30.6.2022	30.6.2021	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM	RM
And crediting:					
Bad debts recovered	-	-	-	-	22,905
Dividend income	2,975	1,479	4,504	-	-
Fair value gain on investment securities	-	39,200	39,200	11,759	60,555
Gain on disposal of property, plant and equipment	74,996	13,215	33,125	25,555	26,718
Gain on disposal of equity interest in NIM	2,678	-	-	-	-
Interest income	34,045	24,062	55,223	48,534	67,491
Realised gain on foreign exchange	-	248,025	42,144	3,363	-
Rental income	135,000	-	-	-	600,761
Unrealised gain on foreign exchange	2,924,444	-	-	807,938	-
* Staff costs					
- Salaries, overtime, allowance, bonus and other related expenses	45,300,246	29,483,180	61,560,674	47,326,450	33,249,633
- Employment Insurance System ("EIS")	31,253	18,849	41,469	26,889	25,906
- EPF	2,999,862	1,682,102	3,235,289	2,792,997	2,084,838
- Social Security Organisation ("SOCSO")	442,644	337,182	699,270	512,482	321,461
	<u>48,774,005</u>	<u>31,521,313</u>	<u>65,536,702</u>	<u>50,658,818</u>	<u>35,681,838</u>

Included in the staff costs are directors' emoluments as shown below:

Directors of the Company:

- Salaries and bonus	855,058	780,222	1,235,352	696,868	327,864
- EPF	171,016	156,050	247,082	139,383	65,580
	<u>1,026,074</u>	<u>936,272</u>	<u>1,482,434</u>	<u>836,251</u>	<u>393,444</u>

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

23. PROFIT BEFORE TAXATION (CONT'D)

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I----- 31.12.2021 RM	Audited----- 31.12.2020 RM	I----- 31.12.2019 RM
Included in the staff costs are directors' emoluments as shown below: (cont'd)					
Directors of subsidiaries:					
- Salaries and bonus	325,000	376,000	708,349	115,000	-
- EPF	51,000	45,002	85,003	13,800	-
	<u>376,000</u>	<u>421,002</u>	<u>793,352</u>	<u>128,800</u>	<u>-</u>
Total directors' emoluments	<u>1,402,074</u>	<u>1,357,274</u>	<u>2,275,786</u>	<u>965,051</u>	<u>393,444</u>

The directors also received benefits-in-kind as shown below:

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I----- 31.12.2021 RM	Audited----- 31.12.2020 RM	I----- 31.12.2019 RM
Directors of the Company	5,313	10,625	21,250	21,250	23,950
Directors of subsidiaries	9,496	10,625	21,250	5,313	-
	<u>14,809</u>	<u>42,500</u>	<u>42,500</u>	<u>26,563</u>	<u>23,950</u>

24. TAXATION

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I----- 31.12.2021 RM	Audited----- 31.12.2020 RM	I----- 31.12.2019 RM
Malaysian income tax: Based on results for the financial period/year					
- Current tax	(4,025,542)	(2,250,987)	(3,285,238)	(2,197,000)	(643,160)
- Deferred tax relating to the origination and reversal of temporary differences	(2,859,000)	-	(111,000)	(90,000)	(415,000)
Balance carried forward	(6,884,542)	(2,250,987)	(3,396,238)	(2,287,000)	(1,058,160)

12. ACCOUNTANTS' REPORT (cont'd)

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24. TAXATION (CONT'D)

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Balance brought forward	(6,884,542)	(2,250,987)	(3,396,238)	(2,287,000)	(1,058,160)
(Under)/Over provision in prior year					
- Current tax	(151,087)	297,576	297,576	(360,984)	1,118
- Deferred tax	(83,000)	(16,000)	(16,000)	415,000	-
	<u>(234,087)</u>	<u>281,576</u>	<u>281,576</u>	<u>54,016</u>	<u>1,118</u>
	<u>(7,118,629)</u>	<u>(1,969,411)</u>	<u>(3,114,662)</u>	<u>(2,232,984)</u>	<u>(1,057,042)</u>

The reconciliation of tax expenses of the Group is as follows:

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Profit before taxation	<u>40,502,956</u>	<u>24,921,372</u>	<u>62,661,629</u>	<u>32,904,186</u>	<u>6,320,894</u>
Income tax at Malaysian statutory tax rate of 24%	(9,720,710)	(5,981,129)	(15,038,791)	(7,897,005)	(1,517,015)
Income not subject to tax	838,095	8,434	18,533	223,253	78,561
Double deduction of expenses	4,860	47,282	121,108	12,200	-
Expenses not deductible for tax purposes	(1,244,105)	(410,118)	(1,007,485)	(428,548)	(503,973)
Pioneer income not subject to tax	569,776	420,130	793,297	-	-
Deferred tax movement not recognised *	(6,086,610)	1,018,464	4,939,841	894,274	-
Utilisation of unabsorbed reinvestment allowance	<u>8,754,152</u>	<u>2,645,950</u>	<u>6,777,259</u>	<u>4,908,826</u>	<u>884,267</u>
	<u>(6,884,542)</u>	<u>(2,250,987)</u>	<u>(3,396,238)</u>	<u>(2,287,000)</u>	<u>(1,058,160)</u>
(Under)/Over provision in prior year	<u>(234,087)</u>	<u>281,576</u>	<u>281,576</u>	<u>54,016</u>	<u>1,118</u>
	<u>(7,118,629)</u>	<u>(1,969,411)</u>	<u>(3,114,662)</u>	<u>(2,232,984)</u>	<u>(1,057,042)</u>

* This is in respect of unabsorbed reinvestment allowance not recognised. The reinvestment allowance is in respect of tax incentive claimed by the Group on qualifying capital expenditure.

12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**25. EARNINGS PER SHARE****Basic earnings per share**

The calculation of basic earnings per share for the financial period/year ended 30 June 2022, 30 June 2021, 31 December 2021, 31 December 2020 and 31 December 2019 was based on the profit attributable to the shareholders of the combining entities and the number of shares issued in NSM during the said financial period/years as follows:

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	Audited 31.12.2020 RM	I-----Audited-----I 31.12.2019 RM
Profit for the financial period/year (RM)	<u>33,039,824</u>	<u>21,843,448</u>	<u>57,327,666</u>	<u>30,612,686</u>	<u>5,263,852</u>
Number of issued shares	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>	<u>10,000,000</u>
Basic earnings per share (RM)	<u>3.30</u>	<u>2.18</u>	<u>5.73</u>	<u>3.06</u>	<u>0.53</u>

There were no dilutive equity instruments in issue during the above financial years that have a dilutive effect on the EPS.

26. DIVIDENDS

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	Audited 31.12.2020 RM	I-----Audited-----I 31.12.2019 RM
An interim single tier dividend of RM1.25 per ordinary share in respect of the financial year ended 31 December 2021	-	-	12,500,000	-	-
An interim single tier dividend of RM0.50 per ordinary share in respect of the financial year ended 31 December 2020	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,000,000</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>12,500,000</u>	<u>5,000,000</u>	<u>-</u>

12. ACCOUNTANTS' REPORT (cont'd)**NATIONGATE HOLDINGS BERHAD**

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**27. OPERATING SEGMENT**

The management determines the business segments based on the reports reviewed and used by the directors for strategic decisions making and resources allocation.

The Group is principally engaged in the provision of electronic manufacturing services comprising mainly of final assembly, printed circuit board assembly activities (*under NSM*) and assembly and testing of semiconductor devices (*under NSY*). At present, the management reviews its operations as one operating segment as NSY was only incorporated on 10 January 2020 and it is not significant enough to be viewed as an independent operating segment since its contribution to the Group's revenue and profit before tax is less than 5% and 10% respectively throughout the financial period/years under review. Accordingly, information by operating segment on the Group's operations as required by *MFRS 8* is not presented.

Geographical segments

Revenue of the Group based on geographical location of its customers are disclosed in Note 22 to the combined financial statements.

Major customers

The following are major customers which contributed revenue equal to or more than 10% of the Group revenue for the relevant reporting periods:

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	31.12.2020 RM	31.12.2019 RM
Customer A	233,241,194	189,399,774	388,958,782	300,403,303	144,971,317
Robert Bosch Power Tools Sdn. Bhd.	-	-	-	-	42,836,215
Company C	-	40,752,639	-	-	-
Company D	<u>44,816,137</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>278,057,331</u>	<u>230,152,413</u>	<u>388,958,782</u>	<u>300,403,303</u>	<u>187,807,532</u>

28. RELATED PARTY DISCLOSURES**(i) Identity of related parties**

(a) The following companies are related parties as they relate to companies in which a director of the combining entities has substantial financial interest.

- Alion Nation Solution Sdn. Bhd.
- SkyGate F&B Sdn. Bhd.
- VS Precision Sdn. Bhd.
- VS Solution Services Sdn. Bhd.
- Rank Electronics Sdn. Bhd.

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28. RELATED PARTY DISCLOSURES (CONT'D)

(b) The following companies are former holding company/related companies/associate of the combining entities prior to the Acquisition of NSM by the Promoters.

- Alion Nation Group Sdn. Bhd. (former holding company)
- Oneworks Lighting Sdn. Bhd.
- SkyGate Plastic Sdn. Bhd.
- SkyGate Technology (M) Sdn. Bhd

(c) M.Rajedar Singh A/L Mahindra Singh is a person connected with a director of the combining entities.

(ii) Related party transactions with category (a) as listed above

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	Audited 31.12.2020 RM	I-----Audited-----I 31.12.2019 RM
Sales	-	-	-	80,956	509,073
Purchases	(126,376)	(77,207)	(266,855)	(177,282)	(624,497)
Purchase of property, plant and equipment	(1,856,229)	(1,777,036)	(2,911,030)	(1,869,536)	(1,354,674)
Consultancy fee	-	(28,000)	(67,200)	(22,400)	-

(iii) Related party transactions with category (b) as listed above

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	Audited 31.12.2020 RM	I-----Audited-----I 31.12.2019 RM
Purchases	-	-	-	(524,866)	(383,822)
Rental expenses	(1,707,405)	-	-	(320,000)	(480,000)
Purchase of property, plant and equipment	-	-	-	(13,200,000)	(16,100,000)
Sales of property, plant and equipment	-	-	-	-	20,000

(iv) Related party transaction with category (c) as listed above

	Audited 30.6.2022 RM	Unaudited 30.6.2021 RM	I-----Audited-----I 31.12.2021 RM	Audited 31.12.2020 RM	I-----Audited-----I 31.12.2019 RM
Consultancy fee	-	(30,000)	(30,000)	(30,000)	-

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

28. RELATED PARTY DISCLOSURES (CONT'D)

(v) **Related party transaction with key management personnel**

	Audited	Unaudited	 -----Audited----- 		
	30.6.2022	30.6.2021	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM	RM
Purchase of property, plant and equipment	-	-	-	(80,000)	-

(vi) **Compensation of key management personnel**

The Group has no other members of key management personnel apart from the Board of Directors which compensation has been shown in Note 23 to the financial statements.

Key management personnel are those persons including directors having authority and responsibility for planning, directing and controlling the activities of the Group and of the Company, directly or indirectly.

29. CAPITAL COMMITMENT

The capital commitment up to the date of 30 June 2022 is as follows:

	RM
Contracted but not provided for:	
Property, plant and equipment	
- Plant and machinery	28,158,087
- Renovation	405,174
- Factory equipment	125,984
	<u>28,689,245</u>

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12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS
30.1 Categories of financial instruments

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	----- Audited -----											
	30.6.2022		31.12.2021		31.12.2020		31.12.2019					
	Carrying amount RM	AC RM	FVTPL RM	Carrying amount RM	AC RM	FVTPL RM	Carrying amount RM	AC RM	FVTPL RM			
Financial assets												
Trade receivables	187,104,483	187,104,483	-	166,647,806	166,647,806	-	147,728,894	147,728,894	-			
Other receivables and deposits (excluding prepayments and GST)	6,415,003	6,415,003	-	3,239,155	3,239,155	-	4,905,233	4,905,233	-			
Investment securities	352,399	-	352,399	385,652	-	385,652	325,553	-	325,553			
Deposits with licensed bank	19,750,899	19,750,899	-	10,477,297	10,477,297	-	8,969,369	8,969,369	-			
Cash and bank balances	20,742,184	20,742,184	-	35,106,286	35,106,286	-	9,260,350	9,260,350	-			
	<u>234,364,968</u>	<u>234,012,569</u>	<u>352,399</u>	<u>215,856,196</u>	<u>215,470,544</u>	<u>385,652</u>	<u>171,189,399</u>	<u>170,863,846</u>	<u>325,553</u>	<u>109,416,167</u>	<u>109,102,344</u>	<u>313,823</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.1 Categories of financial instruments (Cont'd)

The table below provides an analysis of financial instruments categorised as amortised cost ("AC") and fair value through profit or loss ("FVTPL").

	Audited											
	30.6.2022			31.12.2021			31.12.2020			31.12.2019		
	Carrying amount RM	AC RM	FVTPL RM	Carrying amount RM	AC RM	FVTPL RM	Carrying amount RM	AC RM	FVTPL RM	Carrying amount RM	AC RM	FVTPL RM
Financial liabilities												
Trade payables	186,005,153	186,005,153	-	164,487,756	164,487,756	-	144,143,351	144,143,351	-	75,456,310	75,456,310	-
Other payables and accruals (excluding dividend payable)	82,116,178	82,116,178	-	39,349,053	39,349,053	-	53,881,548	53,881,548	-	46,964,030	46,964,030	-
Borrowings	274,463,666	274,463,666	-	230,080,259	230,080,259	-	154,326,112	154,326,112	-	111,747,808	111,747,808	-
	<u>542,584,997</u>	<u>542,584,997</u>	<u>-</u>	<u>433,917,068</u>	<u>433,917,068</u>	<u>-</u>	<u>352,351,011</u>	<u>352,351,011</u>	<u>-</u>	<u>234,168,148</u>	<u>234,168,148</u>	<u>-</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)****30.2 Financial risk management**

The Group is exposed to a variety of financial risks arising from its operation and use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency exchange risk. The Group operates within clearly defined guidelines that are approved by the Board and the Group's policy is not to engage in speculative transactions.

30.3 Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group's exposure to credit risk arises principally from its trade receivables and financial guarantees given.

(i) Credit risk concentration profile

The Group's major concentration of credit risk that accounted for 10% or more of total trade receivables at the end of each reporting period is as follows:

	----- Audited -----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM
Number of customers	1	2	2	1
Percentage of trade receivables	<u>64%</u>	<u>72%</u>	<u>70%</u>	<u>65%</u>

(ii) Exposure to credit risk

At the end of each reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the combined statements of financial position of the Group after deducting any allowance for impairment losses.

(iii) Assessment of impairment losses

Credit risk arising from trade customers is addressed by the application of credit evaluation and close monitoring procedures by the management. The Group typically gives the existing customers credit terms of 30 to 120 days. In deciding whether credit terms shall be extended, the Group will take into consideration factors such as the relationship with the customer, its payment history and credit worthiness.

New customers are subject to a credit evaluation process and existing customers' risk profiles are reviewed regularly with a view to setting appropriate terms of trade and credit limits. Where appropriate, further sales are suspended and legal actions are taken to attempt recoveries and mitigate losses.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Credit risk (cont'd)

(iii) Assessment of impairment losses (cont'd)

In addition, as set out in Note 3.6.3, the Group assess ECL under MFRS 9 on trade receivables based on a provision matrix, the expected loss rates are based on the payment profile for sales in the past as well as the corresponding historical credit losses during that period. The historical rates are adjusted to reflect current and forwarding looking macroeconomic factors affecting the customer's ability to settle the amount outstanding. At each reporting date, the historical default rates are updated and changes in the forward-looking estimates are analysed. However, given the short period exposed to credit risk, the impact of these macroeconomic factors has not been considered significant within the reporting period.

As at the end of the reporting period, the maximum exposure to the credit risk arising from trade receivables is presented by the carrying amounts in the combined statements of financial position.

The ageing of trade receivables of the Group as at 30 June 2022, 31 December 2021, 2020 and 2019 are as follows:

	Gross RM	Allowance for expected credit losses RM	Net RM
30.6.2022			
Not past due	176,335,459	-	176,335,459
1 to 30 days past due	8,256,676	-	8,256,676
31 to 60 days past due	2,100,172	-	2,100,172
61 to 90 days past due	85,021	-	85,021
Past due more than 90 days	327,155	-	327,155
	<u>10,769,024</u>	-	<u>10,769,024</u>
	<u>187,104,483</u>	-	<u>187,104,483</u>
31.12.2021			
Not past due	160,861,897	-	160,861,897
1 to 30 days past due	5,069,174	-	5,069,174
31 to 60 days past due	532,259	-	532,259
61 to 90 days past due	31,756	-	31,756
Past due more than 90 days	152,720	-	152,720
	<u>5,785,909</u>	-	<u>5,785,909</u>
	<u>166,647,806</u>	-	<u>166,647,806</u>

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.3 Credit risk (cont'd)

(iii) Assessment of impairment losses (cont'd)

	Gross RM	Allowance for expected credit losses RM	Net RM
31.12.2020			
Not past due	121,588,866	-	121,588,866
1 to 30 days past due	23,451,926	-	23,451,926
31 to 60 days past due	490,473	-	490,473
61 to 90 days past due	357,265	-	357,265
Past due more than 90 days	3,266,964	(1,426,600)	1,840,364
	<u>27,566,628</u>	<u>(1,426,600)</u>	<u>26,140,028</u>
	<u>149,155,494</u>	<u>(1,426,600)</u>	<u>147,728,894</u>
31.12.2019			
Not past due	82,810,725	-	82,810,725
1 to 30 days past due	14,649,468	-	14,649,468
31 to 60 days past due	231,100	-	231,100
61 to 90 days past due	679,518	-	679,518
Past due more than 90 days	3,944,942	(1,215,638)	2,729,304
	<u>19,505,028</u>	<u>(1,215,638)</u>	<u>18,289,390</u>
	<u>102,315,753</u>	<u>(1,215,638)</u>	<u>101,100,115</u>

Trade receivables that are neither past due nor impaired are creditworthy customers with good payment record. None of the trade receivables that are neither past due nor impaired has been renegotiated during the financial year.

The Group has trade receivables amounting to RM10,769,024 (31.12.2021: RM5,785,909; 2020: RM26,140,028, 2019: RM18,289,390) that are past due at the end of the reporting period but not impaired as the management is of the view that these past due amounts will be collected in due course.

The allowance account in respect of trade receivables is used to record impairment losses. Unless the Group is satisfied that recovery of the amount is possible, the amount considered irrecoverable is written off against the receivable directly.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)****30.4 Financial guarantees**

A subsidiary of the Group, NSM, has issued unsecured financial guarantees to licensed banks for banking facilities granted to a related company of the combining entities prior to the acquisition of NSM by the Promoters as follows:

	----- Audited -----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM
- Limit	-	-	22,150,000	22,150,000
- Utilisation	-	-	1,239,488	6,925,490

Financial guarantees have not been recognised since the fair value on initial recognition was not material as no consideration was paid to the said subsidiary.

30.5 Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as and when they fall due. The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all repayment and funding needs are met. As part of its overall prudent liquidity management, the Group maintains sufficient levels of cash and cash equivalents to meet its working capital requirements.

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12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (Cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments:

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
30.6.2022						
<i>Non-derivative financial liabilities</i>						
Trade payables	186,005,153	186,005,153	186,005,153	-	-	-
Other payables and accruals	82,116,178	82,116,178	82,116,178	-	-	-
Interest bearing borrowings	274,463,666	286,444,323	213,208,645	19,969,389	35,653,804	17,612,485
Lease liabilities	14,229,607	14,935,684	4,349,772	4,097,772	6,488,140	-
	556,814,604	569,501,338	485,679,748	24,067,161	42,141,944	17,612,485
31.12.2021						
<i>Non-derivative financial liabilities</i>						
Trade payables	164,487,756	164,487,756	164,487,756	-	-	-
Other payables and accruals (excluding dividend payable)	39,349,053	39,349,053	39,349,053	-	-	-
Interest bearing borrowings	230,080,259	241,379,783	146,378,038	44,078,985	28,747,093	22,175,667
Lease liabilities	457,841	468,000	432,000	36,000	-	-
	434,374,909	445,684,592	350,646,847	44,114,985	28,747,093	22,175,667

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments: (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
31.12.2020						
<i>Non-derivative financial liabilities</i>						
Trade payables	144,143,351	144,143,351	144,143,351	-	-	-
Other payables and accruals (excluding dividend payable)	53,881,548	53,881,548	53,881,548	-	-	-
Interest bearing borrowings	154,326,112	168,012,399	79,950,822	13,643,893	51,957,434	22,460,250
Lease liabilities	864,167	900,000	432,000	468,000	-	-
Financial guarantees *	-	1,239,488 *	1,239,488 *	-	-	-
	353,215,178	368,176,786	279,647,209	14,111,893	51,957,434	22,460,250

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12. ACCOUNTANTS' REPORT (cont'd)

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.5 Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on the undiscounted contractual payments: (cont'd)

	Carrying amount RM	Contractual cash flows RM	Within one year RM	More than one year and less than two years RM	More than two years and less than five years RM	More than five years RM
31.12.2019						
<i>Non-derivative financial liabilities</i>						
Trade payables	75,456,310	75,456,310	75,456,310	-	-	-
Other payables and accruals	46,964,030	46,964,030	46,964,030	-	-	-
Interest bearing borrowings	111,747,808	116,958,117	68,443,112	8,448,543	38,337,237	1,729,225
Lease liabilities	221,530	230,000	120,000	110,000	-	-
Financial guarantees *	-	6,925,490 *	6,925,490 *	-	-	-
	234,389,678	246,533,947	197,908,942	8,558,543	38,337,237	1,729,225

* This has been included for illustration purpose only as the related financial guarantees have not crystallised as at the end of the reporting period.

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NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)

30. FINANCIAL INSTRUMENTS (CONT'D)

30.6 Interest rate risk

The Group's fixed rate instruments are exposed to a risk of change in their fair values due to changes in interest rates. The Group's floating rate instruments are exposed to a risk of change in cash flows due to changes in interest rates.

The interest rate profile of the Group's interest-bearing financial instruments based on their carrying amount as at the end of the reporting period are as follows:

	----- Audited -----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM
Fixed rate instruments				
Financial assets	19,750,899	10,477,297	8,969,369	2,677,962
Financial liabilities	<u>53,361,793</u>	<u>42,634,827</u>	<u>26,302,164</u>	<u>14,729,821</u>
Floating rate instruments				
Financial liabilities	<u>221,101,873</u>	<u>187,445,432</u>	<u>128,023,948</u>	<u>97,017,987</u>

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and financial liabilities at fair value through profit or loss nor designates derivatives as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the end of the reporting period would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

An increase of 25 basis point would have decreased profit before taxation by the amount shown below and a corresponding decrease would have an equal but opposite effect. This analysis assumes that all other variables remain constant.

	----- Audited -----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM
Decrease in profit before taxation	<u>(266,927)</u>	<u>(506,877)</u>	<u>(267,903)</u>	<u>(141,669)</u>

30.7 Foreign currency risk

The Group is exposed to foreign currency risk mainly on sales and purchases that are denominated in currencies other than the Group's functional currency. The currency giving rise to this risk is primarily the US Dollar ("USD"). The Group also maintains USD denominated bank account to facilitate the deposits of the Group's revenue denominated in USD as well as to pay for purchases denominated in USD. This provides some form of nature hedge against adverse foreign exchange fluctuations.

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
Registration No.: 202101004230 (1404529-K)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**30. FINANCIAL INSTRUMENTS (CONT'D)****30.7 Foreign currency risk (cont'd)****Sensitivity analysis for foreign currency risk**

The following table demonstrates the sensitivity to a reasonably possible change in the foreign currency exchange rates against Ringgit Malaysia, with all other variables held constant, of the Group's profit before tax. A 10% strengthening of the RM against the following currencies at the end of the reporting period would have increased profit before tax by the amount shown below and a corresponding weakening of the RM would have an equal but opposite effect.

	----- Audited -----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM
USD	5,496,187	5,143,989	5,095,162	2,663,852
Others	38,737	253,007	(105,526)	69,398
	<u>5,534,924</u>	<u>5,396,996</u>	<u>4,989,636</u>	<u>2,733,250</u>
Increase in profit before tax				

30.8 Fair value information

The carrying amounts of financial assets and financial liabilities of the Group as at the end of the reporting period approximate their fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

The carrying amounts of the non-current portion of finance lease liabilities are reasonable approximation of fair values due to their insignificant impact of discounting.

Investment securities

The investment in quoted shares which are quoted in an active market are carried at fair value by reference to their quoted closing bid price at the end of the reporting period (Level 1 of the fair value hierarchy).

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management policy remains unchanged and is to maintain a strong capital base to support its businesses and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in the light of changes in economic conditions or expansion of the Group. The Group may adjust its capital structure by issuing new shares, returning capital to shareholders or adjusting the amount of dividends to be paid to shareholders or sell assets to reduce debts.

12. ACCOUNTANTS' REPORT (cont'd)

NATIONGATE HOLDINGS BERHAD
Registration No.: 202101004230 (1404529-K)
(Incorporated in Malaysia)

NOTES TO THE COMBINED FINANCIAL STATEMENTS (CONT'D)**31. CAPITAL MANAGEMENT (CONT'D)**

As at the end of the reporting period, the net debt to equity ratio of the Group is as follows:

	----- Audited -----			
	30.6.2022	31.12.2021	31.12.2020	31.12.2019
	RM	RM	RM	RM
Total borrowings	274,463,666	230,080,259	154,326,112	111,747,808
Less: Short term deposits with licensed bank Cash and bank balances	(19,750,899)	(10,477,297)	(8,969,369)	(2,677,962)
	<u>(20,742,184)</u>	<u>(35,106,286)</u>	<u>(9,260,350)</u>	<u>(3,281,201)</u>
Net debt	<u>233,970,583</u>	<u>184,496,676</u>	<u>136,096,393</u>	<u>105,788,645</u>
Total equity	<u>176,822,069</u>	<u>158,434,067</u>	<u>112,381,021</u>	<u>85,428,069</u>
Net debt to equity ratio	<u>1.32</u>	<u>1.16</u>	<u>1.21</u>	<u>1.24</u>

32. MATERIAL LITIGATION**Dispute over ownership of consigned machines**

By a manufacturing agreement dated 15 July 2020, NSY was appointed by Lumileds Malaysia Sdn. Bhd. ("Lumileds") to manufacture products using machines consigned by Lumileds ("Consigned Machines"). These Consigned Machines were previously in possession of a former supplier of Lumileds, Optotronics Semiconductors Sdn Bhd ("Optotronics") for which hire purchase facilities was obtained by Optotronics to lease this Consigned Machines through BMW Credit (Malaysia) Sdn. Bhd. ("BMW Credit").

Following a default in repayment by Optotronics, BMW Credit attempted to retrieve the Consigned Machines through a court order but was denied by NSY since NSY does not have ownership over the Consigned Machines and cannot release the Consigned Machines without permission of Lumileds. Arising from this, BMW Credit filed a civil suit with the Kuala Lumpur High Court against Lumileds as the 1st defendant and NSY as the 2nd defendant for recovery of the Consigned Machine. The civil suit has been fixed for case management on 19 December 2022. As at the date of this report, the Directors of the Company do not anticipate any financial exposure arising from the mentioned case.

33. SUBSEQUENT EVENT

There is no other subsequent event since the end of the reporting period to the date of this report save for the implementation of the IPO as disclosed in Note 1 to the combined financial statements.

**13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED
FINANCIAL INFORMATION**

NATIONGATE HOLDINGS BERHAD
(Registration No.: 202101004230 (1404529-K))
(Incorporated in Malaysia)

**PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION
AS AT 30 JUNE 2022**

GRANT THORNTON MALAYSIA PLT
CHARTERED ACCOUNTANTS
Member Firm of Grant Thornton International Ltd

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)



**REPORTING ACCOUNTANTS' REPORT ON
COMPILATION OF THE PRO FORMA CONSOLIDATED
STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2022**

(Prepared for inclusion in the Prospectus)

The Board of Directors
NationGate Holdings Berhad
Suite A, Level 9, Wawasan Open University
54, Jalan Sultan Ahmad Shah
10050 Georgetown
Penang

Grant Thornton Malaysia PLT
Level 5, Menara BHL
51 Jalan Sultan Ahmad Shah
10050 Penang
Malaysia

T +604 228 7828
F +604 227 9828

Dear Sirs,

**NATIONGATE HOLDINGS BERHAD
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 JUNE 2022**

We have completed our assurance engagement to report on the compilation of the Pro Forma Consolidated Statements of Financial Position of NationGate Holdings Berhad ("NGH" or "Company") and its subsidiaries ("NGH Group" or "Group") as at 30 June 2022 ("Pro Forma Consolidated Statement of Financial Position"), together with the notes and assumptions thereto (which we have stamped for the purpose of identification), have been compiled and prepared by the Directors of the Company for inclusion into the Prospectus of the Company in connection with the initial public offering ("IPO") and the listing of and quotation for the entire issued share capital of the Company on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing").

The Pro Forma Consolidated Statements of Financial Position are prepared in accordance with the requirements of Chapter 9, Part II Division I: Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("Prospectus Guidelines") and the Guidance Note for Issuers of Pro Forma Financial Information issued by the Malaysian Institute of Accountants.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors of the Company, for illustrative purposes only, to show the effects of the Listing on the Consolidated Statements of Financial Position presented had the Listing been effected and completed on that date. As part of this process, financial information about the Group's Consolidated Financial Position has been extracted by the Directors of the Company from the subsidiaries of NGH as at 30 June 2022, on which their audit reports have been issued without modification.

Directors' Responsibility for the Pro Forma Consolidated Statements of Financial Position

The Directors of the Company are responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis set out in the Notes to the Pro Forma Consolidated Statements of Financial Position ("Applicable Criteria").

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)



Reporting Accountants' Independence and Quality Control

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

Our firm applies *International Standard on Quality Control ("ISQC") 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' Responsibility

Our responsibility is to express an opinion about whether the Pro Forma Consolidated Statements of Financial Position have been properly compiled, in all material respect, by the Directors on the basis of the Applicable Criteria.

We conducted our engagement in accordance with *International Standard on Assurance Engagements ("ISAE") 3420 Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis of the Applicable Criteria.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of the Pro Forma Consolidated Statements of Financial Position included in the Prospectus is solely to illustrate the effects as if the related events and/or the transactions have occurred and completed on 30 June 2022. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at that date would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions enumerated in the notes thereto, and to obtain sufficient appropriate evidence about whether:-

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the event or transaction in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

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

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)



Opinion

In our opinion, the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis set out in the Notes thereon to the Pro Forma Consolidated Statements of Financial Position and in accordance with requirements of the Prospectus Guidelines issued by the Securities Commission Malaysia.

Other Matter

Our report has been prepared at your request for inclusion in the Prospectus in connection with the Listing. It is not intended to be used for any other purpose. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.



Grant Thornton Malaysia PLT
AF: 0737
201906003682 (LLP0022494-LCA)
Chartered Accountants

Penang



Terence Lau Han Wen
No. 03298/04/2023 J
Chartered Accountant

13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

**NATIONGATE HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022**

The Pro Forma Consolidated Statements of Financial Position of NationGate Holdings Berhad ("NGH" or "Company") and its subsidiaries/associate ("NGH Group" or "Group") as at 30 June 2022 as set out below are provided for illustrative purpose only to show the effects of the transactions as mentioned in Note 2 to the Pro Forma Consolidated Statements of Financial Position on the assumption that these transactions were completed on 30 June 2022, and should be read in conjunction with the accompanying notes.

		Pro Forma I	Pro Forma II	Pro Forma III
	As at 30 June 2022	After Internal Restructuring Exercise	After IPO	After Utilisation of Proceeds from IPO
Note	RM	RM	RM	RM
ASSETS				
Non-current assets				
Property, plant and equipment	-	228,363,936	228,363,936	234,293,936
Right-of-use assets	-	14,141,633	14,141,633	14,141,633
Investment in associate	-	396,601	396,601	396,601
	-	242,902,170	242,902,170	248,832,170
Total non-current assets				
Current assets				
Inventories	-	226,497,353	226,497,353	226,497,353
Trade receivables	-	187,104,483	187,104,483	187,104,483
Contract assets	-	29,903,385	29,903,385	29,903,385
Other receivables, deposits and prepayments	526,364	12,535,918	12,535,918	11,068,307
Investment securities	-	352,399	352,399	352,399
Short term deposits with licensed banks	-	19,750,899	19,750,899	19,750,899
Cash and bank balances	2	20,742,184	186,242,026	69,461,469
	526,366	496,886,621	662,386,463	544,138,295
	526,366	739,788,791	905,288,633	792,970,465
Total current assets				
Total assets				



13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

**NATIONGATE HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)**

	<u>Note</u>	<u>As at 30 June 2022</u> RM	<u>Pro Forma I After Internal Restructuring Exercise</u> RM	<u>Pro Forma II After IPO</u> RM	<u>Pro Forma III After Utilisation of Proceeds from IPO</u> RM
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company:					
Share capital	3.4	2	143,360,649	308,860,491	305,353,518
Retained profits	3.5	(15,797)	166,822,067	166,822,067	163,518,872
Merger reserve		-	(133,360,647)	(133,360,647)	(133,360,647)
Total equity		<u>(15,795)</u>	<u>176,822,069</u>	<u>342,321,911</u>	<u>335,511,743</u>
LIABILITIES					
Non-current liabilities					
Borrowings	3.6	-	65,062,763	65,062,763	40,954,763
Lease liabilities		-	10,214,074	10,214,074	10,214,074
Deferred tax liabilities		-	3,159,000	3,159,000	3,159,000
Total non-current liabilities		<u>-</u>	<u>78,435,837</u>	<u>78,435,837</u>	<u>54,327,837</u>



13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

**NATIONGATE HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)**

	As at 30 June 2022 RM	Pro Forma I After Internal Restructuring Exercise RM	Pro Forma II After IPO RM	Pro Forma III After Utilisation of Proceeds from IPO RM
Current liabilities				
Trade payables	-	186,005,153	186,005,153	186,005,153
Other payables and accruals	542,161	82,116,178	82,116,178	82,116,178
Borrowings	-	209,400,903	209,400,903	128,000,903
Lease liabilities	-	4,015,533	4,015,533	4,015,533
Current tax liabilities	-	2,993,118	2,993,118	2,993,118
Total current liabilities	542,161	484,530,885	484,530,885	403,130,885
Total liabilities	542,161	562,966,722	562,966,722	457,458,722
Total equity and liabilities	526,366	739,788,791	905,288,633	792,970,465
Issued ordinary shares	2	1,638,407,400	2,073,933,300	2,073,933,300
Net assets per share (RM)	(7,898)	0.11	0.17	0.16
Borrowings (RM)	-	274,463,666	274,463,666	168,955,666
Gearing (Times) #	-	1.55	0.80	0.50

Computed based on total borrowings of the Group over total equity attributable to owners of the Company.



13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

NATIONGATE HOLDINGS BERHAD PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

1. BASIS OF PREPARATION

The Pro Forma Consolidated Statements of Financial Position of NGH and its subsidiaries as at 30 June 2022 ("Pro Forma Consolidated Statements of Financial Position"), together with the notes and assumptions thereon (which we have stamp for the purpose of identification), have been compiled and prepared by the Directors of the Company is solely responsible, have been prepared for illustrative purpose only for the purpose of inclusion in the Prospectus of the Company in connection with the initial public offering ("IPO") and the listing of and quotation for the entire enlarged issued share capital of NGH on the ACE Market of Bursa Malaysia Securities Berhad ("Bursa Securities") ("the Listing").

The Pro Forma Consolidated Statements of Financial Position have been prepared based on accounting policies and basis which are consistent with those adopted in the audited Combined Financial Statements of NGH for the financial period ended 30 June 2022 and in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards ("IFRS") and the requirements of Chapter 9, Part II Division 1 : Equity of the Prospectus Guidelines issued by the Securities Commission Malaysia ("SC"), the Guidance Note for Issuers of Pro Forma Financial Information issued by Malaysian Institute of Accountants and adjusted for the impact of the events and transactions as set out in Note 2 to the Pro Forma Consolidated Financial Statements on the assumption that the events or the transactions have been undertaken on 30 June 2022.

2. LISTING SCHEME

In conjunction with, and as an integral part of the Listing, the Company undertook the following:

(i) Pro Forma I: Internal Restructuring Exercise

NGH had on 14 June 2022 entered into a conditional share sale agreement with the promoters to acquire the entire equity interest in NationGate Solution (M) Sdn. Bhd. ("NSM") comprising 10,000,000 ordinary shares for a total purchase consideration of RM143,360,647 satisfied by the issuance of 1,638,407,398 new NGH shares at an issue price of RM0.0875 per share. The purchase consideration was arrived at based on the consolidated net assets of the NSM group as at 31 December 2021 of RM143,447,572. The acquisition was completed on 20 October 2022. NSM group comprise of NSM, 100% equity interest in NationGate System Sdn. Bhd. ("NSY") and 40% equity interest in NationGate Integration (M) Sdn. Bhd. ("NIM").

Merger method of accounting

For the purpose of accounting for the acquisition of NSM group, the Company has adopted the merger accounting principles as the consolidated entities are under common control by the same party before and after the Initial Public Offering. Under merger method of accounting, the difference between the cost of investment recorded by the Company (i.e. the consideration for the acquisition of NSM group) and the share capital of NSM is accounted for as merger reserve, computed as follows:

	RM
Consideration for the acquisition of NSM group (Note 2(i)(c))	143,360,647
Less: Issued share capital of NSM as at 30 June 2022	<u>(10,000,000)</u>
Merger reserve	<u>133,360,647</u>



13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

NATIONGATE HOLDINGS BERHAD PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

2. LISTING SCHEME (CONT'D)

(ii) Pro Forma II: Initial Public Offering ("IPO")

(a) Public Issue

A total of 435,525,900 new NGH shares ("Issued Shares") representing 21.0% of the enlarged issued share capital of NGH are offered at an issue price of RM0.38 per share and shall be allocated in the following manner:

- 103,696,800 Issue Shares, representing 5.0% of the enlarged issued share capital are made available for application by the Malaysian Public,
- 103,696,800 Issue Shares, representing 5.0% of the enlarged share capital are made available for application by our eligible Directors and employees as well as persons who have contributed to the success of the NGH Group, and
- 228,132,300 Issue Shares, representing 11.0% of the enlarged share capital by way of private placement to selected investors.

(b) Offer for Sale

Mr. Ooi Eng Leong and Ms. Tan Ah Geok (collectively "Promoters") will undertake an offer for sale of 290,351,300 existing ordinary shares in NGH ("Offer Shares"), representing approximately 14.0% of the enlarged issued share capital of NGH, at RM0.38 per Offer Share and shall be allocated in the following manner:

- 259,242,000 Offer Shares by way of private placement to identified Bumiputera shareholders approved by the Ministry of International Trade and Industry, and
- 31,109,300 Offer Shares by way of private placement to selected investors.

(c) Listing

Subsequent to the above, the Company's entire enlarged issued share capital of RM308,860,491 comprising 2,073,933,300 ordinary shares shall be listed on the ACE Market of Bursa Malaysia Securities Berhad.

(iii) Pro Forma III: Utilisation of Proceeds from IPO

Gross proceeds from the IPO of RM165,500,000 will be utilised as follows:

Utilisation of proceeds	Estimated timeframe for utilisation from listing date	RM
Purchase of machineries and equipment	Within 36 months	5,930,000
Working capital requirements	Within 24 months	48,362,000
Repayment of borrowings ^(a)	Within 24 months	105,508,000
Estimated listing expenses ^(b)	Within 1 month	5,700,000
Total proceeds		165,500,000

Note:

- (a) Included in the repayment of borrowings is early settlement of a term loan which was drawn down to finance the purchase of the Group's existing factories. The early settlement will attract an early settlement fee as stipulated in the offer letter amounting to approximately RM1,110,168, and it will be paid via internally generated funds.



13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

NATIONGATE HOLDINGS BERHAD PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

2. LISTING SCHEME (CONT'D)

(iii) Pro Forma III: Utilisation of Proceeds from IPO (Cont'd)

(b) The estimated listing expenses comprise the following:

Details	RM
Professional fees	2,300,000
Underwriting commission, placement fees and brokerage fees	3,280,000
Printing, advertising fees and contingencies	120,000
Total estimated listing expenses *	5,700,000

* The estimated listing expenses will be apportioned accordingly to share capital of RM3,506,973 and profit or loss of RM2,193,027.

3. NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

3.1 PROPERTY, PLANT AND EQUIPMENT

The movements of the property, plant and equipment are as follows:

	RM
As at 30 June 2022	-
Pursuant to Internal Restructuring Exercise	228,363,936
As per Pro Forma I and II	228,363,936
Pursuant to Utilisation of Proceeds from IPO	5,930,000
As per Pro Forma III	234,293,936

3.2 OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

The movements of the other receivables, deposits and prepayments are as follows:

	RM
As at 30 June 2022	526,364
Pursuant to Internal Restructuring Exercise	12,009,554
As per Pro Forma I and II	12,535,918
Pursuant to Utilisation of Proceeds from IPO	
- Prepayment of listing expenses charged to profit or loss	(1,467,611)
As per Pro Forma III	11,068,307



13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

NATIONGATE HOLDINGS BERHAD PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)

3. NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.3 CASH AND BANK BALANCES

The movements of cash and bank balances are as follows:

	RM
As at 30 June 2022	2
Pursuant to Internal Restructuring Exercise	<u>20,742,182</u>
As per Pro Forma I	20,742,184
Pursuant to Proceeds from IPO	<u>165,499,842</u>
As per Pro Forma II	186,242,026
Pursuant to Utilisation of Proceeds from IPO	
- Capital expenditure	(5,930,000)
- Repayment of borrowings	(105,508,000)
- Estimated listing expenses	(4,232,389)
- Early settlement fee (Note2(iii)(a))	<u>(1,110,168)</u>
As per Pro Forma III	<u>69,461,469</u>

3.4 SHARE CAPITAL

The movements of the share capital are as follows:

	No. of Shares	RM
As at 30 June 2022	2	2
Pursuant to Internal Restructuring Exercise	<u>1,638,407,398</u>	<u>143,360,647</u>
As per Pro Forma I	1,638,407,400	143,360,649
Pursuant to the IPO	<u>435,525,900</u>	<u>165,499,842</u>
As per Pro Forma II	2,073,933,300	308,860,491
Pursuant to Utilisation of Proceeds from IPO		
- Portion of estimated listing expenses set-off against issued share capital	<u>-</u>	<u>(3,506,973)</u>
As per Pro Forma III	<u>2,073,933,300</u>	<u>305,353,518</u>

3.5 RETAINED PROFITS

The movements of the retained profits are as follows:

	RM
As at 30 June 2022	(15,797)
Pursuant to Internal Restructuring Exercise	<u>166,837,864</u>
As per Pro Forma I and II	166,822,067
Pursuant to Utilisation of Proceeds from IPO	
- Estimated listing expenses set-off against profit or loss	(2,193,027)
- Early settlement fee (Note2(iii)(a))	<u>(1,110,168)</u>
As per Pro Forma III	<u>163,518,872</u>



13. REPORTING ACCOUNTANTS' REPORT ON PRO FORMA CONSOLIDATED FINANCIAL INFORMATION (cont'd)

**NATIONGATE HOLDINGS BERHAD
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022 (CONT'D)**

3. NOTES TO PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

3.6 BORROWINGS

The movements of the borrowings are as follows:

	RM
Non-current liabilities	
As at 30 June 2022	-
Pursuant to Internal Restructuring Exercise	<u>65,062,763</u>
As per Pro Forma I and II	65,062,763
Pursuant to Utilisation of Proceeds from IPO	<u>(24,108,000)</u>
As per Pro Forma III	<u>40,954,763</u>
Current liabilities	
As at 30 June 2022	-
Pursuant to Internal Restructuring Exercise	<u>209,400,903</u>
As per Pro Forma I and II	209,400,903
Pursuant to Utilisation of Proceeds from IPO	<u>(81,400,000)</u>
As per Pro Forma III	<u>128,000,903</u>



14. STATUTORY AND OTHER INFORMATION

14.1 SHARE CAPITAL

- (a) As at the date of this Prospectus, we only have one class of shares, namely, ordinary shares, all of which rank equally with one another.
- (b) Save for the Pink Form Allocations as disclosed in Section 4.3.3,
- (i) no Director or employee of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Company or our subsidiaries or associated company; and
- (ii) there is no scheme involving the employees of our Group in the shares of our Company or our subsidiary or associated company.
- (c) Save for the issuance of our subscribers' shares upon our incorporation and new Shares issued and to be issued for the Acquisition of NSM and Public Issue as disclosed in Sections 6.2, 6.3 and 4.3.1, respectively, no shares of our Company have been issued or are proposed to be issued as fully or partly paid-up, in cash or otherwise, within the past 2 years immediately preceding the date of this Prospectus.
- (d) Other than our Public Issue as disclosed in Section 4.3.1, there is no intention on the part of our Directors to further issue any Shares on the basis of this Prospectus.
- (e) As at the date of this Prospectus, we do not have any outstanding convertible debt securities.

Our share capital as at the LPD is RM143,360,649.33 comprising 1,638,407,400 Shares. The movements in our share capital since our incorporation are set out below:

Date of allotment	No. of shares allotted	Consideration (RM)	Nature of transaction	Cumulative issued share capital (RM)
4 February 2021	2	2	Subscriber's shares	2
20 October 2022	1,638,407,398	143,360,647	Consideration for the Acquisition of NSM	143,360,649

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, we do not have any outstanding warrants, options, convertible securities or uncalled capital.

Upon completion of our Listing, our enlarged share capital will increase from RM143,360,649 comprising 1,638,407,400 Shares to RM308,860,491 comprising 2,073,933,300 Shares.

14. STATUTORY AND OTHER INFORMATION (cont'd)**14.2 SHARE CAPITAL OF OUR SUBSIDIARIES AND ASSOCIATED COMPANY**

Information of our subsidiaries and associated company are set out below.

14.2.1 Information on NSM**(a) Share capital**

As at LPD, NSM has an issued share capital of RM10,000,000 comprising 10,000,000 ordinary shares. Details of the movement in the issued share capital of NSM since its incorporation up to the LPD are as follows:

Date of allotment	No. of shares allotted	Consideration (RM)	Nature of transaction	Cumulative issued share capital (RM)
30 March 2010	2	2	Subscriber's shares	2
24 September 2010	2,499,998	2,499,998	Issue for otherwise than cash	2,500,000
18 June 2014	7,500,000	7,500,000	Issue for cash	10,000,000

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, NSM does not have any outstanding warrants, options, convertible securities or uncalled capital.

(b) Shareholders and directors

NSM is our wholly-owned subsidiary. The directors of NSM are Ooi Eng Leong, Lee Kim San and Lee Aik Kun.

(c) Subsidiary and associated company

As at the LPD, NSY is the wholly-owned subsidiary of NSM, whilst NIM is the associated company of NSM.

14.2.2 Information on NSY**(a) Share capital**

As at LPD, NSY has an issued share capital of RM575,000 comprising 575,000 ordinary shares. Details of the movement in the issued share capital of NSY since its incorporation up to the LPD are as follows:

Date of allotment	No. of shares allotted	Consideration (RM)	Nature of transaction	Cumulative issued share capital (RM)
10 January 2020	100	100	Subscriber's shares	100
14 February 2020	99,900	99,900	Issue for cash	100,000
6 August 2020	400,000	400,000	Issue for cash	500,000
30 November 2020	75,000	75,000	Issue for cash	575,000

14. STATUTORY AND OTHER INFORMATION (cont'd)

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, NSY does not have any outstanding warrants, options, convertible securities or uncalled capital.

(b) Shareholders and directors

NSY is a wholly-owned subsidiary of NSM. The directors of NSY are Ooi Eng Leong and Davindra.

(c) Subsidiary and associated company

As at the LPD, NSY does not have any subsidiary and/or associated company.

14.2.3 Information on NIM

(a) Share capital

As at LPD, NIM has an issued share capital of RM1,000,000 comprising 1,000,000 ordinary shares. Details of the movement in the issued share capital of NIM since its incorporation up to the LPD are as follows:

<u>Date of allotment</u>	<u>No. of shares allotted</u>	<u>Consideration (RM)</u>	<u>Nature of transaction</u>	<u>Cumulative issued share capital (RM)</u>
15 September 2020	100	100	Subscriber's shares	100
19 October 2020	999,900	999,900	Issue for cash	1,000,000

There were no discounts, special terms or instalment payment terms applicable to the payment of the consideration for the allotment. As at LPD, NIM does not have any outstanding warrants, options, convertible securities or uncalled capital.

(b) Shareholders and directors

NIM is an associated company of NSM. The shareholders of NIM are as follows:

<u>Name of shareholder</u>	<u>No. of shares</u>	<u>% of share capital</u>
GoldTek	600,000	60.0
NSM	400,000	40.0
Total	1,000,000	100.0

The directors of NIM are Ooi Eng Leong, Tu Tung-Sheng and Davindra.

(c) Subsidiary and associated company

As at the LPD, NIM does not have any subsidiary and/or associated company.

14. STATUTORY AND OTHER INFORMATION (cont'd)

14.3 CONSTITUTION

The following provisions are extracted from our Constitution. Terms defined in our Constitution shall have the same meanings when used here unless they are otherwise defined here or the context otherwise requires. The following provisions extracted from our Constitution are based on the current Listing Requirements and the Act.

14.3.1 Remuneration, voting and borrowing powers of Directors**(a) Directors' remuneration****Clause 84**

A Managing Director or an Executive Director shall, subject to the terms of any agreement entered into in any particular case, receive such remuneration (whether by way of salary, bonus, commission, or participation in profits, or partly in one way and partly in another and other benefits) as the Board of Directors may determine.

Clause 89

An Alternate Director:

- (1) has no entitlement to receive remuneration from the Company and any fee paid by the Company to the Alternate Director shall be deducted from the Appointer's remuneration; and
- (2) is entitled to be reimbursed for all the travelling and other expenses properly incurred by him in attending the Board Meetings on behalf of the Appointer from the Company.

Clause 90(2)

The Board may fix, determine and vary the powers, duties and remuneration of any person appointed as an associate director.

Clause 93

- (1) The Company may from time to time by an ordinary resolution passed at a General Meeting, approve the remuneration of the Directors, who hold non-executive office with the Company, for their services as non-executive Directors.
- (2) Subject to Clause 84, the fees of the Directors and any benefits payable to the Directors shall be subject to annual shareholders' approval at a General Meeting.
- (3) If the fee of each such non-executive Director is not specifically fixed by the Members, then the quantum of fees to be paid to each non-executive Director within the overall limits fixed by the Members, shall be decided by resolution of the Board. In default of any decision being made in this respect by the Board, the fees payable to the non-executive Directors shall be divided equally amongst themselves and such a Director holding office for only part of a year shall be entitled to a proportionate part of a full year's fees. The non-executive Directors shall be paid by a fixed sum and not by a commission on or percentage of profits or turnover.
- (4) The following expenses shall be determined by the Directors:

14. STATUTORY AND OTHER INFORMATION (cont'd)

- (a) Traveling, hotel and other expenses properly incurred by the Directors in attending and returning from meetings of the Directors or any committee of the Directors or General Meetings of the Company or in connection with the business of the Company; and
 - (b) Other expenses properly incurred by the Directors arising from the requirements imposed by the authorities to enable the Directors to effectively discharge their duties.
- (5) Executive Directors of the Company shall be remunerated in the manner referred to in Clause 84 but such remuneration shall not include a commission on or percentage of turnover.

(b) Voting and borrowing powers of Directors

Clause 87

An Alternate Director is entitled to receive notice of Board Meetings and, if the Appointer is not present at such a meeting, is entitled to attend and vote in his stead.

Clause 90(3)

A person appointed as an associate director does not have any right to attend or vote at any Board Meetings except by the invitation and with the consent of the Board.

Clause 95

Without limiting the generality of Clause 94(1) and (2), the Directors may, subject to the Act and the Listing Requirements, exercise all the powers of the Company to do all or any of the following for any debt, liability, or obligation of the Company or of any third party:

- (1) borrow money;
- (2) mortgage or charge its undertaking, property, and uncalled capital, or any part of the undertaking, property and uncalled capital;
- (3) issue debentures and other Securities whether outright or as security; and/or
- (4)
 - (a) lend and advance money or give credit to any person or company;
 - (b) guarantee and give guarantees or indemnities for the payment of money or the performance of contracts or obligations by any person or company;
 - (c) secure or undertake in any way the repayment of moneys lent or advanced to or the liabilities incurred by any person or company;

and otherwise to assist any person or company.

Clause 105(a)

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Clause 107

- (1) The Directors may pass a resolution without a Board Meeting, if a majority of the Directors entitled to vote and sign on the resolution signed the resolution, signifying their agreement to the resolution set out in the document.
- (2) Any such resolution may consist of several documents in like form, each signed by one (1) or more of the Directors, and shall be as valid and effectual as if it were a resolution duly passed at a Board Meeting.

Clause 118

- (1) Subject to this Constitution, questions arising at a Board Meeting shall be decided by a majority of votes of Directors present and voting and any such decision shall for all purposes be deemed a decision of the Directors.
- (2) Each Director is entitled to cast one (1) vote on each matter for determination.

Clause 119

In the case of an equality of votes, the chairperson of the Board Meeting is entitled to a second or casting vote, except where two (2) Directors form a quorum, the chairperson of a meeting at which only such a quorum is present, or at which only two (2) Directors are competent to vote on the question at issue shall not have a casting vote.

14.3.2 Changes to share capital**Clause 46**

- (1) The Company may from time to time by ordinary resolution and subject to other applicable laws or requirements:
 - (a) consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived; or
 - (b) subdivide its shares or any of them into shares, whichever is in the subdivision; the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided share is derived.
- (2) The Company may from time to time by special resolution and subject to other applicable requirements:
 - (a) cancel shares which, at the date of the passing of the resolution in that regard, have not been taken or agreed to be taken by any person or which have been forfeited and diminish the amount of its share capital by the amount of the shares so cancelled or in such other manner allowed by law; or
 - (b) reduce its share capital in such manner permitted by law, and (where applicable) subject to the relevant required approvals being obtained.

14. STATUTORY AND OTHER INFORMATION (cont'd)

- (3) The Company shall have the power, subject to and in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines in respect thereof for the time being in force, to purchase its own shares and thereafter to deal with the shares purchased in accordance with the provisions of the Act, the Listing Requirements and any rules, regulations and guidelines thereunder or issued by Bursa Securities and any other relevant authorities in respect thereof.

14.3.3 Transfer of securities**Clause 13**

Clauses 14 and 15 shall apply to Deposited Securities.

Clause 14

The transfer of any Deposited Security or class of Deposited Security of the Company, shall be by way of book entry by the Depository in accordance with the Rules and, notwithstanding Sections 105, 106 or 110 of the Act, but subject to Section 148(2) of the Act and any exemption that may be made from compliance with Section 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of the Deposited Securities.

Clause 15

Where:

- (a) the securities of the Company are listed on another stock exchange; and
- (b) the Company is exempted from compliance with Section 14 of the Central Depositories Act or Section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules in respect of such Securities,

the Company shall, upon request of a Securities holder, permit a transmission of Securities held by such Securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the other stock exchange, to the register of holders maintained by the registrar of the Company in Malaysia and vice versa provided that there shall be no change in the ownership of such Securities.

Clause 17

- (1) Subject to this Constitution and other written laws, any Shareholder or debenture holder may transfer all or any of his shares or debentures by instrument of transfer as prescribed under the Act.
- (2) The instrument of transfer must be executed by or on behalf of the transferor and the transferee.
- (3) The transferor shall remain as the holder of such shares or debentures until the transfer is registered and the name of the transferee is entered in the Register of Members or register of debenture holders in respect of the shares or debentures respectively.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Clause 18

- (1) To enable the Company to register the name of the transferee, the following items in relation to the transfer of shares or debentures must be delivered by the transferor to the Office of the Company:
 - (a) the instrument of transfer duly executed and stamped;
 - (b) the certificate of the shares or debentures which the instrument of transfer relates; and
 - (c) any other evidence as the Directors may reasonably require showing the right of the transferor to make the transfer.
- (2) Upon receipt of the items referred to in Clause 18(1), the Company shall, upon the approval of the Board and unless otherwise resolved, register the name of the transferee in the Register of Members or register of debenture holders (as applicable).

Clause 19

- (1) The Directors may decline or delay to register the transfer of shares within thirty (30) days from the receipt of the instrument of transfer if:
 - (a) the shares are not fully paid shares;
 - (b) the Directors passed a resolution with full justification to refuse or delay the registration of transfer;
 - (c) the Company has a lien on the shares; and/or
 - (d) the Shareholder fails to pay the Company an amount due in respect of those shares, whether by way of consideration for the issue of the shares or in respect of the sums payable by the Shareholder in accordance with this Constitution.
- (2) Where applicable, the Company shall send a notice of the resolution referred to in Clause 19(1)(b) to the transferor and transferee, within seven (7) days of the resolution being passed by the Directors.

Clause 20

On giving at least fourteen (14) days' notice to the Registrar to close the Register of Members or register of debenture holders, the Company may close the Register of Members or register for any class of members or register of debenture holders (collectively, the "Registers") for the purpose of updating the Registers. The registration of transfer may be suspended at such time and for such period as the Directors may from time to time determine, provided that no part of the relevant Register(s) be closed for more than thirty (30) days in aggregate in any calendar year.

14.3.4 Rights, preferences and restrictions attached to each class of securities relating to voting, dividend, liquidation and any special rights**Clause 7(2)**

A holder of ordinary share(s) shall have the following voting rights:

- (a) Right to vote on a show of hands to one (1) vote on any resolution of the Company; and
- (b) Right to vote on a poll to one (1) vote for every share held on any resolution of the Company.

14. STATUTORY AND OTHER INFORMATION (cont'd)

Clause 8(1)

If at any time the share capital is divided into different classes of shares, the rights attached to each class of shares (unless otherwise provided by the terms of issue of the shares of that class) may only, whether or not the Company is being wound up, be varied:

- (a) with the consent in writing of the holders holding not less than seventy-five percent (75%) of the total voting rights of the holders of that class of shares; or
- (b) by a special resolution passed by a separate meeting of the holders of that class of shares sanctioning the variation.

Clause 8(3)

The rights attached to an existing class of preference shares shall be deemed to be varied by the issue of new preference shares that rank equally with the existing class of preference shares unless such issuance was authorised by:

- (a) the terms of the issue of the existing preference shares; or
- (b) this Constitution of the Company as in force at the time when the existing preference shares were issued.

Clause 44

- (1) The stockholders shall, according to the amount of the stock held by them, have the same rights, privileges and advantages as regards dividends, voting at meetings of the Company and other matters as if they held the shares from which the stock arose.
- (2) However, no such privilege or advantage (except participation in the dividends and profits of the Company and in the assets on winding up) shall be conferred by any such part of stock which would not, if existing shares have conferred that privilege or advantage.

Clause 137

- (1) A dividend may be declared by:
 - (a) the Directors; or
 - (b) the Members on the recommendation of the Board of Directors as it thinks appropriate.
- (2) The payment of a dividend is to those holders of such class of shares as the Directors have determined in accordance with and subject to any conditions upon which the shares have been issued.
- (3) A dividend shall not exceed the amount recommended by the Directors.

Clause 150

- (1) If the Company is wound up, the liquidator may, with the sanction of a special resolution of the Company:
 - (a) divide amongst the Members in kind the whole or any part of the property, if any, of the Company, whether they consist of property of the same kind or not;
 - (b) set a value as the liquidator considers fair upon the property, if any referred to in Clause 150(1)(a);

14. STATUTORY AND OTHER INFORMATION (cont'd)

- (c) determine how the division of property, if any is to be carried out as between the Members or different classes of Members; and
 - (d) vest the whole or any part of the property, if any, of the Company in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit.
- (2) No Member is compelled to accept any shares or other Securities on which there is any liability.

14.4 GENERAL INFORMATION

- (a) Save for the dividends paid/declared to the shareholders of our subsidiaries in FYE 2020 and FYE 2021, purchase consideration paid to Ooi Eng Leong and Tan Ah Geok for the Acquisition of NSM as disclosed in Section 6.1.3(c) and Directors' remuneration as disclosed in Section 5.5.1, no other amount or benefit has been paid or given within the past 2 years immediately preceding the date of this Prospectus, nor is it intended to be paid or given, to any of our Promoter, Director or substantial shareholder.
- (b) Save as disclosed in Section 10.1, none of our Directors or substantial shareholders have any interest, direct or indirect, in any contract or arrangement subsisting at the date of this Prospectus and which is significant in relation to the business of our Group.
- (c) The manner in which copies of this Prospectus together with the official application forms and envelopes may be obtained and the details of the summarised procedures for application of our Shares are set out in Section 15.
- (d) There is no limitation on the right to own securities including limitation on the right of non-residents or foreign shareholders to hold or exercise their voting rights on our Shares.

14.5 CONSENTS

- (a) The written consents of the Adviser, Sponsor, Underwriter, Placement Agent, Solicitors, Share Registrar, Company Secretary and Issuing House to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn;
- (b) The written consents of the Auditors and Reporting Accountants to the inclusion in this Prospectus of their names, Accountants' Report and report relating to the pro forma consolidated financial information in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not subsequently been withdrawn; and
- (c) The written consent of the IMR to the inclusion in this Prospectus of its name and the IMR Report, in the form and context in which they are contained in this Prospectus have been given before the issue of this Prospectus and have not been subsequently withdrawn.

14. STATUTORY AND OTHER INFORMATION (cont'd)

14.6 DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the Registered Office of our Company during normal business hours for a period of 6 months from the date of this Prospectus:

- (a) Constitution;
- (b) Audited financial statements of our Group for FYE 2019 to FYE 2021 as well as FPE 2022;
- (c) Accountants' Report as set out in Section 12;
- (d) Reporting Accountants' Report relating to our pro forma consolidated financial information as set out in Section 13;
- (e) IMR Report as set out in Section 7;
- (f) Material contracts as set out in Section 6.7;
- (g) Cause papers as set out in Section 11.3.5(b); and
- (h) Letters of consent as set out in Section 14.5.

14.7 RESPONSIBILITY STATEMENTS

Our Directors, Promoters and Selling Shareholders have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm there is no false or misleading statement or other facts which if omitted, would make any statement in this Prospectus false or misleading.

M&A Securities acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE

THIS SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE "DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE" ACCOMPANYING THE ELECTRONIC PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

UNLESS OTHERWISE DEFINED, ALL WORDS AND EXPRESSIONS USED HERE SHALL CARRY THE SAME MEANING AS ASCRIBED TO THEM IN OUR PROSPECTUS.

UNLESS THE CONTEXT OTHERWISE REQUIRES, WORDS USED IN THE SINGULAR INCLUDE THE PLURAL, AND VICE VERSA.

15.1 OPENING AND CLOSING OF APPLICATION PERIOD

OPENING OF THE APPLICATION PERIOD: 10.00 A.M., 12 December 2022

CLOSING OF THE APPLICATION PERIOD: 5.00 P.M., 30 December 2022

In the event of any changes to the date or time for closing, we will advertise the notice of changes in a widely circulated daily English and Bahasa Malaysia newspaper in Malaysia.

LATE APPLICATIONS WILL NOT BE ACCEPTED.

15.2 METHODS OF APPLICATIONS

15.2.1 Retail Offering

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that the Application will succeed.

Types of Application and category of investors	Application Method
Applications by our eligible Directors, employees and persons who have contributed to the success of our Group	Pink Application Form only
Applications by the Malaysian Public:	
(a) Individuals	White Application Form or Electronic Share Application or Internet Share Application
(b) Non-Individuals	White Application Form only

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE *(cont'd)*

15.2.2 Placement

Types of Application	Application Method
Applications by selected investors	The Placement Agent will contact the selected investors directly. They should follow the Placement Agent's instructions.
Applications by Bumiputera investors approved by MITI	MITI will contact the Bumiputera investors directly. They should follow MITI's instructions.

Selected investors and Bumiputera Investors approved by MITI may still apply for our Public Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

15.3 ELIGIBILITY

15.3.1 General

You must have a CDS Account and a correspondence address in Malaysia. If you do not have a CDS Account, you may open a CDS Account by contacting any of the ADAs set out in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities. The CDS Account must be in your own name. Invalid, nominee or third party CDS Accounts will not be accepted for the Applications.

Only **ONE** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 IPO SHARES OR MULTIPLES OF 100 IPO SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

15.3.2 Application by Malaysian Public

You can only apply for our IPO Shares if you fulfill all of the following:

- (a) You must be one of the following:
 - (i) a Malaysian citizen who is at least 18 years old as at the date of the application for our IPO Shares; or

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (ii) a corporation / institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors / trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (iii) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (b) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (c) You must submit Applications by using only one of the following methods:
- (i) White Application Form; or
 - (ii) Electronic Share Application; or
 - (iii) Internet Share Application.

15.3.3 Application by eligible Directors, employees and persons who have contributed to the success of our Group

The eligible Directors, employees and persons (including any entities, wherever established) who have contributed to the success of our Group will be provided with Pink Application Forms and letters from us detailing their respective allocation.

15.4 APPLICATION BY WAY OF APPLICATION FORM

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.38 for each IPO Share.

Payment must be made out in favour of "**TIIH SHARE ISSUE ACCOUNT NO. 733**" and crossed "**A/C PAYEE ONLY**" and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (a) despatch by **ORDINARY POST** in the official envelopes provided, to the following address:

Tricor Investor & Issuing House Services Sdn Bhd (197101000970 (11324-H))
Unit 32-01, Level 32, Tower A
Vertical Business Suite
Avenue 3, Bangsar South
No. 8, Jalan Kerinchi
59200 Kuala Lumpur

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (*cont'd*)

- (b) **DELIVER BY HAND AND DEPOSIT** in the drop-in boxes provided at their Customer Service Centre, Unit G-3, Ground Floor, Vertical Podium, Avenue 3, Bangsar South, No. 8, Jalan Kerinchi, 59200 Kuala Lumpur

so as to arrive not later than 5.00 p.m. on 30 December 2022 or by such other time and date specified in any change to the date or time for closing.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Forms or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

15.5 APPLICATION BY WAY OF ELECTRONIC SHARE APPLICATION

Only Malaysian individuals may apply for our IPO Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.6 APPLICATION BY WAY OF INTERNET SHARE APPLICATION

Only Malaysian individuals may use the Internet Share Application to apply for our IPO Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of the Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CIMB Bank Berhad, CGS-CIMB Securities Sdn Bhd, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

15.7 AUTHORITY OF OUR BOARD AND THE ISSUING HOUSE

The Issuing House, on the authority of our Board reserves the right to:

- (a) reject Applications which:
- (i) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (*cont'd*)

- (ii) are illegible, incomplete or inaccurate; or
- (iii) are accompanied by an improperly drawn up or improper form of remittance; or
- (b) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (c) bank in all Application monies (including those from unsuccessful / partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with Section 15.8 below.

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

15.8 UNSUCCESSFUL / PARTIALLY SUCCESSFUL APPLICANTS

If you are unsuccessful / partially successful in your Application, your Application Monies (without interest) will be refunded to you in the following manner.

15.8.1 For applications by way of Application Forms

- (a) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary / registered post to your last address maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (b) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary / registered post to your address as stated in the NRIC or any official valid temporary identity document issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (a) and (b) above (as the case may be).

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (d) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend / distribution) or by issuance of banker's draft sent by ordinary/registered post to your last address maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (b) above (as the case may be).

15.8.2 For applications by way of Electronic Share Application and Internet Share Application

- (a) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited without interest into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institutions) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (b) You may check your account on the 5th Market Day from the balloting date.
- (c) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 2 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 2 Market Days after the receipt of confirmation from the Issuing House.

15.9 SUCCESSFUL APPLICANTS

If you are successful in your application:

- (a) Our IPO Shares allotted to you will be credited into your CDS Account.
- (b) A notice of allotment will be despatched to you at your last address maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.
- (c) In accordance with Section 14(1) of the Central Depositories Act, Bursa Securities has prescribed our Shares as Prescribed Securities. As such, our IPO Shares issued / offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the Central Depositories Act and Depository Rules.

15. SUMMARISED PROCEDURES FOR APPLICATION AND ACCEPTANCE (cont'd)

- (d) In accordance with Section 29 of the Central Depositories Act, all dealings in our Shares will be by book entries through CDS Accounts. No physical share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

15.10 ENQUIRIES

Enquiries in respect of the applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services at telephone no. 03-2783 9299
Electronic Share Application	Participating Financial Institution
Internet Share Application	Internet Participating Financial Institution and Authorised Financial Institution

The results of the allocation of IPO Shares derived from successful balloting will be made available to the public at the Issuing House website at <https://tiih.online>, **one Market Day** after the balloting date.

You may also check the status of your Application at the above website, **5 Market Days** after the balloting date or by calling your respective ADA during office hours at the telephone number as stated in the list of ADAs set out in Section 12 of the Detailed Procedures for Application and Acceptance accompanying the Electronic Prospectus on the website of Bursa Securities.

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APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS

As at the LPD, save as disclosed below, there are no other major approvals, licences and permits issued to our Group in order to carry out our operations:

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity conditions imposed	and/or major	Compliance status
(1)	NSM	Majlis Bandaraya Seberang Perai ("MBSP") / 50113814223	26 April 2017/ 31 December 2023	Business operating licence for electronic factory, office, store, canteen and advertisement board "NationGate Solution (M) Sdn Bhd" located at Plant 1 and Plant 2	Nil		N/A
(2)	NSM	MBSP/ PRI/02/20220114/6092	22 October 2011/ 31 December 2022 ⁽¹⁾	Business operating licence for manufacturing of plastic products and fabrication, office, store, canteen and advertisement board "NationGate Solution (M) Sdn Bhd" located at Plant 3	Nil		N/A
(3)	NSM	MBSP/ 50113977221	11 September 2020/31 December 2022 ⁽¹⁾	Business operating licence for electronic factory, office and advertisement board "NationGate" located at Plant 5	Nil		N/A
(4)	NSM	MBSP/ PRI/02/20211207/3095	7 December 2021/ 31 December 2022 ⁽¹⁾	Business operating licence for manufacturing electronic and electrical products, canteen, office, warehouse and advertisement board "NationGate" located at Plant 7	Nil		N/A

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity conditions imposed	and/or major	Compliance status
(5)	NSY	MBSP/ PRI/02/20220125/1402	25 January 2022/ 31 December 2022 ⁽¹⁾	Business operating licence for manufacturing electronic and electrical products, office, warehouse and advertisement board "NationGate System Bhd" located at Plant 7	Nil		N/A
(6)	NSY	Majlis Perbandaran Taiping/ L0029783-01	21 February 2022/ 20 February 2023	Business operating licence for electronic factory and advertisement board "NationGate System Sdn Bhd" located at Plant 6	Nil		N/A
(7)	NSM	MITI/ A019324 (Serial No. A032877) (B0568)	4 September 2013/ valid until and unless revoked or surrendered	Manufacturing licence for "Printed circuit board assemblies, electrical and electronic products for communication, military, marine, medical and aerospace, components and parts thereof"	(a) The manufacturing site shall be located at Plant 1 and Plant 2 and shall be subject to the approval from the relevant state authority and Department of Environmental ("DOE").		Complied
					(b) MITI and MIDA must be notified on any disposal of shares in NSM		Complied
					(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.		Noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	Compliance status
(8)	NSM MITI/ A019324 (Serial No. A033350) (B0569)	9 July 2014/ valid until and unless revoked or surrendered	Manufacturing licence for "LED lightings"	(d) The company shall undertake its projects in accordance with the rules and regulations in Malaysia. (a) The manufacturing site shall be located at Plant 1 and Plant 2 and shall be subject to the approval from the relevant state authority and DOE.	Noted Complied
				(b) MITI and MIDA must be notified on any disposal of shares in NSM.	Complied
				(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.	Noted
				(d) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.	Noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	Compliance status
(9)	NSM	MITI/ A019324 (Serial No. A037254)	22 July 2019/ valid until and unless revoked or surrendered	Manufacturing licence for "Remanufacturing of Printed Circuit Board Assemblies (PCBA) and "Rework/ Testing of Integrated Circuit (IC)"	(a) The manufacturing site shall be located at Plant 1 and Plant 2 and shall be subject to the approval from the relevant state authority. (b) MITI and MIDA must be notified on any disposal of shares in NSM. (c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels. (d) The company must meet the condition of the capital investment per employee (CIPE) ratio of at least RM140,000.00. (e) Total full-time workforce shall comprise at least 80% Malaysians by 31 December 2020. In addition, employment of foreign workers including outsourced workers shall	Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	Compliance status
					be subject to current policy ⁽²⁾ .	
					(f) The company shall submit information on investment performance and project implementation under the Industrial Coordination Act, 1975 and the MIDA Act, 1965 when required by MIDA.	Noted
					(g) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.	Noted
(10)	NSM	MITI/ A018127 (Serial No. A032878)	24 December 2010/ valid until and unless revoked or surrendered	Manufacturing licence for "Plastic injection moulded products, vacuum forming tray, spray painting and assembly for communication, military, marine and medical components/ products and parts thereof" and "Mould and tooling fabrication and parts thereof"	(a) The manufacturing site shall be located at Plant 3 and shall be subject to the approval from the relevant state authority and DOE. (b) MITI and MIDA must be notified on any disposal of shares in NSM.	Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major	Compliance status
(11)	NSM	MITI/ A018127 (Serial No. A033351)	9 July 2014/ valid until and unless revoked or surrendered	Manufacturing licence for "LED lighting"	(a) The manufacturing site shall be located at Plant 3 and shall be subject to the approval from the State Authority and DOE.		Complied
					(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.		Complied
					(d) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.		Complied
					(a) The manufacturing site shall be located at Plant 3 and shall be subject to the approval from the State Authority and DOE.		Complied
					(b) MITI and MIDA must be notified on any disposal of shares in NSM.		Complied
					(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.		Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major	Compliance status
(12)	NSM	MITI/ A022778 (Serial No. A038494)	18 November 2020/ valid until and unless revoked or surrendered	Manufacturing licence for "Assemblies of printed circuit board (PCB) and electrical & electronic components" and "Remanufacturing & testing of integrated circuit (IC)"	(d) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.		Complied
					(a) The manufacturing site shall be located at Plant 5 and shall be subject to the approval from the relevant state authority.		Complied
					(b) MITI and MIDA must be notified on any disposal of shares in NSM.		Complied
					(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.		Complied
					(d) The company must meet the condition of the capital investment per employee (CIPE) ratio of at least RM140,000.00.		Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major Compliance status
(13)	NSM	MITI/ A024322 (Serial No. A040477)	26 December 2021/ valid until unless revoked or surrendered	Manufacturing licence for "Assemblies of printed circuit board (PCB) and electrical & electronics components" and "Remanufacturing & testing of integrated circuit (IC)"	(e) The total full-time workforce shall comprise at least 80% Malaysians the latest by 31 December 2022. Employment of foreign workers including outsourced workers shall be subject to current policy ⁽²⁾ .	Noted
					(f) The company shall submit information on investment performance and project implementation under the Industrial Coordination Act, 1975 and the MIDA Act, 1965 when required by MIDA.	Noted
					(g) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.	Complied
					(a) The manufacturing site shall be located at Plant 7 and shall be subject to the approval from the relevant state authority.	Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major Compliance status
				(b) MITI and MIDA must be notified on any disposal of shares in NSM.	Complied
				(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.	Complied
				(d) The company must meet the condition of the capital investment per employee (CIPE) ratio of at least RM140,000.00.	Complied
				(e) The total full-time workforce shall comprise at least 80% Malaysians the latest by 31 December 2022. Employment of foreign workers including outsourced workers shall be subject to current policy ⁽²⁾ .	Noted
				(f) The company shall submit information on investment performance and project implementation under the Industrial Coordination Act, 1975 and the MIDA Act,	Noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major compliance status
(14)	NSY	MITI/ A022340 (Serial No. A037832)	4 March 2020/ valid until and unless revoked or surrendered	Manufacturing licence for "Automotive LED lightings, or components and parts thereof"	<p>1965 when required by MIDA.</p> <p>(g) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.</p> <p>(a) The manufacturing site shall be located at Plant 6 and shall be subject to the approval from the relevant state authority.</p> <p>(b) MITI and MIDA must be notified on any disposal of shares in NSY.</p> <p>(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.</p> <p>(d) The company must meet the condition of the capital investment per employee (CIPE) ratio of at least RM140,000.00 by June 2023.</p>	<p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Complied</p> <p>Noted</p>

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or licence	Equity and/or conditions imposed	major	Compliance status
(15)	NSY	MITI/ A024398 A040592	2 March 2022/ valid until and unless revoked or surrendered	Manufacturing licence for "Artificial intelligence (AI) hardware" and "Fibre optic light"	(e) The total full-time workforce shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers shall be subject to current policy ⁽²⁾ .		Complied
					(f) The company shall submit information on investment performance and project implementation under the Industrial Coordination Act, 1975 and the MIDA Act, 1965 when required by MIDA.		Noted
					(g) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.		Complied
				(a) The manufacturing site shall be located at Plant 7 and shall be subject to the approval from the relevant state authority.			Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major Compliance status
					(b) MITI and MIDA must be notified on any disposal of shares in NSY.	Noted
					(c) The company shall train Malaysians so that the technology and skills can be transferred to all job levels.	To be complied upon commencement of manufacturing operation at Plant 7
					(d) The company must meet the condition of the capital investment per employee (CIPE) ratio of at least RM140,000.00.	To be complied upon commencement of manufacturing operation at Plant 7
					(e) The total full-time workforce shall comprise at least 80% Malaysians. Employment of foreign workers including outsourced workers shall be subject to current policy ⁽²⁾ .	To be complied upon commencement of manufacturing operation at Plant 7
					(f) The company shall submit information on investment performance and project implementation under the Industrial Coordination Act, 1975 and the MIDA Act, 1965 when required by MIDA.	Noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major	Compliance status
(16)	NSM	Royal Malaysian Department/ P78G6201100000002	1 December 2020/ 30 November 2022 ⁽³⁾	Manufacturing warehouse license for "Plastic housing & components/ assembly, tooling, vacuum forming tray, assembly of electronic devices, in circuit test JIG, functional JIG, SMT pallet, PCBA assembly, walkie-talkie, battery charger, heater detector, capacitor and LED lighting, computer motherboard, computer PCBA"	(g) The company shall undertake its projects in accordance with the rules and regulations in Malaysia.		To be complied upon commencement of manufacturing operation at Plant 7
				(a) No dutiable goods other than raw materials/ components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the Licensed Manufacturing Warehouse.			Complied
				(b) Changes to the structure of buildings and equipment in the licenced premises are not permitted except with the written approval of The State Director of Customs.			Noted
				(c) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the local market as approved. Goods sold in			Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major	Compliance status
				domestic market are subject to any prevailing duties/ tax at the time.		
				(d) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.		Complied
				(e) Licensee shall notify the Office of Customs in writing within 14 days if:		Noted
				<ul style="list-style-type: none"> • There is a change in the board of directors of NSM; • NSM has been wound up; • An application for winding-up of NSM is made; • Receiver or liquidator is appointed; and • NSM is subjected to civil claims, bankruptcy, closure and other similar matters. 		

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major	Compliance status
(17)	NSY	Royal Malaysian Department/ A11-G6- 202000000001 and A11-G6- 202000000001A	11 June 2021 / 10 June 2023	Warehouse licence and Manufacturing Warehouse Licence for "Lamp/ LED, Die FAB (DFO), PCBA"	(a) No dutiable/ taxable goods other than raw materials/ components and machinery used directly in manufacturing and manufactured goods which have been approved by the State Director of Customs may be stored in the Licensed Manufacturing Warehouse.		Complied
					(b) Changes to the structure of buildings and equipment in the licenced premises are not permitted except with the written approval of The State Director of Customs.		Noted
					(c) At least 80% finished product (by value) are to be exported, and not exceeding 20% of the finished product can be sold in the local market as approved. Goods sold in domestic market are subject to any prevailing duties/ tax at the time.		Complied

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity and/or conditions imposed	major Compliance status
					(d) Disposal of waste including manufacturing waste is subject to the written approval of the State Director of Customs.	Complied
					(e) Licensee shall notify the Office of Customs in writing within 14 days if: <ul style="list-style-type: none"> • There is a change in the board of directors of NSY; • NSY has been wound up; • An application for winding-up of NSY is made; • Receiver or liquidator is appointed; and • NSY is subjected to civil claims, bankruptcy, closure and other similar matters. 	Noted

APPENDIX I – MAJOR APPROVALS, LICENSES AND PERMITS (cont'd)

No.	Licensee	Issuing Authority/ Registration No./ License No.	Date of issue or effective date/ Date of expiry	Nature of approval or license	Equity conditions imposed	and/or major	Compliance status
(18)	NSM (Ooi Eng Leong)	Atomic Energy Board / LPTA/A/3403	19 January 2022/ 18 January 2024	Atomic Energy License: Class C license under the Radiation Protection (Licensing) Regulations 1986 to purchase, own, possess, handle, use and store irradiating apparatus as stated in the said license	(a) The responsible personnel for the licence is Ooi Eng Leong. (b) The licence is not transferable.	is not	Noted

Notes:

- (1) We normally submit the renewal application for these licenses/permits with the relevant authorities within 2 weeks prior to its date of expiry.
- (2) The current policy is referring to the employment of foreign workers including outsourced workers shall be subject to the total full-time workforce comprises at least 80% Malaysians. MITI has announced via letter of decision dated 18 July 2022 that compliance of the condition where the total full-time workforce shall comprise at least 80% Malaysians and the employment of foreign workers including outsourced workers shall be subject to the current policy, has been extended to 31 December 2024.
- (3) Subsequent to the LPD, the said license has been renewed with a validity period commencing from 1 December 2022 to 30 November 2024.

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